NHS Education for Scotland

2024/25 Annual Audit Report

Prepared for NHS Education for Scotland and the Auditor General for Scotland

June 2025

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Key messages

Audit of the annual report and accounts

1 Audit opinions on the annual report and accounts were unmodified and the 2024/25 annual report and accounts were certified on 26 June 2025, in line with the agreed timetable.

2 Improvements were made to the Performance Analysis section of the Performance Report as a result of the audit, and further improvements are planned for 2025/26. Management is also developing metrics to meet the enhanced sustainability disclosure reporting requirements from 2025/26 onwards.

3 All prior year recommendations were implemented during 2024/25.

4 On 17 June 2025 the Cabinet Secretary for Health and Social Care announced that NHS Education for Scotland will come together with NHS National Services Scotland to create a new single body called NHS Delivery from 1 April 2026. Management reviewed NHS Education for Scotland's going concern assessment and included additional disclosures in the audited accounts as a result.

Financial management and sustainability

5 NHS Education for Scotland has effective and appropriate arrangements to secure sound financial management.

6 NHS Education for Scotland reported a £0.2 million surplus against its revenue resource limit for 2024/25 but relied on non-recurring funding to achieve financial balance. The surplus for the year reflected the achievement of savings of £8.0 million against planned savings of £6.6 million, but only £1.3 million of these were recurring savings.

7 NHS Education for Scotland, like health boards across Scotland, faces substantial affordability challenges despite increases in funding.

8 A three-year financial plan for 2025/26 to 2027/28 has been developed. This projects a cumulative deficit of £3.1 million over the next 3 years which will need to be addressed. NHS Education for Scotland will also need to consider the operational implications and impact on savings plans of decisions relating to the NHS estate.

Vision, Leadership and Governance

9 NHS Education for Scotland has a clear vision and strategy and arrangements to support the delivery of the vision, strategy and priorities.

10 NHS Education for Scotland is leading on the development of the Scottish Government's Digital Front Door application for use by the NHS, acting as a portal for the people of Scotland to access their health and care information.

11 NHS Education for Scotland has appropriate governance arrangements in place and has established a new Planning and Performance Committee to oversee performance, information governance and business continuity.

12 NHS Education for Scotland will need to work closely with NHS National Services Scotland to manage the transfer of functions to the new NHS Delivery body from 1 April 2026, and to support the transition for staff and service users.

Use of resources to improve outcomes, and Best Value

13 NHS Education for Scotland has arrangements in place to report performance against KPIs but needs to ensure data is available for all metrics. NHS Education for Scotland is on track to achieve 84 per cent of the deliverables within the 2024/25 Annual Delivery Plan.

14 NHS Education for Scotland has appropriate arrangements in place to secure Best Value, including self-assessment and reporting against Best Value characteristics.

Introduction

Purpose of the Annual Audit Report

1. This Annual Audit Report sets out the findings from the 2024/25 audit of NHS Education for Scotland's annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

2. The report is addressed to NHS Education for Scotland and the Auditor General for Scotland, and will be published on the Audit Scotland website once the audited accounts have been laid at the Scottish Parliament.

Appointed auditor and independence

3. Lisa Duthie, Audit Director, has been appointed by the Auditor General for Scotland as the external auditor of NHS Education for Scotland. As reported in the Annual Audit Plan, Lisa and the audit team are independent of NHS Education for 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 the provision of non-audit services.

Acknowledgements

4. We would like to thank all management and staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to continuing to work 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, the Performance Report, and the Governance Statement, and an opinion on the audited part of the Remuneration and Staff Report
- conclusions on the 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 the arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the auditor and NHS Education for Scotland. 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 the arrangements in place for the wider scope areas and Best Value.

8. This report includes an agreed action plan at Appendix 1. This sets out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

9. Weakness or risks identified in this 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 management or the

Audit and Risk Committee, as those charged with governance, of the responsibilities outlined below.

NHS Education for Scotland responsibilities

10. NHS Education for Scotland has 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 and other specified information that give a true and fair view
- 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 NHS Education for Scotland. 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

Audit opinions on the annual report and accounts were unmodified and the 2024/25 annual report and accounts were certified on 26 June 2025, in line with the agreed timetable.

Improvements were made to the Performance Analysis section of the Performance Report as a result of the audit, and further improvements are planned for 2025/26. Management is also developing metrics to meet the enhanced sustainability disclosure reporting requirements from 2025/26 onwards.

All prior year recommendations were implemented during 2024/25.

On 17 June 2025 the Cabinet Secretary for Health and Social Care announced that NHS Education for Scotland will come together with NHS National Services Scotland to create a new single body called NHS Delivery from 1 April 2026. Management reviewed NHS Education for Scotland's going concern assessment and included additional disclosures in the audited accounts as a result.

Audit opinions on the annual report and accounts were unmodified

12. The Board approved the annual report and accounts for NHS Education for Scotland for the year ended 31 March 2025 on 26 June 2025. The independent auditor's report included the following audit opinions on the annual report and accounts:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report was prepared in accordance with the financial reporting framework
- the performance report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The 2024/25 annual report and accounts were certified on 26 June 2025, in line with the agreed audit timetable

13. The unaudited annual report and accounts and all working papers were provided to audit on 6 May 2025, in line with the agreed audit timetable. The accounts and working papers presented for audit were of a good standard and management and finance staff provided excellent support to the team during the audit process. This helped ensure that the final accounts audit was completed in line with the audit timetable, with the 2024/25 annual report and accounts certified on 26 June 2025.

The fee charged for the 2024/25 external audit was £81,280

14. The fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £81,280. There have been no developments that have significantly impacted on the planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Our audit approach and testing was informed by the overall materiality level of £18.1 million

15. 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. 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 NHS Education for 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 2024/25 annual report and accounts and the revised materiality levels calculated are shown in Exhibit 1.

Exhibit 1
Materiality levels set for the 2024/25 audit

Materiality	£ million
Materiality: Based on an assessment of the needs of users of the financial statements and the nature of NHS Education for Scotland's operations, gross expenditure was used as the basis for calculating materiality. Overall materiality for the 2024/25 audit was calculated at 2 per cent of gross expenditure for the year.	£18.1
Performance materiality: This acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality was set at 75 per cent of overall materiality.	£13.6
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements greater than the 'reporting threshold' amount.	£0.5

Source: Audit Scotland

The audit identified and addressed the risks of material misstatement

18. Exhibit 2 sets out the significant risks of material misstatement identified in the Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the outcome of this work.

Exhibit 2
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Audit response	Outcome of audit work
Fraud caused by management override of controls As set out in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	• Evaluated the design and implementation of controls over journal entry processing. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Tested journals entries, focusing on those that were assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end • Focussed testing of accruals and prepayments. • Assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates and assessed these for evidence of management bias. • Evaluated any significant transactions outside the normal course of business.	No incidence of management override of controls was identified.

Source: Audit Scotland

The significant findings from the audit were reported prior to the annual report and accounts being approved and certified

19. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for NHS Education for Scotland is the Audit and Risk Committee, prior to the audited annual report and accounts being approved and certified.

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 are detailed in Exhibit 3. Our audit also identified other presentation and disclosure issues which were discussed with management. These were all adjusted in the audited annual report and accounts, and none were significant enough to require to be separately reported under ISA260.

Exhibit 3
Significant findings and key audit matters

Issue	Resolution
1. Creation of NHS Delivery On 17 June 2025 the Cabinet Secretary for Health and Social Care made a statement to the Scottish Parliament on Delivering Reform and Renewal for Health and Social Care. The "Service Renewal Framework" recognises that to meet the ambition of service renewal and address the health and care needs of our population, there is a need to work differently. As part of this framework NHS Education for Scotland will come together with NHS National Services Scotland to create a new single body called NHS Delivery from 1 April 2026. International Accounting Standard 1 – Presentation of Financial Statements sets out that: "*When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern…In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.*" Practice Note 10 – Audit of Public Sector bodies in the UK clarifies that: "*When the auditor becomes aware of information which indicates that the Parliament has made, or plans to make, a decision which is likely to impact on the entity's continued operational existence, the auditor first establishes whether the entity's operational activities are likely to be transferred elsewhere in the public sector. If they are, irrespective of whether the entity will continue to operate, the going concern basis of preparation of the financial statements is likely to remain appropriate.*" Following the Cabinet Secretary's announcement, we requested management to provide a copy of its updated going concern assessment reflecting these new circumstances.	Management provided an updated going concern assessment to the audit team on 18 June 2025. This stated that as the functions of NHS Education for Scotland will transfer in full to NHS Delivery, then this does not impact on the assessment that these services will continue to be delivered for at least 12 months from the date that NHS Education for Scotland 2024/25 Annual Report and Accounts are authorised for issue. Management also made revisions to the audited annual report and accounts to: • revise the going concern disclosure to explain the announcement and why adopting the going concern basis of accounting remains appropriate • disclose the announcement as a non-adjusting post balance sheet event at 'Note 12. Events after the end of the reporting period' • updated the 'Our Future' section of the Performance Report to disclose the announcement. We reviewed management's updated going concern assessment and agreed that, as NHS Education for Scotland's operational activities are being transferred elsewhere in the public sector, the going concern basis of accounting remains appropriate for the 2024/25 Annual Report and Accounts. We are also content that the additional disclosures added to the audited accounts reflect the requirements of the NHS Accounting Manual and adequately explain the circumstances for readers of the accounts. This has not impacted upon our audit opinions on the NHS Education for Scotland 2024/25 Annual Report and Accounts set out at paragraph 12. .

Issue	Resolution
2. Performance Report – Performance Analysis section The NHS Accounting Manual explains that the mandatory Performance Analysis section of the Performance Report is designed to enable readers of the accounts to track and monitor progress and performance against key indicators. It also sets out that: "*NHS Boards should report against their strategic objectives using metrics they consider would best contribute to the understanding of performance and value for money. This may include both quantitative and qualitative information.*" The Performance Report presented for audit explained that NHS Education for Scotland had now developed 41 Strategic Key Performance Indicators (SKPIs) and included a link to the latest reported data for these. However, the Performance Analysis section didn't detail the performance against the SKPIs for 2024/25, discuss the reasons for this performance, or include prior year performance comparators.	Management revised the Performance Report in the audited annual report and accounts to include a table to show how many SKPIs were on target, and narrative on the reasons for those indicators where progress is significantly delayed. Management should establish how the reporting against NHS Education for Scotland's SKPIs in the Performance Report can be improved for 2025/26 to better explain to readers of the accounts how it is performing against its corporate plan objectives. This should include performance against each SKPI, trend analysis and the use of infographics. **Recommendation 1**

Issue	Resolution
3. Performance Report – Sustainability disclosures In line with the FReM, NHS Boards should disclose and describe the NHS Board's oversight of climate related issues. In addition, the NHS Accounting Manual set out a series of enhanced sustainability disclosures required as part of the 2024/25 Performance Report: • The metrics used to measure and manage climate related issues in line with the NHS Board's strategy and risk management process. This should include trend analysis. • The targets used by the NHS Board to manage climate-related issues and details of performance against those targets. • The process for identifying, assessing and managing climate-related risks and how this is incorporated within the NHS Board's overall risk management framework. The 'Sustainability and Environmental Reporting' section of the Performance Report presented for audit reflected the statutory reporting requirements for public bodies under the Scottish Sustainability Reporting Framework. However, management advised that information was not yet available to fully comply with the new enhanced sustainability disclosure reporting requirements set out above.	As the omission of this information is not considered a material departure from the Performance Report reporting requirements, it has not impacted upon our opinion that the report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers. Management are developing metrics that reflect the enhanced sustainability disclosure reporting requirements, and the additional disclosures that will be required in 2025/26, to enable this information to be reported in the Performance Report in NHS Education for Scotland's annual report and accounts from 2025/26 onwards. **Recommendation 2**

Source: Audit Scotland

We have no issues to report on the qualitative aspects of accounting practices used for the 2024/25 financial statements

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

The accounting policies adopted were appropriate and applied correctly

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

There was no evidence of management bias in accounting estimates

25. Accounting estimates are used in a number of areas in NHS Education for Scotland's financial statements, including the assessment of provisions. Audit work considered the process management had 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.

Appropriate disclosures were included in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. Audit work concluded that the quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as provisions.

There were no unadjusted errors above our reporting threshold

27. No audit adjustments were required to the financial statements greater than our reporting threshold of £0.5 million. Our testing did identify an invoice covering the period January 2025 to March 2026 that had been incorrectly accrued in full into the 2024/25 financial year. The value of this error was £0.4 million which was below our reporting threshold, and we undertook additional testing of accruals which confirmed that this was an isolated error. Management chose not to adjust for this error and as it below our reporting threshold we have not requested it to be corrected.

All prior year recommendations were implemented

28. The 2023/24 annual audit reported included three recommendations for improvement. NHS Education for Scotland has made good progress against these with all three implemented during 2024/25 as detailed in the 'Follow-up of prior year recommendations' section of the action plan at Appendix 1.

Wider scope and Best Value audit

Audit approach to wider scope and Best Value

Wider scope

29. 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.

30. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements that NHS Education for Scotland has in place for each of these is reported in this section of the report.

Duty of Best Value

31. 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.

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

Financial Management

Conclusions and judgements

NHS Education for Scotland has effective and appropriate arrangements to secure sound financial management.

NHS Education for Scotland reported a £0.2 million surplus against its revenue resource limit for 2024/25 but relied on non-recurring funding to achieve financial balance. The surplus for the year reflected the achievement of savings of £8.0 million against planned savings of £6.6 million, but only £1.3 million of these were recurring savings.

NHS Education for Scotland has appropriate financial control arrangements in place. Control weaknesses within NHS National Services Scotland resulted in the service auditor issuing qualified opinions on specific controls but mitigating controls meant that this did not impact on our overall assessment of the control environment of NHS Education for Scotland during 2024/25.

NHS Education for Scotland has effective and appropriate arrangements to secure sound financial management

33. NHS Education for Scotland Board approved its Budget and Financial Plan for 2024/25 in March 2024 which included a balanced financial position. This budget position was kept under review throughout the year, with updates being reported to the Board on a quarterly basis. Monthly financial updates were also presented to the executive team.

34. Based on our review of the 2024/25 budget setting process, and the arrangements in place to monitor and report on the financial position throughout the year, we have concluded that NHS Education for Scotland has effective and appropriate arrangements to secure sound financial management and allow adequate scrutiny by the Board.

NHS Education for Scotland reported a £0.2 million surplus against its revenue resource limit for 2024/25, but relied on non-recurring funding to achieve financial balance

35. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within.

36. NHS Education for Scotland's initial financial plan for 2024/25 set out a balanced financial position. Exhibit 4 shows that it operated within the three key financial targets set by the Scottish Government.

Exhibit 4
NHS Education for Scotland reported a £0.2 million surplus against its revenue resource limit for 2024/25

Performance against resource limits set by the Scottish Government Health and Social Care Directorate	Resource Limit £m	Actual £m	Under / (Over) £m
Core revenue resource limit	778.186	777.966	0.220
Non-core revenue resource limit	1.825	1.823	0.002
Total revenue resource limit	**780.011**	**779.789**	**0.222**
Core capital resource limit	3.845	3.845	0.000
Non-core capital resource limit	0.000	0.000	0.000
Total capital resource limit	**3.845**	**3.845**	**0.000**
Cash requirement	**775.427**	**775.426**	**0.001**

Source: NHS Education for Scotland Annual Report and Accounts 2024/25

37. In order to achieve financial balance, NHS Education for Scotland relied on late allocations from the Scottish Government totalling £1.4m. The allocations from the Scottish Government were received on a one-off basis and towards the end of the financial year.

38. Late funding allocations hinder effective financial management by creating uncertainty in budgeting, disrupting cash flow and potentially delaying the start of planned programme expenditure. This can slow decision making and reduce the efficiency of resource use. We highlighted in NHS in Scotland 2024 Finance and Performance that the Scottish Government needed to work to provide more certainty for Boards to allow them to effectively manage their budgets. Management noted that they had improved engagement with the Scottish Government over the timing of funding allocations during 2024/25, with all significant allocations agreed prior to the year end.

39. NHS Education for Scotland worked hard to manage the in-year budget, however it faces significant uncertainty in the future due to the level of non-recurring funding. The board recognises its reliance on late allocations is unsustainable and has been working with the Scottish Government to increase baseline funding instead of relying on in year allocations. NHS Education for Scotland is currently anticipating that an additional £101 million will be moved from non-recurring to baseline funding for 2025/26, which would provide greater certainty over future funding.

NHS Education for Scotland achieved savings of £8.0 million against planned savings of £6.6 million for 2024/25, but only £1.3 million of these were recurring savings

40. In 2024/25 the Scottish Government required all health boards to plan to deliver at least three per cent recurring savings during the financial year, which for NHS Education for Scotland represented recurring savings of £16.5 million.

41. NHS Education for Scotland identified savings of £6.6m for 2024/25 and surpassed this in year with £8.0 million of savings achieved. This was £1.4 million higher than planned but only £1.3m of these savings were on a recurring basis.

42. The savings achieved also fell short of the £16.5m (3 per cent of baseline budget) target for recurring savings set by the Scottish Government. However, management noted that this target is based on the entire baseline budget of NHS Education for Scotland, including budget allocations where the funds are directed and spent within other health boards, which the Scottish Government has requested are not reduced. This limits NHS Education for Scotland's ability to achieve the level of savings required to meet the Scottish Government annual savings targets.

43. Significant savings have been required for several years which means that in order to deliver a higher level of recurring savings, NHS Education for Scotland must look to more significant savings programmes. These are likely to involve redesigning services and will take time to be fully implemented.

The key financial controls operated effectively during 2024/25

44. As required by Audit Scotland's Code of Audit Practice, as part of our audit we identified and evaluated the key internal controls in the accounting systems significant to the production of NHS Education for Scotland's financial statements. Our objective was to gain assurance that NHS Education for Scotland has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

45. From our review of the design and implementation of NHS Education for Scotland's systems of internal control, including those relating to IT, we did not identify any significant internal control weaknesses which could affect NHS Education for Scotland's ability to record, process and report financial and other relevant data.

Our audit work considered the assurances available over NHS Education for Scotland’s control environment for externally provided services

46. Across the NHS in Scotland a number of shared services exist and therefore NHS Education for Scotland’s control environment includes externally provided services from:

- NHS National Services Scotland for the provision of payroll services and the associated national IT contract that supports the associated systems
- NHS Ayrshire and Arran for the provision of the National Single Instance eFinancials service
- Elcom who provide the Professional Electronic Commerce Online System (PECOS) – the eProcurement system used by NHS Boards across Scotland.

47. The NHS in Scotland procures service audits each year to provide assurance on the controls operating within the shared systems. As part of our overall audit approach we consider the evidence from service auditors of NHS National Services Scotland and NHS Ayrshire and Arran to inform our risk assessment procedures.

48. The PECOS contract is managed via the Scottish Government as the system was used by the Scottish Government until 2024/25. Historically, there has not been a service auditor arrangement in place to provide assurance, but the operation of the system was subject to review as part of the Scottish Government financial audit which informed our risk assessment procedures. As the system is no longer used by the Scottish Government there is a risk that the contract is not actively managed.

49. While boards can rely on local controls over user access and the operation of interfaces, there is an assurance gap over the general IT environment including back up procedures and disaster recovery. NHS Education for Scotland should work with other boards to identify how they can obtain central assurances over the IT arrangements in relation to PECOS from 2025/26.

Control weaknesses within NHS National Services Scotland resulted in the service auditor issuing qualified opinions on specific controls but mitigating controls meant that this did not impact on our overall assessment of the control environment of NHS Education for Scotland during 2024/25

50. NHS National Services Scotland procures service audits covering payroll and the national IT services contract that supports the associated systems.

51. For the national IT services contract the Type II service audit resulted in a qualified opinion on the controls relating to access to the systems as the controls associated with the objective: "*Controls provide reasonable assurance that logical access to applications, operating systems and databases is restricted to authorised individuals*" did not operate effectively during the year.

52. For the payroll system the Type II service audit resulted in a qualified opinion relating to two control objectives which did not operate effectively during the year:

- *Controls provide reasonable assurance that new employees' data and amendments to existing data that impact payroll values are authorised and entered onto the payroll system*
- *Controls provide reasonable assurance that payroll (including changes to the payroll amount) are processed in a complete, accurate and timely manner and that changes to the payroll amount are authorised.*

53. It was noted that none of the exceptions noted in the payroll service auditor report related to NHS Education for Scotland specifically. As a result of this payroll qualification, we carried out additional substantive testing of new starts, leavers and payroll amendments to gain assurance over the amounts included in the financial statements. No issues were identified from this additional substantive testing.

54. Having considered these qualifications in context of other mitigating controls at both NHS National Services Scotland and NHS Education for Scotland, and the results of our additional targeted payroll testing, we have concluded that these issues did not materially impact on the control environment of NHS Education for Scotland during 2024/25.

Standards of conduct for prevention and detection of fraud and error are appropriate

55. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

56. NHS Education for Scotland is responsible for having arrangements to prevent and detect fraud, error and irregularities, bribery and corruption. It is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place. Our conclusion is that NHS Education for Scotland has adequate arrangements in place to prevent and detect fraud or other irregularities. This is based on our review of:

- control arrangements
- overall policies and procedures

- internal audit reports
- Counter Fraud Service reports
- the National Fraud Initiative.

NHS Education for Scotland actively engage in the National Fraud Initiative

57. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NHS Education for Scotland participates in this biennial exercise. The current NFI exercise began in summer 2024 with the final report due to be published in Summer 2026.

58. NHS Education for Scotland actively engage in the NFI and regularly report on progress to the Audit and Risk Committee. The process of reviewing NFI matches is currently in progress, with a deadline of December 2025 for completion. We will continue to monitor NHS Education for Scotland's participation and report on the outcome of the current NFI exercise in the 2025/26 Annual Audit Report.

Financial Sustainability

Conclusions and judgements

NHS Education for Scotland, like health boards across Scotland, faces substantial affordability challenges despite increases in funding.

A three-year financial plan for 2025/26 to 2027/28 has been developed. This projects a cumulative deficit of £3.1 million over the next 3 years which will need to be addressed. NHS Education for Scotland will also need to consider the operational implications and impact on savings plans of decisions relating to the NHS estate.

Health boards across Scotland face substantial affordability challenges despite increases in funding

59. Health remains the single biggest area of government spending with a planned increase to £19.4 billion in the 2024/25 Budget Bill. The Scottish Government continued to distribute funding throughout the year which increased the final budgets provided to NHS Boards and reflects the long-term trend of annual increases in health expenditure.

60. Despite increases in health spending much of the additional funding was consumed by pay deals and inflation leaving little room to invest in transformation or service improvement.

61. In their three-year financial plans submitted to the Scottish Government, in 2024/25, NHS Boards continued to forecast increases in spending. Boards are also increasingly citing a reliance on non-recurring savings, and therefore carrying forward underlying deficits into future years. This poses a significant risk to long term financial sustainability.

62. Audit Scotland's NHS in Scotland 2024 Finance and Performance report highlighted that the affordability of healthcare spending is now an urgent issue that the Scottish Government must address. Difficult decisions need to be made about transforming services potentially identifying areas of limited clinical value and considering how services can be provided more efficiently or withdrawn. Boards should work with the Scottish Government to focus on longer term reform. This will be essential for managing the demands placed on the healthcare system and ensuring its future sustainability.

NHS Education for Scotland's medium-term financial plan projects a cumulative deficit of £3.1 million over the next three years which will need to be addressed

63. NHS Education for Scotland presented an updated three-year financial plan for 2025/26-2027/28 to the Board in March 2025. These plans projected a cumulative deficit position of £3.1 million over the duration of the plan. Forecasts in the financial plan are based on several assumptions, including adjustments for inflationary costs and pay growth.

64. The 2025/26 financial plan projects a deficit of £1.0 million, after expected savings already identified of £8.4 million, including £4.4million of recurring savings. There is a reduction in planned savings from the extension of the Westport office property lease which is now not going ahead due to a decision by the Scottish Government, see paragraphs 67. to 69.

65. In the absence of a balanced position at the start of 2025/26, NHS Education for Scotland will have to work closely with the Scottish Government to ensure that additional funding is secured or to halt other planned work to achieve financial balance.

66. The financial plans for 2025/26 and 2026/27 highlight a cumulative funding gap of £11.3 million before savings. In response to the funding gap, NHS Education for Scotland has identified planned savings targets of £5.3 million and £3.9 million respectively. This still leaves funding gaps of £1.0 million in each year for which additional savings will require to be found. The identification of further savings to bridge these future funding gaps will continue to be developed as future budget allocations are confirmed.

NHS Education for Scotland will need to consider the operational implications and impact on savings plans of decisions relating to the NHS estate

67. NHS Education for Scotland currently occupy four properties under lease agreements in Edinburgh, Glasgow, Aberdeen and Inverness. NHS Education for Scotland entered into a new lease agreement during 2024/25 for an office on Bothwell Street in Glasgow which is jointly occupied with Public Health Scotland. This resulted in a new right of use lease asset of £2 million and a corresponding lease liability of £1.9 million being recognised on NHS Education for Scotland's Statement of Financial Position in the 2024/25 Annual Report and Accounts.

68. NHS Education for Scotland's Edinburgh office is based in Westport with the current lease expiring in July 2025. Management had submitted a business case to extend this lease for another 10 years, with NHS Lothian taking occupation of the space on the second floor. The business case set out significant savings for the NHS over the period of the new lease, including:

- £2.1 million per annum savings based on reduced occupation of the Westport office by NHS Education for Scotland and NHS Lothian ending their lease at their current location at Waverley Gate

- avoidance of fit out costs that the two bodies will incur if they are required to move to a new office, which were estimated at £5 million

- avoidance of the dilapidations liability for the Westport office falling due at the end of the lease agreement of approximately £2 million.

69. The request for the longer-term lease extension was rejected by ministers. Management has requested a short-term extension to the Westport office lease to allow time to explore the logistics involved with an office move, including the impact on services, delivery of key project milestones and additional fit out costs for any new office. This short-term extension has been approved by the Scottish Government. NHS Education for Scotland will need to consider the operational implications and impact on savings plans of decisions relating to the NHS estate.

Vision, Leadership and Governance

Conclusions and judgements

NHS Education for Scotland has a clear vision and strategy and arrangements to support the delivery of the vision, strategy and priorities.

NHS Education for Scotland is leading on the development of the Scottish Government's Digital Front Door application for use by the NHS, acting as a portal for the people of Scotland to access their health and care information.

NHS Education for Scotland has appropriate governance arrangements in place and has established a new Planning and Performance Committee to oversee performance, information governance and business continuity.

NHS Education for Scotland will need to work closely with NHS National Services Scotland to manage the transfer of functions to the new NHS Delivery body from 1 April 2026, and to support the transition for staff and service users.

NHS Education for Scotland has a clear vision and strategy and arrangements to support the delivery of the vision, strategy and priorities

70. The NHS Education for Scotland Strategy 2023-26 sets out a clear vision which is: "*to support better rights-based quality care and outcomes for every person in Scotland through a skilled, capable, and resilient health and social care workforce*". This is supported by a number of objectives with a focus on three key themes of People, Partnerships and Performance.

NHS Education for Scotland is leading on the development of the Scottish Government's Digital Front Door application

71. NHS Education for Scotland is leading on the development of the Scottish Government's Digital Front Door application for use by the NHS, acting as a portal for the people of Scotland to access their health and care information. An outline business case for this project has been developed and approved and NHS Education for Scotland has a budget of £12 million in place for 2025/26 to work towards the development of a pilot by December 2025, which will cover the population within the NHS Lanarkshire area. A full business case and delivery plan is currently in development to meet these timescales. The Scottish Government has committed to fully fund the project beyond the initial rollout to the NHS Lanarkshire area.

NHS Scotland's governance arrangements need to be strengthened to deliver the scale of reform needed across the health service

72. Audit Scotland's NHS in Scotland: Spotlight on governance report highlighted that: "*The planning and governance of healthcare in Scotland is becoming more complex, and this limits NHS boards' ability to drive reform. The mix of local, regional, and national partners makes decision making and accountability difficult. A new planning framework has been introduced by the Scottish Government and new national strategies for reform are due in 2025. Dealing with this change will be challenging for boards, but it should give them more clarity and help them to work more collaboratively to deliver reform.*"

73. The report also noted that: "NHS boards use a blueprint for good governance that was produced in partnership with the Scottish Government. The blueprint has been well received but there is scope for it to be strengthened to more clearly set out how board governance should be adapted to deliver reform." It recommended that the Scottish Government together with NHS boards should:

- Consider how the experience of under-represented groups and people who use services can be brought to boards so that the planning and delivery of healthcare services is informed by user experience.
- Implement an external review and validation of the Blueprint for Good Governance self-assessment process across NHS boards to support further improvement in governance, make sure that evidence and information is assessed in a consistent way, and that opportunities for learning and sharing good practice are maximised across NHS Scotland.
- Ensure that the next iteration of the Blueprint for Good Governance provides more operational support to NHS boards on how good governance can support NHS reform and collaborative working, including practice examples.

NHS Education for Scotland has appropriate governance arrangements in place and has established a new Planning and Performance Committee to oversee performance, information governance and business continuity

74. NHS Education for Scotland's governance arrangements have been set out in the governance statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

75. Board minutes and papers are published on the website in advance of each meeting. Scrutiny arrangements are working well and we have witnessed this through regular attendance at Audit and Risk Committee meetings and review of committee minutes and papers.

76. NHS Education for Scotland established a new Planning and Performance Committee from 1 April 2025 which will have oversight of strategic key performance indicators and other performance items, as well as information governance and business continuity. This replaces the previous Technology and Information Committee which met for the last time in January 2025. We will monitor the operation of this new committee during the course of our 2025/26 audit.

Good practice – Participation in Equally Safe at Work accreditation programme

During 2024/25 the NHS Education for Scotland Executive Team approved a proposal for the organisation to participate in the Equally Safe at Work (ESAW) accreditation programme, which supports employers to advance gender equality and prevent violence against women. They aim to achieve ‘Developmental Employer’ accreditation by March 2026 and have established an ESAW steering group to take forward actions to support the accreditation journey.

NHS Education for Scotland will need to work closely with NHS National Services Scotland to manage the transfer of functions to the new NHS Delivery body from 1 April 2026, and to support the transition for staff and service users

77. On 17 June 2025 the Cabinet Secretary for Health and Social Care made a statement to the Scottish Parliament on Delivering Reform and Renewal for Health and Social Care. The “Service Renewal Framework” recognises that to meet the ambition of service renewal and address the health and care needs of our population, there is a need to work differently. As part of this framework NHS Education for Scotland will come together with NHS National Services Scotland to create a new single body called NHS Delivery from 1 April 2026.

78. As with any change on this scale, the transfer of NHS Education for Scotland’s functions to the new NHS Delivery body will create significant uncertainty for the organisation in the short term, both in relation to the delivery of its strategic objectives and the impact on employees. NHS Education for Scotland will need to work closely with NHS National Services Scotland to manage the transfer of functions to NHS Delivery from 1 April 2026, and to support the transition for staff and service users.

Use of Resources to Improve Outcomes, and Best Value

Conclusions and judgements

NHS Education for Scotland has arrangements in place to report performance against KPIs but needs to ensure data is available for all metrics. NHS Education for Scotland is on track to achieve 84 per cent of the deliverables within the 2024/25 Annual Delivery Plan.

NHS Education for Scotland has appropriate arrangements in place to secure Best Value, including self-assessment and reporting against Best Value characteristics.

NHS Education for Scotland has arrangements in place to report performance against KPIs but needs to ensure data is available for all metrics

79. NHS Education for Scotland reports quarterly to the Board on performance against the strategic Key Performance Indicators (KPIs) that support the Corporate Strategy 2023-26. This includes reporting against 51 individual metrics linked to the strategic themes of People, Partnerships and Performance.

80. The Q4 KPI report presented to the Board in May 2025 noted the following:

- 30 metrics were assessed as green – achieved milestones, based on the targets set (22 in the prior year)
- 5 metrics were assessed as amber – minor delay, based on targets set (4 in the prior year).
- 4 metrics were assessed as red – significant delay, based on targets set (3 in the prior year)
- 11 metrics have no data available, or no targets set as at the Q4 report (20 in the prior year)
- 1 metric is listed as complete.

81. Based on the above, NHS Education for Scotland is reporting available data for 78 per cent of their identified metrics, which is an increase of 4.5 per cent on the prior year. Of the 39 metrics reporting a RAG status for 2024/25, 77 per cent of these are achieving target (75 per cent in the prior year), highlighting strong performance in these areas.

82. The four targets currently assessed as red relate to vacancy rates, percentage of staff who disclose having a disability, stakeholders who would be likely to recommend NHS Education for Scotland to an associate and CO2 emissions levels. Reviews and actions are in place for each of the red rated metrics, which will be kept under review and reported to the relevant committee to ensure appropriate scrutiny.

83. We note the positive improvement throughout 2024/25, and the further work required in 2025/26 to gather data for the remaining KPIs. We will continue to monitor this going forward.

NHS Education for Scotland is on track to achieve 84 per cent of the deliverables within the 2024/25 Annual Delivery Plan

84. NHS Education for Scotland also reports progress quarterly against the Annual Delivery Plan (ADP). The 2024/25 ADP included 177 deliverables, and the year-end position reported showed:

- 4 deliverables categorised as blue – complete
- 145 deliverables categorised as green – on track
- 25 deliverables categorised as amber – minor delays
- 3 deliverables categorised as red – significant delays.

85. The above shows that 84 per cent of NHS Education for Scotland's deliverables are complete or on track to be completed within timescales. The deliverables that are reporting minor delays are due to short term issues such as staff sickness absence. The three deliverables which are currently reporting significant delays relate to the delivery of training and materials for the continuous professional development (CPD) of GP managers, provision of technology support to the NHS Scotland Digital Prescribing and Dispensing Pathways Programme and the development of a national programme of education and training across a range of areas in relation to the mental health strategy 2017-27. The reason for these delays mostly relates to availability of funding and each of these deliverables has been carried forward to be reviewed and revisited as part of the 2025/26 ADP.

NHS Education for Scotland has appropriate arrangements in place to secure Best Value, including self-assessment and reporting against Best Value characteristics

86. The audit work performed on the arrangements NHS Education for Scotland has in place for securing Best Value found these were effective and appropriate. This judgement is supported by:

- NHS Education for Scotland having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance and operational planning arrangements

- the arrangements NHS Education for Scotland has in place around the four wider scope audit areas, which are effective and appropriate, and contribute to it being able to secure Best Value
- progress NHS Education for Scotland is making to embed sustainability into corporate and operational plans, and enhance reporting arrangements.

Good practice – Self-assessment and reporting against Best Value characteristics

NHS Education for Scotland produce an annual report on Best Value as part of the Audit and Risk Committee annual report. This sets out each of the Best Value characteristics and what work has been undertaken during the year to support achievement of these. It has also developed a set of principles which are embedded into the operational planning process to ensure Best Value and alignment to the corporate strategy.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Performance Report – Performance Analysis section The Performance Analysis section of the Performance Report is designed to enable readers of the accounts to track and monitor progress and performance against key indicators. The report provided to audit didn't detail the performance against the SKPIs for 2024/25, discuss the reasons for this performance, or include prior year performance comparators. A revised version of the report was received which improved this disclosure but further improvements are required.	Management should establish how the reporting against NHS Education for Scotland's SKPIs in the Performance Report can be improved for 2025/26 to better explain to readers of the accounts how it is performing against its corporate plan objectives. This should include performance against each SKPI, trend analysis and the use of infographics.	Accepted **Management response:** Reporting of SKPIs will be further evolved during 2025/26 ahead of year end reporting. This will include greater trend analysis as data over time becomes available for more metrics and enhancement of the methods used for articulating performance. **Responsible officer:** Director of Planning, Performance and Transformation **Agreed date:** 31 March 2026

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Performance Report – Sustainability Disclosures The NHS Accounting Manual set out a series of enhanced sustainability disclosures required as part of the 2024/25 Performance Report. The ‘Sustainability and Environmental Reporting’ section of the Performance Report presented for audit reflected the statutory reporting requirements for public bodies under the Scottish Sustainability Reporting Framework. However, management advised that information was not yet available to fully comply with the new enhanced sustainability disclosure reporting requirements.	Management should develop metrics that reflect the enhanced sustainability disclosure reporting requirements, and the additional disclosures that will be required in 2025/26, to enable this information to be reported in the Performance Report in NHS Education for Scotland’s annual report and accounts from 2025/26 onwards.	Accepted **Management response:** Metrics will continue to be developed, particularly with the reshaping of the NES property estate, with a view to achieving full disclosure for the 2025/26 Annual Report and Accounts **Responsible officer:** Director of Finance **Agreed date:** 31 March 2026

Follow-up of prior year recommendations

Issue / risk	Recommendation and agreed action	Progress
PY1. Provisions - Dilapidations The provision for dilapidations is based on some out-of-date assessments. This has been the case for a number of years. **Risk:** There is a risk that the amount provided for is understated and that it does not meet the necessary dilapidation cost.	NHS Education for Scotland should review the provision for dilapidations and provide a more up to date estimate of the remedial costs. **Accepted** We will carry out a revaluation of the dilapidations for our leased properties in Edinburgh, Inverness and Aberdeen during 2024/25. **Responsible officer:** Director of Finance **Agreed date:** 31 March 2025	**Complete** Updated dilapidations assessments were obtained during the year and reflected in the dilapidations provisions balances in the 2024/25 annual report and accounts. Our review of the dilapidations assessments did not identify any issues.
2. Accruals and provision for fixed term contract staff: redundancy payments Management have accrued and provided for potential redundancy costs for fixed term contracts. We do not believe that these fulfil the requirements of the accounting definitions. **Risk:** There is a risk that the outturn position is adversely affected.	NHS Education for Scotland should review the methodology and rationale around potential redundancy payments for fixed terms contracts. **Accepted** The methodology and calculation will be reviewed and agreed with the auditors during 2024/25. **Responsible officer:** Deputy Director of Finance **Agreed date:** 31 March 2025	**Complete** A revised approach has been implemented, with more appropriate requirements for when an accrual can be recognised. We have reviewed the new approach and agreed this is reasonable and reflects the contractual entitlement of fixed term contract staff.

Issue / risk	Recommendation and agreed action	Progress
3. Directors Assurance Statements The directors' assurances were not obtained until after the governance statement had been drafted and were not available for audit review until late May. A number remained outstanding into June. **Risk:** There is a risk that the governance statement does not include the assurances (or otherwise) from all relevant staff.	NHS Education for Scotland should receive and assess assurances earlier in the year to ensure the complete and up to date drafting of the governance statement. **Accepted** The timetable for the 2024/25 Annual Accounts process has been updated. Certificates of Assurance will be requested at the end of the financial year and be able to the auditors at the start of the audit. **Responsible officer:** Deputy Director of Finance **Agreed date:** 31 March 2025	**Complete** A revised timetable was implemented for the 2024/25 annual accounts process which ensured that the directors' assurances were available in a timely manner.

Appendix 2

National and performance audit reports

Report name	Date published
Health reports	
NHS in Scotland 2024: Finance and performance	3 December 2024
General practice: Progress since the 2018 General Medical Services contract	27 March 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Integration Joint Board reports	
Integration Joint Boards: Finance and performance 2024	25 July 2024
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
Other reports	
Local government budgets 2024/25	15 May 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Scotland’s colleges 2024	19 September 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
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
Additional support for learning	27 February 2025

NHS Education for Scotland

2024/25 Annual Audit Report

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