

National Galleries of Scotland

2024/25 Annual Audit Report



 AUDIT SCOTLAND

Prepared for National Galleries of Scotland and the Auditor General for Scotland
September 2025

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Key messages

Audit of the Annual Report and Financial Statements

- 1** All audit opinions stated that the Annual Report and Financial Statements were free from material misstatement.

Wider scope and Best Value audit

- 2** National Galleries of Scotland has effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; Use of Resources to Improve Outcomes; and for securing Best Value.
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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 National Galleries of Scotland (NGS) Annual Report and Financial Statements and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to NGS and the Auditor General for Scotland and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Andrew Kerr, of Audit Scotland, was appointed as external auditor of NGS for the period from 2022/23 until 2026/27. As reported in the [Annual Audit Plan](#), Andrew Kerr and the audit team are independent of NGS 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 NGS, including no provision of non-audit services. Following Andrew's departure from Audit Scotland in July 2025, the Auditor General appointed Mark Ferris (Audit Scotland - Senior Audit Manager) as the appointed external auditor of NGS. Mark has assumed responsibility for the 2024/25 audit of NGS.

Acknowledgements

4. We would like to thank NGS and its staff, particularly those involved in preparation of the Annual Report and Financial Statements, 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 Financial Statements, namely the Trustees' Annual Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on NGS'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 NGS's arrangements for securing Best Value.
- Providing assurance on the Whole of Government Accounts return and summary financial statements.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the auditor and NGS. 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 Financial Statements and concluding on NGS'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 NGS 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.

NGS' responsibilities

10. NGS 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 Annual Report and Financial Statements, comprising financial statements for NGS and its group 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.

11. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit and Risk Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should Trustees' have any such knowledge or concerns relating to the risk of fraud within NGS, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Report and Financial Statements being certified.

Audit of the Annual Report and Financial Statements

Main judgements

All audit opinions stated that the Annual Report and Financial Statements were free from material misstatement.

Audit opinions on the Annual Report and Financial Statements

12. NGS and its group's Annual Report and Financial Statements were approved by the Board on 1 September 2025. The Independent Auditor's Report is included in NGS's Annual Report and Financial Statements, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Audit timetable

13. The unaudited Annual Report and Financial Statements and all working papers were received on 16 June 2025 in accordance with the agreed audit timetable. The Annual Report and Financial Statements submitted for audit were of a good standard as were the supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £34,350. 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 Financial Statements.

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 Financial Statements. 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 NGS and its group 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. No changes were required to the materiality levels, which are outlined in [exhibit 1](#).

Exhibit 1

2024/25 materiality levels for NGS and its group

Materiality	NGS and group
Materiality: set at 1.5% of 2024/25 net assets.	£5.570 million
Performance materiality: set at 65% 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.	£3.620 million
Reporting threshold: level of error that we will consider reporting to Trustees.'	£0.055 million

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 NGS is the Audit and Risk Committee.

19. All significant matters identified during the audit have been discussed with management and where relevant reported in this report.

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 ([exhibit 4](#)).

- 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. We have one significant finding to report ([exhibit 2](#)).

Exhibit 2

Significant finding

Significant finding	Outcome
Fully depreciated assets (at nil net book value) Our review of the asset register identified that there are around 170 assets with an original cost and accumulated depreciation of £6.555 million. These assets are still being held on the asset register several years beyond their estimated useful life, per NGS's accounting policy.	We asked management to perform a review of these assets. It was established that eight assets with an original cost and accumulated depreciation of £0.489 million were no longer in use. These assets were removed from the asset register. Management was satisfied that the remaining fully depreciated assets were still in use. Management should establish a formal process for the periodic review of fully depreciated assets. This process should include: • Assessing operational condition and remaining useful life. • Updating the asset register to reflect current usage status. Where appropriate, consideration should be given to asset revaluation, or disposal if assets are no longer in use or economical to maintain. Recommendation 1

Source: Audit Scotland

Qualitative aspects of accounting practices

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

Accounting policies

24. The appropriateness of accounting policies adopted by NGS was assessed as part of the audit. These were considered to be appropriate to the circumstances of NGS, 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 number of areas in NGS's financial statements, including the valuation of land and buildings. Audit work considered the process management 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:

- 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

26. The quality of disclosures was adequate. We also reviewed the Trustees' Annual Report, the Governance Statement, and the audited section of the Remuneration and Staff Report and found these to be consistent with the financial statements and compliant with relevant guidance.

Group audit

27. NGS is part of a group and prepares group financial statements. The group is made up of two components, including NGS which is the parent of the group. The audit work performed on the group's components is summarised in [exhibit 3](#).

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
National Galleries of Scotland	Audit Scotland Fully scope audit of NGS's Annual Report and Financial Statements.	The outcome of audit work performed is reported within this report, with details of the significant finding reported in exhibit 2 .
National Galleries of Scotland Trading Company	Chiene and Tait LLP Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no issues were identified.

Source: Audit Scotland

Audit adjustments

28. There was one audit adjustments required to the financial statements. The revaluation indexation increase of £2.109 million was credited in full to the revaluation reserve. However, £0.777 million of this should have reversed a prior asset impairment, with £1.331 million being credited to the revaluation reserve.

29. Management processed the audit adjustment. This resulted in a decrease to the revaluation reserve with a corresponding increase in the land and building fund, as set out in Note 17 to the financial statements. This corrected a movement between reserves and there was no impact on the general fund.

Significant risk of material misstatement identified in the Annual Audit Plan

30. Audit work has been performed in response to the significant risk of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [exhibit 4](#).

Exhibit 4

Significant risk of material misstatement to the financial statements

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

Source: Audit Scotland

Whole of Government Accounts (WGA) return

31. NGS is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion.

NGS is below this threshold and therefore only limited audit procedures are required, and submission of an assurance statement to the National Audit Office (NAO).

Prior year recommendations

32. NGS has made good progress in implementing the agreed prior year audit recommendations ([Appendix 1](#)).

Wider scope and Best Value audit

Conclusion

NGS has effective and appropriate arrangements in place for Financial Management; Financial Sustainability, Vision, Leadership and Governance; Use of Resources to Improve Outcomes; and for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

33. 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.

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

Duty of Best Value

35. 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.

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

37. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic will be carried out later in the audit appointment.

Significant wider scope risk

38. Audit work has been performed in response to the significant wider scope risk identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [exhibit 5](#).

Exhibit 5

Significant wider scope risk

Significant risk	Planned audit response	Outcome of audit work
Capital funding NGS has highlighted a significant investment need of £40 million over the next 10 years to address lifecycle and condition issues on its estate. NGS has identified the proposed construction of The Art Works (TAW) project as a key mitigating action to a number of strategic risks that it faces in the care of its collection. Whilst its 2024/25 capital budget includes a committed £2.300 million from the SG for TAW and a further £3.100m has been indicated in the draft 2025/26 capital budget, the multimillion-pound project has now reached a critical stage. NGS has been in communication with the SG throughout the project and it has sought assurances from the SG over its longer-term commitment to fund the project. Further delays to funding commitments will have wide ranging implications for NGS. There is now an urgent need for the SG to provide clarity on its commitment to support the delivery of the TAW project. There is a risk of insufficient funding to deliver the project. The uncertainty also creates issues for the medium and longer-term strategic planning of the organisation and could impact on NGS's statutory obligations to look after and develop the collection.	The audit team will: • Review capital plans and engagement with SG. • Review management's impairment assessment of TAW asset under construction in the financial statements.	Audit work performed found: • NGS have engaged with the SG around its capital needs. The SG confirmed that no additional funding would be made available in 25/26 (see paragraphs 53 to 58 for further details). • Annually Managed Expenditure (AME) cover of £9.500 million was obtained through the 2024/25 budget. However, as capital budget was obtained for 2025/26 the asset under construction (AUC) was not impaired and this cover was not required. We reviewed NGS's correspondence with SG and are satisfied that there is no need to impair the AUC. Conclusion: There remain longer-term concerns over NGS's ability to fund TAW but for 2024/25 the accounting treatment of the AUC remains appropriate. NGS should continue to undertake regular impairment reviews of its investment in the project.

Conclusions on wider scope audit

Financial Management

39. The audit work performed on the arrangements NGS has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by our review of the following key area.

NGS operated within budget in 2024/25

40. The main financial objective for NGS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. NGS also must self-generate income and manage costs over the long-term to ensure its financial sustainability.

41. As a charitable Non-Departmental Public Body, NGS is primarily funded by the Scottish Government (SG) by way of grant-in-aid. For 2024/25, the single entity Financial Statements for NGS show that it received £23.026 million from the SG. This comprised a resource grant of £19.841 million and capital of £3.185 million.

42. NGS has reported a breakeven outturn against its revenue budget. The capital budget was underspent by £0.965 million due to delays in enabling works on The Art Works project. The financial performance against fiscal resources is shown in [exhibit 6](#).

Exhibit 6

Performance against fiscal resource in 2024/25

Performance	Final budget £'million	Outturn £'million	Variance (under)/over £'million
Resource	19.841	19.841	-
Capital	4.150	3.415	(0.965)
Total	23.991	23.096	(0.965)

Source: National Galleries of Scotland Audited 2024/25 Annual Report and Financial Statements

43. Our judgement in this area is further evidenced by the:

- well-established budget monitoring and reporting processes in place that includes effective scrutiny and challenge to management's reporting by the Audit and Risk Committee.
- appropriate financial control arrangements that are in place.

- internal audit annual report which concluded that NGS had reasonable risk management, control, and governance arrangements in place during 2024/25.
- appropriate standards of conduct and arrangements for the prevention and detection of fraud and error such as NGS's ongoing participation in the National Fraud Initiative (NFI).

Financial Sustainability

44. The audit work performed on the arrangements NGS has in place for securing financial sustainability found that these were appropriate, but national funding pressures make planning for the medium-term challenging. This judgement is evidenced by our review of the following key areas.

The 2025/26 budget is balanced

45. The Board approved a balanced budget for 2025/26 in February 2025.

46. The narrative that supports the budget presents a transparent view of NGS's financial position for the coming year. There is a good level of detail on the assumptions used to prepare the budget. These are reasonable and are based on the latest and best available information to management. Management also undertook sensitivity analysis as part of the budget setting. This focussed on income streams given the largely fixed nature of NGS's expenditure.

47. NGS has good financial management arrangements in place and has a history of operating within its budget. We are satisfied from a review of the 2025/26 budget, consideration of the actual position in 2024/25, and the assumption of continued provision of services set out in the FReM and Practice Note 10, that it is appropriate to prepare the Financial Statements on a going concern basis, and that no material uncertainty on going concern exists. Management have made appropriate disclosures relating to going concern in the Annual Report and Financial Statements.

Planning for the medium-term remains challenging

48. Audit Scotland's [Fiscal sustainability and reform in Scotland](#) report published in November 2024 highlights that the SG continues to face significant fiscal challenges. There is a widening gap between projected funding and expenditure, forecast to reach £1.9 billion by 2027/28 if no corrective action is taken. Although steps have been taken to balance the budgets in the short-term, there remains a lack of detailed, long-term reform plans to achieve fiscal sustainability. This has created uncertainty for all public bodies, including the national collections, which must continue to deliver their statutory and cultural objectives with increasingly constrained financial resources.

49. The SG reform agenda, which the NGS is participating in as a member of the Culture cluster group, has yet to deliver meaningful change for the sector. In August 2024, the finance leads across the three cultural

collection bodies submitted draft proposals to the SG on several potential fiscal levers. This included setting out proposals for greater flexibility in the holding and utilisation of reserves. A meeting with the Scottish Government to discuss these proposals took place in January 2025. However, aside from the proposal to review and align the Framework Agreements of the three cultural bodies, progress has been limited. The SG announced its [Public Service Reform Strategy](#) in June 2025. This aims to support organisational change through three key priorities: prevention, joined-up services, and efficiency. We will monitor any impact on NGS from the actions set out by the strategy.

50. The financial pressures facing the SG, and the wider public sector, have intensified as tougher economic conditions such as increased pay awards and high inflation continue. Despite this, planning for the medium-term term, while difficult, is necessary for NGS. The development of these forecasts brings into focus the identified challenges together with opportunities to address them.

51. As part of the 2025/26 budget paper, management outlined forecasts for 2026/27 to 2029/30. The forecasts highlight a challenging financial position over the medium-term.

52. Management is progressing with the medium-term financial strategy which will be aligned to its new strategic plan. To date a range of options has been developed by management to either reduce cost, reprioritise work, or generate new income. These actions are being considered by management and Trustees' and will be progressed further during the development of the financial strategy, with the aim of improving financial sustainability across the organisation.

NGS continues to engage with the SG over its capital funding requirements. There remains a need for the SG to provide clarity on its commitment to The Art Works project

53. In addition to the medium-term revenue pressures, NGS submitted evidence as part of the 2025/26 SG budget scrutiny process which emphasised the need for greater capital funding. The Director-General, along with other representatives from the Culture sector gave [evidence](#) to the Constitution, Europe, External Affairs and Culture Committee in January 2025 as part of its scrutiny of the SG's 2025/26 budget. The evidence provided by NGS highlighted the following needs:

- £17.4 million over the next five years to address high risk backlog maintenance items.
- £40 million over the next 10 years.
- Additional investment (estimated at £4.4 million back in 2021) to support the estates transition to net zero.

54. Whilst capital funding has increased from £4.2 million in 2024/25 to £6.2 million in 2025/26, from the evidence submitted this is not sufficient to

meet NGS's needs. In conjunction with the SG, management is now developing a business case to support NGS's request for increased capital funding in future years.

55. The above figures assume that The Art Works project (TAW) is completed at current projected timescales. TAW is a major capital project (projected cost circa £90 million) in progress which will create a new, purpose-built facility to care for, research, and share Scotland's art collection.

56. In 2023/24, TAW project progressed to RIBA 4 with design work concluded in December 2023. Planning consent was received in November 2023, and the project is now ready to progress to RIBA 5 (construction) subject to sufficient funding certainty being in place. The TAW funding strategy notes there is a need for 65 per cent funding certainty, and a clear route to raising the outstanding amount, for the project to progress to this construction phase.

57. The 2024/25 capital budget included £2.300 million for TAW and whilst the 2025/26 capital budget includes a committed £3.100 million from the SG for TAW, the multimillion-pound project has now reached a critical stage. The 2025/26 funding amount is insufficient to commence construction, both in the amount and because it sits in isolation of any certainty of future funding. Project delays will impact on the short-term operational costs to NGS (estimated to be an additional £1 million in storage costs over two years, in addition to costs associated with the delayed build). The uncertainty also creates issues for the medium and longer-term strategic planning of the organisation. NGS has statutory obligations to look after and develop the collection, and it considers this project is the best way to achieve this. Government funding is critical to the project's delivery.

58. NGS has been in communication with the SG throughout the project's development and NGS has sought assurances from the SG over its longer-term commitment to fund the project, these discussions remain ongoing. Further delays to funding commitments will have wide ranging implications for NGS. There is now an urgent need for the SG to provide clarity on its longer-term commitment to support the delivery of the TAW project.

Vision, Leadership and Governance

59. The audit work performed on the arrangements NGS has place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by our review of the following key area.

NGS has a clear vision and strategy

60. The National Heritage Act (Scotland) 1985 confirms that NGS' Board of Trustees has responsibility to:

- care for, preserve and add to the objects in their collections.
- secure that the objects are exhibited to the public.
- secure that the objects are available to persons seeking to inspect them in connection with study or research.
- generally promote the public's enjoyment and understanding of the Fine Arts both by means of the Board's collections and by such other means as they consider appropriate.

61. To support the Board in achieving these responsibilities, NGS has established a clear strategic vision as set out in its Strategic Plan 2022-27. The specific strategic aims over this period are:

- **Increased participation:**
 - We want to welcome and include everyone, reaching more people and more diverse groups.
 - We want to open up conversations with our audiences to discover new ways to experience and explore the collection together.
- **Greater impact:**
 - We want to make sure our work is both world-class and relevant.
 - We will make an active contribution to some of the key challenges facing society, including improving health and wellbeing, combatting inequality, and addressing the climate and ecological emergency.
- **Investment in our future:**
 - We will invest to make the most of our people and their talents, knowledge and skills, our collection, and buildings. We will take a long-term view about investing in all these areas, making sure everyone has a role to play.
 - We will create more secure and varied sources of income so that we become more self-sufficient, financially.

62. The plan also identifies six strategic priorities to achieve these aims being:

- Our Public Offer
- Equalities, Diversity & Inclusion
- Environmental Response
- Health & Wellbeing
- Contributing to Recovery: Continuity & Change

- Income Generation & Managing the Cost Base

63. In addition to setting out the strategic aims for NGS, the plan provides a commitment to the Scottish Government's National Performance Framework, setting out how NGS will contribute to this.

64. The Strategic Plan acknowledges several risks to the successful achievement of the strategic aims and priorities, with the continued recovery from the pandemic, and its impact on visitor numbers and income, together with inflation highlighted. These are key areas of focus within NGS' financial planning evidencing a joined-up approach that ensures NGS' resource is prioritised to meet its strategic aims.

65. The delivery of the Strategic Plan is monitored through a suite of key performance indicators (KPIs).

66. To help progress the priorities of the strategic plan, each year a business plan is produced, tying together the key aims, priorities, KPIs and related risks. The year-end report on the 2024/25 business plan was considered by the Audit and Risk Committee in May 2025. This indicated a good level of progress (see [exhibit 7](#) for further details). Work is ongoing to develop a new Strategic Plan for 2025-30, which is due to be produced in the coming months. This will build upon the current Strategic Plan, offering an update on NGS' key priorities and goals.

NGS needs to re-establish its Board Review Committee to ensure it complies with its Framework Document

67. The Board of Trustees is responsible for the overall governance of the NGS. It is responsible for ensuring the governance framework is operating as intended, together with the monitoring of the adequacy and effectiveness of these arrangements.

68. The NGS Framework Document sets out the responsibilities of the Board Chair. In leading the Board, included under their responsibilities, the Chair must ensure that:

- the work of the Board is subject to regular self-assessment and that the Board is working effectively.
- The Chair assesses the performance of individual board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the board, is also responsible for undertaking an annual appraisal of the performance of the Director-General.

69. NGS has a Board Review Committee to perform these duties. The Board Review Committee did not meet during 2024/25. Additionally, no formal appraisals of individual Trustees or the Director-General were undertaken during the year, and the Board has not carried out a structured self-assessment of its performance over this period.

Recommendation 2

NGS should re-establish its Board Review Committee and put in place arrangements to comply with its Framework Agreement.

70. Our judgement in this area is further evidenced by the:

- effective governance and decision-making arrangements that were in place during 2024/25.
- business being conducted in an open and transparent manner.

Use of Resources to Improve Outcomes

71. The audit work performed on the arrangements NGS has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by our review of the following key area.

A performance management framework is in place. Performance levels are strong across most key areas

72. NGS's performance is monitored by the Board of Trustees and the Audit and Risk Committee (ARC) against several performance targets contained in its annual business plan which support the delivery of the priorities in its Strategic Plan 2022-27.

73. At each meeting of the Board, an update on performance against the key performance indicators (KPIs) is presented along with detailed information for each of these. Responsibility for the detailed review and scrutiny of performance lies with the ARC. Performance is reported using a traffic light system covering NGS's key indicators. Performance reports contain detailed information for each performance target including trend analysis, specific performance issues and actions being taken to improve performance.

74. The KPIs are reported within the 2024/25 Annual Report and Financial Statements. [Exhibit 7](#) shows that performance exceeded the target for most of the indicators and there was a general upward trend in improvement when compared to the prior year.

75. NGS has a clear performance management framework in place aligned to its Strategic Plan. Its performance is recovering following the pandemic and is subject to regular review by Trustees.

Exhibit 7

Board key performance indicators

Indicator	2023/24 Results	2024/25 Target	2024/25 Results
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Number of actual visits to all gallery sites	● 2,550,423	2,584,232	● 2,629,952
Digital Offer	● 1.3m	1.4m	● 1.9m
YouTube views	● 67k	70k	● +62k
YouTube subscriptions	● 55k	58k	● 60k
Smartify users			
Digitisation of the collection	● 8,817 or 80%	19,200	● 6,136
Visitor satisfaction	● 89%	90%	● 90%
Visitor net promoter score	● 61%	74%	● 65%
Percentage reduction on carbon emissions	● 63.69%	60%	● 61%
Percentage of storage/gallery spaces providing minimum standard environmental conditions for collections	● 67%	100% (by 2027)	● 50%
Staff turnover	● 25%	20%	● 9%
Staff retention	● 87%	80%	● 90%
Income per visit	● £2.48	£2.54	● £2.68
Trading company profit/loss	● £207,795	£299,000	● £209,000
Membership income	● £419,942	£400,000	● £461,974
Donations per visit	● 6p	6p	● 8p

Source: National Galleries of Scotland Annual Report and Financial Statements 2024/25

Conclusions on duty of Best Value

NGS has arrangements in place to secure Best Value

76. The audit work performed on the arrangements NGS has in place for securing Best Value found these were effective and appropriate. This judgment is evidenced through:

- NGS having a clear strategy and performance reporting, including its framework for continuous improvement.
- NGS having established governance and decision-making arrangements.

- NGS recognising that strategic priorities must be delivered within the financial and workforce resources available.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Fully depreciated assets (at nil net book value) Our review of the asset register identified that there are around 170 assets with an original cost and accumulated depreciation of £6.555 million. These assets are still being held on the asset register several years beyond their estimated useful life, per NGS's accounting policy.	Management should establish a formal process for the periodic review of fully depreciated assets. This process should include: - Assessing operational condition and remaining useful life. - Updating the asset register to reflect current usage status. Where appropriate, consideration should be given to asset revaluation, or disposal if assets are no longer in use or economical to maintain.	Accepted Management will establish a formal process for the periodic review of fully depreciated assets. Responsible officer - Financial Controller Agreed date - 31/03/2026
2. Board Review Committee The Board Review Committee did not meet during 2024/25. Additionally, no formal appraisals of individual Trustees or the Director General were undertaken during the year, and the Board has not carried out a structured self-assessment of its performance over this period.	NGS should re-establish its Board Review Committee and put in place arrangements to comply with its Framework Agreement.	Accepted A new Board Chair will be appointed from 1 November 2025. Management will work with the new Board Chair to review the arrangements to comply with the requirements of the Framework Document. Responsible officer - Head of Director-General Office Agreed date - 01/01/2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Reserves accounting There were issues identified relating to the accounting entries of NGS's reserves.	Management should undertake a review of reserves prior to the preparation of the 2024/25 Annual Report and Financial Statements. Additionally, consideration should be given to procuring fixed asset software to support the accuracy of the record keeping.	Implemented Except for the minor issue noted at paragraph 28, the reserves were correctly accounted for.
2. Accounting for donated income Our testing identified balances relating to donated income totalling £0.122 million. These donations had no restrictions or conditions placed on them by the grantor. NGS accounted for these items a deferred income. The Charities SORP 2019 makes it clear that a donation or grant received without any conditions should not be deferred even if the income is received in advance of the expected expenditure on the activity funded by grantor.	Management should undertake a review of the items that make up the deferred income balance to ensure compliance with the SORP.	Implemented We did not identify any issues with the accounting treatment for donated income.

National Galleries of Scotland

2024/25 Annual Audit Report



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