

Education Scotland

2024/25 Annual Audit Report



Prepared for Education Scotland and the Auditor General for Scotland
July 2025

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions confirm that the annual report and accounts were free from material misstatement.
- 2 Adjustments were made to the accounts payable and accounts receivable balances to correct historical errors.
- 3 Challenges were experienced in implementing the new Oracle Fusion Cloud system, but substantive audit testing did not identify any errors.

Wider scope and Best Value audit

- 4 The establishment of a permanent leadership team is essential to ensuring the success of the refocused organisation.
 - 5 Education Scotland should continue to be proactive in its engagement with the Scottish Government to ensure robust transition arrangements are in place to support reform.
 - 6 Significant fiscal challenges will require challenging decisions to be made on the prioritisation of expenditure.
 - 7 The refocussed organisation will take forward Education Scotland's approach to demonstrating best value characteristics.
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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 Education Scotland's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Education Scotland and the Auditor General for Scotland. It will be published on [Audit Scotland's website](#) in due course.

Appointed independence

3. We can confirm that the audit team are independent of Education Scotland in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team, including no provision of non-audit services.

Acknowledgements

4. We would like to thank Education Scotland and its staff, particularly those involved in preparation of the annual report and accounts, for their excellent 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 Education Scotland'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 Education Scotland'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 Education Scotland and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

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

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

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

Education Scotland's responsibilities

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

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for Education Scotland 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 Education Scotland. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual report and accounts

Main judgements

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

Adjustments were made to the accounts payable and accounts receivable balances to correct historical errors.

Challenges were experienced in implementing the new Oracle Fusion Cloud system, but substantive audit testing did not identify any errors.

Audit opinions on the annual report and accounts

12. Education Scotland's annual report and accounts were approved by the Audit Risk and Advisory Committee on 24 July 2025 and signed by the appointed auditor on 25 July 2025. The Independent Auditor's Report is included in Education Scotland'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 performance report was made available to the audit team on 10 May 2025, with the full set of unaudited annual report and accounts provided on 16 May 2025. This was one week ahead of the agreed timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £40,940. 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. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

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

17. Materiality levels for the audit of Education Scotland were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Updated materiality levels are detailed in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for Education Scotland

Materiality	Education Scotland
Materiality – set at 2% of gross expenditure	£957 thousand
Performance materiality – set at 70% 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.	£670 thousand
Reporting threshold – set at 5% of materiality.	£48 thousand

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for Education Scotland is now the Audit, Risk and Advisory Committee.

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

20. In determining key audit matters, auditors consider:

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

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Correction of historical errors in accounts payable and accounts receivable</p> <p>As identified in previous years, Education Scotland has carried forward a historical accounts payable balance totalling £53 thousand that dates back to 2012. An accounts receivable balance totalling £3 thousand has also been carried forward since this date.</p> <p>We previously reported that the provider could not remove these balances in the system. However, following the introduction of the Oracle Cloud system Education Scotland, with Scottish Government approval, has been able to correct this historical error.</p> <p>Follow-up of prior year recommendations 5.</p>	<p>In 2024/25 a journal was put through to correct historical errors in the accounts payable and accounts receivable control accounts.</p> <p>The journals processed reduced the accounts payable balance by £53 thousand and decreased the accounts receivable balance by £3 thousand. These journals resulted in a £50 thousand net increase in the general fund.</p> <p>While the adjustments have reduced the accounts payable and accounts receivable balances in-year, they have corrected the historical error that Education Scotland had been carrying.</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

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

Accounting policies

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

Accounting estimates

24. Accounting estimates are used in number of areas in Education Scotland's financial statements, including the valuation dilapidations, employee benefits and provisions. Audit work considered the process in place including the assumptions and data used in making the estimates, and the use of any management experts. 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

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

Significant matters discussed with management

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

Audit adjustments

27. Adjustments to correct the historical errors in the accounts payable and accounts receivable balances is disclosed in [Exhibit 2](#). No other audit adjustments were required to the financial statements greater than the reporting threshold of £48,000.

28. A number of minor amendments were also made to disclosures in the performance report, governance statement and remuneration report following audit recommendations.

Significant risks of material misstatement identified in the Annual Audit Plan

29. 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 33](#).

Exhibit 3**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>
<p>Shared finance system change</p> <p>Education Scotland use financial systems provided by the Scottish Government (SG), including its general</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls within the new system. • Assess the adequacy of controls in place for ensuring that balances are brought 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • While we identified issues in relation to controls within the new system, our substantive testing did not identify any errors.

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>ledger, as part of a shared services arrangement.</p> <p>The previous financial system, SEAS, was replaced by Oracle Fusion Cloud from 1 October 2024. Education Scotland finance staff have reported to the Audit & Risk Committee that there have been issues with the implementation of the new system.</p> <p>Education Scotland staff have been working with SG staff to increase their knowledge and capabilities in order to minimise disruption to the organisation.</p> <p>As the general ledger is the primary source of information for the financial statements, there is an increased risk of misstatement in the annual accounts if the new system is not working as expected or staff are not trained properly.</p>	<p>forward from the old system into the new system correctly.</p> <ul style="list-style-type: none"> • Review the governance arrangements in place for overseeing the implementation of the new system, and the testing carried out in advance of the implementation date. • Obtain assurances from the Scottish Government audit team regarding the adequacy of controls. 	<ul style="list-style-type: none"> • Balances were brought forward to the new system correctly. • There were limited opportunities for Education Scotland to test the new system in advance of the implementation date. • Assurances from the Scottish Government audit team identified a number of control weaknesses as summarised at paragraph 32. <p>Conclusion: while a number of control weaknesses and issues were identified within Oracle, our substantive testing did not identify any errors, and we are satisfied that there is no evidence of material misstatement.</p>

Source: Audit Scotland

Challenges were experienced in implementing the new Oracle Fusions Cloud system, but substantive audit testing did not identify any errors

30. On 1 October 2024 the Oracle Fusion Cloud system was rolled out across the Scottish Government and 32 other bodies including Education Scotland. This replaced the previous finance, HR and purchasing systems.

31. While aspects of the system are working well, as reported in Education Scotland's governance statement the new system has created significant challenges for finance and HR teams as well as system users.

- 32.** Issues have included the purchase-to-pay module not working as expected; roles and responsibilities being incorrect for a significant number of users; not having access to a test environment prior to the system going live; and issues with obtaining accurate budgeting and financial monitoring information. In response Education Scotland implemented manual processes which have been time consuming and resource intensive for the organisation.
- 33.** The Scottish Government audit team also identified a number of control weaknesses. These issues were communicated in a controls letter to appointed auditors in June 2025.
- 34.** The issues identified included a lack of mandatory training for new system users; no detective controls to confirm leavers; breaches of segregation of duties rules; no clear audit trail of monthly reconciliations between the accounts receivable general ledger systems; reconciliations between the payroll sub-ledger and the general ledger not being complete; and a lack of sample checking for payroll changes and processing.
- 35.** We would encourage Education Scotland to continue to share knowledge and work alongside the Scottish Government and other bodies to ensure full and proper use of the system going forward.
- 36.** The Scottish Government's external audit team will also be undertaking a review of the Scottish Government's implementation of the new system. The review will consider the implementation process and provide insight on the post 'go live' position. It will also assess future plans, including how the assurance landscape will be strengthened. We will monitor progress with this review and update management and the Audit, Risk and Advisory Committee of its findings in due course.

Prior year recommendations

- 37.** Education Scotland has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management and are outlined in [Appendix 1](#).

Wider scope and Best Value audit

Conclusion

The establishment of a permanent leadership team is essential to ensuring the success of the refocused organisation.

Education Scotland should continue to be proactive in its engagement with the Scottish Government to ensure robust transition arrangements are in place to support reform.

Significant fiscal challenges will require challenging decisions to be made on the prioritisation of expenditure.

The refocussed organisation will take forward Education Scotland's approach to demonstrating best value characteristics.

Audit approach to wider scope and Best Value

Wider scope

38. 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.

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

Duty of Best Value

40. 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.

41. Consideration of the arrangements Education Scotland has in place to secure Best Value has been carried out alongside the wider scope audit.

Conclusions on wider scope audit

Financial Management

42. The audit work performed on the arrangements in place for securing sound financial management found that these were reasonable. This judgement is evidenced by Education Scotland:

- 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 suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by both the Advisory Board and Audit & Risk Committee during the year.

Financial Sustainability

43. Audit work performed in this area identified ongoing significant challenges facing Education Scotland in its pursuit of financial sustainability.

44. This judgement is evidenced by:

- Education Scotland continuing to manage uncertainty in relation to education reform.
- the changing landscape impacting on the viability of medium to longer term financial planning and management's ability to link this to the Corporate Plan and priorities.

45. While the organisation's arrangements are effective and appropriate, the overall fiscal context is one of limited funding increases alongside rising staff costs and inflationary pressures.

46. In 2024-25 staff costs accounted for 73.8 per cent of Education Scotland's total expenditure (2023-24 – 70.0 per cent). For 2025-26, Education Scotland's budget remains unchanged apart from a small increase in the non-cash budget to cover depreciation. Rising staff costs consequently have a significant impact on the remaining budget available to other areas.

47. Ongoing uncertainty in relation to education reform has also impacted on the viability of financial planning. There is a lack of clarity regarding the complete picture of what the new Education Scotland will look like once His Majesty's Inspectorate of Education in Scotland is established by the Scottish Government.

48. Given the changing landscape, we accept that creating a realistic medium-term financial plan is currently challenging. We do, however, expect to see a robust medium to long-term financial developed once the refocussed organisation has been established.

Recommendation 1

Challenges in ensuring financial sustainability.

For 2025-26, Education Scotland's budget remains unchanged apart from a small increase in non-cash to cover depreciation.

In 2024-25 staff costs accounted for 73.8 per cent of total expenditure. With staff costs forecast to increase further, the refocussed organisation will face challenging decisions in prioritising areas of expenditure.

While we accept that creating a realistic medium to long-term financial plan is currently challenging, we do expect to see the development of one prioritised by the refocussed organisation.

Vision, Leadership and Governance

49. The audit work performed on Vision, Leadership and Governance found that arrangements during the year were appropriate. Concerns were identified, however, in relation to the organisation's capacity and resilience for reform.

50. This judgement is evidenced by Education Scotland:

- having a Corporate Plan in place for the period 2022-24, which was extended in advance of reform through the publication of the Annual Action Plan 2024-25. The updated plan sets out the organisation's vision, strategy and priorities and how it intends to achieve these.
- having clear financial and performance reporting in place. Effective scrutiny and challenge of performance was provided by the Audit & Risk Committee up to February 2025, after which the committee was combined with the Advisory Board.

- having effective governance arrangements in place in general as reflected in the Governance Statement included in the annual report and accounts.
- having a senior leadership team with only one of seven personnel in their substantive permanent post, and an Audit, Risk and Advisory Committee that is three members short of establishment

51. Education Scotland is facing significant challenge and uncertainty at a leadership and governance level. Of the seven senior leadership roles six are filled on an interim basis. This includes the posts of Chief Executive of Education Scotland and Chief Inspector of His Majesty's Chief Inspectorate of Education in Scotland (HMIES).

52. In addition, two non-executive board members resigned during the year. Education Scotland was already operating with one non-executive board member vacancy. This resulted in the February 2025 Audit & Risk Committee not being quorate. No replacements have yet been appointed.

53. Due to these capacity challenges the Advisory Board and Audit & Risk Committee were combined. The combined committee is expected to remain in place until after reform.

54. While we are satisfied that the revised arrangements are appropriate, the lack of permanent appointments to the leadership team, and reduced capacity on the Audit, Risk and Advisory Committee, present a significant challenge to Education Scotland and HMIE.

55. Increased strain is being placed on the organisation at a critical time. The potential loss of knowledge and experience could impact on the continuity of operations and the ability of management to provide effective leadership to support reform.

56. The establishment of a permanent leadership team is essential to ensuring the success of the refocused organisation. Management should continue to be proactive in its engagement with the Scottish Government to ensure robust transition arrangements are in place, including ongoing support for Education Scotland and HMIE post-transition.

Recommendation 2

Capacity and resilience to support education reform.

The establishment of a permanent leadership team is essential to ensuring the success of the refocused organisation.

Education Scotland should continue to be proactive in its engagement with the Scottish Government to ensure robust transition arrangements are in place, including ongoing support post-transition.

Use of Resources to Improve Outcomes

57. The audit work performed on arrangements in place around the Use of Resources to Improve Outcomes did not identify any concerns at Education Scotland.

58. We do, however, highlight our prior year recommendation that management should continue to capture performance data during the transition to the new organisation. The work on this recommendation remains ongoing and will help the refocused Education Scotland to facilitate appropriate benchmarking aligned to its strategic priorities.

59. This judgement is evidenced by Education Scotland:

- being able to demonstrate a clear link between the use of resources and delivery of priorities.
- demonstrating progress in key areas including the Curriculum Improvement Cycle.
- providing an update on progress against [prior year recommendation 4](#) regarding the ability to use existing data to inform benchmarking from the outset of the refocussed organisation.

Conclusions on duty of Best Value

60. In our 2022/23 annual report we recommended that management should document how Education Scotland meets the best value characteristics set out in the Scottish Public Finance Manual (SPFM). We further noted that consideration should be given as to how this feeds into planned reform.

61. In 2023/24 management advised that it was reviewing approaches at other central government bodies to identify good practise, with a target date of 31 December 2024 to address the action. This revised target date has not been met.

62. Management has advised that the recommendation continues to be progressed as part of its transition plan towards the refocused organisation. We will continue to monitor the agency's progress in this area and report accordingly as part of our 2025/26 audit (follow-up of [prior year recommendation 3](#)).

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Challenges in ensuring financial sustainability</p> <p>For 2025-26 Education Scotland's budget remains unchanged apart from a small increase in non-cash to cover depreciation.</p> <p>In 2024-25 staff costs accounted for 73.8 per cent of total expenditure. With staff costs forecast to increase further, the refocussed organisation will face challenging decisions in prioritising areas of expenditure.</p> <p>These issues will present a significant risk to the refocussed organisation.</p>	<p>While we accept that creating a realistic medium to long-term financial plan is not currently viable, we do expect to see the development of one prioritised by the refocussed organisation.</p>	<p>Accepted</p> <p>Work on financial sustainability for a refocussed Education Scotland is in progress. This work is being taken forward in tandem with the Scottish Government.</p> <p>Responsible officer – Chief Executive</p> <p>Agreed date – by 31 March 2026</p>
<p>2. Capacity and resilience to support education reform</p> <p>Of the eight senior leadership roles in Education Scotland only two are currently filled on a permanent basis, while the Audit, Risk and Advisory Committee is currently three members short.</p> <p>This lack of capacity is placing increased strain on the organisation at a critical time.</p> <p>There is a risk that the further loss of knowledge and</p>	<p>The establishment of a permanent leadership team is essential to ensuring the success of the refocused organisation.</p> <p>Education Scotland should continue to be proactive in its engagement with the Scottish Government to ensure robust transition arrangements are in place to support reform, including ongoing support post-transition.</p>	<p>Accepted</p> <p>Education Scotland will run a recruitment exercise to fill the vacancies and develop training plans to ensure new staff have a sufficiently detailed understanding of the key aspects of their roles.</p> <p>Responsible officer – Chief Executive</p> <p>Agreed date – by 31 March 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
experience could impact on the continuity of operations and the ability of management to provide effective leadership to support reform.		

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Journal Authorisation</p> <p>Not all 2023/24 journals were subject to authorisation prior to being posted to the ledger.</p> <p>In addition, there is no documented list of journal authorisers.</p> <p>Risk – There is an increased risk of error if journals are posted to the ledger without appropriate authorisation.</p>	<p>Management should prepare a written journal authorisation procedure, which should include a list of approvers. The procedure should be shared with journal posters to ensure clarity over the control.</p> <p><i>Head of Finance</i> 31 July 2024</p>	<p>Implemented</p> <p>Guidance was put in place for journal authorisation within the SEAS accounting system which was in use up to October 2025.</p> <p>In the new Oracle Cloud system the controls are embedded. On transition to the new system, Education Scotland reviewed users permissions and documented who should be allowed to authorise journals.</p>
<p>2. Financial Strategy</p> <p>While delays to Education Reform has made financial planning challenging, effective governance at executive level is essential in providing oversight and scrutiny of key decisions and strategies and in setting the direction of the agency.</p> <p>Risk – There is a risk that the Leadership Team and the Advisory Board are unable to provide effective oversight and scrutiny if key documents, such as the</p>	<p>Management should ensure that the updated financial strategy covering the 2024/25 financial year is approved by Leadership Team and the Advisory Board.</p> <p><i>Head of Finance</i> 31 July 2024</p>	<p>Implemented</p> <p>The 2024/25 financial strategy has been approved by both Leadership and the Advisory Board.</p> <p>The 2025/26 financial strategy will be published once it has been formally approved.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
financial strategy, are not presented for approval.		
<p>3. Best Value framework</p> <p>Education Scotland does not have a formally agreed document that details the arrangements in place to support the best value characteristics.</p> <p>Risk – Education Scotland is unable to demonstrate compliance with the duty of best value per the characteristics set out in the SPFM.</p>	<p>Management should produce a formally agreed document for 2023-24 which details how it meets the best value characteristics as set out in the SPFM, and consider how this should feed into the new organisations.</p> <p><i>Head of Governance</i></p> <p><i>31 December 2024</i></p>	<p>Work in progress</p> <p>The recommendation will be carried forward and addressed as part of the transition plan towards the refocussed organisation.</p> <p>Responsible officer – Head of Governance</p> <p>Revised date – 31 March 2026</p>
<p>4. Key performance indicators</p> <p>Each strategic priority included in the updated corporate plan has a number of KPIs assigned to it which are used to measure performance against each outcome. The agency has reviewed its KPIs to determine which were still relevant during the transition year, removing some and replacing them with more appropriate ones. The ability to use existing data to inform benchmarking from the outset of the new organisations will be important.</p> <p>Risk – The data currently captured by the agency cannot be meaningfully benchmarked by the new organisations following the reform programme.</p>	<p>Management should continue to capture performance data during the transition to new organisations to facilitate appropriate benchmarking aligned to its strategic priorities.</p> <p><i>Head of Data, Performance and Research</i></p> <p><i>31 December 2024</i></p>	<p>Work in progress</p> <p>Education Scotland has implemented a new process to review KPIs on a quarterly basis and is working with internal audit to improve its processes in this area.</p> <p>We will continue to monitor this area to ensure that data can be meaningfully benchmarked by the refocussed organisation following the reform programme.</p> <p>Responsible officer – Head of Data, Performance and Research</p> <p>Revised date – 31 March 2026</p>
<p>5. Historic payables balance</p> <p>Our review of the aged creditors report at 31 March</p>	<p>This recommendation was originally raised in our 2017/18 annual audit report. It has continued to be revisited</p>	<p>Implemented</p> <p>As detailed in Exhibit 2 adjustments were put through the new Oracle Cloud system</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>2018 identified that this included 17 balances totalling £0.053 million that date back to 2012.</p> <p>Risk: There is a risk that the agency is continuing to recognise an obligation for debts that have already been settled in full or that no longer need to be paid.</p>	<p>annually since then as part of our follow-up of prior year recommendations. In 2022/23 it was reported that the provider cannot currently remove these balances in the system. However, the SEAS ledger system is due to be upgraded in 2024, at which point the balances should be removed.</p>	<p>to correct the historical errors in the accounts payable and accounts receivable balances.</p>

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

Education Scotland

2024/25 Annual Audit Report



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