Standards Commission for Scotland

2025/26 Annual Audit Report

Prepared for the Standards Commission for Scotland and Auditor General for Scotland

July 2026

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2. There was one key audit matter in relation to the reporting of Key Performance Indicators included within the Performance Report of the 2025/26 Annual Report and Accounts.

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Financial Sustainability and Best Value audit

4. The Standards Commission for Scotland has effective and appropriate arrangements in place for securing financial sustainability.

5. The Standards Commission for Scotland has effective and appropriate arrangements in place for securing Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of the Standards Commission for Scotland's annual report and accounts and the wider scope areas specified in the Code of Audit Practice (2021).

2. The Annual Audit Report is addressed to the Standards Commission for Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Neil Maclean, of Audit Scotland, has been appointed as external auditor of the Standards Commission for Scotland from April 2026, for the 2026/27 and 2027/28 financial periods. As reported in the Annual Audit Plan, the engagement lead and the audit team are independent of the Standards Commission for Scotland in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the Standards Commission for Scotland, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Standards Commission for Scotland and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the audit appointment.

Audit scope, responsibilities, and fee

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure;
- an opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement, and an opinion on the audited part of the Remuneration and Staff Report;
- concluding on the financial sustainability of the Standards Commission for Scotland and a review of the Governance Statement; and
- reporting on the Standards Commission for Scotland's arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the Standards Commission for Scotland and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts and concluding on the Standards Commission for Scotland's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Standards Commission for Scotland from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at Appendix 1 setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Standards Commission for Scotland's responsibilities

10. The Standards Commission for Scotland has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- establishing arrangements to ensure the proper conduct of its affairs;
- preparation of an annual report and accounts, comprising financial statements that give a true and fair view and other specified information;
- establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption;
- implementing arrangements to ensure its financial position is soundly based;
- making arrangements to secure Best Value; and
- establishing an internal audit function.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £4,200. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National and performance audit reporting

12. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the Standards Commission for Scotland and the Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in Appendix 3.

Audit of the annual report and accounts

Main judgements

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

There was one key audit matter in relation to the reporting of Key Performance Indicators included within the Performance Report of the 2025/26 Annual Report and Accounts.

One unadjusted misstatement above the reporting threshold was identified.

Audit opinions on the annual report and accounts

13. The Standards Commission for Scotland's annual report and accounts were approved and signed on 27 July 2026. The Independent Auditor's Report is included in the Standards Commission for Scotland's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Audit timetable

14. The unaudited annual report and accounts and all working papers were received on 27 May 2026 in advance of the agreed audit timetable.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the Standards Commission for Scotland were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated, while the reporting threshold remained unchanged, all of which can be seen in Exhibit 1.

Exhibit 1

2025/26 Materiality levels for the Standards Commission for Scotland

Materiality	Amount
Materiality – set at 2% of gross expenditure.	£8,300
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£6,200
Reporting threshold – set at 5% of materiality (rounded to £1,000).	£1,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the Standards Commission for Scotland’s is the Audit and Risk Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- areas of higher or significant risk of material misstatement;
- areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty; and
- significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in Exhibit 2.

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
Key Performance Indicators and Trend Analysis The draft annual report and accounts did not include details of the Standards Commission for Scotland's performance against their key performance indicators, and corresponding trend analysis. This is a requirement of the Government Financial Reporting Manual (FReM) 2025/26.	The performance analysis section has been updated to include key performance indicator results and prior year comparators. We are content with the updated disclosure. The Standards Commission for Scotland has agreed to review key performance indicators, and disclosures, to support performance monitoring and future trend analysis. Recommendation 1

Source: Audit Scotland

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the Standards Commission for Scotland's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by the Standards Commission for Scotland was assessed as part of the audit. These were considered to be appropriate to the circumstances of the Standards Commission for Scotland, and there were no significant departures from the accounting policies set out in the 2025/26 Government Financial Reporting Manual (FReM).

Accounting estimates

24. Audit work considered the process management of the Standards Commission for Scotland has in place around making accounting estimates (namely the untaken leave accrual), including the assumptions and data used in making the estimate. Audit work concluded:

- there were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimate, and these were considered to be reasonable; and
- there was no evidence of management bias in making the accounting estimate.

Disclosures in the financial statements

25. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was satisfactory.

Significant matters discussed with management

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

Audit adjustments

27. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £1 thousand are outlined in Exhibit 3.

28. One audit adjustment was required to the financial statements greater than the reporting threshold of £1 thousand.

Exhibit 3
Audit adjustments

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Audit adjustments to financial statements		**Dr**	**Cr**	**Dr**	**Cr**
		£'000	**£'000**	**£'000**	**£'000**
1. Audit testing revealed that the calculation of the year end annual leave/ flexi accrual was incorrect.					
	Staff costs	1			
	Trade Payables				1
Net impact on financial statements		**1**			**1**

Source: Audit Scotland

29. In addition to the corrected misstatements outlined in Exhibit 3, there was one other misstatement identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatement was considered by the audit team, and it was concluded this was not material to the financial statements. As a result, this did not have any impact on the audit opinions given in the Independent Auditor's Report.

30. Details of the uncorrected misstatements can be seen in Appendix 2.

Significant risks of material misstatement identified in the Annual Audit Plan

31. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit 4.

Exhibit 4
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. **Conclusion:** No evidence of fraud caused by management override of controls.

Source: Audit Scotland

Prior year recommendations

32. The Standards Commission for Scotland has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the Standards Commission for Scotland and are outlined in Appendix 1.

Financial Sustainability and Best Value audit

Conclusion

The Standards Commission for Scotland has effective and appropriate arrangements in place for securing financial sustainability.

The Standards Commission for Scotland has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

33. The Annual Audit Plan reported the Standards Commission for Scotland was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of the Standards Commission for Scotland.

Duty of Best Value

34. The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Best Value in public services: guidance for Accountable Officers is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

35. Consideration of the arrangements the Standards Commission for Scotland has in place to secure Best Value have been carried out alongside the wider scope audit.

Conclusions on Financial Sustainability

36. The audit work performed on the arrangements the Standards Commission for Scotland has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the Standards Commission for Scotland:

- making appropriate arrangement to develop medium term financial plans financial plans within the Strategic Plan 2024-28 and linking these to annual business plans and priorities;

- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources; and
- understanding the benefits of utilising shared services and functions with other Officeholders to reduce costs.

Conclusion on duty of Best Value

37. The audit work performed on the arrangements the Standards Commission for Scotland has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- the Standards Commission for Scotland having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements. Finance and procurement documents are subject to regular review;
- the arrangements the Standards Commission for Scotland has in place to secure financial sustainability which help ensure the effective use of available resources;
- members undertake reviews after every Hearing to identify any process improvements and learning points. They are provided with training on best practice in conducting hearings; and
- a paper outlining the Standards Commission for Scotland's compliance with the duty of Best Value was presented in the January 2026 Audit and Risk Committee. No areas of non-compliance have been identified from their review of activities.

Appendix 1

Action plan 2025/26

2025/26 recommendation

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. **Key Performance Indicators and Trend Analysis** The draft annual report and accounts did not include details of the Standards Commission for Scotland's performance against their key performance indicators, and corresponding trend analysis. This is a requirement of the FReM. The performance analysis section has been updated to include key performance indicator results and prior year comparators. We are content with the updated disclosure. The Standards Commission for Scotland has agreed to review key performance indicators, and disclosures, to support performance monitoring and future trend analysis.	The Standards Commission for Scotland's suite of key performance indicators should be reported in their Annual Report and Accounts. This will ensure performance and trends have been disclosed and satisfy the requirements of the FReM.	**Partially Implemented** Details of performance against KPIs has been included in the performance analysis section of the annual accounts for 2025/26. A review of the existing suite of KPIs is scheduled for January 2027. A fuller disclosure will be considered for the 2026/27 annual accounts. Accountable Officer 31 May 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. **2024/25: Best value reporting** The SPFM sets out the accountable officer's duty to ensure arrangements are in place to secure best value. The Standards Commission for Scotland does not formally report progress against the key characteristics of best value Risk: There is a risk that the Standards Commission for Scotland is not fully complying with the key best value characteristics.	A summary of the Standards Commission for Scotland's compliance with the duty of best value should be formalised and presented to those charged with governance. A paper on best value compliance will be prepared and presented to the Commission in 2025/26.	**Implemented** A paper on the Standard Commission for Scotland's compliance with the duty of Best Value was presented to the Audit and Risk Committee at their meeting in January 2026.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. **2023/24: Year End Accruals** Issues identified with two-year end accruals: • Legal costs accrual included 2024/25 expenditure and was overstated by £2k. • Error identified with the calculation of the annual leave/ flexi accrual and was understated by £500. There is a risk that expenditure is misstated at the year end.	**2023/24:** To ensure year end accruals are correctly disclosed in the financial statements. Responsible officer: Office Manager Revised implementation date: 31 March 2025 **2024/25 Update:** Issues were identified with accruals in 2024/25, however, these were below the reporting threshold and had a net impact of £400 over accrued expenditure. The annual leave accrual is calculated using a template provided by the SPCB, so issues with it need to be raised with them. **2025/26 Update:** Audit testing revealed the following Issues with year-end accruals: • Annual leave/ flexi accrual: error identified with the calculation. This was above the reporting threshold and resulted in an adjustment to the financial statements. • A 2024/25 invoice paid in 2025/26 had not been accrued. This was above the reporting threshold and this prior year error was not adjusted in the financial statements.	**Partially Implemented** An adjustment to the 2025/26 annual accounts was made for the annual leave error. The calculation template has now been amended accordingly for 2026/27 reporting. An adjustment to the 2024/25 annual accounts for an unaccrued invoice was not made in the 2025/26 annual accounts. Accountable Officer 31 May 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. **2022/23: Service Level Agreements (SLA)** The IT service level agreement in place between Scottish Parliamentary Corporate Body (SPCB) and Standards Commission for Scotland should be refreshed to ensure this reflects current services, including cyber security. There is a risk that services provided by SPCB on behalf of Standards Commission for Scotland are not suitable for its business needs.	**2023/24**: Standards Commission for Scotland and SPCB should review the IT service level agreement to ensure that it reflects the current services provided. Responsible officer: Office Manager Revised implementation date: 31 March 2025 **2024/25 Update:** A draft of the IT SLA was received on 30 June 2025. This has been reviewed by the Executive Director and returned to IT with a few minor amendments. Cyber security online training provided by NCSC has been circulated to staff and members for completion in July 2025.	**Implemented** The updated IT Memorandum of Understanding was finalised in July 2025. We also note that the SPCB Finance Shared Service Agreement was updated in January 2026 to reflect the changes in SPCB key senior finance staff.

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Uncorrected misstatements		**Dr**	**Cr**	**Dr**	**Cr**
		£000	**£000**	**£000**	**£000**
1. 2024/25 expenditure not accrued in 2024/25					
	Trade and other payables (2024/25)				(1)
	Other administration costs (2024/25)	1			
	General Fund (2024/25 closing and 2025/26 opening)			1	
	Other administration costs (2025/26)		(1)		

An invoice for £1 thousand, paid in 2025/26, related to 2024/25 legal costs but had not been accrued in the prior year accounts. No prior year adjustment has been made to the financial statements, with the expenditure being recognised in the current year.

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026

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