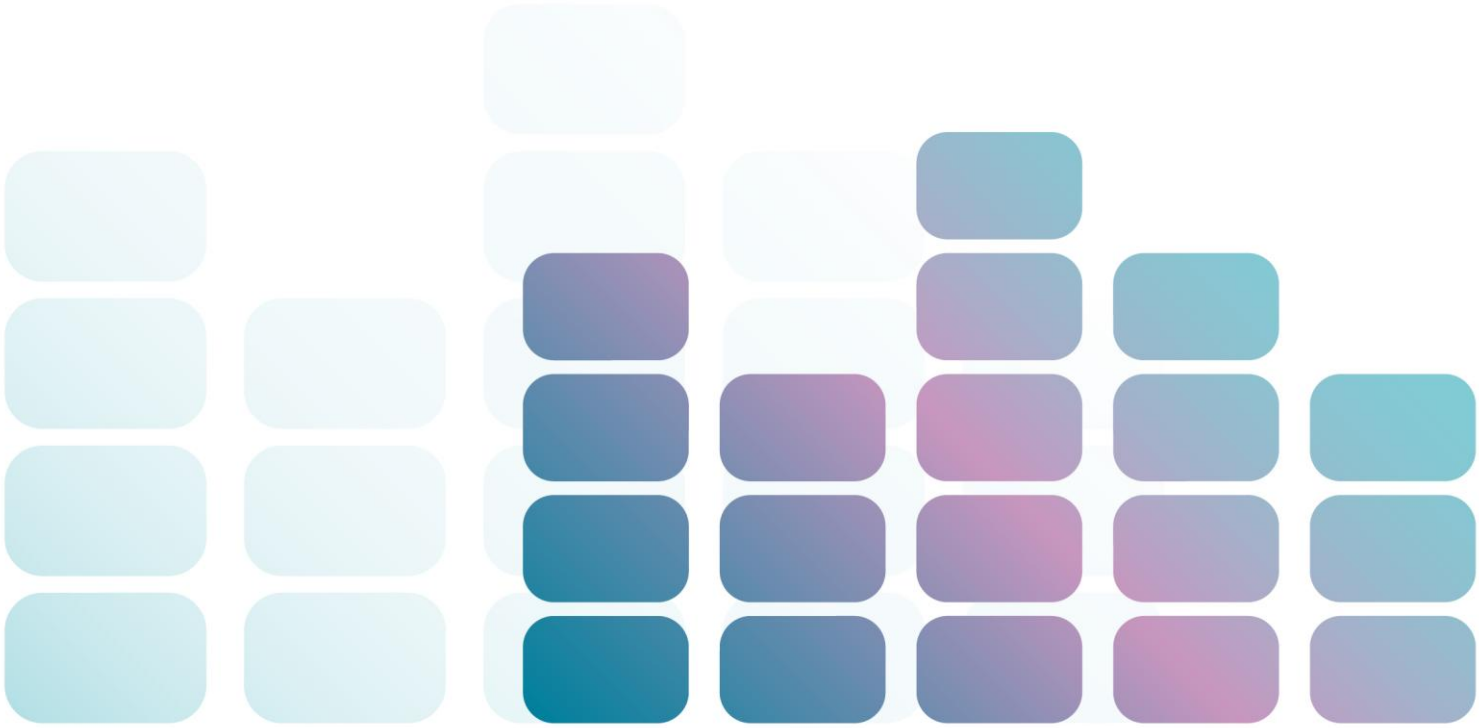
Scottish Human Rights Commission

2024/25 Annual Audit Report



AUDIT SCOTLAND

Prepared for the Scottish Human Rights Commission and the Auditor General for Scotland

September 2025

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Key messages

Audit of the annual report and accounts

1 All audit opinions stated that the annual report and financial statements were free from material misstatement.

2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the Scottish Human Rights Commission.

Wider scope and Best Value audit

3 SHRC has effective and appropriate arrangements in place for securing financial sustainability.

4 The Strategic Plan will need to be updated to reflect any impact from the Supported Bodies Landscape Review.

5 SHRC has effective and appropriate arrangements in place for Vision, Leadership and Governance.

6 Leadership capacity at Commission and Senior Leadership Team levels have been strengthened.

7 Good progress is being made on implementing the recommendations from the 2023 Governance Review.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Scottish Human Rights Commission's annual report and financial statements and the wider scope areas specified in the Code of Audit Practice (2021).

2. The Annual Audit Report is addressed to the Scottish Human Rights Commission, hereafter referred to as SHRC, and the Auditor General for Scotland, and will be published on Audit Scotland's website in due course.

Scope of the audit

3. 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 financial statements, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on the Commission's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; and Vision, Leadership and Governance.
- Reporting on the Commission's arrangements for securing Best Value.

Appointed auditor and independence

4. Liz Maconachie, of Audit Scotland, has been appointed as external auditor of the body for the period 2022/23 until 2026/27. As reported in the Annual Audit Plan, Liz Maconachie and the audit team are independent of SHRC 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 SHRC, including no provision of non-audit services.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of the body and the auditor, with a summary outlined below.

Auditor's responsibilities

6. 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 SHRC's arrangements in place for the wider scope areas and Best Value.

7. The Annual Audit Report includes an agreed action plan at Appendix 1. The matters reported are 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 body from its responsibilities outlined below.

SHRC's responsibilities

8. The SHRC 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 financial statements, comprising financial statements that gives 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.
- Establishing an internal audit function.

National and performance audit reporting

9. 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 SHRC and the

Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in Appendix 3.

Acknowledgements

10. We would like to thank the staff at SHRC, particularly those involved in the 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 five-year audit appointment.

Audit of the annual report and accounts

Main judgements

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

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the SHRC.

Audit opinions on the annual report and accounts are unmodified

11. The SHRC's annual report and financial statements were approved on 29 September 2025 and signed by the appointed auditor on the same day. The Independent Auditor's Report is included in SHRC's annual report and financial statements, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



The audit has been delivered in accordance with the agree timetable

12. The unaudited annual report and financial statements were received on 21 August 2025 which was broadly in line with the agreed audit timetable. Working papers were received as requested.

The audit fee is unchanged from the level reported at planning

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £20,460. There have been no developments that impact on our required planned audit work; therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality was reviewed on receipt of the unaudited annual report and accounts

14. Materiality is applied by auditors in planning and performing an audit. 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.

15. Materiality levels for the audit of SHRC 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 and these can be seen in Exhibit 1.

Exhibit 1
2024/25 Materiality levels for SHRC

Materiality	
Materiality – set at 2% of gross expenditure	£29,000
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 exceeds performance materiality, this could indicate further audit procedures are required.	£22,000
Reporting threshold – all misstatements greater than this shall be reported.	£1,000

Source: Audit Scotland

The audit has identified no significant findings or key audit matters

16. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for SHRC is the Audit and Risk Committee.

17. 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 include:

- 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.

- Significant events or transactions that occurred during the year.

18. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

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

Accounting policies

20. The appropriateness of accounting policies adopted by SHRC was assessed as part of the audit. These were considered appropriate to SHRC's circumstances, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Disclosures in the financial statements

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

There were no misstatements identified during the audit process

22. No audit adjustments were required to the financial statements greater than the reporting threshold of £1,000.

Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

23. 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 2.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Significant risks of material misstatement		

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. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.	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. • There were no significant transactions outside the normal course of business. • Adequate controls in place to identify related party transactions. • No issues identified during our substantive testing of transactions around the year end, including testing of accruals and prepayments. **Conclusion:** no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Prior year recommendations are being progressed

24. SHRC 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 body and are outlined in Appendix 1.

Wider scope and Best Value audit

Audit approach to wider scope and Best Value

Wider scope

1. As reported in the Annual Audit Plan, due to the nature and size of SHRC and its limited financial activity, it is considered a less complex body for the wider scope audit. Therefore, the wider scope audit does not consider all four wider scope areas and is instead limited to concluding on the financial sustainability and vision, leadership and governance.

25. Audit work is performed on these areas and a conclusion on the effectiveness and appropriateness of the arrangements SHRC has in place for each is reported in this chapter.

Duty of Best Value

26. 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.

27. Consideration of the arrangements SHRC has in place to secure Best Value has been conducted alongside the wider scope audit.

Financial Sustainability

Conclusion

SHRC has effective and appropriate arrangements in place for securing financial sustainability.

The Strategic Plan will need to be updated to reflect any impact from the Supported Bodies Landscape Review.

SHRC operated within its 2024/25 budget

28. SHRC receives its budget on a cash basis from the Scottish Parliamentary Corporate Body (SPCB) and this is its only source of income. The core cash budget for 2024/25 was £1.456 million, which was supplemented by an additional £0.039 million from contingency funding –

resulting in a total budget of £1.495 million. SHRC's main financial objective is to ensure that its financial outturn in-year is within the budget agreed with the SPCB.

29. The contingency funding application, alongside the core cash budget allowed SHRC to maintain a stable staffing establishment and the continuation of statutory functions during the year. The pay award was lower than anticipated which allowed it to surrender £0.035 million back to the SPCB thus giving a revised budget of £1.460 million. Total net expenditure for the year amounted to £1.435 million.

A balanced budget has been set for 2025/26

30. SHRC's core budget for 2025/26 is £1.557 million and this includes £0.062 million from July 2025 to fund 1.3 full time equivalent staff. The SPCB has also approved contingency funding of £0.044 million for a legal fellow and another £0.106 million to implement the final recommendations of the Governance Review. Early budget reports showed an underspend of 3% against budget but this expected to level out by the year end.

SHRC is monitoring its medium-term position

31. SHRC operates within four-year strategic planning cycles, with the 2024-28 Strategic Plan approved in January 2024. The Strategic Plan includes a 'Financial Plan 2024-28' section which details the indicative costs for the delivery of SHRC's strategic aims for the next four years. Our review of the assumptions used confirms that these are reasonable and appropriate to ensure that SHRC can continue to sustainably provide services for the duration of the plan.

32. The June 2025 SPCB Supported Bodies Landscape Review considered how SHRC could be developed to produce a more effective, rights-based approach to addressing the structural inequalities in Scotland. This will impact on SHRC's future plans and discussion will be ongoing with the SPCB ensuring that future bids are amended to take cognisance of this.

33. Overall, we are satisfied that the strategic planning arrangements made within SHRC take appropriate account of the need for the organisation to be financial sustainable.

Vision, Leadership and Governance

Conclusion

SHRC has effective and appropriate arrangements in place for Vision, Leadership and Governance.

Leadership capacity at Commission and Senior Leadership Team levels have been strengthened.

Good progress is being made on implementing the recommendations from the 2023 Governance Review.

SHRC has a clear vision and strategy

34. SHRC's 2024-28 Strategic Plan provides details of its strategic objectives, how it will monitor its impact and what it hopes to achieve each year. It also contains financial plans for the 4 years.

There have been changes in leadership for the Commission and a strengthening of the Senior Leadership Team

35. Professor Angela O'Hagan took up the position of part time Chair in August 2024 after the post had been vacant for 14 months. One Commission member resigned in November 2024 but two new Commission members started in September 2025, bringing the Commission's membership up to its full complement.

36. The Commission also strengthened its Senior Leadership Team with interim appointments to the Head of Legal and Policy and Head of Communication and Engagement. The post of People and Culture manager was not filled but arrangements have been made with SPSO staff to provide senior HR leadership. One of its first priorities will be to review the policy and staff handbook, which is the main priority of the People and Culture programme. A revised plan to recruit additional support is being developed.

Governance arrangements continue to operate effectively

37. SHRC's governance arrangements are set out in the Governance Statement in the annual report and financial statements. I have reviewed these arrangements and concluded that they are effective and appropriate. In addition, scrutiny arrangements are working well with opportunities provided to all members to participate.

38. An independent Governance Review was undertaken in 2023 and work implementing its recommendations is progressing. 85% of the recommendations are implemented and work is ongoing to fully implement the outstanding recommendations during 2025/26. Internal audit conducted a review of progress to date with its report providing a strong assurance rating.

Conclusions on duty of Best Value

39. Our work on the arrangements SHRC has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- SHRC has well established and effective governance arrangements in place, with the Best Value being a key aspect of its governance arrangements.

- arrangements are in place to secure financial sustainability which help ensure the effective use of available resources. SHRC is located within a shared office space with other Commissioners and has a service agreement with Scottish Public Services Ombudsman (SPSO) for the provision of financial service.
- staff costs account for 85% of the Commission's expenditure and there is a robust process to ensure that expenditure is checked, reconciled and appropriately authorised.

40. The work undertaken to demonstrate Best Value is not currently reported.

Recommendation 1

A summary of SHRC's compliance with the duty of Best Value should be formalised and reported to those charged with governance.

Appendix 1 – Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. **Best Value Reporting** The SPFM sets out the accountable officer's duty to ensure arrangements are in place to secure Best Value. SHRC does not formally report progress against key characteristics of Best Value. Risk: There is a risk that SHRC is not fully complying with the key characteristics of Best Value.	A summary of SHRC's compliance with Best Value characteristics should be formalised and presented to those charged with governance.	Accepted Appropriate review arrangements to be established in line with key Best Value characteristics to ensure appropriate reporting and governance. Executive Director 2025-26

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. **Introduction of Budget Monitoring Reports** Updates on the Commission's financial performance is being provided verbally to the Commission/ARC. Risk – Commission and committee members are not able to effectively scrutinise the financial performance of the Scottish Human Rights Commission.	To ensure effective scrutiny of financial performance, regular budget monitoring reports should be produced and presented to Commission / ARC members in advance of meetings and in line with agreed frequency. A financial monitoring report will be developed and implemented for Commission/ ARC meetings that allows effective scrutiny of financial performance. Executive Director 31 March 2024	**Implemented** A Corporate Services Report which includes finance details is provided to each meeting of the Audit and Risk Committee.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. **Improvement of post-processing controls for transactions processed under shared services arrangement** Some procedures are in place for providing checks over transactions processed by the SPSO but these are not fully documented. Risk – There is a risk that the Scottish Human Rights Commission has insufficient assurance over the transactions processed on its behalf by the SPSO.	The procedure for documenting post-processing controls for transactions should be formalised. An additional formal procedure for post processing controls of transactions under the Shared Services Agreement will be developed and incorporated into the existing control routines. Executive Director 31 December 2024	**Implemented**

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. **Policies and Procedures** We identified that a range of policies and procedures required to be updated. This should be undertaken in line with the findings from the Strategic Governance Review.	A timetable should be devised to ensure that all policies and procedures are updated within a reasonable timeframe. Implementation of the Governance Review has had an impact on capacity to deliver alongside business as usual outputs against the Commission's mandate. Following review and preparatory work in Q3/Q4 of 23/24 of this element of the Governance Review, and in recognition of the resultant scale of this project and associated employee engagement, it was decided that the priority task was completion of the Code of Governance, which was the primary recommendation of the Review. This work was considered by the ARC in June 2024, and subsequently adopted by the Commission on 2 September 2024. Capacity to deliver the policy review is being kept under review and has been raised with the SPCB as an area where the Commission requires additional temporary support. Executive Director Qu4 2024/25 – Qu1 2025/26	**Work in Progress** SHRC was unsuccessful in appointing a People and Culture Manager. However, a temporary arrangement has been made with SPSO HR staff to undertake a review of the current policies and procedures. Work is ongoing to recruit into the People and Culture Manager role. Executive Director 31 March 2026

Appendix 2 – National reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

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