Scottish Public Services Ombudsman

2024/25 Annual Audit Report

Prepared for the Scottish Public Services Ombudsman and the Auditor General for Scotland

September 2025

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Key messages

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1 All audit opinions confirm that the Annual Report and Accounts are free from material misstatement.

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

Financial Sustainability and Best Value audit

3 The Scottish Public Services Ombudsman has effective and appropriate arrangements in place for securing financial sustainability and Best Value.

4 A Medium Term Financial Plan has been implemented, which is considered good practice.

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 Public Services Ombudsman'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 Scottish Public Services Ombudsman, hereafter referred to as 'SPSO', and the Auditor General for Scotland. It will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. We can confirm that the audit team are independent of SPSO 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, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Ombudsman, the Acting Ombudsman, the Advisory Audit Board and staff at SPSO 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 scope and responsibilities

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.
- An opinion on the audited part of the Remuneration and Staff Report.
- Concluding on the financial sustainability of SPSO and a review of the Governance Statement.
- Reporting on SPSO's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of SPSO 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 SPSO'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 SPSO from its responsibilities outlined below.

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

SPSO's responsibilities

10. SPSO 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 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

11. 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 SPSO. Details of national and performance audit reports published over the last year can be seen in Appendix 2.

Audit of the Annual Report and Accounts

Main judgements

All audit opinions confirm that the Annual Report and Accounts are free from material misstatement.

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

Audit opinions on the Annual Report and Accounts

12. SPSO's Annual Report and Accounts were approved by the Acting Ombudsman on 24 September 2025 and signed by the appointed auditor on the same day. The Independent Auditor's Report is included in SPSO's Annual Report and Accounts. This reports that, in the appointed auditor's opinion, the Annual Report and Accounts are free from material misstatement.

Audit timetable

13. The unaudited Annual Report and Accounts and all working papers were received on 4 July 2025, in accordance with the agreed audit timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £26,690. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

15. 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.

16. Materiality levels for SPSO 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 SPSO

Materiality	Amount
Materiality – set at 2% of gross expenditure.	£155,000
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 identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£116,000
Reporting threshold – set at 5% of materiality.	£8,000

Source: Audit Scotland

No significant findings or key audit matters were identified from our 2024/25 audit work

17. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for SPSO is the Acting Ombudsman.

18. 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.

19. 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.
- Significant events or transactions that occurred during the year.

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

Qualitative aspects of accounting practices

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

Accounting policies

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

Accounting estimates

23. Accounting estimates are used in SPSO's financial statements, including the useful life of Property, Plant and Equipment. Audit work considered the process that management of SPSO has in place around making accounting estimates, including the assumptions and data used in making the estimates. Audit work concluded:

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

Disclosures in the financial statements

24. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was found to be appropriate.

Audit adjustments

25. 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 £8,000 are outlined in Exhibit 2 (page 10).

26. SPSO processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no corrected misstatements to report.

Exhibit 2
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. IFRS 16 accounting for the lease of Bridgeside House was adjusted to accurately reflect the reprofiled present value of the lease liability and right of use asset following a rent review.					
	Right of Use Asset			31	
	Current Lease Liability				31
	Depreciation	7			
	Right of Use Asset – Accumulated Depreciation				7
	Finance Costs		8		
	Non-Current Lease Liability			8	
2. A HMRC payable was originally reduced by a receivable amount due to SPSO. An adjustment was required to correctly account for the HMRC receivable separately.					
	Trade and Other Receivables			8	
	Trade and Other Payables				8
Net impact on financial statements			**1**	**1**	
Audit adjustments in disclosures					

Source: Audit Scotland

Significant risks of material misstatement identified in the Annual Audit Plan

27. 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 3, (page 11).

Exhibit 3
Significant risk 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	Audit work performed found: • The design of controls over journal processing were appropriate and these were implemented as intended. • 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.

Risk of material misstatement	Planned audit response	Outcome of audit work
	these for evidence of management bias.	**Conclusion**: no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Prior year recommendations

28. SPSO 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 SPSO and are outlined in Appendix 1.

Financial Sustainability and Best Value audit

Conclusion

The Scottish Public Services Ombudsman has effective and appropriate arrangements in place for securing financial sustainability and Best Value.

A Medium Term Financial Plan has been implemented, which is considered good practice.

Audit approach to wider scope and Best Value

Wider scope

29. The Annual Audit Plan assessed that SPSO is 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 SPSO.

Duty of Best Value

30. 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.

31. Consideration of the arrangements SPSO has in place to secure Best Value have been carried out alongside the wider scope audit.

Conclusions on Financial Sustainability

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

- Developing a medium and longer-term financial plan that is linked to its Strategic Plan and priorities.
- Having effective arrangements in place for identifying risks to financial sustainability over the medium term, and understanding

medium term demand pressures that could impact on available resources.

SPSO has implemented a Medium Term Financial Plan

33. The Leadership Team approved SPSO's Medium Term Financial Plan in June 2025. The plan is used to inform SPSO budgeting and spending decisions, demonstrating good financial planning in short to medium term. It also provides SPSO with a framework for their annual budget cycle through to 2028/29.

34. The plan is clear and concise, effectively setting out SPSO objectives, the environment SPSO operates in and the financial assumptions used to forecast the optimistic, central and pessimistic scenarios over the next four years.

35. From our review of the plan, we would like to note it as being good practice.

Conclusion on duty of Best Value

36. The audit work performed on the arrangements SPSO has in place for securing Best Value found that these are effective and appropriate. This judgement is evidenced by:

- SPSO having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
- The arrangements SPSO has in place to secure financial sustainability which help ensure the effective use of available resources.

Appendix 1

Action plan 2024/25

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Tagged asset detail in the Fixed Asset Register The SPSO Fixed Asset Register does not currently contain asset tagging information. **Improvement** – Including all asset tag information in the Fixed Asset Register will ensure the document is complete and accurate.	**Recommendation:** SPSO should include all relevant asset tag information in their Fixed Asset Register. **Agreed Action:** Laptop tracker will now include a reference to the invoice showing date of purchase. At year-end, the complete list of in-service and disposed laptops and mobiles will be included in the FAR. **Corporate Services Manager** **31 March 2025**	**Implemented**
2. Financial Planning	**Recommendation:** SPSO should develop a Medium-Term Financial Plan, to ensure that the Ombudsman can manage its resources sustainably and deliver services effectively. **Agreed Action:** Further context supporting the narrative in the SPSO Strategic Plan will be developed alongside the 2025-26 budget bid to the SPCB. **Head of Corporate and Shared Services** **December 2024**	**Implemented**

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. Workforce Planning	**Recommendation:** SPSO should develop a formalised Workforce Plan. Workforce planning should outline the current workforce, the future workforce and how the organisation can achieve its required future workforce. **Agreed Action:** The work compiling this information will flow from the financial plan. **Head of Corporate and Shared Services** **31 March 2025**	**Work in progress** Draft plan to be shared with incoming Ombudsman and Leadership Team, November 2025. **Head of Corporate and Shared Services** **December 2025**

Appendix 2

Supporting national and performance audit 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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