

Scottish Commission for Public Audit
Friday 18 September 2026
1st Meeting, 2026 (Session 7)

Audit Scotland Annual Report and Accounts for the year to 31 March 2026 and Auditor's report on the Accounts

Purpose

1. Audit Scotland's annual report and audited accounts for the year to 31 March 2026 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 TC Group, 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 2025/26.
4. A covering letter from the Auditor General for Scotland, the annual report and accounts, and the management letter from TC Group are attached as **Annexes A, B and C** of this paper.
5. A copy of the Quality of Public Audit in Scotland annual report 2025/26 can be found in **Annexe D**.

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.**

Commission Secretariat
September 2026

Annexe A: Letter from the Auditor General for Scotland

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AUDITOR GENERAL 

12 June 2026

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

Dear Chair

Audit Scotland's 2025/26 Annual Report and Accounts

I am pleased to submit Audit Scotland's Annual Report and Accounts for the year ended 31 March 2026, which I signed along with the external auditor, David Jeffcoat from TC Group (formerly Alexander Sloan Accountants and Business Advisers) on 12 June 2026.

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 (0.2%), broken down as revenue £60k and capital £1k, with the underspend balance of £3,921k 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.

Together with colleagues, I look forward to meeting the new Commission to provide a briefing on the Annual Report and Accounts and later sessions on our 2026/27 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

Annual report and accounts

2025/26



Our performance

2025/26 in numbers



253

Accounts
audited



17

National
performance audits



9

Best Value in
local government
reports



68

Parliamentary
engagements



£58.6bn

of devolved public
spending audited



90%

of audit
recommendations
made in 2025/26
were accepted



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

Our year

- Auditors delivered 253 annual audits of public sector accounts, covering about £60 billion of public spending. Auditors delivered 94 per cent of audits of the 2024/25 financial year by 31 March 2026, and 55 per cent to our internal target times as we manage previous and emerging disruptions to delivery.
- We published 12 statutory reports on issues found through our financial audit work.
- We published 17 national performance audits on public services and bodies, and nine Best Value reports in local government.
- 90 per cent of financial and performance audit recommendations made in 2025/26 were fully or partially accepted by audited bodies. The mid-term evaluation of our performance against our purpose statement, Public audit in Scotland, also found strong buy-in for our recommendations, but slow pace of change at public bodies. It also said we had effective stakeholder relationships, and made recommendations for better monitoring and evaluating our impact.
- We worked to shape the future of public audit through consultation and drafting of a new [Code of Audit Practice](#) and ongoing investment in audit modernisation.
- We set out and are driving our vision for Audit Scotland as an organisation through our future operating model project and integrated business, workforce and financial planning.
- We ended 2025/26 with a £3.98 million underspend. Year-end pension scheme adjustments accounted for £3.92 million of the underspend. This means we had an overall operational underspend of £0.06 million, or 0.16 per cent of our operational budget.

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



In a period of sustained, significant pressure on public services and finances, public audit needs to make a positive impact.

During 2025/26, we undertook an in-depth evaluation of the contributions we make to improving the management, oversight and reporting of £60 billion of public spending, and to how services improve the lives and outcomes of Scotland's people and communities.

The review – our [mid-term evaluation](#) of progress against our purpose statement, Public audit in Scotland – finds we make an important and valued contribution to improvement at public bodies and to parliamentary scrutiny. It also sets out what we need to do to better understand and increase our impact. You can read more in this report and on our website.

But while audit must have an impact now, we are acutely aware of the need to prepare for the future. We have embarked on an ambitious programme of transformational change, covering the future scope of audit, how we will deliver it, and the shape and composition of Audit Scotland. Through this, we can ensure our work is proportionate, impactful and efficient, that we have the right skills in the right places, and that we can make the most from the technological changes taking place.

During 2025/26 we put many key building blocks in place. Now we will use that base to deliver our ambitions for the future of public audit in Scotland.

This is my last annual report as Chair of Audit Scotland's Board after six years on the Board, the last two as Chair. During that time, I have seen Audit Scotland and its impact evolve significantly. A wider cross-section of Scotland understands what public audit does and what it is trying to achieve, and it remains a highly trusted part of the Scottish public sector.

The Board has ensured strong governance and oversight, and has helped drive a culture of embracing change and anticipating and robustly planning for the future. We have benefitted from Board members who are positive but unafraid to challenge. I thank them for their contribution.

And lastly, the staff at Audit Scotland. From the trainees to the Executive Team, they are excellent. The principles of accountability, Best Value and performance are at the heart of all they do. I thank them for the real pride they take in serving the public interest, their hard work and their integrity.

Colin Crosby OBE

Chair of the Audit Scotland Board

Accountable Officer's report



Scotland's public services continue to operate under significant and growing financial pressure. Across our audit work, we have highlighted risks to long-term financial sustainability and the implications these have for the delivery of services.

Public audit has a unique view across public services, and we can make an important contribution by providing independent assurance, insight and reporting in the public interest. In recent years, our work and that of others has contributed to a greater focus on public service reform, and there are examples of action being taken across the public sector.

However, reform sits alongside wider structural, fiscal and demographic pressures that affect public bodies' ability to respond to the challenges. Continuing global uncertainty may also create further volatility for public finances. Addressing these issues requires sustained action over time, including a greater focus on prevention, reform and long-term planning.

We have emphasised the need to move from short-term approaches towards longer-term, systemic planning. Where possible, this includes multi-year funding and alignment between priorities, resources and delivery. We have also highlighted that effective change needs robust planning, governance and performance information, and consistent monitoring.

As an organisation, we face the same issues of tightening finances and rising demands. The past year has been one for us to take stock of our impact, and how we are preparing for the future.

We continued our work on shaping public audit of the future and how we will deliver and resource that work. We have done this through our future public audit model, audit modernisation and our future operating model. This includes being prepared to grasp the opportunities that artificial intelligence holds for public audit.

We've continued to work to drive in-year efficiencies and improvement, and finished 2025/26 with an operational underspend of £60k, or 0.16 per cent of our operational budget.

I would like to thank my Audit Scotland colleagues and the staff at the external firms we contract for the commitment and rigour they display every day. They are at the heart of all that public audit delivers.

Stephen Boyle

Auditor General for Scotland and Accountable Officer

Timely and impactful public audit

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 that includes 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.

In 2025/26, our in-house audit teams and the firms we contract audited 253 sets of public body accounts under the [Code of audit practice](#).

Public sector accounts audited

123

Local
government

87

Central
government

23

NHS

20

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, joint and partnership boards, and charitable trusts.

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

We take a risk-based approach to prioritising work so we can ensure high quality and efficient use of resources, while also considering colleagues' workloads, wellbeing and professional development.

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 2025/26 the audits were of the 2024/25 accounts. In 2025/26, we also delivered audits of 16 sets of 2023/24 accounts which had not been completed in the previous year.

We continued to work on recovering audit delivery timeliness against our internal targets, following disruptions, truncated timelines and new auditing standards in recent years. Our in-house auditors and external firms delivered 55 per cent of audits to sector-specific



internal targets, and 94 per cent of audits of the 2024/25 year were completed by 31 March 2026.

Audit completion to internal target times by sector for past four audit years:

Sector	2021/22	2022/23	2023/24	2024/25
Central government	42%	56%	60%	51%
Further education	81%	67%	70%	90%
Local government	40%	29%	42%	45%
NHS	96%	74%	91%	91%
All	49%	45%	55%	55%

Note. The financial year and the audit year are not the same. For example, audits for the 2024/25 audit year are carried out during the 2025/26 financial year.

We have a multi-year programme to recover our delivery. We expect to achieve this within the next two years. This is dependent on several factors. In the past year, we recovered time on many late audits, prioritised larger audits, made fundamental changes to our internal resourcing approach (see page 26), actively worked with audited bodies and introduced an escalation process to support the return of audits to expected performance. We also appreciate that audit delivery is a joint exercise between auditors and audited bodies. We are seeing indications that the issues at audited bodies that delay audits may be reducing, and we acknowledge the work audited bodies do to support the audit process.

Accounts audited in 2025/26

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 relevant regulations.

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.

All accounts we audited for the 2024/25 year were judged to be true and fair, and for almost all accounts, auditors gave **unqualified** opinions. Auditors gave a **qualified** opinion on the 2024/25 accounts for Glasgow City Council due to delays in the audits of two group entities, which meant the auditors were unable to obtain sufficient audit evidence. Auditors also issued a qualified opinion on the 2023/24 accounts for Comhairle nan Eilean Siar. A 2023 cyber-attack left key elements of the Comhairle’s accounting records inaccessible and meant auditors could not obtain sufficient appropriate evidence on which to conclude their work.



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 or aspects of the accounts to be either factually incorrect or incomplete, or judges the accounting treatment to be incorrect.

Audited bodies accepted or partially accepted 91 per cent of the recommendations made in annual audit reports published in 2025/26.

Raising issues from annual accounts

We highlight matters of concern that 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.

We issued nine Section 22 and three Section 102 reports:

Section 22s:

- procurement breaches in a net-zero project at [Forth Valley College](#)
- qualification over accounting treatment at [Lews Castle College](#)
- [UHI Perth](#)'s failure to set a 2023/24 budget
- [Scottish Government Consolidated Accounts](#)
- [NHS Grampian](#) needed a Scottish Government loan to break even
- [NHS Ayrshire and Arran](#) also required a Scottish Government loan
- ongoing substantial issues and challenges in mental health services at [NHS Tayside](#)
- unacceptable weaknesses in governance at [Historic Environment Scotland](#)
- [Scottish Public Pensions Agency](#)'s failure to meet a deadline for remedy pensions for more than 50,000 members.

Section 102s:

- issues with the process for agreeing early retirement and redundancy payments to senior staff at [Glasgow City Council](#)
- the impacts of a significant cyber-attack on [Comhairle nan Eilean Siar](#)
- [Clackmannanshire and Stirling IJB](#)'s failure to appoint a chief finance officer.

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 Section 22s, and our reports provide lessons and warnings to the wider public sector. See Making a difference on [page 12](#).

Reporting on Best Value in local government

Scotland's 32 councils are statutorily required to deliver 'Best Value'. This requires a focus on continuous improvement in performance while maintaining a balance between quality and cost.

The auditing of Best Value (BV) is fully integrated into the annual audit and considers how well councils are meeting their BV duties.

Each year, the Accounts Commission also defines a Best Value theme and asks auditors to conduct work in relation to this theme as part of their annual audits. The theme for 2025/26 was transformation, and all councils received a management letter on this theme.

The theme for 2024/25 was workforce innovation, with an overarching national report: [Delivering for the future: Responding to the workforce challenge](#) published in August 2025.

The Commission also produces a BV report about each council at least once during a five-year cycle. In 2025/26, we published:

- Best Value: [Argyll and Bute Council](#)
- Best Value: [The Highland Council](#)
- Best Value: [Renfrewshire Council](#)
- Best Value: [East Lothian Council](#)
- Best Value: [North Ayrshire Council](#)
- Best Value: [North Lanarkshire Council](#)
- Best Value: [Shetland Islands Council](#)
- Best Value: [Aberdeenshire 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

Using statutory reporting to highlight risks and drive change



Our statutory reports not only highlight specific concerns at public bodies but can also provide early warning of emerging risks across organisations and sectors.

For example, our Section 102 reports on exit packages at Glasgow City Council and a cyber-attack at Comhairle nan Eilean Siar set out clear actions and lessons for councils. When reporting on governance weaknesses around redundancy payments for four senior officers at Glasgow, the Accounts Commission stressed that service redesign and restructuring will be a necessary response by many councils trying to address sustained financial pressures. It called for strong governance, independent scrutiny, and transparent record keeping.

The Commission also warned, following the CnES cyber-attack, that all councils needed

to learn from it and assume 'it's a case of when, not if, they are attacked'.

Section 22 reports on NHS Ayrshire & Arran and NHS Grampian highlighted reliance on Scottish Government loans to break even. While these cases were the most acute, the Auditor General highlighted that they were 'not alone' among health boards struggling to balance finances.

Statutory reporting has also driven improvement. A follow-up Section 22 on the Water Industry Commission for Scotland identified progress in leadership and governance, while a follow-up Section 102 found Renfrewshire Council had taken steps to rebuild public trust after failure to provide adequate school provision for a new community.

Performance audit programme

We produce performance audits and overview reports on important issues of 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.

We communicate our findings and recommendations through a range of products, from detailed performance audit reports to briefing papers and update reports. We supplement these with a range of 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, a recurring theme has been the urgent need to address the financial sustainability of public services. Using the insights and information we gain from our unique view of the whole public sector, we made several recommendations to help inform and support public bodies. See Making a difference on [page 16](#).

We also carried out our [first Best Value audit on Scottish policing](#) since the creation of the single national force. Working in collaboration with His Majesty's Inspectorate of Constabulary in Scotland, we published a joint report in January.

During 2025/26 we published:

- [Scottish National Investment Bank](#)
- [Local government budgets 2025/26](#)
- [NHS in Scotland: Spotlight on governance](#)
- [Flooding in communities: Moving towards flood resilience](#)
- [Adult Disability Payment](#)
- [Scotland's colleges 2025](#)
- [Improving care experience: Delivering The Promise](#)
- [Local government performance: Spotlight on culture and recreation services](#)
- [Fiscal sustainability and taxes](#)
- [NHS in Scotland 2025: Finance and performance](#)



- [Delayed discharges: A symptom of the challenges facing health and social care](#)
- [Community health and social care: Performance 2025](#)
- [Administration of Scottish income tax 2024/25](#)
- [Best Value in policing](#)
- [Local government in Scotland: Financial bulletin 2024/25](#)
- [The Scottish Budget 2026/27: supplement to the Local government in Scotland: Financial bulletin 2024/25](#)
- [Integration Joint Boards: financial bulletin 2024/25.](#)

We also work to share the good practice we find, to help the wider public sector learn from what is working in other places. In March, we published [Transforming the approach to climate change: Lessons from public audit](#).

Of the 159 recommendations we made in performance audits during 2025/26, 140 have been fully or partially accepted (88 per cent).

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 support MSPs in their scrutiny of the public sector.

During 2025/26, we provided evidence and briefings to a wide range of parliamentary committees and others, with 68 parliamentary engagements. We also provided submissions to ten Scottish Parliament and Scottish Government consultations.

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 2025/26, 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](#).

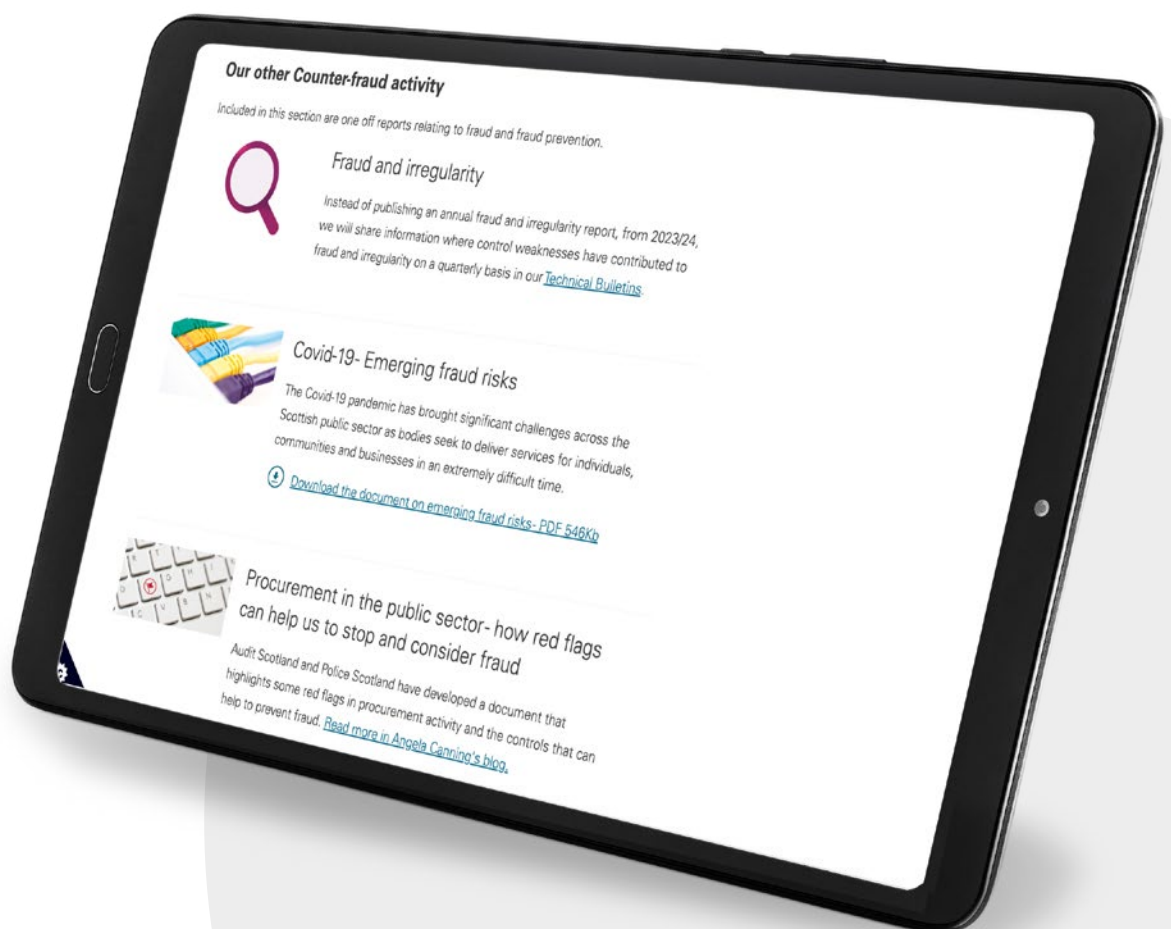


Countering fraud

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 for Scotland, an exercise that matches datasets across the public sector to identify potential fraud and errors such as overpayments. The next biennial NFI report will be published during 2026.

More information is available at our [Counter-fraud webpage](#).



2

Making a difference The sustainability of public services



From individual public bodies to sectors to the national level, Scotland's public services are not financially sustainable.

Our reviews of local government, the NHS, integration joint boards, colleges, and social care show that costs are rising faster than available resources. Inflation, pay pressures and rising demand continue to outstrip investment. Many bodies are using reserves, borrowing and one-off short-term solutions rather than fundamentally addressing baseline costs and taking truly innovative approaches to reform.

Devolved tax powers provide some support to the Scottish Budget, but we found that lower earnings growth and the absence of a clear long-term tax strategy are contributing to a widening fiscal gap. The Scottish Fiscal Commission projects this to reach £2.6 billion by 2029/30.

We have also found recurring barriers to reform. Short-term planning cycles and limited multi-year financial certainty hinder long-term change. Complex governance slows decision-making, while insufficient or inconsistent data constrains planning. Workforce challenges, alongside public

expectations and political pressures, make difficult decisions harder.

Public audit has a role in not only highlighting the problems but in recommending how to address financial sustainability. Across our 2025/26 reports, we made the following core recommendations:

- move from short-term fixes to long-term transformation planning
- improve medium to long-term financial planning, with clear modelling of pressures, risks, workforce and demand
- strengthen governance and accountability to support clearer decision-making and oversight
- communicate clearly with the public about the tough choices ahead, and report on performance transparently
- invest in prevention and community-based delivery models
- develop workforce plans aligned with financial strategies
- use taxation and economic levers strategically.

Enhanced public audit approaches

In an environment of significant and ongoing change and pressures, we expect public bodies to be working to ensure they can meet the demands of the future. The same applies to us; we must deliver audit that is fit for now and the future.

To achieve this, we are undertaking a programme of strategic transformational change projects, our Strategic Improvement Portfolio (SIP). Through the SIP, we are looking at the scope of public audit, and at the resources, shape and skills our organisation will need.

This section of the annual report and the next – Developing our people and our business, from page 22 – provide more information, starting with how we're reviewing the scope of public audit.

The future scope of public audit in Scotland

Our future public audit model project aims to make sure we deliver value for money and can meet the changing demands on public audit.

Through this project we are examining fundamental questions about what public audit in Scotland should look like after the current round of audit appointments concludes in 2028. This includes striking a careful balance between several complex and significant factors including legislative requirements, affordability, proportionality, quality, impact, timeliness and flexibility.

During 2025/26, a central plank of the project was updating the Code of audit practice, which sets out the scope and expectations of the annual audit. Although the model set out in the existing Code was considered to be working well, we believed there was scope for improvement in a number of areas.

In early 2026, we put a draft Code for 2027/28 onwards out for [public consultation](#). The responses helped inform our final updated [Code](#), published in June 2026. See Making a difference on [page 21](#).

Modernising our audit approaches

As well as looking at the future scope of public audit, we have continued our work on modernising how we will deliver audit.

Our multi-year Audit Modernisation Project sets out and drives the transformations we are making in:

- audit approach: refreshing approaches so they are risk-based, high quality and efficient
- tools and software: delivering an interoperable suite of software, and sustainable and efficient ways of updating our tools
- cultural and organisational change: managing change and supporting new ways of working and learning and support
- capacity and capability: determining the skills, capacity and grade mix we need (see Workforce planning on [page 23](#)).

In the past year, we made progress in the project across financial audit, performance audit, procurement and organisational readiness.

We continued to progress one of the project's key workstreams, our partnership with the UK National Audit Office to use a bespoke software and audit management system, Apex. This includes carrying out simulated audits through the new system, creating new tools for auditors, and continuing to work on the specific modifications we require.

While we do this, we are working to make sure that we are progressing at an appropriate pace to be able to reflect and maximise the developments in artificial intelligence (AI) and automation. By doing this, we can take advantage of future AI and digital tools and developments. For more on our approach to AI, see Artificial intelligence on [page 28](#).

External spending on audit modernisation

Year	Spend
2025/26	£242,000
2026/27	£1,550,000
2027/28	£424,000
Total	£2,216,000

Audit quality

Our [Audit Quality Framework](#) sets out how we provide the Auditor General, the Accounts Commission and external stakeholders with robust, objective and independent assurance over the audit work conducted by Audit Scotland and external firms. It encompasses a single set of shared quality arrangements for performance audit and Best Value work and the annual financial audits.

The AQF helps to demonstrate the impact of quality on continuously improving auditor performance and underpinning stakeholder confidence. For our in-house auditors and those at the firms we contract, the AQF explains the structure and processes of quality assessment, and provides the necessary evidence that professional standards have been achieved.

The AQF measures quality in five ways: compliance with ethical standards; monitoring of audit outputs against target dates; compliance with relevant quality standards; external and internal quality reviews; and monitoring stakeholder surveys.

Reviews of a sample of audits¹ completed in 2025/26 found:

- 93 per cent of financial audits and all of performance audits reviewed internally achieved our expected standard of no more than limited improvements needed
- 75 per cent of financial audits and all of performance audits reviewed externally achieved our expected standard of no more than limited improvements needed
- No audits reviewed required significant improvements.

Note 1. The sample included audits by both Audit Scotland and firms.

Audit quality 2025/26

External reviews

Common areas of good practice:

- Strong evidence of effective scoping, and accessible records management
- Good standard of planning files, clear oversight by engagement leads, and scrutiny of key judgements was evident
- Individual skills and expertise strengthen efficiency and performance of teams
- No common or consistent areas needing improvement. Areas that needed improvement were isolated and specific to the audits in question



Feedback from public bodies

- **4.2/5** usefulness of annual audits
- **4.2/5** usefulness of overview reports
- **3.9/5** usefulness of performance audits



Feedback from Audit Scotland staff

- **89%** feel encouraged to deliver high-quality audits
- **70%** believe our L&D support helps them deliver high quality
- **46%** feel they have sufficient time and resources



These results inform our quality improvement activity and wider staff support. As they show, our staff have been clear that they feel under pressure and are concerned about resourcing and constraints. In the short term, we have introduced a new resource management approach so we have the right people in the right places at key points in the audit cycle. In the medium term, we are addressing these issues through our strategic work to shape our resourcing, skills and ways of working in the future; see Developing our people and business on [page 22](#).

More information on our quality results and approaches is available in the [Quality of public audit in Scotland annual report](#) and our [Transparency report](#).

Engagement on audit standards

We 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 learning from and sharing good practice.

3

Making a difference

A Code for delivering high-quality, proportionate public audit



Over the past year, we conducted a root-and-branch review of public audit, supported by extensive internal and external consultation.

The outcome is a new [Code of Audit Practice](#), effective from 2027/28. It sets out a future model that is agile, impactful, proportionate and delivers value for money, while allowing flexibility to reflect ongoing public sector reform and support auditors' professional judgement.

A key change is a more proportionate approach for smaller bodies. Previously, fully ISA-compliant audits imposed costs and scrutiny that were out of scale with the appropriate level of assurance. The new Code sets out a more proportionate framework, allowing auditors to focus more clearly on key risks.

Local government audit is also streamlined, with a greater focus on Best Value.

The Code builds on existing principles – independent appointment, public reporting, wider scope and quality – and strengthens them by:

- emphasising that auditors act in the public interest
- reinforcing the use of professional judgement
- increasing use of data to improve insight, accuracy and efficiency.

It also recognises the complexity of modern service delivery and the need for auditors to have broader skills and to work collaboratively across organisational boundaries.

Developing our people and our business

Shaping the future of Audit Scotland

Through our Strategic Improvement Portfolio, we are working to ensure we have the rights skills and resources to produce high-quality work efficiently and effectively.

This will enable us to navigate the changing external environment, future proof audit, provide rewarding careers, and make the most of technological advancements.

However, we face financial pressures and changing demands on audit. Through internal surveys and other channels, our staff have clearly told us they are concerned about resourcing and constraints, and the impacts of these on performance and wellbeing.

Audit Scotland's leadership is clear that responding to this and providing the resources and support that our staff need is a priority.

Over the past year, we have developed a future operating model for Audit Scotland that sets out a clear vision for how we will work in the years ahead. The model provides the strategic anchor for our planning: it informs the decisions we will make about roles, skills, technologies, processes and behaviours, and where to focus our effort and investment.

Embedding this model will be critical to how we adapt to changing demands, strengthen resilience and deliver high-quality public audit in an increasingly complex landscape.

Integrating business, workforce and financial planning

Central to implementing our future operating model has been producing an integrated business, workforce and financial plan for the first time.

By integrating our plans, we can align our resources, capacity and investment decisions and transparently target them to the areas of greatest organisational need. This represents an important step forward in the maturity of our planning approach and speaks to the concerns about resourcing our colleagues have expressed.

Key projects within this include:

- strategic workforce planning (see Workforce planning on [page 23](#))
- our new resource management approach (see Resource management on [page 26](#))

- audit modernisation (see Modernising the audit on [page 17](#))
- the future annual audit model (see The future scope of public audit in Scotland on [page 17](#))
- and AI and data governance (see Artificial intelligence on [page 28](#)).

Our people

Our workforce in 2025/26

342

Whole-Time
Equivalent (WTE)
at 31 March 2026

0.3%

decrease
from March 2025

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:

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

Progress against our strategy is reported and considered annually by our Remuneration and Human Resources Committee.

Workforce planning

A central plank of delivering now and in the future is our workforce planning. In early 2025/26, we agreed our new Workforce plan 2025–28, setting out how we will ensure we have the skills, capacity, resources and flexibility to deliver the vision for Public audit in Scotland and our Corporate Plan 2023–28.

We have also built on this to look further ahead, supporting our work on our future operating model by considering what our workforce should look like in the longer term. Our new strategic workforce plan project will bring our future role and skills requirements into a single view. We will report further in next year's annual report.

During 2025/26, we used our new recruitment board approach to better monitor vacancy management, scrutinise all vacancies and recruitment requests, and take a strategic, cross-organisation overview of recruitment and roles. We continued to set our vacancy factor at five per cent to help manage budgetary pressures.

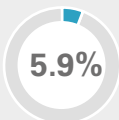
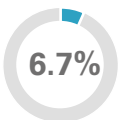
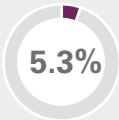
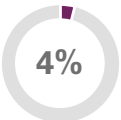
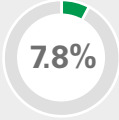


Diversity, equality and inclusion (DEI)

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

Working with our DEI partner, Business in the Community and our staff networks, we launched our new DEI strategy in April 2025. This aims 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.

Our first annual review found we are making good progress against the strategy. For more information, see Making a difference on [page 27](#).

Diversity, equality and inclusion	Audit Scotland	Scotland
5.9% colleagues declare they are from ethnic minorities, compared with 6.7% for Scottish adult population	 5.9%	 6.7%
5.3% colleagues declare they are from LGBTQ+, compared with 4% for Scottish adult population	 5.3%	 4%
7.8% ¹ colleagues declare they have a disability, compared with 38% for Scottish adult population	 7.8%	 38%

Note 1. 32.3% of employees preferred not to disclose information on disability.

We have seen increases in both the percentages of staff reporting a disability and in those disclosing this information. Employees who have reported a disability at Audit Scotland has risen from 4.9 per cent in 2022 to 7.8 per cent in 2025. In 2025, 67.7 per cent of colleagues chose to disclose this information compared with 55.7 per cent in 2024 and 42.4 per cent in 2023.

In 2025/26, for the first time our gender pay gap showed female staff earning more than male on average; women earned £1 for every 97 pence that men earned, when comparing median hourly rates.

For more information on our diversity, equality and inclusion work and staff networks, see page 59 in our Remuneration and staff report. Our annual diversity report 2025/26 will be published in late 2026. Our [2024/25 report](#) is available on our website.

Health, safety and wellbeing

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.

Our Health, safety and wellbeing plan 2024–28 supports how we protect and enhance staff. Its vision 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.’

Through this plan, we will focus on colleagues’ physical, mental, social and financial safety.

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 learning management system 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 run one of the largest public sector accountancy training schemes in Scotland. At 31 March 2026, we had 48 trainees working towards Institute of Chartered Accountants in Scotland qualifications. We employ four Modern Apprentices, which offers opportunities for young people to join the workforce and gain a qualification at the same time. We will widen our Modern Apprentices programme during 2026/27.



21.3 days on average of training for each staff member in 2025/26



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

During the past year we also ran the second tranche of a new development programme for aspiring leaders, in collaboration with Audit Wales.

Performance management

We have worked to ensure all colleagues and teams are able to focus on purpose and production. Through our performance appraisal and development approach, Your Performance and Development, 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.

Resource management

We have invested in a new resource management system to enhance understanding of our productivity and workflows, better deploy our resources and better identify efficiencies. During 2025/26, we finalised arrangements for implementation, including training for all employees, and the new system went live in April 2026. We will report on its early impact in next year's annual report.

Climate change and sustainability

Our most recent information on our sustainability performance is for 2024/25. During the year, the total emissions counted against our target was 142 tCO₂e. This is 20 per cent lower than our 2024/25 target, and seven per cent higher than our current 2030 target.

We have seen an increase in emissions over the previous year, and a gradual rise over the past five. This is as colleagues returned to more typical patterns of working following the 2020 pandemic, and the expansion of our Glasgow premises in 2024/25. However, we have reduced our emissions by a third from pre-pandemic levels.

More information is in our [Climate change annual report 2024/25](#).

Our 2025/26 report will be published in late 2026.

4

Making a difference

Supporting diversity, equality and inclusion



Our Diversity, Equality and Inclusion (DEI) Strategy 2025–29 sets out an ambitious vision: to be leaders in the Scottish public sector, with a workforce reflective of Scotland's people and an inclusive culture that delivers audit work addressing inequalities and supporting human rights.

In 2025/26, the first year of delivery, we made strong progress. Of 18 priority actions, 13 are advancing well, with the remainder continuing at a slower pace.

Key achievements include:

- introducing disability awareness training within mandatory learning
- launching an employee passport scheme to support colleagues with disabilities or long-term health conditions
- expanding our reverse mentoring programme between leaders and staff

- delivering cultural awareness activities and enhanced induction sessions through our race, ethnicity and cultural heritage (REACH) network
- providing strengthened communications on maternity returner support
- embedding flexible working and menopause support in recruitment
- and developing new language guidance for auditors alongside early updates to equalities guidance.

In the coming year, we will build on this progress by addressing training gaps in human and child rights, expanding inclusion training, and embedding a new Equality Impact Assessment register. We will also improve DEI data collection and reporting.

These actions will support a more inclusive culture, a workforce representative of Scotland's people, and delivery of our strategy's vision.

Insights driving innovation and improvement

Public audit in Scotland

In our purpose statement [Public audit in Scotland](#), we committed to reporting publicly twice during its five-year term on our performance against the four PAIS outcomes.

During 2025/26, we carried out a mid-term evaluation. It looked at our progress so far in achieving our intended outcomes, and in driving our mission and vision. It also considered how well we record and monitor our performance, and where we can improve.

We published our [evaluation report](#) in December 2025. See Making a difference on [page 31](#).

We also carried out a [mid-term stocktake of our Corporate plan](#). One action resulting from this was to combine our two audit delivery-related strategic priorities into one. We will report against the updated Corporate plan from our 2026/27 annual report onwards.

Artificial intelligence (AI)

As with all sectors, AI presents significant opportunities for public audit. We are already taking these forward and continue to refine our understanding of what this means for our ways of working and future skills.

The key questions we are exploring are: how we audit AI in public bodies; how we use AI to help deliver audit, and how we use AI more widely within the organisation.

Our focus is on putting AI to practical use where it can enhance insights and efficiency, while maintaining strong controls over data security and the integrity of our data and networks, and in developing our approaches to the auditing of AI.

As part of our strategic improvement programme, we have established an AI and data governance project running alongside audit modernisation. This work is already under way and is helping to define the role AI will play in the future of public audit in Scotland. The current phase is strengthening governance and building a robust evidence base to support informed decisions on workforce planning and skills development.

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.

We 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.

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 on progress. In 2025/26, 90 per cent of our recommendations were accepted.

Responding to the public

We receive, and welcome, correspondence on a wide range of matters from members of the public and their elected representatives. Where appropriate, we investigate their concerns. Correspondence can also be a valuable source of information for our audit work.

We received 349 items of correspondence in 2025/26, compared with 252 in 2024/25. Of these, 99 per cent received an initial response within five working days and 99 per cent received a final response within 30 working days.

We saw a rise in the number of issues of concern that people raised with us about public bodies after a decrease last year. The year was the busiest year for correspondence in the past ten years. Enquiries about our work are at their lowest level in the past decade, with 40, but issues of concern were much higher than previous years, at 309.

Many issues of concern were about local government, 49 per cent, and seven per cent were about bodies outwith our remit.

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 at public bodies. We received 48 whistleblowing disclosures during 2025/26, after 26 the previous year.

More information is in our [Correspondence and whistleblowing annual report 2025/26](#).

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.

Highlights 2025/26

The EURORAI seminar focused on evaluating the effectiveness, efficiency and economy of public policies by regional public sector audit institutions. The lessons from the event directly informed a PABV audit approaches project on Outcomes and Value for Money.

In October, we also assumed the vice presidency role for EURORAI at the Congress and General Assembly. This is for a three-year term, with an expectation that Audit Scotland will assume the presidency in 2028.

The Office of the UN High Commissioner for Human Rights, the Scottish Human Rights Commission, the University of Glasgow and the Scottish Fiscal Commission attended a workshop we hosted at our Edinburgh offices on budgeting for human rights outcomes. This enabled us to showcase a new practical toolkit, explore gaps in scrutiny, and discuss how human rights frameworks can strengthen audit methodologies.

5

Making a difference Evaluating Public audit in Scotland



Public audit in Scotland 2023-28 set out the vision and mission for public audit. In it, we described the measurable impact we aim to have in four outcome areas.

Our mid-term evaluation considered the impact of our work, how we monitor and evaluate this, our contribution to change, and what we need to improve.

Key findings

The evaluation reviewed 697 audit recommendations from recent years and found 94 per cent were accepted by audited bodies. There is clear evidence that public bodies trust audit and are committed to improvement. However, implementation of recommendations is slow, often due to organisational complexity, competing priorities and the absence of timebound targets.

Audit recommendations most commonly supported improvements in financial management and transparency, with fewer addressing other PAIS outcomes.

We found that public audit continues to strongly support effective parliamentary scrutiny, and that parliamentary committees and third sector organisations routinely use our findings to drive accountability and change. Engagement between auditors and stakeholders is positive and collaborative, but our collection and monitoring of feedback is inconsistent.

Next steps

We have introduced timebound recommendations, and are reviewing how we coordinate stakeholder feedback and the consistency of supplementary audit outputs.

Key next steps included embedding PAIS outcomes more clearly into audit planning, enhancing relationship-building skills, and strengthening reflective practice through better monitoring and increased use of automation.

Our finances

Financial overview

Expenditure

£24.3 million	£9.6 million	£4.3 million	£(2.7) million
Expenditure on people costs	Fees and expenses paid to firms	Other operating expenditure	Net finance income incl. Corporation Tax
£0.2 million			
Capital expenditure			

Fees and funding

£25.6 million	£10 million
Audit fees and other income	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 68](#).

Resource outturn

Our year in figures	Note	2025/26		2024/25	
		Actual £000	Budget £000	Actual £000	Budget £000
People costs	Staff Report	24,332	25,859	24,019	24,588
Fees and expenses paid to external firms	4	9,584	8,034	9,396	7,737
Other operating expenditure	4	4,267	4,837	5,078	4,993
Total operating expenditure		38,183	38,730	38,493	37,318
Operating income	5	(25,606)	(25,133)	(25,707)	(24,544)
Net operating expenditure		12,577	13,597	12,786	12,774
Net finance expenditure (income)	6	(2,745)	223	(1,591)	232
Corporation Tax payable		6	-	9	-
Net expenditure after tax		9,838	13,820	11,204	13,006
Capital expenditure	7 and 8	199	200	298	300
RoU Leases Capital	14	-	160	127	283
Total resource required from Parliament		10,037	14,180	11,629	13,589

Net expenditure after tax

Audit Scotland spent £38.2 million on services for the Auditor General and the Accounts Commission. Of this, £25.6 million was recovered through charges to audited bodies and other income. The balance was met by net finance income of £2.7 million and £9.8 million of Scottish Parliament direct funding. The Parliament also directly funded the £0.2 million capital investment programme.

Our 2025/26 budget proposal was approved with a target of £2.7 million in efficiency savings. The actual saving against the budget in the year was £3.1 million (7.8 per cent), with the final operational outturn being a £0.06 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.

Net adjustments of £803k were processed through the November 2025 Spring Budget Revision (SBR). These comprised £1,080k returned to the Scottish Consolidated Fund (SCF), reflecting a combination of: £430k of reprofiling related to the Audit Modernisation Programme (AMP), where expenditure has been rephased to 2026/27 due to unforeseen delivery delays; £300k of additional fee income; £250k of management contingency; and £100k of secondments income. These outflows were partially offset by £277k reclaimable through the SBR in respect of additional fee income arising from the non-chargeable sector. As these fees must be claimed via the SBR or Autumn Budget Revision (ABR) processes, they directly offset the amounts returned to the SCF, resulting in a net adjustment of £803k.

The actual adjustment in the accounts for pensions in 2025/26 was a credit of £3.9 million.

People costs represent 64 per cent of Audit Scotland's total operating expenditure, with the year-end position being £1.5 million under budget. Staff salaries and on-costs were £0.5 million less than budget. This was mainly due to our vacancy factor being higher than our budgeted five per cent. In addition, adjustments to our IAS19 pension costs and holiday pay provision resulted in favourable variances of £0.9 million and £0.2 million, respectively. Agency staff costs were £0.1 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 £1.55 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 a significant number of adjustments, discrepancies in the application of accounting standards, and delays in the availability of working papers.

Other operating expenditure was £0.6 million less than budget, mainly due to lower legal and professional fees, accommodation and depreciation charges which were partially offset by higher expenditure on IT costs.

Operating income was £0.5 million more than budget. This is due to the recognition of unbudgeted prior audit year fee income and additional fees.

Net finance income for the year was £2.7 million, compared with a budgeted charge of £0.2 million. This favourable variance is largely driven by the net interest position on the defined benefit pension scheme, where interest income on scheme assets more than offset the corresponding interest cost on liabilities. Further detail is provided in [Note 6 on page 90](#).

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.

Our budget for 2025/26 of £0.2 million was used to purchase IT hardware.

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 operates a car lease scheme for eligible employees.

There was no non-cash capital expenditure in 2025/26 for car lease renewals against a budget of £0.2 million.

Further information on Audit Scotland's RoU leases can be found in [Note 14 \(pages 95–97\)](#).

Resources required for 2026/27

The 2026/27 budget has been approved by the Scottish Parliament with revenue resources totalling £41.8 million. Of this, £25.6 million will be recovered through charges to audited bodies and miscellaneous income. The £16.2 million balance will be met from direct Scottish Parliament funding, of which £0.4 million will be capital funding.

Stephen Boyle

Stephen Boyle
Accountable Officer
12 June 2026

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 TC Group (formerly Alexander Sloan Accountants and Business Advisers) as external auditors for a period of five years starting with the year to 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.

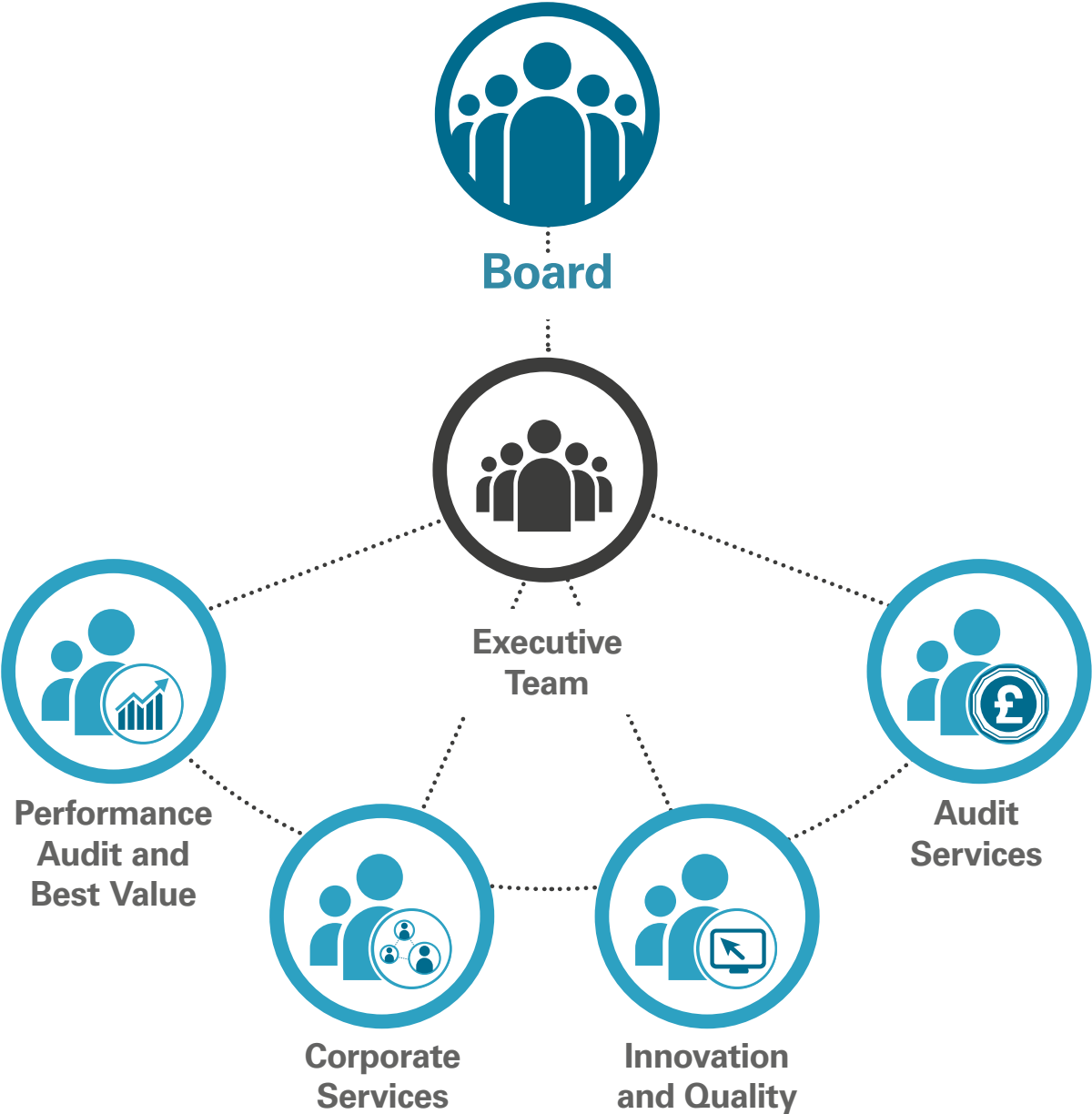
The Accountable Officer confirms that so far as he is aware there is no relevant audit information of which Audit Scotland's auditors are unaware, and that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that Audit Scotland's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

Chair of the board



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

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 the end of every meeting.

From apprentice to full member

The past year has seen our first ever Boardroom Apprentice graduate to becoming a full member.

In early 2025, Dr Catherine Maclean joined our board as an apprentice [under a national programme](#) to train future public sector board members.

For Catherine it was an opportunity to gain experience on a public body board. For Audit Scotland, it allowed us to give back to the public sector and help develop the non-executives of the future.

In March 2026, Catherine was successful in an open recruitment process to succeed Jackie Mann on our board when Jackie's term ends in July 2026. Catherine will join the board as an independent non-executive.



Dr Catherine Maclean
Board member

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 committee comprises Patrick Bartlett, Jo Armstrong and Jackie Mann.

The committee appoints the internal auditors and approves the internal audit plan. Internal audit services are provided by an external firm, Wbg (formerly Wylie & Bisset). Five of the six audits in 2025/26 achieved a 'strong' rating (the highest assurance rating available), while the remaining audit received a 'substantial' rating. Across the audits there were 14 recommendations, of which 13 were of low priority and one of medium priority. Following a procurement exercise, Wbg were reappointed in early 2026.

Remuneration and Human Resources Committee

This committee sets and reviews the salaries of senior staff 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.

Attendance during 2025/26¹:

During 2025/26:

- the Board held seven ordinary meetings
- the Audit Committee held five ordinary meetings
- the Remuneration and Human Resources Committee held three ordinary meetings.

The figures below record all attendances.

Committee	Colin Crosby	Patrick Bartlett	Jackie Mann	Jo Armstrong	Stephen Boyle
Board (7)	7/7	7/7	7/7	6/7	7/7
Audit Committee (5)	-	5/5	5/5	4/5	-
Remuneration and Human Resources Committee (3)	3/3	3/3	3/3	3/3	3/3

Note 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 attended meetings, however she does not appear above as she was not a formal decision-maker.

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 2025/26, 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 TC Group (formerly Alexander Sloan Accountants and Business Advisers).

In [its consideration of the 2026/27 budget proposal](#), the SCPA explored a number of areas including: efficiency savings and Audit Scotland ability to sustain them; audit modernisation; staffing costs, the vacancy factor and staff morale; property costs; and the future public audit model project.

The SCPA supported the 2026/27 budget proposal in principle and submitted it to the Finance Committee.

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 2026, 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, audit modernisation, strategic workforce planning, and maintaining audit quality and sustainability in 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.

We published our new Digital Services Strategy 2025-28 in June 2025. Its three objectives are to: provide automation and AI systems to deliver measurable cost and time savings; improve collaboration with new services and training to strengthen one organisation working and information sharing; and procure, manage and deliver innovative solutions to increase the efficiency and effectiveness of our digital workspace.

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 2025/26 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 2025/26 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 2026 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 2026 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	2025/26 £000	2024/25 £000
Chair – Colin Crosby	15 – 20	10 – 15
Independent board member – Jackie Mann	5 – 10	5 – 10
Independent board member – Patrick Bartlett ²	5 – 10	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. Patrick Bartlett joined the board on 22 January 2025. Full year equivalent remuneration for 2024/25 was £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 2024/25). The total amount of remuneration to Commission members in 2025/26 was £194k ([see page 56](#) for breakdown). They were remunerated in the following bands:

	2025/26	2024/25
Remuneration banding (audited)	£000	£000
Chair – Jo Armstrong	45 – 50	45 – 50
Deputy Chair – Andrew Burns	15 – 20	15 – 20
Commission members (10)	5 – 10	5 – 10

Audit Scotland staff remuneration

Audit Scotland's Remuneration and Human Resources Committee 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



Kenneth Oliver

Executive Director of
Innovation and Quality



Helena Gray

Controller of Audit

The salaries (excluding employer's superannuation and national insurance contributions), benefits in kind and pension entitlements of the management team are shown in the following tables. Information is presented for the whole year to 31 March 2026. Further information on the pensions payable to Audit Scotland staff, including senior management, can be found in Note 3. Pension assets and liabilities ([page 79](#)).

The information in the tables on pages [51–54](#) are covered by the audit opinion.

Accrued pension benefits included in this table and the table on page 52 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.

	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
Single total remuneration (Audited)	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	185 – 190	175 – 180	-	-	64	68	250 – 255	240 – 245
Vicki Bibby Chief Operating Officer	155 – 160	145 –150	-	-	60	63	215 – 220	210 – 215
John Cornett Executive Director of Audit Services	140 – 145	135 – 140	-	-	36	44	175 – 180	180 – 185
Alison Cumming² Executive Director of Performance Audit and Best Value	135 – 140	70 – 75	-	-	-	-	135 – 140	70 – 75
Helena Gray Controller of Audit	140 – 145	130 – 135	-	-	42	107	180 – 185	240 – 245
Kenneth Oliver Executive Director Innovation and Quality	140 – 145	130 – 135	-	-	41	147	180 – 185	280 – 285

	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
Single total remuneration (Audited)	Salary £000	Salary £000	Benefit in kind £	Benefit in kind £	Pension Benefit ¹ £000	Pension Benefit ¹ £000	Total £000	Total £000
Antony Clark³ Executive Director of Performance Audit and Best Value	-	55 – 60	-	-	-	-	-	55 – 60

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 (3.3 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. 2025/26 full year equivalent salary £135,000 to £140,000.

	Accrued pension at 31 March 2026 £000	Accrued lump sum at 31 March 2026 £000	Real increase in annual pension £000	Real increase in lump sum £000	CETV at 31 March 2026 ¹ £000	CETV at 31 March 2025 ¹ £000	Real increase in CETV ¹ £000
Pensions (Audited)							
Stephen Boyle Auditor General for Scotland	20 - 25	-	2.5 - 5.0	-	335	267 ³	39
Vicki Bibby Chief Operating Officer	40 - 45	25 - 30	5.0 – 7.5	0.0 - 2.5	664	587	61
Alison Cumming² Executive Director of Performance Audit and Best Value	-	-	-	-	51	17	21
John Cornett Executive Director of Audit Services	15 - 20	-	2.5 - 5.0	-	281	229	38
Helena Gray Controller of Audit	5 - 10	-	2.5 - 5.0	-	106	70	22

Pensions (Audited)	Accrued pension at 31 March 2026 £000	Accrued lump sum at 31 March 2026 £000	Real increase in annual pension £000	Real increase in lump sum £000	CETV at 31 March 2026 ¹ £000	CETV at 31 March 2025 ¹ £000	Real increase in CETV ¹ £000
Kenneth Oliver Executive Director Innovation and Quality	10 - 15	-	2.5 - 5.0	-	134	95	25

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.
3. The comparator CETV figures for the Auditor General for 2024/25 have been restated from those previously reported in the 2024/25 Annual Report and Accounts. Following publication, revised information was provided by the Civil Service Pension Scheme administrator, requiring correction of the previously disclosed amounts. The updated comparative figures have been reflected in this report. This restatement does not affect current year disclosures.

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.

	2025/26	2024/25
Remuneration banding for highest paid individual	£185,000 – £190,000	£175,000 – £180,000
Percentage change from previous financial year for highest paid individual	+6.3%	+6.0%
Average percentage change from previous financial year for employees	+1.2%	+4.8%
Lower quartile remuneration	£39,545	£36,370
Lower quartile ratio	4.7	4.9
Median remuneration	£54,409	£51,058
Median ratio	3.4	3.5
Upper quartile remuneration	£65,931	£62,820
Upper quartile ratio	2.8	2.8
Remuneration range	£25,000 – £185,000 to £190,000	£25,000 – £175,000 to £180,000

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 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 pay settlement for 2025/26 was 3.8 per cent across the organisation. However, the movement from 2024/25 in the average percentage change for employees disclosed above reflects changes in workforce composition during the year. While all employees received the same percentage pay award, there were fewer colleagues in higher pay bands on average compared with the prior year. This shift in grade mix has the effect of reducing the overall average increase in pay, despite a consistent pay settlement across the organisation.

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 lower, 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

Most Audit Scotland staff hold permanent appointments which are open-ended until they retire or leave. At 31 March 2026, 297 staff were on permanent contract and 53 on fixed term contracts.

Early termination, other than through misconduct, would result in the individual receiving compensation.

Staff report	2025/26	2024/25	2023/24
People (WTE)	342	343	331
Gender	Female 55% Male 45%	Female 55% Male 45%	Female 57% Male 43%
Board	Female 40% Male 60%	Female 40% Male 60%	Female 40% Male 60%
Executive team	Female 50% Male 50%	Female 50% Male 50%	Female 33% Male 67%
Absence	8 days	6.5 days	6 days
Turnover rate	10%	10%	9.3%
Trainee auditors	48	56	49

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

We have a recruitment board that reviews all recruitment requests, and we set a target of five per cent for our vacancy. Our performance appraisal and development approach aligns individual objectives with corporate priorities, and aids flexible deployment of resources.

People costs and numbers

	2025/26 £000	2024/25 £000
People costs		
Wages and salaries	18,888	18,263
Social Security costs	2,558	2,073
Superannuation	3,335	3,196
Temporary staff ¹	223	298
Movement in early retirement costs	46	(96)
Adjustment for retirement benefit scheme costs (see below)	(912)	100
	24,138	23,834
Accounts Commission members		
Fees	160	156
National Insurance	16	8
Travel and subsistence	18	21
	194	185
	24,332	24,019

Note 1. Equivalent to 3.61 WTE in 2025/26 and 5.08 WTE in 2024/25.

Analysis of local government retirement benefit scheme costs	2025/26 £000	2024/25 £000
Current service costs	3,701	4,480
Past service costs	-	-
	3,701	4,480
Less: Actual employees' contributions	(1,360)	(1,277)
Charge to revenue	2,341	3,203
Employer contributions	(3,253)	(3,103)
Adjustment for retirement benefit scheme costs	(912)	100

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.

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 future 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, and 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 21.3 days training during 2025/26 (19.9 in 2024/25). The increase from last year is largely related to business groups each holding a development day during the year.

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, including negotiating to set our staff pay deals. 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 31 March 2026, no member of staff left under a voluntary early release arrangement.

Further disclosure on early retirement and severance is set out in [Note 13](#). Provision for early retirement and severance ([page 95](#)).

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 PCS meets 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 2025/26 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	10.69

Percentage of time spent on facility time

0%	-
1% – 50%	11 ¹
51% – 99%	-
100%	-

Note 1. The range of time the 11 employees each spent on trade union activities was 0.33 per cent to 16.36 per cent.

Percentage of pay bill spent on facility time

Total cost of facility time	£26,949.59
Total paybill	£25,104,498
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	3.6%
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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, diversity, equality and inclusion (DEI) among our workforce. Through our partnership with Business in the Community, we received support to develop a new DEI strategy, published in April 2025, as well as learning 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 ninth Audit Scotland: [Gender pay gap report](#) in November 2025, based on a snapshot at 31 March 2025. Our workforce was made up of 54.42 per cent women and 45.58 per cent men. This included 54 graduate trainees, comprising 22 women and 31 men.

At 31 March 2025, the pay gap between female and male staff was 0.44 per cent by mean average, and 3.33 per cent by median. This means that, on average, male staff were paid 97 pence for every £1 paid to female colleagues.

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 are 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.

Our volunteering policy supports colleagues to volunteer or participate in fundraising or awareness-raising activities. During 2025/26, eight 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 2026 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 2025/26 Government Financial Reporting Manual (the 2025/26 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 2026 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 2025/26 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.

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 statements, 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.

TC Group

Statutory Auditors
Edinburgh
12 June 2026

TC Group

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 2026

	Note	2026 £000	2025 £000
People costs	Staff Report	24,332	24,019
Fees and expenses paid to external firms	4	9,584	9,396
Other operating expenditure	4	4,267	5,078
Total operating expenditure		38,183	38,493
Operating income	5	(25,606)	(25,707)
Net operating expenditure		12,577	12,786
Net finance expenditure	6	(2,745)	(1,591)
Net expenditure before tax		9,832	11,195
Corporation Tax payable		6	9
Net expenditure after tax		9,838	11,204
Other comprehensive net expenditure			
Net losses on pension schemes	3	3,922	1,743
Comprehensive Net Expenditure		13,760	12,947

Statement of Financial Position

As at 31 March 2026

	Note	2026 £000	2025 £000
Non-current assets			
Property, plant and equipment	7	559	612
Intangible assets	8	6	45
Right-of-use assets	14	4,512	5,040
Total non-current assets		5,077	5,697
Current assets			
Trade and other receivables	9	4,990	4,026
Cash and cash equivalents	10	697	1,701
Total current assets		5,687	5,727
Total assets		10,764	11,424
Current liabilities			
Trade and other payables	12	5,756	6,675
Obligations under leases	14	347	255
Provision for early retirement and severance	13	129	126
Other provisions	15	-	-
Total current liabilities		6,232	7,056
Non-current assets plus / less net current assets/liabilities		4,532	4,368

	Note	2026 £000	2025 £000
Non-current liabilities			
Obligations under leases	14	(4,862)	(5,213)
Provision for early retirement and severance	13	(1,124)	(1,138)
Other provisions	15	(781)	(760)
Net funded pension asset / (liability)	3	-	-
Total non-current liabilities		(6,767)	(7,111)
Assets less liabilities		(2,235)	(2,743)
 Represented by:			
Taxpayers' equity			
Net funded pension asset / (liability)	3	-	-
General fund		(2,235)	(2,743)
		(2,235)	(2,743)

Stephen Boyle

Stephen Boyle

Auditor General and Accountable Officer

12 June 2026

Statement of Cash Flows

As at 31 March 2026

	Note	2026 £000	2025 £000
Cash flows from operating activities			
Net (expenditure) after tax		(9,838)	(11,204)
Adjustment for non-cash items:			
Depreciation	7, 8	290	415
Depreciation - right-of-use assets	14	505	567
Pension scheme - net revenue (credit) / debit		(3,922)	(1,743)
(Increase) / decrease in trade and other receivables		(964)	19
Increase / (decrease) in trade / other payables / deferred liabilities		85	(128)
(Decrease) in provisions for early retirement		(11)	(163)
(Decrease) in other provisions		21	(115)
Other non-cash items		-	-
Net cash outflow from operating activities		(13,834)	(12,352)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(199)	(298)
Purchase of intangible assets	8	-	-
		(199)	(298)
Cash flows from financing activities			
Capital payments of lease liabilities	14	(235)	(291)
From Consolidated Fund (Supply)		13,264	12,594
		13,029	12,303
Net (decrease) / increase in cash and cash equivalents in the period		(1,004)	(347)

	Note	2026 £000	2025 £000
Cash and cash equivalents at the beginning of period		1,701	2,048
Cash and cash equivalents at the end of period	10	697	1,701
Net cash requirement			
Cash flows from Consolidated Fund		13,264	12,594
Decrease in cash		1,004	347
		14,268	12,941

Statement of Changes in Taxpayers' Equity

As at 31 March 2026

	Note	Net funded pension £000	General fund £000	Total £000
Changes in Taxpayers' equity				
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)
Transfers between reserves				
Transfer to net funded pension liabilities	Staff Report	912	(912)	-
Net return on funded pension assets	3	3,010	(3,010)	-
Net (losses) on pension schemes	3	(3,922)	-	(3,922)
Net (expenditure) after tax		-	(9,838)	(9,838)
Net funding from the Scottish Parliament	11	-	14,268	14,268
Balance at 31 March 2026		-	(2,235)	(2,235)

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 2026/27 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 are two standards not yet effective, IFRS 18 (Presentation and disclosure in financial statements) and IFRS 19 (Subsidiaries without public accountability: disclosures).

IFRS 18 will replace IAS 1 (Presentation of Financial Statements) and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 19 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

Management has assessed the likely effect of the new standards and has concluded that these are not expected to have a material 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 2026. 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 [56 to 57](#).

	2026 £000	2025 £000
Wages and salaries	19,289	18,738
Social Security and Employment Tax costs	2,574	2,081
Pension and Early Retirement / Severance Costs	2,469	3,200
	24,332	24,019

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 2026 were as follows:

	2026	2025
Salary increases	3.70%	3.45%
Pension increases	3.00%	2.75%
Discount rate	6.30%	5.80%
The assumed average life expectancy for a retiree at age 65 are as follows:		
	Male	Female
	Years	Years
Current pensioners	22.3	24.1
Future pensioners	22.9	25.4

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 2026 have been prepared by Hymans Robertson LLP.

The movement in the funded part of the net pension position for the year to 31 March 2026 is as follows:

Period ending 31 March 2026

	Assets £000	Obligation £000	IFRIC 14 Adjustment £000	Net (Liability) /Asset £000
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)
Opening position as at 1 April 2025	154,417	102,959	(51,458)	-
Current service cost	-	2,341	-	(2,341)
Past service cost	-	-	-	-
Total service cost	-	2,341	-	(2,341)
Interest income on plan assets	8,998	-	-	8,998
Interest cost on defined benefit obligation	-	5,988	-	(5,988)
Total net interest	8,998	5,988	-	3,010
Total defined benefit cost recognised in Statement of Comprehensive Net Expenditure	8,998	8,329	-	669
Employee contributions	1,360	1,360	-	-
Employer contributions	3,253	-	-	3,253
Benefits Paid	(3,142)	(3,142)	-	-
Total cashflows	1,471	(1,782)	-	3,253
Expected closing position	164,886	109,506	(51,458)	3,922
Change in demographic assumptions	-	617	-	(617)
Change in financial assumptions	-	(4,642)	-	4,642

Period ending 31 March 2026

	Assets £000	Obligation £000	IFRIC 14 Adjustment £000	Net (Liability)/ Asset £000
Other experience changes	-	865	-	(865)
Return on assets excluding amounts included in net interest	2,296	-	-	2,296
Adjustment for IFRIC 14 Net asset reduction	-	-	(9,378)	(9,378)
Total remeasurements recognised in Other Comprehensive Income	2,296	(3,160)	(9,378)	(3,922)
Fair value of employer assets	167,182	-	-	167,182
Present value of funded liabilities	-	106,346	-	(106,346)
Net Asset restriction applied	-	-	(60,836)	(60,836)
Closing position as at 31 March 2026	167,182	106,346	(60,836)	-

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

Defined benefit Obligation information

	Liability split	
	£000	%
Active members	54,007	50.8%
Deferred members	17,088	16.1%
Pensioner members	35,251	33.1%
Total	106,346	100.0%

Statement of Comprehensive Net Expenditure (SOCNE): The net credit to SOCNE of £3,922k 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 higher than assumed (compared to last year's accounting discount rate assumption). A higher than assumed investment return has led to a positive adjustment of £2,296k 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 compared to last year, leading to the recognition of a gain on obligations of £4,642k 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 loss on obligations of £617k. 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 £865k by applying the roll-forward approach to allow for actual experience over the period. This adjustment is a combination of 2 factors:
 - The loss (increase in obligations) resulting from applying the actual Pensions Increase Order for April 2026 of 3.8% to the benefits, which is higher 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 2025 was as follows:

Period ending 31 March 2025

	Assets £000	Obligation £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

Period ending 31 March 2025

	Assets £000	Obligation £000	IFRIC 14 Adjustment £000	Net (Liability)/ Asset £000
Other experience changes	-	(974)	-	974
	Assets £000	Obligation £000	IFRIC 14 Adjustment £000	Net (Liability)/ Asset £000
Return on assets excluding amounts included in net interest	(9,442)	-	-	(9,442)
	Assets £000	Obligation £000	IFRIC 14 Adjustment £000	Net (Liability)/ Asset £000
Adjustment for IFRIC 14 Net asset reduction	-	-	(13,374)	(13,374)
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)	-

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

Asset Category	At 31 March 2026				At 31 March 2025			
	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	21,081.7	-	21,081.7	13	18,255.2	-	18,255.2	12
Manufacturing	20,111.3	-	20,111.3	12	19,331.5	-	19,331.5	13
Energy and Utilities	8,567.0	-	8,567.0	5	7,678.9	-	7,678.9	5
Financial Institutions	10,079.0	-	10,079.0	6	8,826.1	-	8,826.1	6
Health and Care	11,310.3	-	11,310.3	7	9,382.8	-	9,382.8	6
Information Technology	5,867.4	4.7	5,872.1	4	5,761.5	4.6	5,766.1	4
Other	10,694.8	-	10,694.8	6	10,303.0	33.0	10,336.0	7
Debt Securities:								
Corporate Bonds (investment grade)	2,760.3	-	2,760.3	2	-	-	-	-
Corporate Bonds (non-investment grade)	-	2,286.3	2,286.3	1	-	-	-	-
UK Government	31,219.8	-	31,219.8	19	26,616.3	-	26,616.3	17
Other	-	-	-	-	2,489.7	-	2,489.7	2
Private Equity:								
All	200.3	148.2	348.5	-	230.3	26,305.1	26,535.4	17

Asset Category	At 31 March 2026				At 31 March 2025			
	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	%
Real Estate:								
UK Property	936.0	6,032.6	6,968.6	4	951.3	5,869.4	6,820.7	4
Overseas Property	343.1	451.3	794.4	-	329.0	610.5	939.5	1
Investment funds and Unit trusts:								
Equities	285.30	-	285.3	-	-	-	-	-
Bonds	303.90	-	303.9	-	1,956.0	2,829.4	4,785.4	3
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	26,749.4	26,749.4	16	-	-	-	-
Derivatives:								
Foreign exchange	-	-	-	-	97.5	-	97.5	-
Cash and cash equivalents:								
All	7,749.3	-	7,749.3	5	6,555.9	-	6,555.9	4
Totals	131,510	35,673	167,182	100	118,765	35,652	154,417	100
Effect of Asset Ceiling			(60,836)				(51,458)	
Adjusted Total			106,346				102,959	

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 2026		
0.1% decrease in real discount rate	2%	1,943
1 year increase in member life expectancy	4%	4,254
0.1% increase in salary increase rate	0%	135
0.1% increase in pension increase rate	2%	1,808

During the year ended 31 March 2026, Audit Scotland’s contribution to the pension fund represented 17.6% (2025 – 17.6%) 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 2026/27 based on this rate will be approximately £3,244k.

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 2026, Audit Scotland paid an employer’s contribution of £83k (2025 – £92k) 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 2025/26 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 be 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	2026 £000	2025 £000
Fees and expenses to appointed audit firms:			
Local authorities	4,870		4,907
National Health Service bodies in Scotland	2,158		1,930
Further education colleges	530		605
Scottish Government and sponsored bodies	2,038		1,938
Additional audit costs	(11)		17
		9,584	9,396
Other:			
Rent and rates	235		350
Other accommodation costs	453		719
Travel and subsistence	189		122
Legal and other professional fees	608		991
Stationery and printing	70		72
Training	553		471
Staff recruitment	104		205
Communications (telephone, postage)	29		35
Insurance	123		132
Information technology	957		813
Internal Audit	26		29
External Audit - financial accounts	36		37
Other	88		121
Non-cash items: Depreciation - tangible assets (see note 7)	251		374
Depreciation - intangible assets (see note 8)	39		41
Depreciation - right-of-use assets (see note 14)	505		567
		4,267	5,078
		13,851	14,474

5. Operating income

	2026 £000	2025 £000
Fees and charges payable:		
- by Local authorities	16,103	16,397
- by National Health Service bodies in Scotland	4,479	4,293
- by Further education colleges	991	1,055
- by Scottish Government and sponsored bodies	3,922	3,936
- Rebate	-	14
	25,495	25,695
Miscellaneous income	111	12
	25,606	25,707

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 1 f](#)). 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.

At 31 March 2026 forecast future income on audits still in progress is £20,614k (31 March 2025 - £17,454k). The typical audit cycle is a year and therefore we expect to recognise this income in 2026/27.

Fee income in the current period of £1,635k (2024/25 £2,258k) was included in the opening contract liability (payment on account).

6. Net finance expenditure

	2026 £000	2025 £000
Interest income on pension scheme assets	8,998	7,546
Interest cost on pension scheme defined obligations	(6,057)	(5,769)
Interest cost on Right-of-use assets	(228)	(231)
Bank interest	32	45
	2,745	1,591

7. Property plant and equipment

Cost	Leasehold premises £000	Furniture and fittings £000	Computer equipment £000	Total £000
At 1 April 2025	1,613	328	1,258	3,199
Reclassified in year	-	-	-	-
Additions	-	-	199	199
Disposals	-	-	-	-
At 31 March 2026	1,613	328	1,457	3,398
Depreciation				
At 1 April 2025	1,346	296	946	2,588
Charge for the year (note 4)	28	5	218	251
Depreciation on disposals	-	-	-	-
At 31 March 2026	1,374	301	1,164	2,839
Net Book Value				
At 31 March 2026	239	27	293	559
Analysis of asset financing				
Owned	239	27	293	559
Prior year				
At 1 April 2024	1,339	328	1,443	3,110

Cost	Leasehold premises £000	Furniture and fittings £000	Computer equipment £000	Total £000
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
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

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	
Cost	2026 £000	2025 £000
At 1 April	208	208
Reclassified in year	-	-
Additions	-	-
Disposals for year	-	-
At 31 March	208	208
Depreciation		
At 1 April	163	122
Charge for the year (note 4)	39	41
Disposals for year	-	-
At 31 March	202	163
Net Book value at 31 March	6	45

9. Trade and other receivables

	£000	2026 £000	2025 £000
Amounts falling due within one year:			
Trade receivables:			
- Central Government bodies	63		258
- Local authorities	1,352		1,245
- NHS bodies in Scotland	565		289
- Bodies external to government	13		-
		1,993	1,792
Work in progress in advance of billing		2,295	1,714
VAT		199	125
Prepayments		503	395
		4,990	4,026

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

10. Cash and cash equivalents

	2026 £000	2025 £000
Balance at 1 April	1,701	2,048
Net change in cash and cash equivalents	(1,004)	(347)
Balance at 31 March	697	1,701
The following balances at 31 March were held at:		
Commercial banks	697	1,701

11. Net funding from the Scottish Parliament

	2026 £000	2025 £000
Opening cash balance payable to the Consolidated Fund	1,701	2,048
Funding received from the Consolidated Fund	13,264	12,594
Closing cash balance payable to the Consolidated Fund	(697)	(1,701)
Net funding from the Scottish Parliament	14,268	12,941

12. Trade payables and other current liabilities

	£000	2026 £000	2025 £000
Amounts falling due within one year:			
Trade payables:			
- Central Government	594		-
- Local authorities	392		10
- NHS bodies in Scotland	-		-
- Bodies external to government	1,456		1,268
		2,442	1,279
- Cash balance payable to Consolidated Fund		697	1,701
- Deferred income		1,635	2,258
- VAT		8	-
- Corporation Tax		6	9
- Accruals		363	581
- Staff benefits - untaken holidays		605	847
		5,756	6,675

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:

	2026 £000	2025 £000
Opening balance at 1 April	1,264	1,427
Additions	-	-
Utilised in year	(125)	(124)
Revaluation	114	(39)
Closing balance at 31 March	1,253	1,264
Payable within 1 year	129	126
Payable after 1 year	1,124	1,138
	1,253	1,264
Discount rate used	6.30%	5.80%

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 2026 was £193k (31 March 2025 – £196k).

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.

	Premises £000	Vehicles £000	Total £000
Cost			
At 1 April 2025	5,902	644	6,546
Remeasurement of existing leases	-	-	-
Additions	-	-	-
Disposals	-	(155)	(155)
At 31 March 2026	5,902	489	6,391
Depreciation			
At 1 April 2025	1,216	290	1,506
Charge for the year	355	150	505
Depreciation on disposals	-	(132)	(132)
At 31 March 2026	1,571	308	1,879
Net book value			
At 31 March 2026	4,331	181	4,512
	Premises £000	Vehicles £000	Total £000
Cost			
At 1 April 2024	5,902	686	6,588
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

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.

	2026 £000	2025 £000
Premises		
Within one year	248	103
Later than one year and not later than five years	1,125	1,012
Later than five years	3,712	4,072
	5,085	5,187
Vehicles		
Within one year	99	152
Later than one year and not later than five years	25	129
	124	281
Total lease obligations		
Within one year	347	255
Later than one year and not later than five years	1,150	1,141
Later than five years	3,712	4,072
	5,209	5,468

15. Other provisions

Other provisions are comprised of property dilapidations.

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:

	2026 £000	2025 £000
Opening balance at 1 April	760	875
Provided in year	21	80
Released in year	-	(195)
Closing balance at 31 March	781	760
Payable within 1 year	-	-
Payable after 1 year	781	760
	781	760

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 2026 that require adjustment to, or disclosure in, the financial statements.

The financial statements were authorised for issue by the Auditor General for Scotland on 12 June 2026.

18. Contingent liabilities

At 31 March 2026, there were no contingent liabilities.

19. Capital commitments

At 31 March 2026, 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 2025/26



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Annexe C Letter from TC Group



Audit Scotland

Audit summary report
for the year ended 31 March 2026

www.tc-group.com

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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 2026.

Acknowledgements

We would like to thank the Company's 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 2026 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 2026.

Responsibilities

The responsibilities of the 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 2026 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
Management Override of Controls There is a risk that management has 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".	Our audit work did not identify any material override of financial controls.
Revenue Recognition In accordance with 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.	Our audit work did not identify any material misstatement of revenue.
Key Accounting Estimates As in previous years, the financial statements of Audit Scotland for the year ended 31 March 2026 will include a number of key estimates which will include provisions and pension assumptions as well as work in progress, further considered below.	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.
Work in Progress The valuation of Work in Progress (WIP) of audits as at 31 March 2026 is a significant accounting estimate and has an impact on the level of reported income as well as reported WIP in assets and reported deferred income liabilities.	We have reviewed Audit Scotland's work in progress calculations and are satisfied that the balances are not materially misstated.

Key Audit Issues (continued)

Risks identified during audit planning	Resolution
Pension Recent financial statements have reported a Nil Pension balance following the pension asset ceiling being applied, being in line with IFRIC14 accounting rules and subsequent to the actuary reporting a pension asset under IAS19 accounting rules. The appropriate accounting treatment and related disclosures of the pension balance is a key component within the financial statements. The actuarial reports contain detailed assumptions which will be reviewed for reasonableness.	As with the previous three 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. 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.

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
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.	We have reviewed the significant accounting policies and are satisfied that they are appropriate to Audit Scotland's circumstances.
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.	We have reviewed the significant accounting estimates and judgments and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.
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.	No material recording issues were identified during the course of the audit.
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.	Based on our audit work we have concluded that the Accountable Officer's assessment is appropriate.
Disclosures Audit Scotland is responsible for the preparation of the financial statements. We consider whether they are presented in accordance with the 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 made to the financial statements and their impact noted below:

Adjustments made to financial statements	Impact on Income £000	Impact on Expenditure £000	Impact on Assets £000	Impact on Liabilities £000	Description
None					

The following schedule notes variances identified but not adjusted for on grounds of being immaterial:

Unadjusted Variances	Impact on Income £000	Impact on Expenditure £000	Impact on Assets £000	Impact on Liabilities £000	Description
Accruals				(28)	Being over accrual of Class 1A NIC
Class 1A NIC Expense		(28)			
Lease liability				(67)	Being reclassification of rent prepayment
Prepayments			(67)		
GROSS EFFECT	-	(28)	(67)	(95)	
NET EFFECT	Decrease in Net Expenditure and Net Liabilities of £28,000.				

The unadjusted variances noted above are immaterial both individually and in aggregate.

Internal Controls

Significant control weaknesses identified during the course of the audit will be brought to the attention of the Scottish Commission for Public Audit.

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 is 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

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. We have previously enquired about the risk of fraud with management and a representative of your Board. We have not been made aware of any other incidents in the period. 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.

Matters in relation to laws and regulations

We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations. If there are any it is important that we are made aware of these prior to signing the financial statements. Any areas of non-compliance identified during the audit would be listed in the Recommendations section of the Audit Summary Report.

IT Monitoring Controls

As part of our audit, we consider the adequacy of IT monitoring controls and gain an understanding of the entity's information systems. Any deficiencies identified during the course of the audit would be listed in the Recommendations section of the Audit Summary Report. It should be noted that our work is only carried out to form an audit opinion and does not constitute a full review of the IT environment. Responsibilities for IT controls rests with the Accountable Officer who should not rely wholly on the external audit function to discharge these responsibilities.

Related Party Transactions and Post Balance Sheet Events

During the audit we have made enquiries of management regarding related party transactions and post balance sheet events. All related party transactions and significant post balance sheet events that either you have made us aware of, or we have identified as part of the audit work, are disclosed in the financial statements. You will confirm within the Letter of Representation that there are no omissions.

Future Issues

Please see our website www.tc-group.com/news for further issues that may impact your organisation.

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:

Contact	Phone	Email
David Jeffcoat Partner	0131 228 7979	DavidJeffcoat@tc-group.com
Jillian So Manager	0131 228 7979	JillianSo@tc-group.com

www.tc-group.com

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Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales, firm number: C005815976

Quality of public audit in Scotland

Annual report 2025/26



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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 messages

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

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

Introduction

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

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

Public audit in Scotland

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

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

Audit Scotland and appointed firms

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

1. Ethics

Compliance with ethical standards

Introduction

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

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

Findings

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

Target: 100 per cent

Actual performance: 100 per cent

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

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

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

Conclusion

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

2. Audit delivery

Monitoring of audit outputs against target dates

Introduction

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

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

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

Findings

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

Target: 100 per cent on time or improving

Actual performance: 84 per cent

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

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

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

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

Target: 100 per cent on time or improving

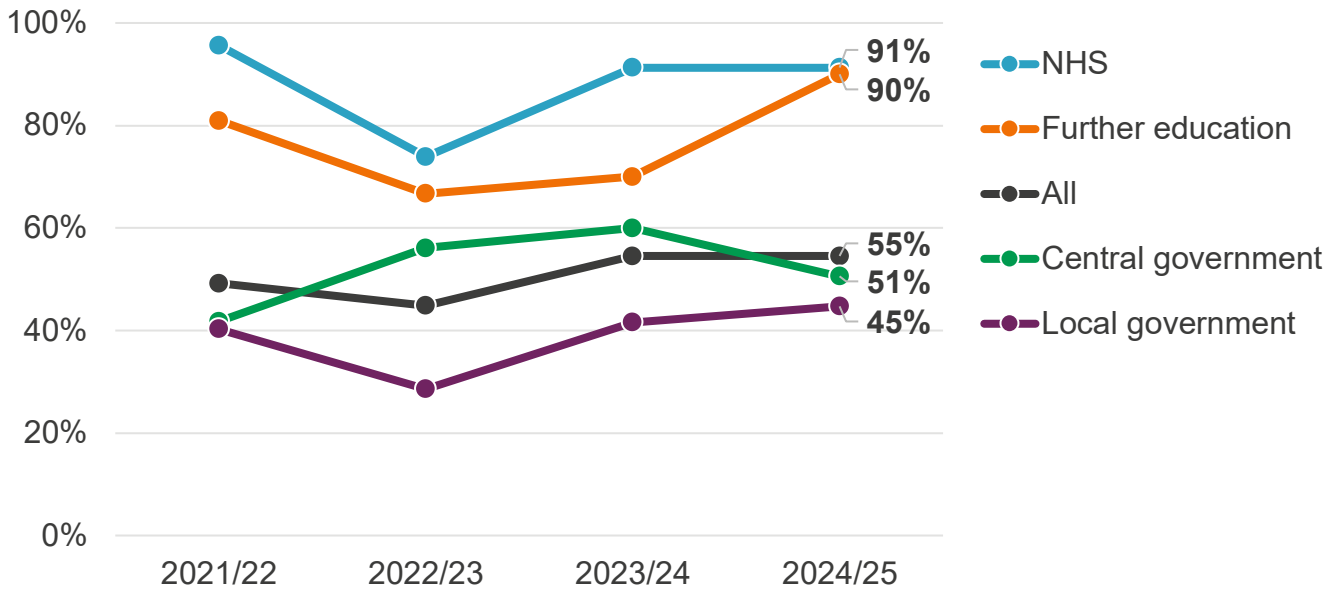
Actual performance: 63 per cent

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

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

Exhibit 1**Audit delivery by target dates is increasing or remaining stable in all sectors apart from Central government**

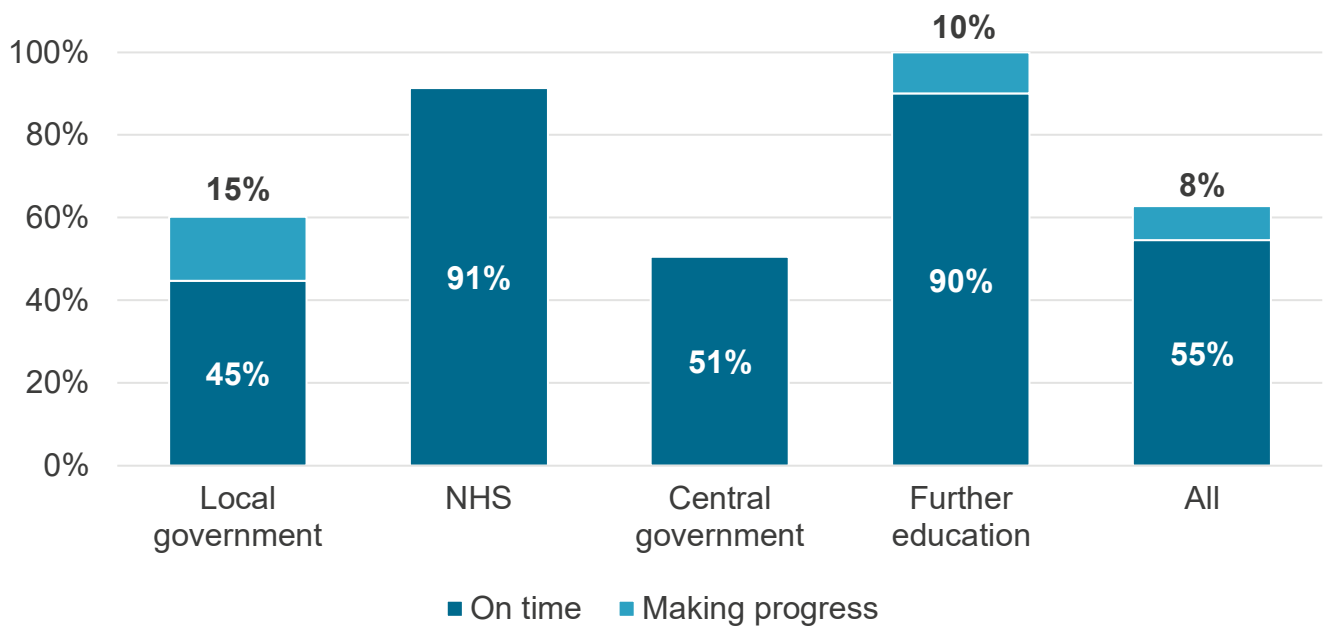
Percentage of audits completed by target dates analysed by sector and year.



Source: Audited accounts

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

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



Source: Audited accounts

Exhibit 3**2024/25 audits**

Number of 2024/25 audits completed analysed by sector.

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

Source: Audit Scotland

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

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

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

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

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

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

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

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

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

Exhibit 4**2024/25 audits**

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

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

Source: Audit Scotland

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

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

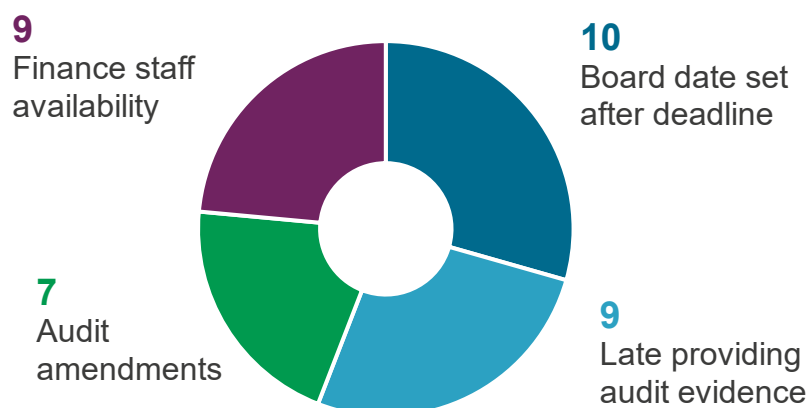
28. Of the 37 (40 per cent) audits delayed primarily because of the auditor, 28 were because auditors prioritised other audits, eight were because of audit staff availability and one was because of an unplanned engagement quality review.

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

Exhibit 5

Audit amendments

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



Source: Audit Scotland

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

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

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

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

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

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

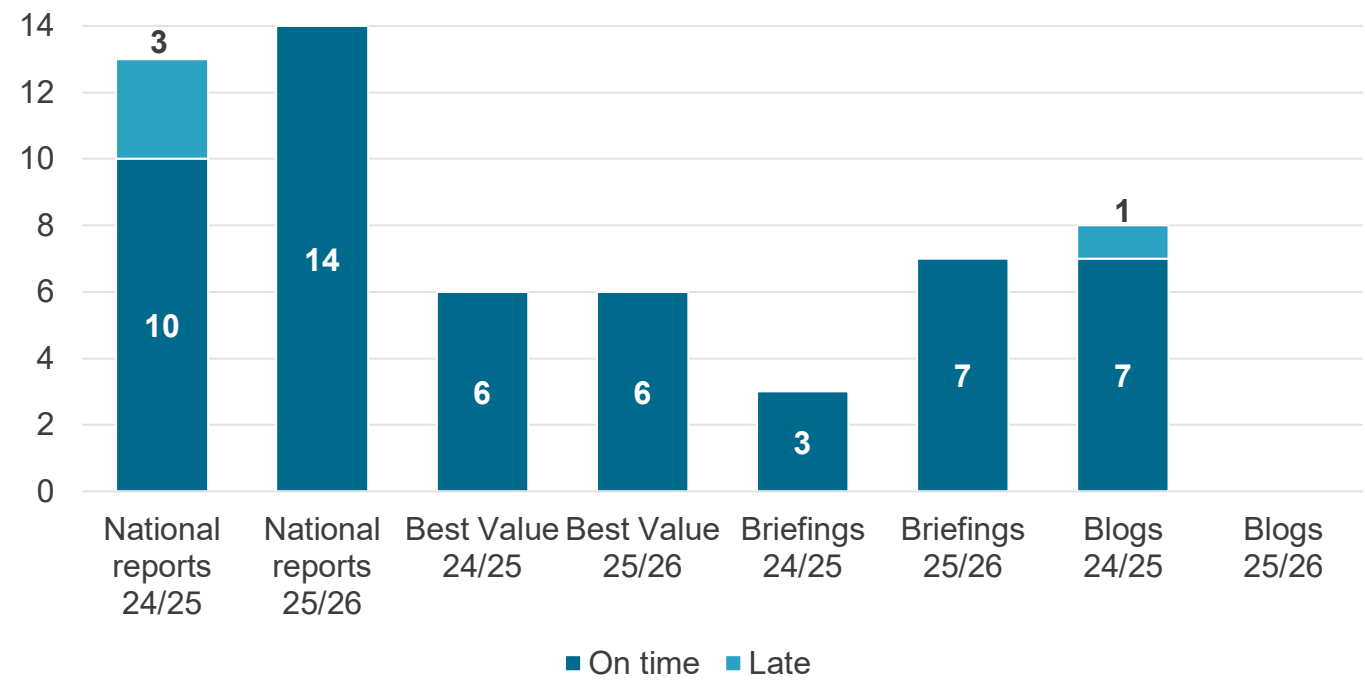
Target: 90 per cent

Actual performance: 100 per cent

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

Exhibit 6
2025/26 performance audit outputs

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



Source: Audit Scotland

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

Conclusion

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

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

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

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

All performance audit outputs were delivered on time.

Audit Scotland actions

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

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

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

3. Quality standards

Compliance with relevant quality standards

Introduction

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

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

Findings

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

Target: 100 per cent

Actual performance: 100 per cent

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

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

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

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

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

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

Conclusion

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

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

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

4. Quality results

External and internal quality reviews

Introduction

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

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

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

Exhibit 7

External quality review grading

Description of each grade used in audit quality reviews.

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

Source: Financial Reporting Council

Findings

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

Target: 80 per cent annual

Actual performance for financial audits: 75 per cent

Actual performance for performance audits: 100 per cent

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

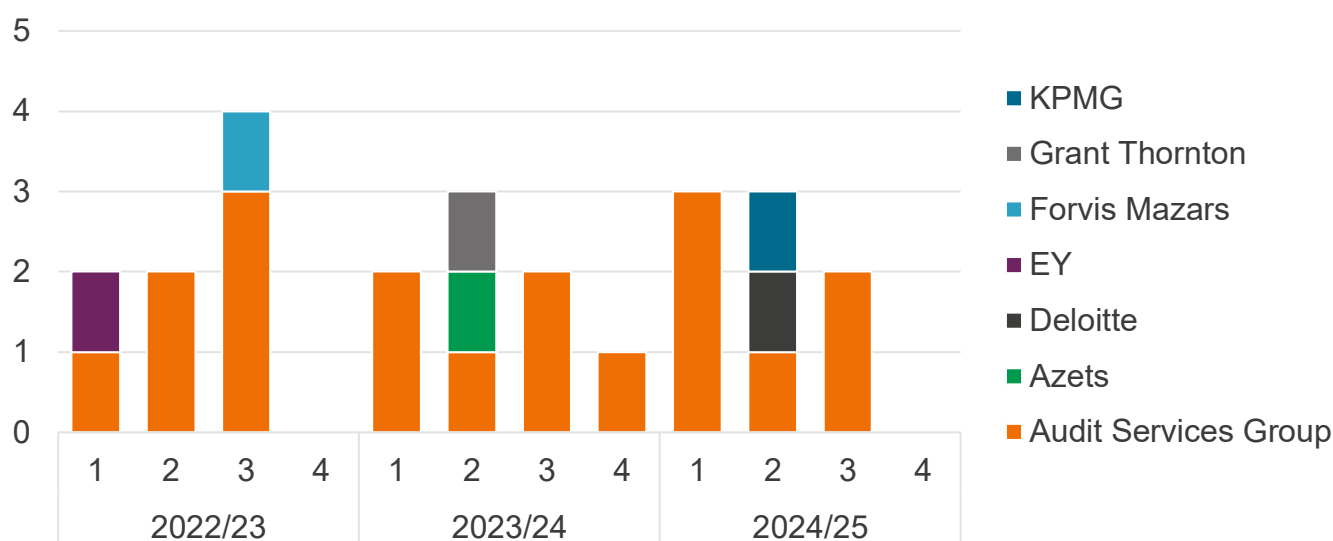
Financial audits

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

Exhibit 8

Financial audit external quality reviews

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



Source: Audit Scotland

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

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

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

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

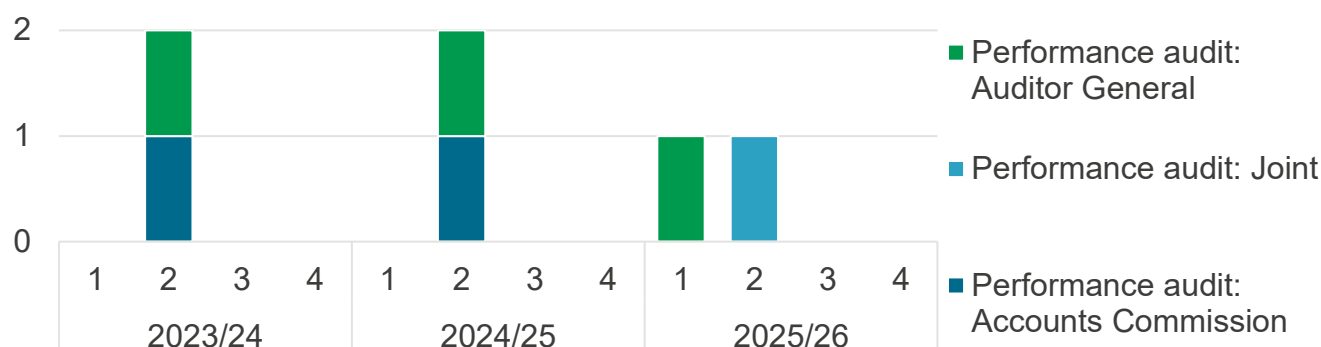
53. As part of their work we requested ICAEW to review two audits that received a 'Significant improvements required' grade in 2023/24. ICAEW reviewed the equivalent two 2024/25 audits and found that the matters requiring significant improvement had been addressed (see paragraphs 64 and 68). This demonstrates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

Performance audits

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

Exhibit 9**Performance audit external quality reviews**

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



Source: Audit Scotland

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

Target: 80 per cent annual

Actual performance for financial audits: 93 per cent

Actual performance for performance audits: 100 per cent

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

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

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

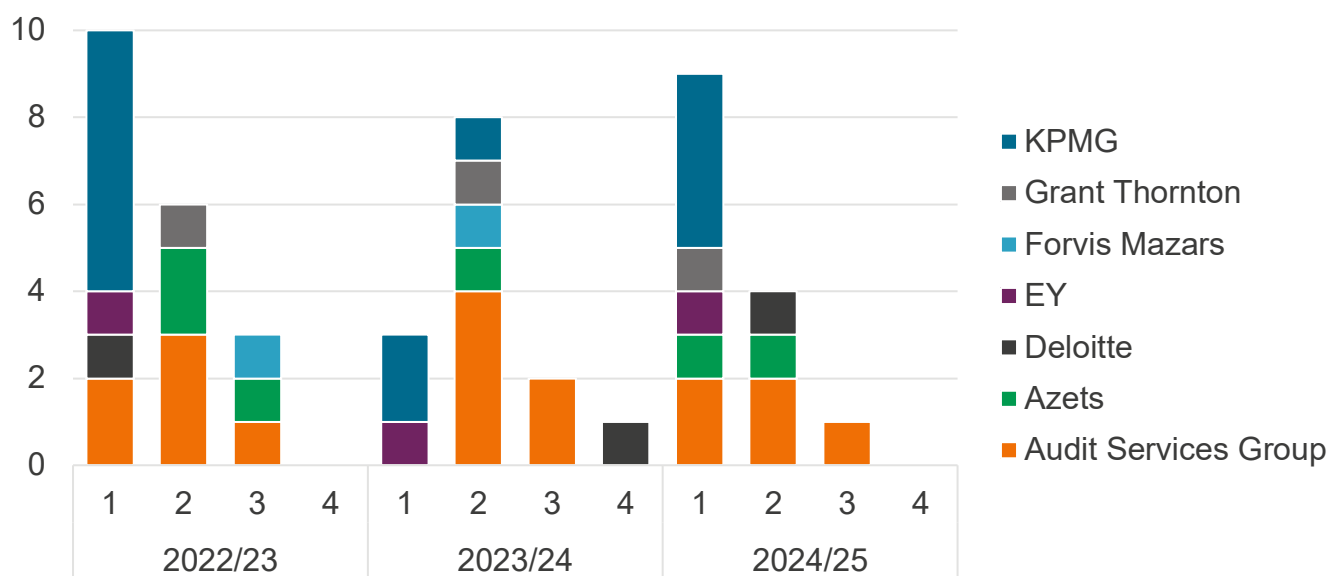
Financial audits

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

Exhibit 10

Financial audit internal quality reviews

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



Source: Audit Scotland

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

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

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

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

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

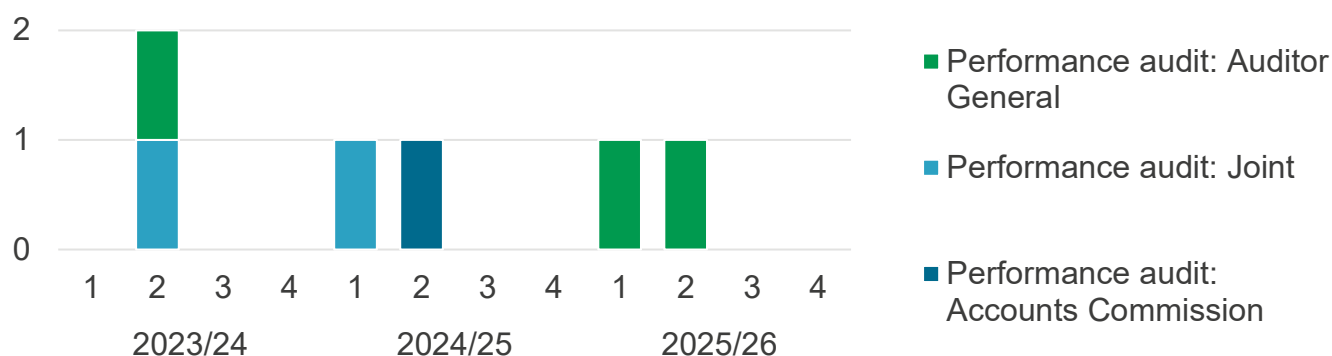
Performance audit outputs

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

Exhibit 11

Performance audit internal quality reviews

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



Source: Audit Scotland

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

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

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

Target: 0 per cent annual

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

Financial audits

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

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

Performance audit outputs

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

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

Target: 0 per cent annual

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

Financial audits

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

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

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

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

Performance audit outputs

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

ICAEW Audit Scotland summary

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

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

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

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

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

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

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

Conclusion

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

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

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

Audit Scotland actions

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

5. Audit quality survey

Stakeholder perceptions

Introduction

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

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

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

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

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

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

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

Findings

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

Target: 4 out of 5

Actual performance:

Perception of the usefulness of the annual audit overall:

4.2 out of 5

Perception of the appropriateness of coverage of wider scope:

4.2 out of 5

Perception of the appropriateness of coverage of Best Value:

3.7 out of 5

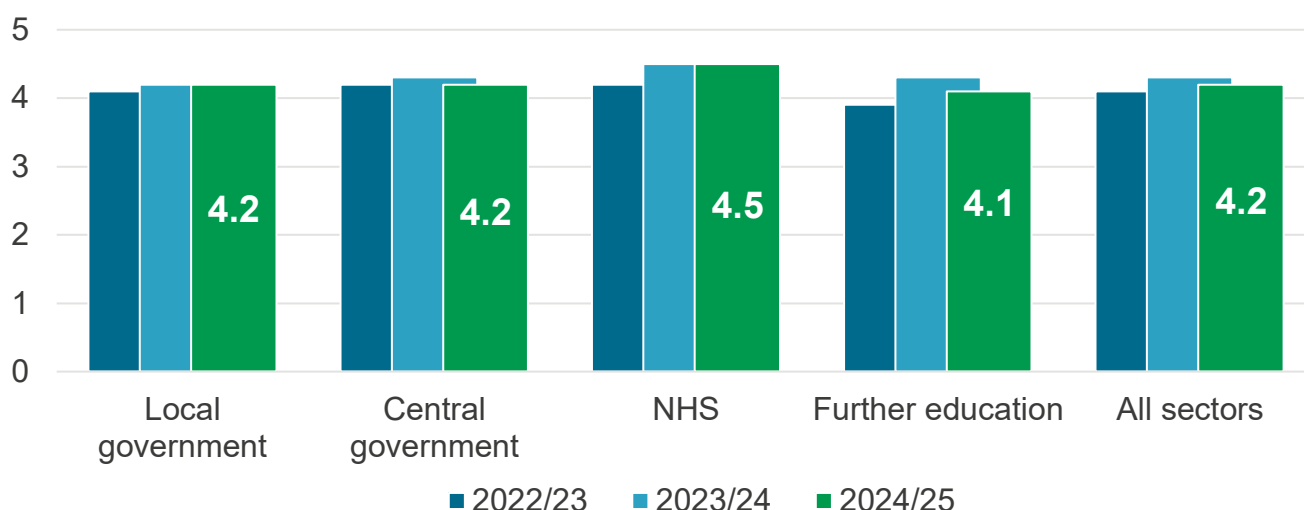
Perception of the usefulness of the annual audit overall

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

Exhibit 12

Stakeholder perceptions on financial audits exceeds the target in all sectors

Mean score for the usefulness of the annual audit.



Source: Progressive

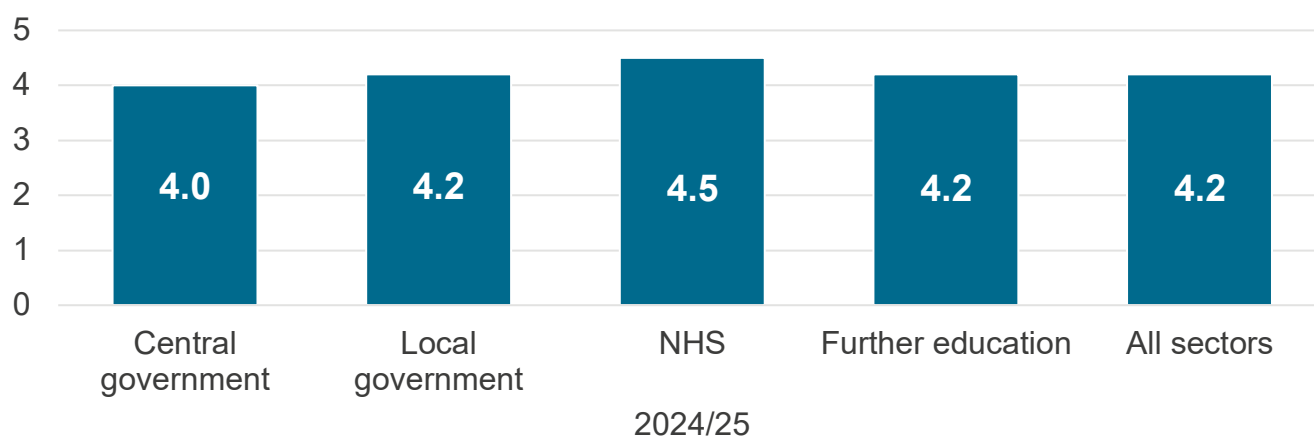
Perception of the appropriateness of coverage of wider scope

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

Exhibit 13

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

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



Source: Progressive

Perception of the appropriateness of coverage of Best Value

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

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

Target: 4 out of 5

Actual performance:

Overview reports: 4.1 out of 5

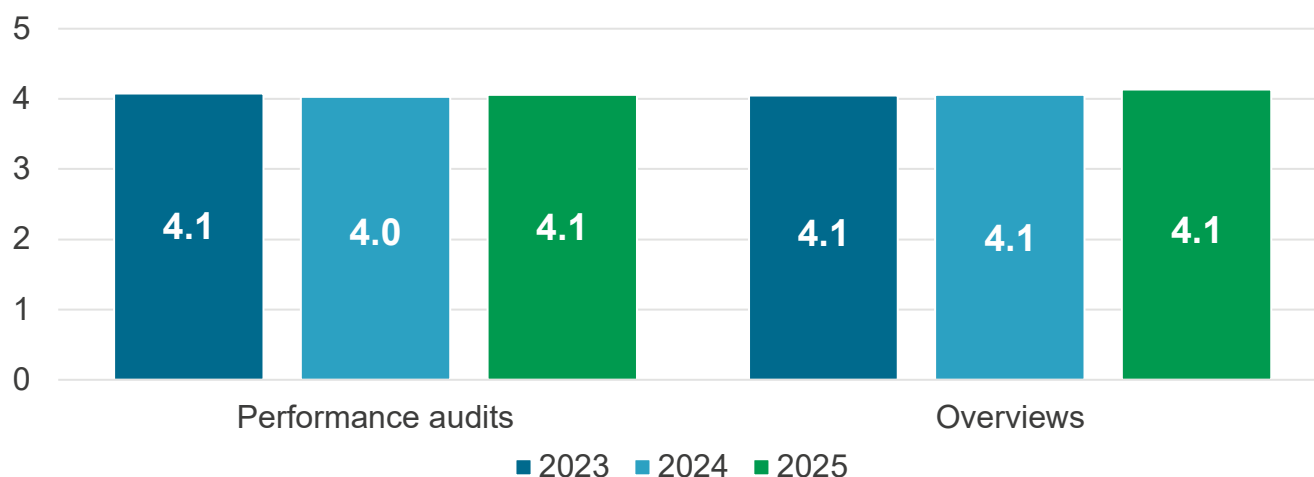
Performance audits: 4.1 out of 5

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

Exhibit 14

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

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



Source: Progressive

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

Target: 4 out of 5

Actual performance:

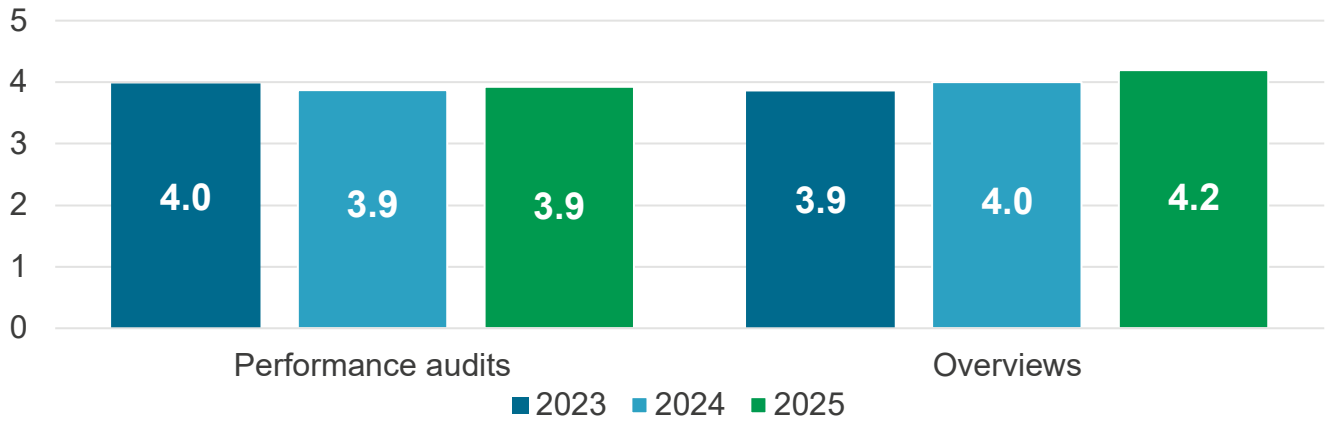
Overview reports: 4.2 out of 5

Performance audits: 3.9 out of 5

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

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

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



Source: Progressive

Conclusion

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

Audit Scotland actions

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

6. Other measures

Other measures of audit quality

Introduction

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

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

Findings

Annual audit plans (AAPs)

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

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

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

Annual audit reports (AARs)

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

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

87. The most common areas for improvement were:

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

Best Value thematic reports

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

Conclusion

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

Audit Scotland actions

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

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

Appendix

Audit Quality Indicators 2025/26

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

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

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

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

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

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

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

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