sportscotland and sportscotland National Lottery Distribution Fund

2024/25 Annual Audit Report

AUDIT SCOTLAND

Prepared for sportscotland board and the Auditor General for Scotland

August 2025

Contents

Accessibility

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

Key messages

Audit of the annual report and accounts

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

2 Significant findings and key audit matters for the 2024/25 audit of sportscotland included the revaluation of land and buildings. An adjustment of £3.9 million was made to remove VAT that had been incorrectly included in the valuation of the National Training Centre Inverclyde. Additionally, it was noted that the revaluation reserve had not been accounted for in accordance with applicable accounting standards, resulting in a prior year restatement. Both matters were subsequently corrected in the financial statements.

3 All audit adjustments required to correct the financial statements have been processed.

Wider scope and Best Value audit

4 sportscotland has established effective and appropriate arrangements in Financial Management, Financial Sustainability, Vision Leadership and Governance, and the Strategic Use of Resources to Improve Outcomes; and Securing and demonstrating Best Value. While these arrangements are generally sound, a number of recommendations have been made to support continuous improvement.

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 sportscotland and the sportscotland National Distribution Fund (also referred to as 'Lottery Fund') 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 sportscotland board and the Auditor General for Scotland, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Pauline Murray, of Audit Scotland, has been appointed as external auditor of sportscotland and the Lottery Fund for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Pauline Murray and the audit team are independent of sportscotland and the Lottery Fund 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 sportscotland and the Lottery Fund, including no provision of non-audit services.

Acknowledgements

4. We would like to thank sportscotland 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 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.
- Conclusions on the sportscotland's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on sportscotland's arrangements for securing Best Value.
- Providing assurance on the Whole of Government Accounts return.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the body 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 sportscotland'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 sportscotland 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.

sportscotland's responsibilities

10. sportscotland has primary responsibility for ensuring proper financial stewardship of public funds across both its core operations and the Lottery Fund. This includes compliance with relevant legislation and the establishment of effective governance arrangements that support propriety and regularity that enables sportscotland and Lottery Fund to successfully deliver their objectives. In fulfilling these responsibilities, sportscotland is required to prepare two separate sets of annual report and accounts, one for sportscotland and its group, and one for the Lottery Fund, in accordance with the Accounts Directions issued by the Scottish Ministers.

11. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs across both bodies
- Preparation of two separate annual report and accounts, comprising financial statements for sportscotland and its group and the Lottery Fund 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

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 body and the Audit and Risk Committee. 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 stated that the annual report and accounts were free from material misstatement.

Significant findings and key audit matters for the 2024/25 audit of sportscotland included the revaluation of land and buildings. An adjustment of £3.9 million was made to remove VAT that had incorrectly been included in the valuation. Additionally, it was noted that the revaluation reserve had not been accounted for in accordance with applicable accounting standards, resulting in a prior year restatement. Both matters were subsequently corrected in the financial statements.

Audit opinions on the annual report and accounts

13. The annual report and accounts for sportscotland and its group, as well as for the Lottery Fund, were approved by the sportscotland Board on 26 August 2025 and signed by the appointed auditor on 19 September 2025. The Independent Auditor's Report, included in both sets of accounts, 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 2 June 2025 in accordance with the agreed audit timetable. While the unaudited annual report and accounts were submitted, there were areas where the quality could be enhanced. In particular, delays were experienced with the provision of supporting working papers and improvements are needed to ensure the completeness and accuracy of the information provided.

Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £70,430 for both sportscotland and its group and Lottery Fund. Although there were some delays during the audit process, the audit team and management worked constructively together to ensure the audit was completed within the planned timeframe.

Materiality

16. 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.

17. 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.

18. Materiality levels for the audit of sportscotland and its group and the Lottery Fund 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 the sportscotland and its group and Lottery Fund

Materiality	sportscotland	Group	Lottery Fund
Materiality – set at 2% of gross expenditure	£0.805 million	£0.916 million	£0.697 million
Performance materiality – set at 70% of materiality for sportscotland and its group and 75% for Lottery Fund. 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.	£0.563 million	£0.641 million	£0.509 million
Reporting threshold – set at 5% of materiality.	£0.040 million	£0.045 million	£0.033 million

Source: Audit Scotland

Significant findings and key audit matters

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

20. 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.

21. 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.

22. 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
1. Revaluation of land and buildings In accordance with the Government Financial Reporting Manual (FReM), sportscotland is required to value assets at their current value in existing use. Our audit testing found an error in an assumption applied to the valuation of the National Training Centre Inverclyde. There had been limited management challenge and review to confirm the completeness and accuracy of the valuation prior to audit inspection. Management obtained a revised valuation to exclude the assumption previously applied. This resulted in a reduction of £3.9 million to the carrying value of assets from those disclosed in the unaudited accounts.	Audit have obtained assurance that the carrying value of property, plant and equipment in the audited accounts is free from material misstatement. While recognising sportscotland engaged with an independent valuer to undertake the valuation of land and buildings in the current year, the valuation process is underpinned by data and assumptions provided by the sportscotland. It is important that sportscotland ensures the carrying value of assets at the year-end are subject to appropriate review and scrutiny. This includes providing complete and accurate information to support valuations and assessing the reasonableness of the outcomes. These procedures should be completed within appropriate timeframes to support the preparation of the unaudited annual report and accounts. Recommendation 1 (Refer Appendix 1)
2. Revaluation Reserve In accordance with the Government Financial Reporting Manual (FReM), sportscotland is required to account for property, plant and equipment in line with International Accounting Standard (IAS) 16, as adapted for the public sector. This adaptation requires tangible non-current assets to be measured at current value in existing use or fair value. The unaudited accounts did not disclose a revaluation reserve and it was identified that the reserve had not been managed in accordance with the relevant accounting requirements. As a result, recent asset revaluations (both increases and decreases) were incorrectly recognised within other	Management has since reviewed the available information and processed a prior year adjustment to correct the general fund balance and appropriately disclose the revaluation reserve in line with accounting standards. This has resulted in the following adjustments which have been reflected within the updated accounts: Prior year restatement: DR General Fund - £2.5m CR Revaluation Reserve - £2.5m Current year adjustment: CR PPE - £4.9m

Significant findings and key audit matters	Outcome
comprehensive income and expenditure, leading to a misstatement of the general fund.	DR revaluation reserve - £2.6m CR net operating expenditure - £2.3m The audit team are satisfied the audited accounts properly reflect the accounting requirements. Recommendation 2 (Refer Appendix 1)
3. Assets held for Sale – Impairment In accordance with the Government Financial Reporting Manual (FReM), sportscotland is required to account for Assets Held for Sale in line with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under this standard, any impairment or revaluation losses should be recognised in net operating expenditure. In the unaudited accounts, the impairment of £0.6m was incorrectly recorded and included within Other Comprehensive Income and Expenditure.	Management subsequently revised the accounting treatment to align with the relevant standards. The following adjustments have been made and are reflected in the updated accounts: CR General Fund - £0.6m DR Other operating charges - £0.6m The audit team are satisfied the audited accounts properly reflect the accounting requirements. Recommendation 2 (Refer Appendix 1)
4. Assets held for Sale – Disclosures In line with the Government Financial Reporting Manual (FReM), sportscotland is required to account for Assets Held for Sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and to reclassify such assets from property, plant and equipment (PPE) under IAS 16 when the relevant criteria are met. In the unaudited accounts, the reclassification was incorrectly presented as a disposal. Management subsequently revised the accounting treatment to ensure compliance with the applicable standards.	The audit team have reviewed the updated disclosure notes and are satisfied the disclosure notes in the audited accounts properly reflect the accounting requirements. Recommendation 2 (Refer Appendix 1)

Source: Audit Scotland

Qualitative aspects of accounting practices

23. 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

24. The appropriateness of accounting policies adopted by sportscotland and the Lottery Fund was assessed as part of the respective audits. For both bodies, the accounting policies were considered to be appropriate to their circumstances and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

25. Accounting estimates are used in a number of areas in sportscotland's financial statements, including the valuation of land and buildings, the calculation of the holiday pay accrual and the valuation of the pension liability. Audit work considered the process management of sportscotland has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- Issues were identified with the application of assumptions used to support one property valuation. See Exhibit 2 and Exhibit 4.
- Management changed their methodology for recognising the liability for any untaken holiday at the year-end that can be carried forward. This was not in accordance with IAS 19 Employee Benefits and management revised this. The impact of this is documented in Exhibit 4.
- Management estimated the voluntary severance accrual but on review of the assumptions used, recognised an error in the calculation. The impact of this is documented in Exhibit 4.
- There was no evidence of management bias in making the accounting estimates.

26. Accounting estimates were not applicable to the financial statements of the Lottery Fund.

Disclosures in the financial statements

27. The adequacy of disclosures in the financial statements for both sportscotland and the Lottery Fund was assessed as part of the audit.

28. sportscotland made use of the National Audit Office's disclosure guide in preparing its annual report and accounts for the current year. While this is an improvement from the prior year, there remains scope to further improve the quality and consistency of disclosures to ensure full compliance with the requirements of the Financial Reporting Manual (FReM). We identified disclosures omissions in various areas including the Remuneration Report, land and buildings revaluations, assets held for sale and IFRS 16.

29. The quality of disclosures in the Lottery Fund accounts was considered to be adequate.

Group audit

30. sportscotland is part of a group and prepares group financial statements. The group is made up of two components, including the body which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in Exhibit 3 (page 13).

Exhibit 3
Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
sportscotland	**Audit Scotland** Full scope audit of the body's annual report and accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2.
The Scottish Sports Council Trust Company	**Wbg (Audit) Limited** Specific audit procedures completed on income, expenditure and creditors as these are material account areas.	The specific audit procedures required were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified with the account areas or the audit procedures performed by the component auditor. The group audit team performed audit procedures on the valuation of land and buildings. Significant issues

Group component	Auditor and audit work required	Summary of audit work performed
	Specific audit procedures completed on valuation of land and buildings.	were identified (see Exhibit 2).

Source: Audit Scotland

31. ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during an audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.
- any frauds or suspected frauds involving group or component management.

32. There were no issues identified from our work regarding the above points.

Other matters to report

33. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. These matters included suspected or identified fraud, non-compliance with legislation, significant deficiencies in control. From the work carried out during the audits, no such matters were identified or encountered in relation to either sportscotland or the Lottery Fund that require to be reported.

Significant matters discussed with management

34. All significant matters identified during the audit and discussed with sportscotland's management have been reported in the Annual Audit Report.

Audit adjustments

35. Audit adjustments were required to the financial statements of sportscotland to correct misstatements identified during the audit. Details of all audit adjustments greater than the reporting threshold of £0.040 million are outlined in Exhibit 4.

36. No audit adjustments were required to the financial statements of the Lottery Fund.

Exhibit 4
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. Revaluation of land and buildings See Exhibit 2.					
	PPE				3,966
	General Fund			3,966	
2. Revaluation reserve See Exhibit 2.					
	Revaluation Reserve			2,600	
	PPE				4,900
	Other operating charges	2,300			
3. Adjustment to untaken leave accrual					
	Staff Costs	253			
	Trade and other Payables				253
4. Assets held for sale – impairment See Exhibit 2.					
	Other operating charges	625			

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
	General Fund				625
5. Reclassification of Exit Packages from Accruals to Provisions					
	Current Payables			40	
	Provisions				40
6. Correction to Accrual for Employer's NIC Miscalculation					
	Accruals			81	
	Staff Costs		81		
Net impact on financial statements		**3,097**			**3,097**
Audit adjustments in disclosures					
1. Management revised the disclosure in Note 17 Capital Commitments as they were unable to provide supporting documentation to support the disclosures included in the unaudited accounts. This resulted in a reduction of £747k in the total commitments disclosed.					

Source: Audit Scotland

37. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report.

Whole of Government Accounts (WGA) return

38. The body is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion. Both sportscotland and Lottery Fund are below this threshold and therefore only limited audit procedures will be required, alongside submission of an assurance statement to the NAO.
See Appendix 1 prior year recommendation 6

Significant risks of material misstatement identified in the Annual Audit Plan

39. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan, covering both the individual and group financial statements. The outcome of audit work performed is summarised in Exhibit 5. In line with auditing standards, a presumed risk of material misstatement due to management override of controls was identified and addressed for both sportscotland and the Lottery Fund. No other significant audit risks were applicable to the sportscotland Lottery Fund

Exhibit 5
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 and other adjustments. • Test journals entries, focusing on those that are assessed as higher risk. • 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	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 or other adjustments 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

Risk of material misstatement	Planned audit response	Outcome of audit work
	assess these for evidence of management bias.	accounting estimates and there was no evidence of management bias. **Conclusion:** no evidence of fraud caused by management override of controls.
Valuation of property, plant and equipment The group held £29.928 million of property, plant, and equipment (PPE) at 31 March 2024, of which £29.466 million was land and building assets. The body is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.	• Our audit work identified two significant issues related to land and buildings valuations. • Our audit work identified that management oversight of the valuation process could be strengthened. There was limited evidence to demonstrate how management assured themselves the data inputs and assumptions applied by the valuer were appropriate. • Our work identified that the accounting treatment for revaluations has not been in accordance with IAS 16. The revaluation reserve had not been managed in accordance with the relevant accounting requirements • These matters, along with the actions taken to address them, have been reported as significant issues in Exhibit 2. **Conclusion:** the valuation of PPE is not materially misstated.

Source: Audit Scotland

40. In addition, as part of our assessment of audit risks, we identified other areas where we considered there were also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risks, we did not consider these to represent significant risks. These areas relative to sportscotland are:

41. Pension Valuation: the pension valuation due to the material value and significant assumptions used in the calculation of the carrying value.

42. We utilised the work of PwC as auditor expert in assessing the reasonableness of the methodology used and assumptions made by the council's actuary, Hymans Robertson LLP, in arriving at the IAS 19 pension valuation as at 31 March 2025. Adjustments were required to the pensions disclosure and associated workings including:

- Prior year asset ceiling calculations have an impact on current year disclosures and the initial IAS 19 report requested by sportscotland did not include the additional disclosures. sportscotland obtained a revised IAS 19 report from the actuary.

- Management revised the pension disclosures and we are satisfied the information is now appropriately disclosed within the annual report and accounts. No other issues were identified as part of this work.

43. We reported in our Annual Audit Plan that the risk assessment process is an iterative and dynamic process. The assessment of risks set out in the Annual Audit Plan may change as more information and evidence is obtained over the course of the audit.

44. A further risk of material misstatement was subsequently identified in relation to the valuation of assets held for sale.

45. Valuation of assets held for sale: This was not raised during planning procedures due to expected sale prior to 31 March 2025. We reviewed management's assumptions on the approach taken for re-classifying the assets to held for sale to ensure compliance with IFRS 5. Adjustments were required to various disclosure and associated workings including:

- Adjustments were required to the PPE, Investment Property and Assets Held for sale notes to correctly account for assets transferred to held for sale.

- Adjustments were required to the value of assets held for sale. Management had not considered the requirements of IFRS 5 valuing assets at the lower of carrying value or fair value less costs to sell.

- Adjustments were required to the SoCNE to account for the impairment of assets held for sale. See Exhibit 2.

46. Management revised the disclosures, and we are satisfied the information is now appropriately disclosed within the annual report and accounts.

Prior year recommendations

47. The body has made limited 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

Conclusion

sportscotland has established effective and appropriate arrangements in Financial Management, Financial Sustainability, Vision Leadership and Governance, and the Strategic Use of Resources to Improve Outcomes; and Securing and demonstrating Best Value.

While these arrangements are generally sound, a number of recommendations have been made to support continuous improvement.

Audit approach to wider scope and Best Value

Wider scope

48. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

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

Duty of Best Value

50. 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.

51. Consideration of the arrangements sportscotland has in place to secure Best Value has been carried out alongside the wider scope audit.

Conclusions on wider scope audit

Financial Management

52. The audit concluded that sportscotland's financial management arrangements are generally effective and appropriate. However, some areas for improvement were noted, particularly around the capacity of the finance team to support the audit process as well as assurance gaps in the general IT controls related to the payroll system. Details on these issues are outlined in paragraphs 54 and 56. This assessment is supported by sportscotland:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Audit and Risk Committee.

53. The approved 2024/25 budget was balanced for both sportscotland and the Lottery Fund. At the year-end sportscotland reported an overspend of £850k. Factors contributing to this include the unbudgeted voluntary severance costs, partly offset against lower levels of capital facilities expenditure. The Lottery Fund reported an underspend of £600k which is a result of lower levels of capital facilities expenditure.

54. The audit process experienced delays due to a combination of factors that impacted the efficiency and timeliness of audit delivery. These included the provision of incomplete or poor-quality working papers, errors within the annual report and accounts, and challenges arising from staff turnover.

55. These issues contributed to slower response times to audit queries and delays in finalising the audit. Improvements are required within the finance team to strengthen its overall capacity and capability to more effectively support the audit process. As a result of these issues, the following recommendation has been made, with further details outlined in Appendix 1.

Recommendation 2

sportscotland should implement a robust internal review process for the unaudited annual report and accounts prior to submission for audit. This will help identify and correct errors at an early stage, improve the quality of supporting working papers, and reduce delays during the audit process.

56. Audit work on sportscotland's general IT control environment highlighted an area for improvement in the assurance arrangements in relation to the payroll information provided by an external third-party software provider, MidlandsHR (MHR).

57. sportscotland should assure themselves that there are appropriate application and hosting controls in place at MHR. sportscotland has not received any assurances around the operation of these controls at the third-party provider.

58. sportscotland is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there are no adverse impact on the system of internal control or governance arrangements in respect of the use of the iTrent application.

59. As a result of the assurance gap identified, the following recommendation has been made, with further details outlined in Appendix 1.

Recommendation 3

sportscotland should review and improve its current arrangements to address the assurance gap over payroll data processed by the payroll system.

Financial Sustainability

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

- making appropriate arrangements to develop medium and longer-term financial plans and linking these to its Corporate Strategy 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.

61. sportscotland Board approved the 2025/26 budget in April 2025. This will be the 3rd consecutive year there has been no change in funding provided by the Scottish Government. Inflationary pressures and increased employer costs are contributing to higher internal costs across the sector.

62. In 2024/25, sportscotland introduced a voluntary severance scheme as part of its response to ongoing financial pressures. This initiative aligns with the strategic direction outlined in the 2025/26 Business Plan, which emphasises a shift in focus towards maximising funding directed to the wider sporting sector, while reducing internal expenditure.

63. The 2025/26 budget for National Lottery funding includes projected income of £29 million, supplemented by a planned utilisation of £6.6 million from existing lottery reserves. These figures are based on static income forecasts from the lottery operator, with limited evidence of growth during their initial year of operations.

Vision, Leadership and Governance

64. The audit work performed on the arrangements the body has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by:

- sportscotland has a Corporate Strategy in place, supported by its business plan, which clearly sets out its vision, strategy, and priorities. A revised Corporate Strategy has been developed and is scheduled for relaunch in 2025/26.
- sportscotland has the appropriate governance structure in place which supports scrutiny, challenge and decision making. This is informed by our regular attendance at the Audit and Risk Committee and a review of board and other committee papers as appropriate.

65. sportscotland's governance arrangements have been set out in the Governance Statement in both sportscotland's annual report and accounts and the Lottery Fund. A key part of the governance arrangements is the certificates of assurance completed by directors.

66. These certificates help inform the accountable officer's review of the effectiveness of the internal control system as management has responsibility for the development and maintenance of that internal control framework. We reviewed the certificates and identified areas were incomplete. See appendix 1 prior year recommendation 3.

67. The audit work performed on the arrangements sportscotland has in place around its Vision, Leadership and Governance found that these were generally effective and appropriate.

National Fraud Initiative

68. Limited progress has been made in engaging with the National Fraud Initiative (NFI) exercise during the audit period. sportscotland should continue to engage in the exercise by reviewing matches and implementing any appropriate follow up procedures to support fraud prevention and demonstrate effective governance.

Use of Resources to Improve Outcomes

69. The audit work performed on the arrangements sportscotland has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by sportscotland:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.

70. In 2024/25, sportscotland commissioned an independent third party to undertake a strategic workforce review. The findings from this review are intended to inform a key strategic shift outlined in the 2025/26 Business Plan, specifically, to shape the organisation's size, structure, and skillset to ensure it is best positioned to meet the evolving needs of the sporting system.

71. sportscotland should fully consider the findings of the recent workforce review and ensure that appropriate actions are developed in response. To support effective implementation, robust governance and monitoring arrangements should be established. As a result of this, the following recommendation has been made, with further details outlined in Appendix 1.

Recommendation 4

sportscotland should implement robust arrangements to monitor and scrutinise both the implementation and the effectiveness of any proposed and enacted actions, ensuring they can demonstrate this contributes to long-term organisational sustainability and value for money.

Conclusions on duty of Best Value

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

- sportscotland having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements.
- the arrangements sportscotland has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.
- progress sportscotland is making to embed sustainability into their corporate strategy and business plan and enhance reporting arrangements around sustainability.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Revaluation of land and buildings In accordance with the Government Financial Reporting Manual, sportscotland is required to value assets at their current value in existing use. Our audit testing found an error in an assumption applied to the valuation of National Training Centre Inverclyde. There had been limited management challenge and review to confirm the completeness and accuracy of the valuation prior to audit inspection. Management obtained a revised valuation to exclude the assumption previously applied. This resulted in a reduction of £3.9m to the carrying value of assets from those disclosed in the unaudited accounts.	It is important that sportscotland ensures the carrying value of assets at the year-end are subject to appropriate review and scrutiny. This includes providing complete and accurate information to support valuations and assessing the reasonableness of the outcomes. These procedures should be completed within appropriate timeframes to support the preparation of the unaudited accounts.	**Status:** Accepted **Review:** Given the specialist nature of property revaluation exercise (for Inverclyde and Glenmore Lodge) together with the relative stability of both sites over the past 5 years, management were guided by the consistency of approach, methodology and information requirements to support the expert valuation. The underlying property valuations provided by VOA for both sites being broadly in line with expectations and modest deviations from existing carrying values, with indexation applied for intervening years between full valuations for Inverclyde. **Action:** Finance team shall incorporate within revised year-end processes (see recommendation 2) a full internal review, assurance and sign-off process in the use of any externally provided reports that materially impact the valuation of organisation's assets, liabilities or year-end balances. This includes but not limited to property and

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		pension valuations and reports. **Responsible Officer** M Drummond – Head of Finance and Governance **Agreed Date** March 2026
2. Finance team support of the audit The audit process experienced delays due to a combination of including the provision of incomplete or poor-quality working papers, errors within the annual report and accounts, and challenges arising from staff turnover. These issues contributed to slower response times to audit queries and delays in finalising the audit.	sportscotland should implement a robust internal review process for the unaudited annual report and accounts prior to submission for audit. This will help identify and correct errors at an early stage, improve the quality of supporting working papers, and reduce delays during the audit process.	**Status:** Accepted **Review**: Within a small function, there is a significant reliance on specific specialist individuals in the completion of the organisation's annual statutory accounts. With a reduced Financial Controller resource across the year-end period and then the on-boarding, knowledge transfer and transition to new Financial Controller with no prior knowledge of the sportscotland financial environment or internal processes, the team led by Head of Finance and Governance had to make a series of prioritisation and reprioritisation decisions regarding team workload and resource allocation from the development of the Financial Statements and audit activity. This put heavy reliance on established year-end processes and legacy supporting schedules, which are in need to significant reworking and streamlining. **Action:** Undertake review and implement fundamental change to year-end timeline, working schedules,

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		supporting documentation, file notes and review process of the unaudited accounts. It is likely that external support will be sought in this process to assist the team in identifying and adopting best practice most suitable for sportscotland. **Responsible Officer** M Drummond – Head of Finance and Governance **Agreed Date** March 2026
3. Payroll Data Assurance Audit work on sportscotland's general IT control environment identified a control deficiency in the assurance arrangements in relation to the payroll information provided by an external third-party software provider, MidlandsHR (MHR). As a result, there is no formal mechanism in place to gain assurance over the design or operating effectiveness of controls at the service organisation.	sportscotland should review and improve its current arrangements to address the assurance gap over payroll data processed by the payroll system.	**Status:** Partially accepted **Review:** sportscotland commissioned recent internal audit review of the internal Payroll and Expenses process. This identified three important and three routine recommendations to which management have responded and adjusted controls accordingly. A level of assurance was obtained from this, together with the relative stability in payroll and related IT services over past number of annual cycles **Action:** Management shall seek appropriate additional assurances from its HR software provider in the accuracy of data used and processes applied in producing the monthly payroll information. This requirement shall be included in the revised service design and any related external support sportscotland seek in the

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		provision of payroll services following the departure of incumbent Payroll Manager at the end of September 2025. **Responsible Officer** M Drummond – Head of Finance and Governance **Status:** Partially accepted **Review**: **sport**scotland commissioned recent internal audit review of the internal Payroll and Expenses process. This identified three important and three routine recommendations to which management have responded and adjusted controls accordingly. A level of assurance was obtained from this, together with the relative stability in payroll and related IT services over past number of annual cycles **Action**: Management shall seek appropriate additional assurances from its HR software provider in the accuracy of data used and processes applied in producing the monthly payroll information. This requirement shall be included in the revised service design and any related external support **sport**scotland seek in the provision of payroll services following the departure of incumbent Payroll Manager at the end of September 2025. **Responsible Officer**

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		M Drummond – Head of Finance and Governance **Agreed Date** December 2025December 2025
4. Workforce Review sportscotland should implement robust arrangements to monitor and scrutinise both the implementation and the effectiveness of any proposed and enacted actions, ensuring they can demonstrate this contributes to long-term organisational sustainability and value for money.	sportscotland should implement robust arrangements to monitor and scrutinise both the implementation and the effectiveness of any proposed and enacted actions, ensuring they can demonstrate this contributes to long-term organisational sustainability and value for money.	**Status:** Accepted **Review**: Management implementation proposals to be adopted as part of the Strategic Workforce Review are on-going during the first half of 2025/26. It has been recognised and well communicated that 2025/26 will be transition year for the implementation of new structures and responsibilities; as well as reporting on progress on long-term organisational objectives that the workforce review is seeking to better enable. **Action:** Formal reporting and monitoring on the effectiveness of the organisational change and value for money (including long-term financial sustainability) shall be developed alongside the established quarterly financial and business planning to Board and ARC. **Responsible Officer** M Drummond – Head of Finance and Governance **Agreed Date** October 2025

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. IFRS 16 model A number of issues were identified with how leases were accounted for under IFRS 16. There is a risk that leases are not accounted for in accordance with accounting standards.	Management should review its IFRS 16 models to ensure that are appropriate. Original Responsible Officer – Simon Taaffe (Financial Controller) Original agreed date – December 2024	**Not implemented** Testing of IFRS 16 entries in relation to recognition of new right of use assets and liabilities identified these were not being accounted for in accordance with IFRS 16. **Action**: Further review and refinement of the adopted model for the asset and liability treatment of Right of Use Assets for both existing and new leased assets. This review shall take cognisance of the likely direction of travel of volume, value and complexity of future lease arrangement for sportscotland within scope of IFRS16. **Responsible Officer** M Drummond – Head of Finance and Governance **Agreed Date** December 2025
2. Provisions for dilapidations sportscotland recognised in year a new dilapidations provision for one property with a lease expiry date of May 2027. The accounting treatment and transactions for this is not in accordance with IFRS 16 requirements. There is a risk material provisions are omitted and	Management should review the process for considering dilapidations provisions and consider the source data used to for, the estimate and disclose key judgements applied. Original Responsible Officer – Simon Taaffe (Financial Controller) Original agreed date – February 2025	**Implemented** sportscotland commissioned a conditions survey as at 31/03/2025 to value future dilapidations. sportscotland should continue to review the process for considering dilapidations for future year-ends.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
estimates may be materially misstated in the absence of regular review.		
3. Arrangements to support Governance Statement Certificates of assurance as referenced in the Governance Statement were not available at the start of the audit. There is a risk internal control weaknesses are omitted from the governance statement.	Assurances received which inform the governance statement should be enhances and adapted to ensure compliance with the SPFM. Original Responsible Officer – Mark Drummond (Head of Finance and Governance) Original agreed date – March 2025	**Work in Progress** Certificates of assurance and supporting internal control checklists were presented in draft/incomplete form to the Audit and Risk committee. On commencement of the audit, these checklists were provided to us with areas still incomplete. **Review:** For financial year-end 2024/25 sportscotland management sought to move towards best practice in this area for 2024/25. This included the adoption of comprehensive check-list of assurances covering the full range of internal controls: risk, planning, financial management, health and safety, information and equality amongst others. Specific individual assurance statements were provided for the vast majority (over 90%) of the areas covered by the checklist. **Action:** Building on experience for adopting best practice and developing the necessary responses for FY2024/25, all sections of the checklist shall be completed for FY2025/26. **Responsible Officer** R Steven – Director of Operations C Burn – Director of Sport

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		Agreed Date March 2026
4. Departure from SPFM Our audit identified one exit package which did not follow the rules and guidance as set out in the SPFM. There is a risk that sportscotland agreed exit packages that are not in accordance with guidance issued by Scottish Ministers on proper handling and reporting of public funds.	Management should ensure settlement agreements follow the rules and guidance as set out in the Scottish Public Finance Manual (SPFM). Original Responsible Officer – Forbes Dunlop (CEO)	**Work in Progress** Management is expected to ensure that any settlement agreements entered into comply with the rules and guidance set out in the Scottish Public Finance Manual (SPFM). No settlement agreements were processed during the current year, therefore testing could not be completed. It remains important that appropriate procedures are in place to ensure compliance should such agreements arise in the future. **Actio**n: sportscotland management remains committed and vigilant to ensuring compliance with SPFM-specified approvals for all exit packages. Management believe they have obtained all necessary approvals for decisions in this area, including the approval and oversight of the Voluntary Severance Scheme during 2024/25. **Responsible Officer** F Dunlop - CEO **Action**: **sport**scotland management remains committed and vigilant to ensuring compliance with SPFM-specified approvals for all exit

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		packages. Management believe they have obtained all necessary approvals for decisions in this area, including the approval and oversight of the Voluntary Severance Scheme during 2024/25. **Responsible Officer** F Dunlop - CEO **Agreed Date** on-going
5. Exit package value for money Our work identified sportscotland did not retain sufficient evidence to support the exit package had been subject to scrutiny or subject to a value for money assessment. There is a risk that poor decision-making and record-keeping could results in potentially unnecessary costs being incurred by sportscotland.	Management should ensure there is sufficient evidence to support the decision making and scrutiny over components of exit packages and that they are necessary, justifiable and have been subject to a value for money assessment. Original Responsible Officer – Forbes Dunlop (CEO) Original agreed date – December 2024	**Implemented** During 2024/25, sportscotland implemented a voluntary severance scheme. The steps taken to design and deliver the scheme were consistent with the requirements of the Scottish Public Finance Manual (SPFM). Consideration of value for money was evident in the process in relation to short-term financial sustainability.
6. Whole of Government Accounts Sportscotland has failed to submit its Whole of Government Accounts return to HM Treasury for the last two years. There is a risk that sportscotland does not support the preparation of the	Management should ensure it has the required processes in place to support its Whole of Government Return. Original Responsible Officer – Simon Taaffe (Financial Controller) Original agreed date – September 2024	**Work in Progress** We note that management has taken steps to establish processes to support the Whole of Government Accounts (WGA) return with the 2023/24 return submitted in December 2024. It is important that these arrangements are maintained

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
Whole of Government Accounts.		and continually reviewed to ensure they remain effective and compliant with reporting requirements. **Action:** Submit 2024/25 return in line with prescribed deadline. **Responsible Officer** M Law – Financial Controller **Agreed Date** October 2025
7. Disclosure guidance We identified a number of pensions disclosures in the unaudited report and accounts that did not meet the requirements of the FReM. There is a risk that not all disclosures are prepared in accordance with the FReM.	Sportscotland should use the National Audit Office's disclosure guide when preparing its annual report and accounts. This guide is designed to ensure that bodies covered by the FReM have prepared their accounts in the appropriate form and have complied with all disclosure requirements. Original Responsible Officer – Jo Dixon (Head of HR) Original agreed date – 1 April 2024	**Work in Progress** sportscotland made use of the National Audit Office's disclosure guide in preparing its annual report and accounts for the current year. While this is a positive step, there remains scope to improve the quality and consistency of disclosures to ensure full compliance with the requirements of the Financial Reporting Manual (FReM). **Action**: Ensuring the quality and consistency of disclosures for compliance with the requirements of the Financial Reporting Manual (FReM) shall be incorporated within the change to the year-end timeline, working schedules, supporting documentation, file notes and review process of the unaudited accounts as stated in Action Point 1 from current year audit. **Responsible Officer**

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		M Drummond – Head of Finance and Governance **Agreed Date** March 2026
8. Posting of year end journals From our review of journals posted at the year end, there were a number where we could not identify who posted them due to the use of a template function. There is a risk that management have approved their own journals which could result in management override of controls going undetected.	sportscotland should ensure there is a clear audit trail when year-end journals are posted to the ledger. Original Responsible Officer – Simon Taaffe (Financial Controller) Original agreed date – 9 August 2024	**Implemented** sportscotland liaised with the software provider to build a detailed audit trail. Whilst this was not in place throughout the 2024/25 period, this was in place for year-end journals.
9. Workforce planning Workforce plans should set out the organisation's workforce needs and support the achievement of the organisation's corporate objectives. There is a risk that without effective and up-to-date workforce planning, the organisation does not efficiently manage its staffing needs, or that it will be under-prepared to respond to changing needs or demands	sportscotland should further develop its workforce planning to set out its workforce needs over the next 3 to 5 years. Original Responsible Officer – Simon Taaffe (Financial Controller) Original agreed date – June 2023	**Superseded** See current year recommendation 4.

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

sportscotland and sportscotland National Lottery Distribution Fund

2024/25 Annual Audit Report

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot

AS.5.0