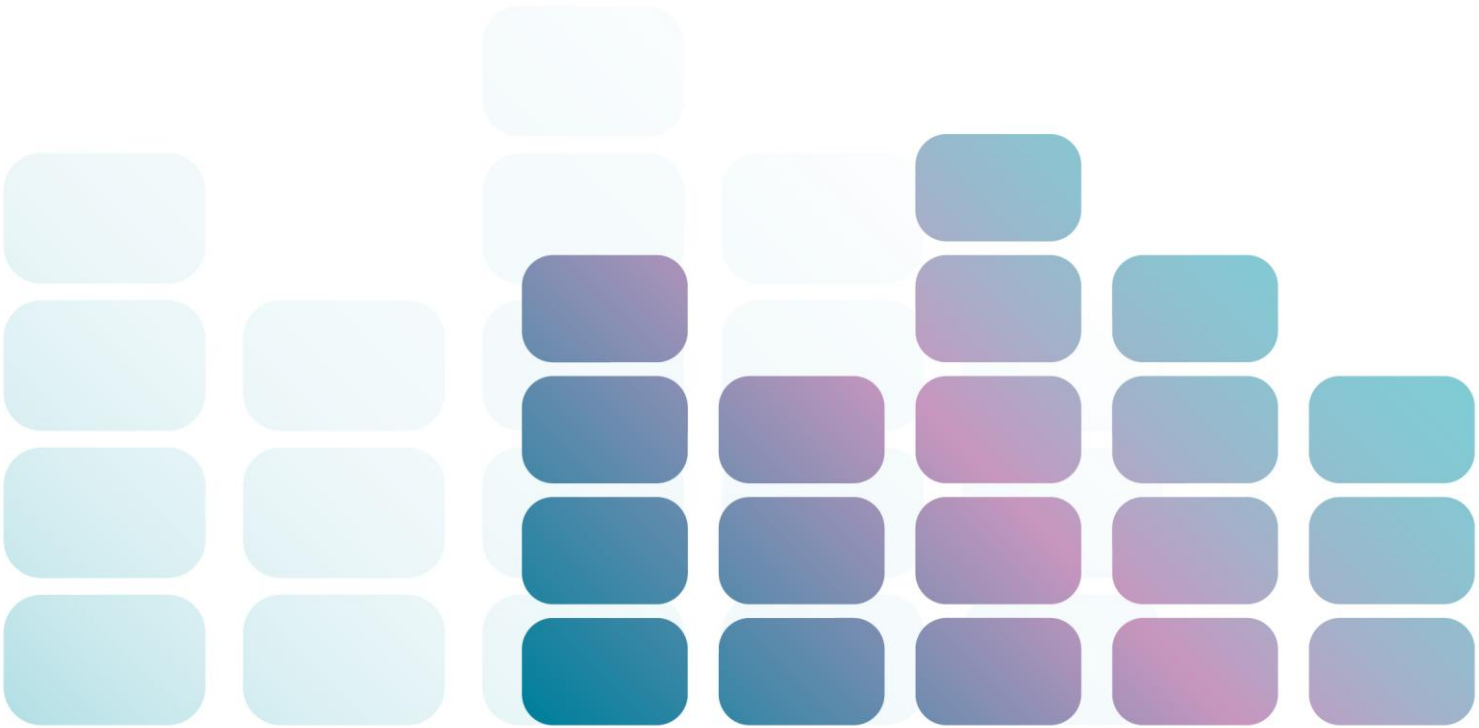


Scottish Government

2024/25 Annual Audit Report



Prepared for the Scottish Government and the Auditor General for Scotland
October 2025

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Accessibility

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions are unmodified.
- 2 We obtained the required assurances to address the risks of material misstatement identified from our audit planning work.
- 3 The authorisation and approval arrangements for consultancy and agency staff expenditure should be reviewed and strengthened.

Financial management and sustainability

- 4 The Consolidated Accounts report an underspend of £1,009 million in 2024/25.
- 5 The Scottish Government did not need to apply all the additional measures announced in September 2024 to achieve a balanced outturn, mainly due to additional funding received in year.
- 6 There remain significant pressures for 2025/26 with the achievement of a balanced financial outturn not yet certain.
- 7 A Medium-Term Financial Strategy, Fiscal Sustainability Delivery Plan and Public Service Reform Strategy were published in June 2025. They highlight the unsustainable financial position of the Scottish public sector, and the actions required to move to a more sustainable position.
- 8 Workforce reform is critical to the delivery of sustainable public services.

Oracle Cloud implementation

- 9 Oracle Cloud was implemented in October 2024 at a total cost of £59.5 million, up from an initial estimate of £22 million. Management should consider the impact of optimism bias on the original estimates for the timescale and costs of the project as part of the post-implementation review.

- 10** Appropriate governance arrangements were established and these operated as expected. The Steering Committee approved the decision to go-live on 1 October 2024 despite some of the pre-implementation criteria not being met. This decision was reasonable.
- 11** Continued focus will be needed to ensure the anticipated benefits from the new Oracle Cloud platform can be fully realised, and to demonstrate value from money from the investment in the new system.

Vision, leadership and governance

- 12** The Scottish Government has well established assurance arrangements, however the portfolio structure presents some challenges when tackling issues that impact across government. This should remain an area of focus.
- 13** There has been further increases in the cost and timeline to complete MV Glen Rosa which now sits at £185 million, with an estimated delivery date of between April and June 2026.
- 14** Sponsorship across the Scottish Government has remained an area of focus, but there are opportunities to further strengthen the assurance arrangements.

Use of resources to improve outcomes

- 15** The lack of a clear and consistent performance reporting framework makes it hard for the Scottish Government to demonstrate the extent to which it is using resources effectively to improve outcomes.
 - 16** The Performance Report within the Consolidated Accounts needs to be improved to provide readers with a complete view of the Scottish Government's performance.
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Introduction

Purpose of the Annual Audit Report

1. This Annual Audit Report sets out the findings from the 2024/25 audit of the Scottish Government's annual report and accounts and the four wider scope areas specified in the [Code of Audit Practice](#):

- Financial management
- Financial sustainability
- Vision, leadership and governance
- Use of resources to improve outcomes.

2. The report is addressed to the Scottish Government and the Auditor General for Scotland and will be published on [Audit Scotland's website](#).

Scope of the audit

3. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. The scope of the 2024/25 audit was set out in our Annual Audit Plan presented to the March 2025 meeting of the Scottish Government Audit and Assurance Committee (SGAAC), and includes:

- An audit of the financial statements and providing 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 the audited part of the Remuneration and Staff Report.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- Conclusions on the Scottish Government's arrangements for securing Best Value and in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Providing assurance on the Whole of Government Accounts return and summary financial statements.

Appointed auditor and independence

4. Stephen Boyle, Auditor General for Scotland, is the auditor of the Scottish Government and Carole Grant, Audit Director, is the engagement lead responsible for the delivery of the audit. As reported in the Annual Audit Plan, Carole and the audit team are independent of the Scottish Government 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.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of the auditor and the Scottish Government. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

6. 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.

7. This report includes an agreed action plan at [Appendix 1](#). This sets out specific recommendations to address matters identified during our audit and includes details of the agreed actions, responsible officer and date for implementation.

8. Weaknesses 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 SGAAC, as those charged with governance, of the responsibilities set out below.

Scottish Government's responsibilities

9. The Scottish Government 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 that are in accordance with the Accounts Direction from Scottish Ministers.
- 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

10. 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 will be of interest to the Scottish Government. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Acknowledgements

11. We would like to thank the Scottish Government and its staff, particularly those involved in the 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.

1. Audit of the Consolidated Accounts

Main judgements

The audit opinions are unmodified. The 2024/25 Scottish Government Consolidated Accounts show a true and fair view, follow accounting standards, and that the income and expenditure for the year is lawful.

We obtained the required assurances to address the risks of material misstatement identified from our audit planning work.

Student loan debt has now reached £6,929 million with write-off levels continuing to increase in 2024/25 to £34 million.

The authorisation, approval and monitoring arrangements for consultancy and agency staff expenditure should be reviewed and strengthened.

Further action is needed to recover the timeline and quality of the Whole of Government Accounts process.

Audit opinions on the annual report and accounts are unmodified

12. The annual report for the year ended 31 March 2025 was presented to SGAAC on 6 October 2025. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and 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 Consolidated Accounts were certified in line with the agreed audit timetable, but improvements are required to the accounts preparation process

13. The unaudited 2024/25 Scottish Government Consolidated Accounts were provided to audit on 29 August 2025, with the core schedules and sections of the annual report provided from 27 June, in line with the agreed timetable. However, some key elements, including both the core and consolidated cash flow statements and the losses statement were incomplete and not provided in full until later in the audit process. In addition, there were revisions made to the unaudited core schedules for non-audit adjustments by finance staff which resulted in additional work for the audit team.

14. The impact of the late provision of information and non-audit adjustments to the core schedules was managed by the audit team, with support from finance staff, enabling the audit to be completed in line with the agreed timetable.

Recommendation 1 – Preparation of the Consolidated Accounts

The core schedules provided to audit were subject to a number of non-audit adjustments resulting in additional work for the audit team. The processes should be reviewed to ensure similar issues aren't experienced in future years.

The fee charged for the 2024/25 external audit of the Scottish Government was £1.595 million

15. The planned fee for the 2024/25 external audit was reported in our Annual Audit Plan and was set at £1,401,910. The final fee for the audit was £1,594,599 (2023/24: £1,376,060) and included additional fees for the work associated with the Oracle Cloud implementation review (£177,464) and the revised group auditor responsibilities under ISA 600 (£15,225).

Materiality was reviewed on receipt of the Consolidated Accounts and revised to £550 million

16. Materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

17. 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 accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

18. Our initial assessment of materiality for the audit of the 2024/25 Scottish Government Consolidated Accounts was carried out during the risk assessment

and planning phase of the audit and reported in the Annual Audit Plan. This was reviewed on receipt of the unaudited accounts and materiality levels were updated to those detailed in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for the Scottish Government Consolidated Accounts

Materiality	Amount
Materiality: set at 1 per cent of gross expenditure	£550 million
Performance materiality: set at 50 per cent of materiality. This acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, further audit procedures are considered.	£275 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements greater than the reporting threshold amount.	£1 million

Source: Audit Scotland

Our audit identified and responded to the significant risks of material misstatement

19. [Exhibit 2](#) sets out the significant risk of material misstatement we identified for the 2024/25 Scottish Government Consolidated Accounts. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the outcome of this work.

Exhibit 2
Significant risks of material misstatement to the Consolidated Accounts

Risk	Audit response	Outcome of audit work
1. 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 its ability to override controls that otherwise appear to be operating effectively. This is presumed to be a significant risk in all audits.	The audit team: • 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. • Tested journals entries, focusing on those that are assessed as higher risk.	• Our detailed testing of journal entries, accruals prepayments, accounting estimates and unusual transactions was satisfactory, however: - we noted that 27 out of 126 (21 per cent) of the journals selected were correcting journals (i.e. amending a previous incorrect journal entry or mis-posting). This was due

Risk	Audit response	Outcome of audit work
	• Substantively tested income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year. • Undertook focused testing of accounting accruals and prepayments. • Assessed changes to the methods and underlying assumptions used to prepare accounting estimates and assessed these for management bias. • Evaluated significant transactions outside the normal course of business. • Reviewed component auditor questionnaires and consolidation packs. • Evaluated and reviewed the work of component auditors where appropriate.	to issues relating to the changeover to Oracle Cloud and does not represent an attempt by management to override the controls. • Our cut off testing of income and expenditure transactions was satisfactory, however: - we identified two issues for reporting – see points 7 and 8 in Exhibit 3. This does not represent an attempt by management to override the controls. • No issues were identified from our review of the work of component auditors. We obtained sufficient assurance from the audit procedures performed to support our audit opinion.
2. Risk of fraud in expenditure due to the complexity of expenditure streams Practice Note 10 extends ISA 240 to include the consideration of fraud in expenditure for public bodies. The Scottish Government has a high volume and diverse range of expenditure. There exists a risk that expenditure could be misstated in the financial statements.	The audit team: • Reviewed the Scottish Government's assessment of fraud within the financial statements. • Conducted analytical procedures across expenditure streams to support detailed testing. • Substantively tested expenditure transactions. • Undertook focused testing of accounting accruals and prepayments.	• No issues were identified from our analysis of expenditure streams and substantive testing of transactions. • Substantive testing of accruals and prepayments was satisfactory, however: - we identified two issues for reporting – see points 7 and 8 in Exhibit 3, however, we are content that these did not represent fraud in expenditure. • We reviewed the social security error and fraud position and, as detailed at issue 5 in Exhibit 3, concluded that the likely amount of error and fraud within benefit streams was

Risk	Audit response	Outcome of audit work
		not significant enough to influence the economic decisions of the users of the Consolidated Accounts. We obtained sufficient assurance from the audit procedures performed to support our audit opinion.
3. Estimation and judgement in the valuation of student loans There is a significant degree of estimation and judgement in the valuation of the material account area of student loans. The assumptions used in the valuation model are highly dependent on the macroeconomic environment and as a result are likely to vary in the short-term increasing the risk of material misstatement.	The audit team: • Undertook a detailed review of the assumptions and application of the student loans model. • Assessed the management controls in place for the student loans model. • Undertook focused substantive testing of student loans transactions and balances. • Evaluated significant transactions outside the normal course of business. • Considered the appropriateness of the student loans provision, including the movement from the prior year. • Reviewed fair value student loan asset adjustments.	• No issues were identified from our review of the student loans model and the fair value adjustment affecting the student loans asset. • We assessed the management controls in place for the student loans model and concluded that these were satisfactory. • No issues were identified from our substantive testing of student loans transactions and balances. We obtained sufficient assurance from the audit procedures performed to support our audit opinion.
4. Estimation and judgement in the valuation of property, plant and equipment There is a significant degree of subjectivity in the valuation of property, plant and equipment across components in the group, including the consolidation of the road network. Assets are subject to regular revaluation with indexation	The audit team: • Reviewed component auditor questionnaires and consolidation packs. • Evaluated and reviewed the work of component auditors where appropriate.	Our audit work included: • No issues were identified from our review of the component auditor questionnaires, consolidation packs and, where relevant, the component auditor's work. We obtained sufficient assurance from this work to support our audit opinion.

Risk	Audit response	Outcome of audit work
applied in the intervening period as appropriate.		
The valuation of the road network is technically complex and based on specialist knowledge and management assumptions.		

Source: Audit Scotland

20. In addition to the significant risks detailed in [Exhibit 2](#), we recognised that there is public interest in the provisions, investments and financial guarantees of the Scottish Government. There is a degree of estimation in their measurement and valuation, and therefore we reviewed the basis of these estimates to ensure they were supported by robust methodologies and reflected the best available information.

21. Further, on 1 October 2024, the Scottish Government replaced the existing financial and HR systems with the new Oracle Cloud system. As part of our audit, we reviewed the output from the system to confirm the reliability of the financial reports produced, focusing on the completeness of the data and the risk of classification errors in the consolidated financial statements.

The audit has identified significant findings and key audit matters

22. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the Scottish Government is SGAAC, prior to the audited accounts being approved and certified.

23. 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.

24. The significant findings and key audit matters 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 accounts, and none were significant enough to be separately reported under ISA260.

Exhibit 3

Significant findings and key audit matters

Issue	Resolution
1. Lochaber Aluminium Smelter Note 15 details the Scottish Government's potential exposure to default payments for the financial guarantee associated with the Lochaber Aluminium Smelter. In March 2021, Greensill Capital (UK) Limited, the major provider of working capital to GFG Alliance (the holding company), went into administration. There continues to be significant uncertainty regarding the financial stability of the GFG Alliance group. As part of the 2024/25 accounts preparation process, the Scottish Government reviewed the level of provision required for their guarantee. The value of the provision remained at £130 million.	We reviewed the Scottish Government assessment of their potential exposure on the financial guarantee and concluded that the Scottish Government's assessment is reasonable.
2. Impairment of MV Glen Sannox and MV Glen Rosa Ownership of MV Glen Sannox and MV Glen Rosa and associated equipment and design rights were transferred from Caledonian Maritime Assets Ltd (CMAL) to the Scottish Government in 2019. The vessels are valued based on the original contract price (plus an uplift for inflation) and subsequent expenditure, less an impairment figure. MV Glen Sannox is now operational and was transferred from the Scottish Government to CMAL in November 2024 at a value of £55 million. For the financial year 2024/25, the Scottish Government capitalised further construction costs of £16.2 million but impaired the asset value by £15.6 million prior to transfer. The carrying value of MV Glen Rosa in the Consolidated Accounts is £44 million (£41 million in 2023/24) following an impairment of £38 million (£25 million in 2023/24).	We reviewed the Scottish Government valuation process for MV Glen Sannox and MV Glen Rosa. We concluded that, for 2024/25, the Scottish Government's approach to the valuation of the vessels was reasonable.
3. Glasgow Prestwick Airport Glasgow Prestwick Airport transferred from Transport Scotland to the Scottish Government in January 2023. In 2023/24, the Scottish Government undertook an assessment of the expected credit loss (under <i>IFRS 9. Financial Instruments</i>) of the recoverability of the loans provided to Glasgow Prestwick Airport. This technical accounting assessment, together with management	We reviewed the Scottish Government assessment of the recoverability of the loans provided, with a particular view to any indications of significant changes since 2023/24. We concluded that the Scottish Government's assessment for 2024/25 is appropriate.

Issue	Resolution
review, resulted in a value of £21.2 million being included within the Consolidated Accounts in respect of these loans. In 2024/25, the Scottish Government conducted a further management review and concluded that the recoverable amount of £21.2 million continues to be appropriate.	
4. Redress Note 15 details a provision of £329 million (£432 million in 2023/24) in respect of payments estimated to be made to survivors of abuse under the 'Redress for Survivors (Historical Abuse in Care) (Scotland) Act'. The provision was based on expected levels of claims over the life of the scheme based on reporting by the Government Actuaries Department and average payment rates made on applications to date. Prior to 2023/24, Redress had been disclosed in the accounts as a contingent liability as there had not been enough caseload data to reliably estimate the liability.	We reviewed and assessed the methodology underlying the provision and concluded that the Scottish Government's assessment of the provision at 31 March 2025 was reasonable.
5. Social Security Scotland The 2024/25 accounts of Social Security Scotland include benefit expenditure of £2,227 million administered by the Department for Work and Pensions (DWP) through agency agreements. Due to these arrangements Social Security Scotland cannot directly assess the levels of fraud and error in these benefits and is instead reliant on the DWP's annually published estimates. The estimated overpayments as a result of fraud and error in the benefits administered by the DWP, ranged from 0.5 to 3.9 per cent of expenditure. This means an estimated £40 million of overpayments were made to Scottish residents. As a result, the auditor qualified their regularity opinion as these overpayments were not incurred in accordance with relevant legislation and regulations. As a component audit, the qualified audit opinion on the Social Security Scotland accounts requires us to assess the potential impact of its inclusion within the Scottish Government's Consolidated Accounts.	We assessed the qualitative and quantitative impact of the qualified opinion for the Consolidated Accounts. We concluded that, for 2024/25, the likely amount of error and fraud incurred in benefits and allowances is not significant enough to influence the economic decisions of the users of the Consolidated Accounts and therefore the audit opinion is not qualified in respect of this matter.
6. Fair Pay disclosures The Government Financial Reporting Manual (FReM) requires the Fair Pay disclosure to include agency and other temporary staff in the calculations, with the costs for consultancy staff being excluded. We noted in our 2023/24 report that the Scottish Government were unable to easily distinguish between agency staff and consultants based on	The Scottish Government has disclosed in the 2024/25 remuneration and staff report that it has omitted agency and other temporary staff from the fair pay disclosures.

Issue	Resolution
the current eHR system not capturing these staff appropriately. As a consequence, the Scottish Government omitted agency and other temporary staff from the fair pay disclosures in 2023/24 and included the following disclosure: <i>“Additional information on agency and other temporary employees will be captured in Oracle Cloud, meaning that enhanced reporting will be possible following implementation.”</i> The implementation of Oracle Cloud on 1 October 2024 did not include the Workforce Planning module, and therefore the Scottish Government is still unable to produce the required agency expenditure disclosures for the remuneration report. As this module is not due to be implemented until later in 2025 this information may also not be available for the 2025/26 remuneration and staff report.	Given that this is a mandatory disclosure and £35 million is included for short-term contract and agency staff expenditure in the staff costs figure in the Consolidated Accounts for 2024/25 (£47 million in 2023/24), it is important that management establish arrangements to include agency and other temporary staff in the fair pay disclosures within the remuneration and staff report. Recommendation 2
7. Recognition of BT gainshare income Audit testing of income at the year-end identified a £64.7 million payment from BT on 1 April 2025 relating to a contract it entered into with Scottish Ministers for the provision and maintenance of a broadband network. Under the terms of the contract, the Scottish Government are due “gainshare” payments from any income earned by BT over the agreed levels set out within the contract. The value of these payments is determined on agreed milestone dates set out in the contract, and the milestone date for this payment was 20 January 2025. As the payment relates to activity undertaken prior to 31 March 2025, this income should have been accrued and recognised in the 2024/25 Consolidated Accounts.	Management chose not to correct this error in the audited 2024/25 Consolidated Accounts so it is reported as an unadjusted error.
8. Year-end Warmworks expenditure accrual Audit testing of expenditure at the year-end identified a £5 million accrual which was based on an estimate of the value of work completed by Warmworks during 2024/25 that had not been billed for by the year-end. Our review of the invoices subsequently received from Warmworks for this work identified that these totalled £20.5 million. Therefore, the accrual had been understated by £15.5 million in the unaudited 2024/25 Consolidated Accounts.	Management chose not to correct this error in the audited 2024/25 Consolidated Accounts so it is reported as an unadjusted error.
9. Student loans valuation There is a significant degree of estimation and judgement in the valuation of the material account area of Student Loans (2024/25: £6,929 million).	We are satisfied that the fair value adjustments have been calculated based on the most robust and accurate model

Issue	Resolution
Our audit of the student loan balance and movements included in the 2024/25 Consolidated Accounts did not identify any errors. The issue which resulted in a 2023/24 unadjusted error has now been resolved. However, the statistical model used to determine the student loans balance is produced and run by the Department for Education who noted that certain methodologies within the model are believed to over-forecast student loan repayments, leading to understated impairment charges.	available to the Scottish Government. For 2025/26 we intend to obtain assurance from the National Audit Office over the statistical model.
10. Bank reconciliation process As detailed at paragraphs 29. to 34., issues were encountered with the completion of the year-end bank reconciliations for the unaudited 2024/25 Consolidated Accounts. Following investigation, officers managed to resolve the majority of the issues contributing to the unreconciled difference between the account balance in the ledger and the balance shown in the year-end bank statement, but an unreconciled difference of £17.3 million remained.	Management has advised that it believes this difference is attributable to accumulated corporate cash shadow balances and the migration of certain balances to other accounts and entities, and has committed to investigate and solve these issues as a matter of priority. As the unreconciled difference has not been resolved for the audited 2024/25 Consolidated Accounts, it is reported as an unadjusted error.

Source: Audit Scotland

Student loan debt has now reached £6,929 million, but write-offs are also increasing

- 25.** The student loan debt within the Scottish Government Consolidated Accounts is valued at £6,929 million based on the valuation model run by the Department for Education who are in the process of providing a new model. The new model is expected to incorporate a more robust methodology and more recent data, and this will be used to calculate the fair value adjustments for the 2025/26 accounts.
- 26.** Outstanding student loan balances are written off for various reasons, such as in the event of the death of the borrower or when the borrower reaches a certain age. In 2024/25, £34 million of student loan balances were written off, more than double the 2023/24 figure of £12 million. This follows a period of relative stability where student loan debt write-off remained under £10 million each year. We have been advised by officers at the Student Awards Agency Scotland that the 2024/25 amount is larger as the Student Loans Company implemented a new process which reduced the time taken to process write-offs

due to the death of the loan-holder. Write-offs may continue to increase in future years as the loan book matures and the age profile of borrowers increases.

An asset verification exercise resulted in 146 non-current assets that were no longer in operational use being removed from the asset register

27. The Scottish Government Consolidated Accounts record property, plant and equipment assets and intangible assets of £39,726 million. The core Scottish Government holds assets worth £740 million.

28. As at 31 March 2025 there are approximately 654 assets with a nil net book value, which represents 24 per cent of the assets listed on their fixed asset register. This figure is down from approximately 800 in 2023/24 as the Scottish Government undertook an asset verification exercise prior to the implementation of Oracle to identify and remove from the fixed asset register any assets which were no longer in use.

Action is required to produce bank reconciliations in a timely manner, and clear out the historical bank account balances transferred from SEAS

29. We reported in our management report in May 2025 that no bank reconciliations had been completed since the implementation of Oracle in October 2024. Management advised that this is due to the new key control no longer requiring monthly bank reconciliations to be prepared. It instead involves daily matching of bank transactions within Oracle to bank statements, with preparation and approval of annual bank reconciliations for all accounts taking place at 31 March each year. We noted the new control arrangements.

30. When we were provided with the core schedules on 27 June 2025, we were advised that the cash and cash equivalents figure, and cash flow statement, had not yet been finalised as the year-end bank reconciliations process was still being completed.

31. We were provided with the bank reconciliations during July 2025 but revisions to these continued to be made throughout the audit process, both in response to audit queries and to correct other issues identified by staff. As a result, the cash and cash equivalents balance at 31 March 2025 for the Scottish Government core changed from £619 million in the unaudited core schedules to £708 million in the audited accounts.

32. As well as the revisions being made to the bank reconciliations during the audit, the presentation of the bank reconciliations made the audit process difficult and time consuming. This was primarily due to the shadow bank account balances transferred over from SEAS resulting in the bank reconciliation provided for the main Scottish Government account showing an unreconciled difference of £46,203 million.

33. The shadow accounts were used historically to track the bank balances of each entity as there were no separate bank accounts for each body within the SEAS ledger system, but they are not required within Oracle and therefore

should have been cleared out as part of the data migration process. There were also other differences due to ledger mis-coding's and other legacy balances transferred from the SEAS ledger system.

34. Following investigation, officers managed to resolve the majority of the issues contributing to the unreconciled difference between the account balance in the ledger and the balance shown in the year-end bank statement but an unreconciled difference of £17.3 million remains. Management has advised that it believes this difference is attributable to accumulated corporate cash shadow balances and the migration of certain balances to other accounts and entities, and committed to investigate and solve these issues as a matter of priority. We note that action has already been taken to clear out the historical shadow bank account balances transferred over from SEAS as part of the post-audit adjustments.

Recommendation 3 – Bank reconciliation process

The Scottish Government should review the current processes, and resolve the remaining unreconciled difference, to ensure that accurate and clearly presented bank reconciliations can be produced in a timely manner for all accounts.

The Consolidated Accounts disclose losses of £64 million

35. The Consolidated Accounts disclose Health and Social Care losses of £11.2 million relating to expired pandemic related personal protective equipment (PPE) (£5.5 million), expired National Emergency planning medicines (£2.8 million), and surplus PPE pandemic stock (£2.9 million) donated to charity. This follows similar losses of £12 million reported last year and £12.8 million in 2022/23.

36. The losses statement also discloses £34.4 million for student loan write offs (discussed at [paragraph 26.](#)), and a £2.9 million write-off by NHS Tayside for amounts owed by the University of Dundee.

The Scottish Government should review the authorisation and approval arrangements for consultancy and agency staff expenditure

37. As part of our 2024/25 audit work, we undertook testing of a sample of consultancy and agency staff expenditure to confirm these were correctly classified in the ledger, appropriately approved, and that the Scottish Government could demonstrate the appointments represented value for money.

38. The Scottish Public Finance Manual (SPFM) sets out that consultancy expenditure between £10,000-£50,000 requires Director-General approval, and expenditure above £50,000 requires Cabinet Secretary approval (with Director-General endorsement). Our sample testing covered 16 items of consultancy expenditure during 2024/25 and identified three instances of consultancy expenditure that was above £10,000 but had not received the required Director-

General approval. Retrospective Director-General approval was subsequently obtained. The absence of appropriate approval prior to the expenditure being incurred, demonstrates a lack of awareness and adherence to the SPFM approval levels for consultancy expenditure.

Recommendation 4 – Approval of consultancy expenditure

The Scottish Government should reinforce to staff the importance of adherence to the consultancy expenditure approval levels set out within the SPFM.

39. Our sample testing also identified multiple classification issues where items were coded to consultancy expenditure that did not relate to consultancy spend, and an instance where 2023/24 expenditure had been coded to 2024/25. None of these items were above our reporting threshold but illustrate issues with the posting of expenditure to consultancy cost codes within both the SEAS and Oracle Cloud ledger systems. The Scottish Government is aware of these issues and undertake a manual review to support The Public Services Reform (Scotland) Act 2010 consultancy expenditure disclosures published on the Scottish Government website. Action is also being taken to prevent the coding of non-consultancy expenditure to those ledger codes.

40. Our testing of agency staff expenditure did not identify any instances of expenditure incurred which had not been approved in line with the Scottish Government's authorisation limits. However, we noted during testing that the Scottish Government's policy for the use of interim workers permits appointments to be approved at Deputy Director level regardless of the daily charge, length of appointment or overall cost of the engagement. A specific case was identified where a previous employee was engaged through an agency, on a part time basis for 4 months at a cost of £85,612. This was subject to two further direct awards, extending the appointment to 10 months at a total cost of £220,689.

41. We are aware that this was a technical role relating to the closure of the European Structural and Investment Funds and that the Scottish Government assess the value for money on that basis. While we recognise the significant financial risks associated with this work, we would expect a more robust approval and authorisation regime to support this level of spend.

42. Similar to the authorisation thresholds in place for consultancy expenditure, we would expect certain thresholds of expenditure to require Director-General and potential Cabinet Secretary approval. Further, given the current pressures on financial resources and restrictions on recruitment, we would also expect agency staff expenditure to be closely monitored and reported as part of the Scottish Government's routine budget monitoring and workforce management arrangements.

Recommendation 5 – Agency staff expenditure

The Scottish Government should review the appropriateness of the approval levels for agency staff appointments, and the arrangements to monitor and report on agency staff expenditure.

Qualitative aspects of accounting practices

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

44. The appropriateness of accounting policies adopted by the Scottish Government was assessed as part of the audit. These were considered to be appropriate and there were no significant departures from the accounting policies set out in the FReM.

45. Accounting estimates are used in the Scottish Government's Consolidated Accounts, including the valuation of student loans, the road network and land and buildings assets. Audit work considered the process the Scottish Government and consolidated bodies have in place, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

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

46. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 2](#).

47. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments.

The consolidation process has been subject to audit review and no significant issues were identified

48. The Scottish Government Consolidated Accounts are group financial statements. The group is made up of 34 components, including Scottish Government Core. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams.

49. The audits of all components have been concluded with the exception of the Scottish Public Pensions Agency, the Accountant in Bankruptcy, and the Student Awards Agency Scotland. None of these components are assessed as material for the Consolidated Accounts.

50. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 4](#).

51. In addition to the audit work performed for the purpose of the group audit noted below, audit procedures to address the risk of management override of controls were also performed by the audit teams of each material component. No significant issues were identified by the audit teams. We evaluated and reviewed a sample of component auditors' work in this area to provide assurance over the group significant risk of material misstatement.

Exhibit 4

Summary of audit work on the group's components

Group component	Auditor / Audit work required	Outcome of audit work performed
Scottish Government Core	Audit Scotland A full scope audit of the Core Schedules, using group materiality levels.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 3 .
Scottish Prison Service	Audit Scotland Audit procedures over the group significant risk of material misstatement: <i>Estimation and judgement in the valuation of property, plant and equipment</i> Audit procedures over: <i>Staff Costs; Non-Pay Expenditure; Non-Current Assets; Reserves</i> .	The audit procedures required were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified in relation to the significant risk of material misstatement, the account areas listed, or the audit procedures performed by the component auditor.
Social Security Scotland	Audit Scotland Audit procedures over: <i>Non-Pay Expenditure</i> .	The audit procedures required were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified within Non-Pay Expenditure or with the audit procedures performed by the component auditor.

Group component	Auditor / Audit work required	Outcome of audit work performed
Transport Scotland	Audit Scotland Audit procedures over the group significant risk of material misstatement: <i>Estimation and judgement in the valuation of property, plant and equipment</i> Audit procedures over: <i>Non-Pay Expenditure, Non-Current Assets, Financial Assets, Financial Liabilities, Trade Payables, Reserves.</i>	The audit procedures required were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified in relation to the significant risk of material misstatement, the account areas listed, or the audit procedures performed by the component auditor.
NHS Lanarkshire	Audit Scotland Audit procedures over the group significant risk of material misstatement: <i>Estimation and judgement in the valuation of property, plant and equipment</i> Audit procedures over: <i>Staff Costs, Non-Pay Expenditure, Funding and Income, Non-Current Assets, Financial Liabilities, Trade Receivables, Trade Payables, Provisions, Reserves.</i>	The audit procedures required were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified in relation to the significant risk of material misstatement, the account areas listed, or the audit procedures performed by the component auditor.
NHS Lothian	Audit Scotland Audit procedures over the group significant risk of material misstatement: <i>Estimation and judgement in the valuation of property, plant and equipment</i> Audit procedures over: <i>Staff Costs, Non-Pay Expenditure, Funding and Income, Non-Current Assets, Financial Liabilities, Trade Receivables, Trade Payables, Provisions, Reserves.</i>	The audit procedures required were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified in relation to the significant risk of material misstatement, the account areas listed, or the audit procedures performed by the component auditor.

Group component	Auditor / Audit work required	Outcome of audit work performed
NHS National Services Scotland	Audit Scotland Audit procedures over: <i>Non-Pay Expenditure</i> .	The audit procedures required were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified within Non-Pay Expenditure or with the audit procedures performed by the component auditor.

Source: Audit Scotland

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

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

53. We have nothing to report in respect of these matters.

There were a number of misstatements identified within the financial statements

54. We are required to report all unadjusted misstatements identified during our audit, other than those below our reporting threshold. The total gross value of the unadjusted errors within the Consolidated Accounts is £176.7 million. This balance is made up of £105.3 million relating to the core Scottish Government (including £97.6 million relating to issues 7, 8 and 10 reported in in [Exhibit 3](#)), £63.4 million for NHS bodies, and £8.1 million relating to agencies and other consolidated bodies.

55. [Appendix 2](#) shows the unadjusted errors and their impact on the 2024/25 Consolidated Accounts. If these errors had been adjusted, the net impact would have been to decrease comprehensive net expenditure by £69.2 million and increase net assets by £69.2 million.

56. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance, considering advice from senior staff and materiality.

The Scottish Government must improve arrangements for the completion of Whole of Government Accounts

57. The Scottish Government Whole of Government Accounts (WGA) process continues to experience delays and challenges. The 2023/24 WGA submission was provided to audit in January 2025 after the OSCR system for the financial year had closed and so no amendments could be made to figures submitted.

58. The WGA audit identified and reported on a range of unresolved matters including differences between the certified annual accounts and the WGA return, and a lack of information on the identification and reporting of counter party transactions. As a consequence, our audit opinion in the assurance statement was again qualified in 2023/24.

59. While we recognise that resource challenges impact on the ability to deliver the WGA return in accordance with HM Treasury timelines, we have not seen any improvement to the processes despite our recommendation in prior years.

Recommendation 6 – Whole of Government Accounts

The Scottish Government need to strengthen the WGA process. Key to this will be establishing a timetable to produce a complete and accurate WGA pack for audit in line with the 2024/25 WGA submission deadlines.

Prior year recommendations are being progressed

60. The Scottish Government has made some progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the Scottish Government and are outlined in [Appendix 1](#).

2. Financial management and sustainability

Conclusions and judgements

The Scottish Government did not need to apply all the additional measures announced in September 2024 to achieve a balanced outturn, due to additional funding received in year. The 2024/25 Consolidated Accounts report an underspend of £1,009 million which differs from the provisional outturn of £557 million due to the differing budget and reporting rules.

There remains significant pressures for 2025/26 with the achievement of a balanced financial outturn not yet certain.

A Medium-Term Financial Strategy, Fiscal Sustainability Delivery Plan and Public Service Reform Strategy were published in June 2025. They highlight the unsustainable financial position of the Scottish public sector, and the actions required to move to a more sustainable position.

Workforce reform is critical to the delivery of sustainable public services.

The 2024/25 Consolidated Accounts report an underspend of £1,009 million

61. The Consolidated Accounts show that total net expenditure during 2024/25 was £56,317 million, £1,009 million less than budget ([Exhibit 5](#)). The resource budget was underspent by £875 million (1.6 per cent) against a budget of £54,805 million. Capital was underspent by £134 million (5.3 per cent) against a budget of £2,521 million. High-level reasons for significant variances between actual and budgeted spend are included in the Consolidated Accounts.

62. The largest resource variances related to:

- Finance and Local Government portfolio (£341 million) – as the contingency for year-end adjustments was not required and has been carried forward to support the 2025/26 budget.
- Transport portfolio (£258 million) – underspends in the trunk road network (£168 million), ferry (£40 million) and rail services (£30 million).
- Social Justice portfolio (£158 million) – underspends in social security, including assistance (£72 million) and cladding (£29 million).

63. The largest capital variances occurred in the Transport portfolio (£57 million underspend) again largely due to the trunk road network (£41 million) and the

Deputy First Minister, Economy and Gaelic portfolio (£45 million) partly due to an underspend by the Scottish National Investment Bank (£24 million).

Exhibit 5

Performance against fiscal resource in 2024/25

Performance	Final budget £m	Outturn £m	Over / (under) spend £m
Resource	54,805	53,930	(875)
Capital	2,521	2,387	(134)
Total	57,326	56,317	(1,009)

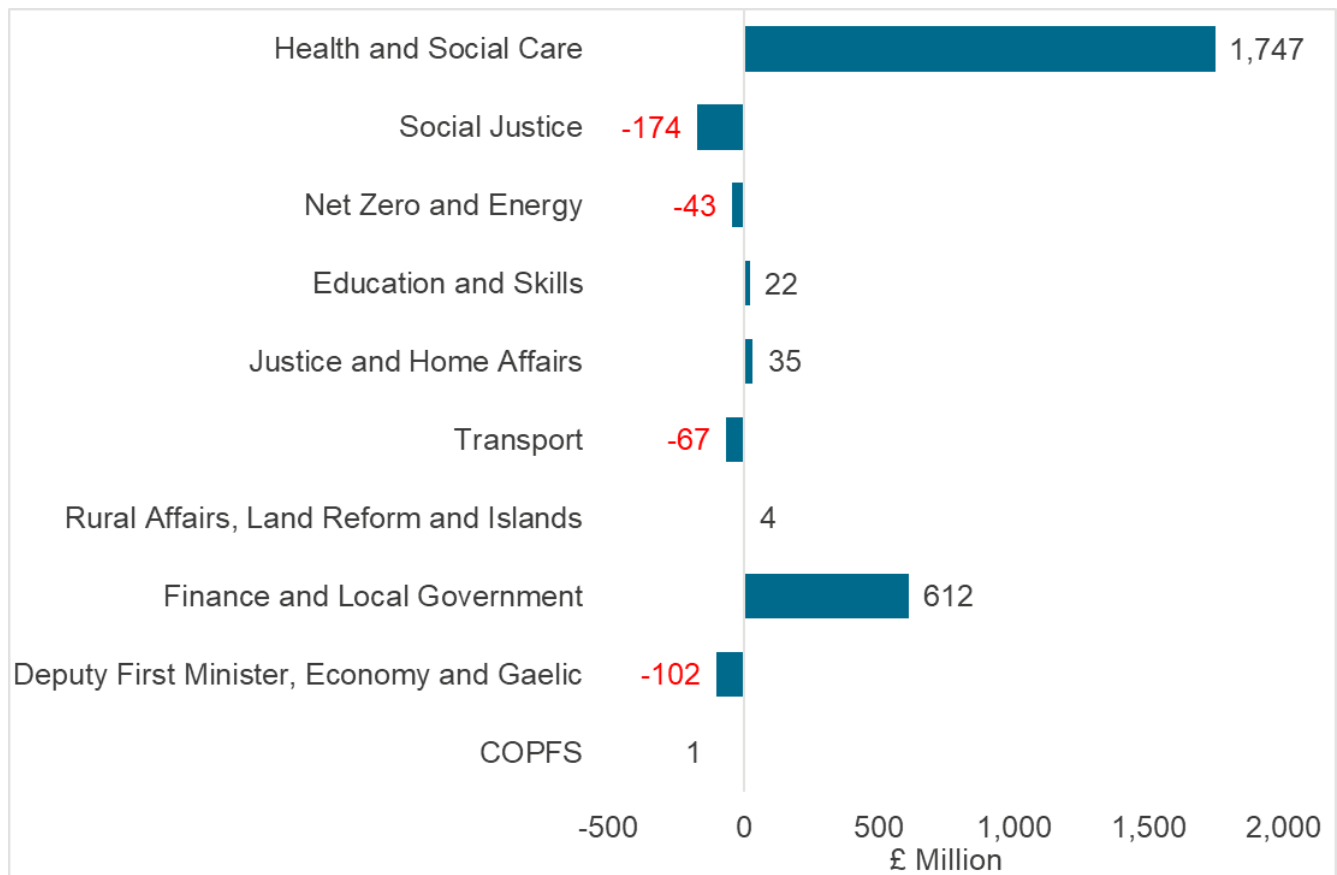
Source: Scottish Government Consolidated Accounts 2024/25

The Scottish Government did not need to apply all the additional measures announced in September 2024 to achieve a balanced outturn

64. In recognition of the deteriorating financial position emergency spending controls were introduced in August 2024. In September 2024, a range of measures totalling £933 million, were announced to support a balanced outturn position.

65. In October 2024, the Autumn Budget Revision (ABR) resulted in an increase to the Scottish Budget of £1,062.8 million, related to application of Scotland Reserve and ScotWind funding and UK consequential funding for the costs of enhanced employer pension contribution rates. In total £2,174 million of additional resource Barnett consequentials were received in 2024/25. The Spring Budget Revision applied this funding as well as reduced borrowing and removed all ScotWind funding that had been profiled to 2024/25 with a net funding increase of £971.4 million. [Exhibit 6](#) highlights the impact of budget changes on each of the Scottish Government portfolios.

66. As a result of the receipt of additional in-year Barnett consequentials, and the emergency spend controls, the plan to utilise all of the available ScotWind revenue of £460 million was not required. Further the Scottish Government was able to reduce the planned level of borrowing in 2024/25.

Exhibit 6**Funding changes to portfolio budgets**

Source: Audit Scotland / ABR / SBR

The Scotland Reserve is an important component of the financial management system which supports longer term planning

67. The Scotland Act 2016 allows the Scottish Government to build up funds when devolved revenues are higher than forecast, smooth all types of spending (including carrying-forward underspends), assist the management of tax volatility and determine the timing of expenditure. The Scotland Reserve applied from 2017/18 onwards and is split between resource and capital.

68. The revised fiscal framework set out that the Scotland Reserve is capped at £700 million at 2023/24 prices and will be uprated annually with no limits for either payments into the Reserve or drawdowns from the Reserve. For 2024/25 the Scotland Reserve is capped at £712 million.

69. The Scottish Government's policy is to apply any underspends for use in the following financial year. The [Provisional Outturn 2024-25 Briefing Note](#) states that, following funding adjustments, made after the spring budget revision, £557 million is being carried forward in the Scotland Reserve into 2025/26.

70. This is £452 million less than the reported underspend within the Consolidated Accounts due to:

- £205 million of final funding changes post spring budget revision primarily due to reduced borrowing (£193 million), and
- £247 million movement due to differences in the accounting processes and the budgeting boundary.

The Strategic Commercial Assets Division is taking action to improve the transparency of economic intervention activity which continue to have a significant financial impact

71. In March 2022, the Scottish Government published its Business Investment Framework to outline its principles and approach for decisions about future investment in private companies. It was updated in November 2023 to reflect the lessons learned reviews and ongoing engagement with the audit team. The framework forms part of its investment guidance within the Scottish Public Finance Manual.

72. The Strategic Commercial Assets Division (SCAD) has five units covering initial assessment for investment through to potential exit strategy. SCAD's role is to consolidate expertise and knowledge and increase capacity to respond to cases seeking intervention from the Scottish Government and provide support across the whole lifecycle. [Exhibit 7](#) outlines the financial support that has been made to private companies now being managed by SCAD. This is in addition to support provided through other bodies including the enterprise agencies.

Exhibit 7

Financial interventions to private companies

Financial intervention	Total financial investment	Current value in Consolidated Accounts
Prestwick Airport	£58.9 million	£21.3 million
Purchased by the Scottish Government in November 2013 with the stated aim of protecting jobs and safeguarding the asset. Change in financial investment value is attributable to accumulated debt interest.	(£55.5 million last year)	(no change)
Total investment consists of capital (£43.4 million) and interest (£15.5 million).		

Financial intervention	Total financial investment	Current value in Consolidated Accounts
Ferguson Marine (Port Glasgow) Holdings Limited Established by the Scottish Government in December 2019 after Ferguson Marine Engineering Limited (FMEL) went into administration. The existing voted loans (£97.7 million) were terminated and the difference between the valuation of the ferry vessels (£74.8 million) and the valuation of the outstanding loans (£22.9 million) was written off in 2020/21.	£361.9 million (£304.7 million last year)	£99 million* (£94.6 million last year) * This includes £55 million for MV Glen Sannox which was transferred to CMAL in November 2024.
Lochaber Aluminium Smelter – Gupta Family Group (GFG Alliance) In December 2016, the Scottish Government issued a 25-year financial guarantee contract to SIMEC Lochaber Hydropower Limited. The Scottish Government receives an annual fee in return for the guarantee. The annual exposure to the Scottish Government is between £14 million and £32 million, over the lifetime of the contract.	Nil (no change)	Provision of £130 million (no change)
Burntisland Fabrications Limited (BiFab) In 2018/19 the Scottish Government converted £37.4 million commercial loans into equity representing a total equity stake of 32 per cent. BiFab was placed into administration in December 2020, and the Scottish Government is now pursuing a return through the administration process.	£50.9 million (no change)	Nil (no change)

Source: Audit Scotland

73. During 2025 there was correspondence between the Director-General Economy and the Public Audit Committee about the operation of SCAD, information on existing financial interventions and the findings and recommendations from the Transparency Review of SCAD. There are eight recommendations to improve the transparency of economic intervention activity, whilst protecting the commercial interests of its business shareholdings. These include the establishment of a Transparency Assurance Panel, and a commitment to create a dedicated webpage with up-to-date information on SCAD and its work. This is expected to be live during 2025/26 and the 'Interventions Assurance Playbook' will be published on that page.

The Scottish Government has submitted Scotland's 'closure package' for the European Structural and Investment Funds

74. The Scottish Government was responsible for managing two European Structural and Investment Funds (ESIF) for the period 2014 to 2020; the European Social Fund (ESF) and the European Regional Development Fund (ERDF). The 'closure package' has now been submitted to the European Commission (EC) and will be subject to audit in autumn 2025.

The controls within the new Oracle Cloud system were not fully operational during 2024/25

75. As discussed at [Section 3](#) of this report, in October 2024 the Scottish Government implemented a new HR and Finance platform as a shared service to Scottish Government core and 32 public bodies. The systems are now being embedded to support a stronger overall control environment, but this is taking time to be fully established, with specific weaknesses remaining in payroll and in the process for ensuring appropriate access rights. Oracle Cloud has in built controls in the system which prevents users from approving journals that they have created. This removes the previously identified control weakness.

76. Our review of the controls for the General Ledger, Payables, Receivables, Payroll and Banking functions since Oracle Cloud was introduced in October 2024 was mostly undertaken during January and February 2025 and this identified weaknesses in the operation of some controls at that point. These were reported to management in May 2025 and actions have been agreed to address these issues. Management has advised that the controls will be subject to detailed testing by the service auditor next year and this will help inform our audit approach for the 2025/26 audit.

77. Audit work has been undertaken to provide an audit opinion on the annual report and accounts, and in response to our additional responsibilities set out in the Code of Audit Practice. The control deficiencies reported here are limited to those identified while completing audit work for these purposes.

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

78. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. 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.

79. The Scottish Government has a number of arrangements in place in respect of prevention and detection of fraud and error; including a guidance note on counter-fraud, a Whistleblowing Policy, and the Scottish Government Integrity Group which is responsible for improving fraud prevention measures across the Scottish Government, and monitoring cases of suspected external and internal wrongdoing made through formal reporting lines.

80. During 2024/25, the Scottish Government worked to embed counter fraud practice as business as usual for all portfolios, with a particular focus on grants assurance and the counter fraud toolkit.

81. The Scottish Government has adequate arrangements in place to prevent and detect fraud or other irregularities.

The Scottish Government actively engages with the National Fraud Initiative

82. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Scottish Government is an active participant and has made good progress with the follow-up of data matches arising from the 2024/25 exercise. Two potential payroll frauds have been identified and are still under review alongside a number of potential duplicate payments. We will continue to monitor progress over the coming months and report the final outcome in our 2025/26 annual audit report.

The Consolidated Statement of Financial Position shows a sound financial position and we await the next version of the Scottish public sector financial reporting

83. The Consolidated Statement of Financial Position is one of the primary financial statements in the Consolidated Accounts. It summarises what is owned and owed by the core Scottish Government and those public bodies within the consolidated boundary. This shows taxpayers' equity – an accounting measurement of the amount of taxpayers' money applied that has continuing public benefit. It shows how much of this has arisen from the application of parliamentary funding (from the Scottish Block Grant, borrowing and devolved taxes) and how much resulted from changes in the value of assets over time.

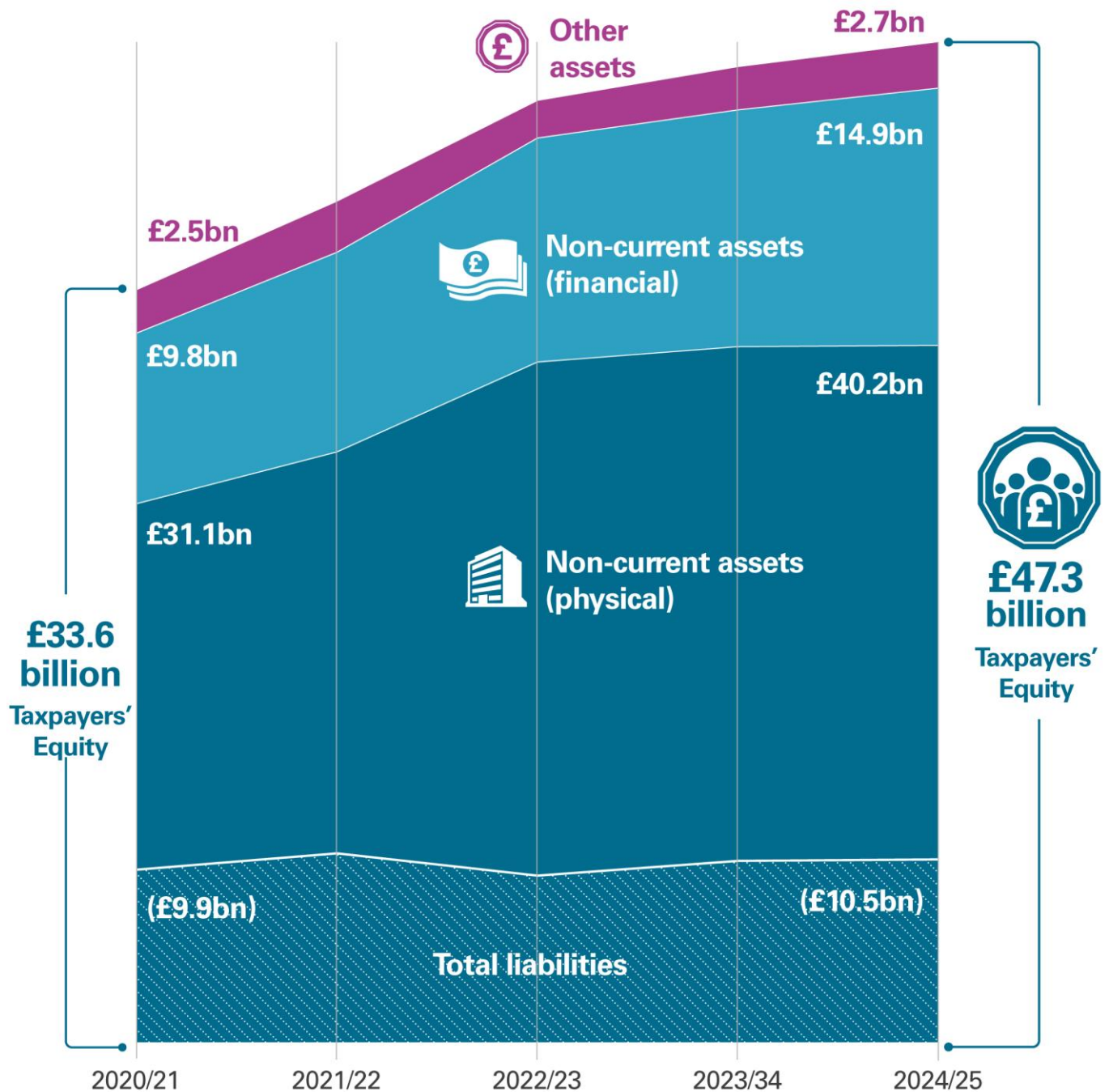
84. As detailed in [Exhibit 8](#), taxpayers' equity has increased in each of the last five years from £33,550 million to £47,271 million, largely due to an increase in physical assets (such as property and roads) and financial assets (such as loans and investments). Total liabilities (such as payments for private-financed projects) have increased at a much slower rate from £9,906 million in 2020/21 to £10,500 million in 2024/25.

85. The financial non-current assets, which has seen the most significant increase in the last two years, are largely comprised of student loan debt (detailed at [paragraph 25.](#)) and voted loans that have been provided to Scottish Water, to support their capital investment programme, and Transport Scotland, for procurement.

86. Since 31 March 2021 the Scottish Water voted loans balance within the Scottish Government Consolidated Accounts has increased from £3,597 million to £4,592 million. This means that although loan repayments are being made each year the value of new loans taken out is significantly higher.

Exhibit 8

Financial position



Source: Scottish Government Consolidated Accounts

87. It is important to note that the position does not reflect all the assets and liabilities of the Scottish public sector. These accounts do not include resource and capital borrowing, local government assets and borrowing and all public sector pension liabilities.

88. In October 2024 the Scottish Government collated 2022/23 financial information for the Scottish public sector and provided this to Parliament for

consideration. The information focused on the assets and liabilities across the Scottish public sector and provided a more complete picture of the financial position associated with the powers and responsibilities devolved to the Scottish Parliament.

89. We submitted a response in May 2025 providing our views on how this information could be further enhanced to support public understanding. In particular we highlighted that the real value would be established once trend information could be included to show the growth or decline of assets and liabilities over time. We acknowledge that resourcing pressures have had some impact and await the next version of the Scottish public sector financial reporting to enable us to assess what progress has been made.

Recommendation 7 – Consolidated public sector financial information

The Scottish Government should develop the routine reporting of consolidated public sector financial information to provide a better picture of the movement in assets and liabilities over time.

There remains significant pressures for 2025/26 with the achievement of a balanced financial outturn not yet certain

90. The 2025/26 Scottish Government Budget was passed by Parliament in December 2024 and was set at £63,438 million, a 3.8 per cent real terms increase on the budget set in 2024/25. As noted in [paragraph 66.](#), achieving financial balance in 2024/25 was supported by the receipt of significant additional consequentials. The Scottish Government cannot rely on receiving consequentials and need to ensure that spending is managed within the approved budget to support delivery of a balanced position.

91. Since the budget was set further spending announcements have been made including pay deals, the removal of peak fares and the funding package for University of Dundee. This places additional strain on public finances and the Scottish Government may need to apply all available funding sources to support the overall position.

92. The Scottish Government has continued with the Accountable Officer financial controls and restrictions on recruitment implemented in 2023/24 and 2024/25. We note that some changes are currently being introduced to the associated central spend approval thresholds to realign appropriate accountability and reduce the administrative burden, without having a detrimental impact on the robust budget management arrangements.

93. Our audit work has confirmed that the assurance and governance process has a focus on in-year financial management with the budget being closely managed, utilising spend controls. Many of the actions being identified and delivered for 2025/26 are non-recurring and will need to be considered as part of future year budgets. This approach does not support the longer-term sustainability of the Scottish public sector.

The Medium-Term Financial Strategy highlights the unsustainable financial position of the Scottish public sector

94. As reported in the Auditor General's report '[Fiscal sustainability and reform in Scotland](#)' (November 2024), transparency is needed on spending risks and plans for public services as spending pressures have become more acute in recent years and are forecast to grow. The report highlighted that public service reform is a key component of the Scottish Government's approach to fiscal sustainability, but there is no evidence of large-scale change on the ground.

95. In June 2025 the Scottish Government published a new [Public Service Reform Strategy](#) (PSRS), its seventh [Medium-Term Financial Strategy](#) (MTFS) and the first [Fiscal Sustainability Delivery Plan](#) (FSDP). These documents provide a framework for the future of Scottish public sector finance and public service reform.

96. The 2025 MTFS and new FSDP are applying a consistent approach to public finances as those set out in the 2023 MTFS. This is based on the three pillars of:

- ensuring public money is focused on delivering government objectives, underpinned by reform and prioritisation to maximise impact
- supporting sustainable, inclusive, economic policies with the greatest potential to grow Scotland's economy, expand and broaden the tax base to fund public services
- ensuring a strategic approach to tax revenues, which considers the longer-term impact of our tax choices and competitiveness.

97. The 2025 MTFS presents a stark picture with gaps in resource projected to grow from a balanced budget in 2025/26, to a gap of £2,624 million in 2029/30. Scottish Government policy choices, along with higher workforce costs, are contributing to a divergence in the growth in spending relative to the growth in funding.

98. The capital budget has faced significant challenges in recent years, creating a backlog of infrastructure projects. A new infrastructure pipeline, and a draft of the next Infrastructure Investment Plan, will be published alongside the 2026/27 budget. The MTFS highlights that capital spending is forecast to exceed the available budget by £1,070 million in 2026/27, rising to a gap of £2,146 million in 2029/30.

99. It is worth noting that, as detailed at [paragraph 86.](#), during the period of constrained capital spending the support to Scottish Water, through the voted loans process, has continued. This is consistent with the plans detailed in the previous [Infrastructure Investment Plan](#). It is important that all capital programmes are built into the next Infrastructure Investment Plan and are monitored and reported to assess the impact of the spend on the delivery of public services and associated outcomes.

Recommendation 8 – Affordability of capital investment

The Scottish Government is due to publish a revised Infrastructure Investment Plan later this year. The future reporting against the plan should accurately capture the impact of the spend on the desired outcomes.

100. The projections indicate that significant further action is required, for both resource and capital, to move the Scottish public sector to a sustainable position. The FSDP focuses on the resource position and draws together current activity and future actions with the following cashable savings to be delivered over the next five-years:

- a workforce target of an average 0.5 per cent reduction per annum, protecting frontline services, with savings growing from £100 million to £700 million per annum
- wider public sector efficiencies and productivity, reform, and revenue raising, with savings growing from £600 million to £1,500 million per annum
- increasing public value, to be set out in the Scottish Spending Review, with a savings target of between £300 million and £700 million per annum.

101. It also provides details on how the economy and tax are expected to contribute. However, across the three pillars, there is insufficient detail on how these savings are going to be managed and delivered across public sector bodies. Further it does not confirm how the desired outcomes from public spending will be prioritised and measured as part of the delivery of the necessary savings.

Recommendation 9 – Delivery of FSDP savings

The Scottish Government needs to develop more detailed delivery plans to support the realisation of the savings outlined in the Fiscal Sustainability Delivery Plan. These plans need to include detail on how the desired outcomes will be prioritised within the savings plans.

102. The Auditor General is due to publish a report on the [impact of devolved taxes on fiscal sustainability](#) towards the end of 2025. This considers the opportunities, risks and challenges of using tax as a lever to achieve fiscal sustainability and assesses how well the Scottish Government is managing this.

103. The UK Government published a multi-year spending review on 11 June 2025 which provides important information to support multi-year spending plans for Scotland. The Scottish Government plans to publish a Scottish Spending Review, alongside the 2026/27 Budget.

Workforce reform is critical to the delivery of sustainable public services as recognised in the Public Service Reform Strategy

104. The Auditor General for Scotland's report on '[The Scottish Government's workforce challenges](#)' (October 2023) highlighted that: "*The scale of public sector workforce reform that will be required to deliver sustainable public services in coming years is greater than that seen in recent years.*"

105. The PSRS sets out how the Scottish Government aims to increase the pace and scale of reform. The public sector in Scotland is a larger proportion of the employed population than in the rest of the UK and therefore presents additional financial challenges. PSRS acknowledges that workforce reform is a critical component of public service reform.

106. A recent internal audit on Workforce Planning assessed the process and practice for agreeing the required workforce size in current and future years across the core Scottish Government. The review noted that, while there had been positive progress with workforce planning by the People Directorate, the Scottish Government structure, organisation, systems and absence of a Strategic Workforce Plan are slowing, and in some cases, inhibiting the delivery of effective workforce planning.

107. Workforce controls have been in place within the Scottish Government since the Resource Spending Review in 2022. These have resulted in a significant reduction in the Scottish Government's contingent workforce, but there has been no similar reduction in the directly employed staff. While it is recognised that the costs associated with contingent workers are, and continue to be, significant and reductions in numbers will reduce the scale of this, there does not appear to have been the necessary focus on restructuring and removing permanent posts. Effective workforce planning will continue to present a challenge both in terms of demonstrating the necessary leadership for public service reform, but also to address the risks associated with increasing employment costs.

108. The introduction of the [Public Sector Pay Policy](#) in December 2024 was viewed as a way to provide a fiscally sustainable basis for pay negotiations. None of the agreed pay deals meet the expectation within the policy of covering the three-year period or being restricted to a maximum 3 per cent pay uplift for 2025/26. This has introduced additional financial pressures in the short term and has not mitigated the future year risks given many of the two-year deals include inflation guarantees.

Recommendation 10 – Delivery of robust workforce plans

The Scottish Government needs to develop a strategic workforce plan that aligns with the delivery of key priorities. This should support a managed reduction in the workforce to more sustainable levels.

3. Oracle Cloud implementation

Conclusions and judgements

Oracle Cloud was implemented in October 2024 at a total cost of £59.5 million, up from an initial estimate of £22 million. Management should consider the impact of optimism bias on the original timescale and cost estimates as part of the post-implementation review.

Appropriate governance arrangements were established for the Oracle Cloud implementation project, and these operated as expected.

The Steering Committee approved the decision to go-live on 1 October 2024 despite some of the pre-implementation criteria not being met. This decision was reasonable and followed an assessment of the outstanding issues and risks.

Management was not prepared for the volume of iFix support tickets raised during the implementation process which impacted on user experience. Further action is required to improve the iFix process and clear the backlog of tickets.

Audited bodies were able to use the data from the Oracle Cloud platform to produce their 2024/25 annual report and accounts. This was a key measure of success.

Continued focus will be needed to ensure the anticipated benefits from the new Oracle Cloud platform can be fully realised, and to demonstrate value for money from the investment in the new system.

Oracle Cloud was implemented in October 2024 at a total cost of £59.5 million, up from an initial estimate of £22 million

109. During 2021/22 the Scottish Government recognised that its decades-old HR and Finance systems were no longer fit for purpose. It identified the implementation of an integrated human resources and financial planning system as an essential component of its overall corporate transformation programme.

110. The Scottish Government Shared Services Programme selected Oracle Cloud as the new HR and Finance system to replace the former e-HR system and SEAS financial ledger system, and other related systems (e.g. PECOS e-

procurement system). It was assessed as the best fit commercially and in terms of functionality.

111. The new Oracle Cloud platform was introduced for the Scottish Government and a further 32 other public sector bodies in October 2024, [Exhibit 9](#). The go-live date for the new Oracle Cloud platform was initially revised from 2023 to 1 April 2024. In December 2023 the decision was taken to further delay the go-live date as there was no clear and safe path to implementation on that timeline. Plans were then progressed towards an October 2024 go-live. These delays were attributed to project complexity, organisational capacity and capability challenges.

112. Project implementation costs were £59.5 million (following VAT recovery of £8 million), up from an initial estimate of £22 million at the start of the project in April 2022. The increased cost is attributed to a combination of an underestimation of the scale and complexity of the programme and the implementation delays.

113. It should be noted that the project implementation costs of £59.5 million do not include the further costs required to implement the Enterprise Performance Management (EPM) reporting modules which were deferred from the initial implementation. Work in relation to EPM is ongoing with £1.8 million spent between January to August 2025 on three releases, with a further release scheduled for October 2025. The emergent plan has work continuing through to July 2026, with planned releases in February and July 2026. Management has advised that the delivery cost for these additional releases is still being determined.

114. Successful implementation involves more than just the new platform being in place, it is demonstrating that the control environment has been strengthened, and that user bodies are utilising better data to support decision making. It should also deliver efficiencies and improve cyber security arrangements. Having completed the initial implementation of the Oracle Cloud platform, it is vital that the Scottish Government continues to implement the additional modules and enhancements required to realise the full business benefits from the system. Only then will it be able to demonstrate the value for money delivered from the investment in the new system.

Exhibit 9

Approval timeline for Oracle Cloud implementation process

Date	Activity	Cost
2021		
 April	Outline business case approved by Directorate General Corporate.	-
2022		

Date	Activity	Cost
↓ April	Full business case approved by Minister for Business, Trade, Tourism, and Enterprise, and Cabinet Secretary for Finance and the Economy.	£22 million
2023		
↓ September	Refreshed business case, with revised costs and planned implementation date of 1 April 2024, approved by Deputy First Minister and Cabinet Secretary for Finance.	£46 million
↓ December	Planned end of Oracle Cloud implementation phase per the original business case approved in April 2022.	-
2024		
↓ March	Deputy First Minister and Cabinet Secretary for Finance approved revised go-live date of 1 October 2024.	-
↓ April	Planned Oracle Cloud HR and Finance system go-live date per revised business case approved in September 2023.	-
↓ June	Refreshed Accountable Officer assessment, with revised costs, and implementation date of 1 October 2024, approved by Cabinet Secretary for Finance & Local Government.	£59 million
↓ 30 September	Decision to proceed with the Oracle Cloud go-live date of 1 October 2024 was approved by the Steering Committee.	-
1 October	Oracle Cloud HR and Finance system go-live date	£59.5 million

Source: Scottish Government

Appropriate governance arrangements were established for the Oracle Cloud implementation project, and these operated as expected

115. The Scottish Government identified the implementation of the Oracle Cloud platform as one of the biggest corporate transformation projects it has undertaken. It brings together HR, Finance and Procurement, delivering a single source of data to improve processes and controls. Management has also highlighted that the new system offers greater transparency of data and analytical capabilities to inform budget and financial management decision making. For a project of this size and complexity, with strategic importance for the operation of the Scottish Government, robust governance arrangements were essential.

116. Our review established that the Director for Corporate Transformation was appointed as the Senior Responsible Officer (SRO) with accountability for the

successful delivery of the overall Shared Services Programme. A detailed governance framework was put in place including:

- **Steering Committee:** This sat at the executive level and met bi-monthly to provide strategic oversight and direction for the Shared Services Programme. The terms of reference included accountability for the successful delivery of the Programme and its membership comprised the SRO, DG Corporate, DG Net Zero, DG Strategy and External Affairs, People Director, Chief Financial Officer, Digital Director, Procurement Director, Social Security Programme Director, Head of Shared Services Programme Project Management Office, representation from the Permanent Secretary's Office, and two non-executive directors.
- **Shared Services Programme Management Board:** This was at the programme level, reporting to the Steering Committee, and met monthly with responsibility for the delivery of the Shared Services Programme and the realisation of associated benefits. The membership of the Programme Board involved over 20 people and evolved throughout the project as new members joined when their input and expertise was required. However, the core membership involved the SRO, Chief Financial Officer and deputy directors from across DG Corporate. Representatives from Oracle and IBM (as the Oracle System Integrator) also attended meetings.

117. A number of other governance groups were established to report to the Shared Services Programme Board. These included the Programme Finance Review group with responsibility for ongoing review of programme finances; the Vendor Management group who oversaw vendor performance; the Business Design Authority who considered design decisions and change requests; and the Customer Board who engaged directly with the other public bodies covered by the project to identify any issues or concerns.

118. To provide independent assurance to the Shared Services Programme Management Board, a Gateway Review process and Technology Assurance Framework was also established. These reviews considered a range of factors including the ongoing strategic alignment of the programme, testing, risk, security, accessibility, readiness for the technical implementation, and business readiness to accept the change.

119. We are content that appropriate governance arrangements were put in place for the Shared Services programme and these functioned as we would have expected throughout implementation.

A dedicated programme risk register was maintained for the Shared Services Programme to monitor the key implementation risks

120. To ensure there was adequate focus on the key risks for the implementation of the Oracle Cloud platform, a dedicated programme risk register was established. This followed the Scottish Government risk

management approach and identified risks across a range of categories including Capability, Capacity, Governance, Data, Resource, Technology, and Security. These were scored based on the assessed likelihood and impact of each risk, and actions were identified to mitigate them.

121. From review of the Programme Management Board minutes we identified that a 'risk and issue dashboard' was presented to each monthly meeting to provide members with high level information on the number, type and score of risks and key issues affecting the programme. It also included details of the mitigating actions being taken to address the programme 'red risks'. This demonstrated that the programme team were aware of, and able to articulate, the key project risks throughout the project up to the go-live date on 1 October 2024. Based on our understanding of the Oracle Cloud project, we are content that the key risks were captured and managed during the implementation process.

122. Following the go-live date, the project risk register was replaced by the Business as Usual (BAU) Risk Register which is managed by the Corporate Hub. Our review of the BAU Risk Register reported to the DG Corporate Assurance Group meeting on 28 August 2025 identified that it contained 15 risks spanning areas such as Governance, Legal, Operational, Security, Stakeholder Relationships, and Business Continuity.

The data migration process for transferring data from the old systems to Oracle Cloud was well planned and executed

123. Due to the importance of the data migration process to successfully implement the new Oracle Cloud platform, the Scottish Government developed a Shared Services Programme Data Migration and Reconciliation Strategy. The strategy set out the data migration process from start to finish, including the testing to be undertaken in advance of the actual migration of data from the SEAS finance system and e-HR system to the new Oracle Cloud platform. In total four data migration cycles, as a minimum, were planned to support the safe and secure implementation of the new system with the last being the final migration to the live Oracle Cloud platform.

Data migration testing is the process of verifying that data has been accurately and completely transferred from a source system to the new system. This is crucial when organisations move to cloud platforms to ensure that no data is lost, altered, or duplicated.

124. The first test cycle for the finance data migration was completed in May 2023 with an initial trial migration to establish what issues would require to be addressed during the data migration process. Four further test cycles were undertaken with the 'dress rehearsal' test migration signed off by the Deputy Director for Corporate Finance on 15 August 2024 confirming that the process could move to the live environment. The data migration from the SEAS finance system to the Oracle Cloud live environment was completed between 2 September 2024 and 12 October 2024.

125. The HR data migration process commenced in summer 2023 with 3 test exercises carried out to better understand the data held within the e-HR system prior to attempting a trial migration. Therefore, the fourth test, completed in October 2023, was the first full test cycle for the HR data migration. Three further test cycles were undertaken before the ‘dress rehearsal’ test migration was completed in July / August 2024, with sign off by the Head of People Strategy / Workforce Planning and the Head of HR Shared Services on 14 August 2024 that the process could move to the live system. The data migration from the e-HR system to the Oracle Cloud live environment was completed between 15 September 2024 to 4 October 2024.

The Finance and HR-Payroll user acceptance testing plans was sufficient to support the go-live decision, however for HR-Payroll the exit criteria was not fully achieved

126. A key element of the preparations for the Oracle Cloud platform going live on 1 October 2024 was user acceptance testing. This involved a range of testing to provide assurance that the system and processes were workable and fit for purpose. IBM had a key role in supporting this testing and taking the necessary actions to address any defects or system limitations identified.

User acceptance testing is the final phase of testing in an IT project, where the end users test the system to ensure it meets their business requirements and is ready for deployment.

127. Separate user acceptance testing plans were developed for the Finance modules and HR-Payroll modules, with the HR-Payroll testing supplemented by a separate Payroll Comparison testing plan. These three testing plans all followed similar formats and covered scope, approach, conditions to be met before testing could commence and criteria for it to be concluded as successful, key risks and issues, and arrangements for reporting the outcome of testing and addressing any defects identified.

128. Our review of the Finance user acceptance testing plan identified that this included an Enterprise Performance Management (EPM) and Integration workstream but this did not identify any planned testing for this module as it showed: “*activities to be confirmed*”. Management explained that it was originally intended that this module would go-live on implementation. However, it became clear that this module would not be ready for testing and implementation by that date so this workstream was deferred.

129. Based on our review of the Finance and HR-Payroll user acceptance testing plans, and the Payroll Comparison testing plan, we are content that these covered all the elements of the system that were due to go-live on 1 October 2024. The planned testing was sufficient to allow management to assess system operation and support the go-live decision.

130. Our review of the outcomes of the Finance and HR-Payroll user acceptance testing and the Payroll Comparison testing process identified that:

- **Finance user acceptance testing:** commenced in November 2023 with full coverage of the planned Finance user acceptance testing achieved by July 2024 with no severity 1 or severity 2 defects. The exit criteria set out in the testing plan was met.
- **HR-Payroll user acceptance testing:** commenced in August 2023 with full coverage of the planned HR-Payroll user acceptance testing achieved by July 2024 but seven severity 2 defects were identified at that stage. Four of these defects were addressed and successfully retested prior to the go-live, with the other three accepted by the business with workarounds put in place at the point of go-live and subsequently resolved in the live environment.
- **Payroll Comparison testing:** following the third tranche of payroll comparison testing the exit criteria tolerance levels of 100 per cent were not achieved for any of the seven testing components, with the salary comparison testing achieving 99.95 per cent against a tolerance level of 100 per cent. Management advised that these were not deemed to be barriers to go-live as the results were close to 100 per cent in all areas, and satisfactory assurances had been obtained as to how the outstanding issues would be resolved.

131. The planned HR-Payroll user acceptance testing and payroll comparison testing exit criteria were not fully achieved. However, as explained above, management concluded that the remaining issues were not significant enough to prevent Oracle Cloud going live on 1 October 2024 as sufficient workarounds and assurances were in place. These issues have been addressed in the live environment.

The go-live organisational readiness threshold was not achieved for two Scottish Government departments and one user body

User Readiness Questionnaires are used to assess whether end users are prepared for the rollout of a new system, process, or change. It helps project teams identify gaps in training, communication, or support before go-live.

132. In addition to user acceptance testing, regular organisational readiness assessments were completed to track the preparedness of the Scottish Government departments and user bodies. These asked users to assess readiness against 24 questions split by:

- **Confirm questions:** Asking user bodies to confirm statements relating to the implementation arrangements, such as *“We have agreed the list of users during the role-based access control (RBAC) exercise and associated commissions. This will enable those with specific licence types to perform particular roles.”*
- **Plan questions:** Asking user bodies whether they had completed the necessary planning activities, including: *“We have reviewed*

process maps to identify issues, gaps and requirements for any additional workarounds required locally.”

- **Participate / collaborate questions:** Asking user bodies if they had undertaken the necessary organisational engagement to support implementation, for example: *“Readiness Checklists have been cascaded in my organisation for action by relevant staff (according to their role) ahead of cutover/go-live”*.

133. The nature of the organisational readiness questionnaires meant that the Scottish Government departments and user bodies were required to take ownership for assessing themselves. They were also required to accept responsibility for ensuring the required pre-implementation activities were completed prior to the go-live date. The Scottish Government retained oversight of these assessments throughout the project to enable it to track whether user bodies were making appropriate preparations for the new system. They were also used to identify if additional support or engagement was required.

134. The exit criteria set for the organisational readiness assessments was that all Scottish Government core departments and user bodies would achieve 70 per cent readiness prior to go-live. However, the summary overview of the Organisational Readiness Assessments reported to the Customer Board meeting on 18 September 2024 showed that:

- Two Scottish Government departments and one user body were below the 70 per cent readiness threshold set for go-live.
- Seven other user bodies were between 70-80 per cent readiness, and four user bodies were between 80-90 per cent readiness. Therefore, 12 out of the 30 user bodies listed in the summary document were less than 90 per cent ready for go-live.

135. Management advised that the 70 per cent threshold was established to highlight any organisations that required additional focus pre go-live. They also stated that the user body that did not achieve the threshold was a small organisation that did not have available capacity to address the readiness factors in advance of the go-live decision, but transition successfully and continued to receive additional assistance during the initial hypercare support period, discussed at [paragraph 153.](#) . Actions were also agreed to address the readiness of the two Scottish Government departments that had not achieved the 70 per cent readiness threshold.

136. From our review of the 24 questions used to assess organisational readiness it is clear that some were more important / business critical than others. We also noted that some of the questions appear to relate to arrangements that the corporate hub was better placed to assess than the individual users. As such we can accept that a qualitative assessment of whether the risks presented by the areas of non-readiness should prevent go-live was acceptable. However, as the go-live organisational readiness threshold was set at 70 per cent, there were risks with proceeding to go-live based on the readiness levels at the end of September 2024.

137. The organisational readiness questionnaire could have been improved by focusing on the factors within the control of users, and splitting the readiness questions in to “requirements for go-live” and “desirables for go-live” or by weighting the questions based on their significance to the go-live decision. This would have ensured a better quantitative assessment was available to support the conclusion that sufficient readiness had been achieved to go-live.

The Steering Committee approved the decision to go-live based on an assessment that the outstanding issues and risks were not significant enough to delay implementation

138. The last meeting of the Shared Services Programme Management Board before the go-live date was held on 19 September 2024. At that meeting the SRO presented a DG Corporate Readiness Closedown Report. This included the business function readiness statistics showing that for the 121 factors considered, 63 were fully satisfied and 58 were in tolerance. It also highlighted that of the 58 factors in tolerance, 25 needed to be fully satisfied for go-live and, subject to this, the board recommended to the Steering Committee that it should approve the decision to proceed with go-live on 1 October 2024.

139. A meeting of the Steering Committee was held on 20 September 2024, the day after the Shared Services Programme Management Board. This considered the same information as the programme board and backed the decision to proceed to go-live, subject to a final go-live meeting being held on 30 September 2024 to formally approve the go-live decision.

140. The minutes of the meeting of the Steering Committee on 30 September 2024 noted that there were some known issues and risks which would need to be addressed in the Oracle Cloud live environment. This included the HR-Payroll user acceptance testing, payroll comparison testing exit criteria and go-live organisational readiness issues identified above. However, the committee agreed that these issues and risks were not significant enough to delay the implementation of the system as it was assured on the functional responsibilities, assured on behalf of the user bodies, and assured on the overall programme and technology. The committee formally approved the decision to proceed with the Oracle Cloud go-live date of 1 October 2024.

We are satisfied that the cutover process was well planned, managed and executed

The **cutover** process in an IT project is the final step in transitioning from an old system or environment to a new one. It involves executing a planned sequence of tasks to ensure a smooth and successful go-live process.

141. The cutover plan for the Oracle Cloud implementation comprised a wide range of activities consistent with our expectations. The activities had owners assigned who were responsible for ensuring successful completion during the cutover process. The cutover manager had overall responsibility for ensuring that all activities in the plan were completed as required.

142. The cutover process ran between August and October 2024. It included 1,347 activities with 1,276 of these completed prior to full go-live and the other 71 completed post go-live. This was in line with the cutover plan as certain cutover activities could only be completed in the live environment.

The **freeze period** in a cutover process refers to a designated timeframe during which no changes are allowed to the systems, data, or environments involved in the transition. This is a critical control mechanism to ensure stability and minimise risks during the move from an old system to a new one.

143. To enable the cutover process to be completed, the Scottish Government applied three separate freeze periods:

- The e-HR system closed on the 16 August 2024, and the Oracle Cloud HR module opened on 7 October 2024 meaning that no changes could be made to HR and payroll data for a 7-week period. The length of this change freeze period was partly attributable to the action required to apply the move to the 35-hour working week for Scottish Government staff from 1 October 2024.
- The purchase-to-pay module of SEAS closed on 24 September 2024, and the Oracle Cloud purchase-to-pay module opened on 1 October 2024 so no procurement activity could be processed for that 1-week period.
- The general ledger and accounts receivable modules of SEAS closed on 30 September 2024 and went live on the Oracle Cloud platform on 12 October 2024 so were unavailable for 2 weeks.

144. Due to the length of time that the change freeze applied to HR and payroll data, a range of actions were taken to reduce the post-implementation adjustments that would need to be processed. This included a recruitment freeze across the Scottish Government over that period. As part of our routine staff costs testing for the 2024/25 financial statements audit, we undertook sample testing of staff pay across the financial year. This did not identify any issues with the pay and deductions of the staff selected for testing. We also did not identify any issues relating to the cutover process as part of our income and expenditure, or journal testing.

145. Based on our review of the cutover process, and the outcome of the testing undertaken as part of our 2024/25 financial statements audit, we are satisfied that the process was well planned, managed and executed.

A significant volume of training was available, but users should have had more time to complete this before the go-live date

146. The Scottish Government recognised that training was a key element of the change management process and essential for the go-live preparation. A strategy was developed setting out how training on the new system would be

delivered. This was informed by a training needs analysis to identify user requirements including course content, coverage and delivery methods.

147. Our review of the training and guidance available to users, prior to and since go-live, noted that a significant volume of training was available to users which was widely accessed and attended. Based on feedback obtained by the Scottish Government this was well-received and beneficial to users. However, the feedback also indicated that users would have benefitted from more hands-on / practical experience of using the system. This was echoed in the feedback from user bodies collected by the audit team, discussed at [paragraphs 154. to 156.](#), which highlighted concerns in respect of the training and guidance available, most notably:

- a lack of training provided in specific areas such as the fixed asset module and generating reports
- that training was too basic and did not adequately cover the more complex scenarios that user bodies would face
- concerns about the ongoing resource impact of staff trying to understand how to perform functions that were not adequately covered by the training or guidance provided.

148. We noted from review of the training plan that there were no forms of training available before 1 August 2024. Given the scale of the change from the old systems to the new Oracle Cloud platform it would have been preferable for users to have a longer period to complete training and familiarise themselves with the requirements of the new system prior to go-live. This would also have helped smaller user bodies manage the resource impact of the volume of training that had to be completed.

149. We are aware that management has committed to improve the online training materials available. Training is also being developed for the roll out of additional features of Oracle Cloud such as the various EPM reporting modules and Oracle Guided Learning for Recruitment. Management also recognise that there is a need for staff to invest time in upskilling themselves on the features of the new system, and the wide range of powerful functions available to users via the self-serve functionality, which will continue to expand over time.

The Scottish Government was not prepared for the volume of iFix support tickets raised during implementation and further action is required to clear the backlog of tickets

150. As part of the Oracle Cloud implementation the following process was established for identifying, documenting, and resolving issues:

- Platform Management team within the Corporate Hub lead on platform updates, in collaboration with Digital Operations.
- Customers who experienced issues raised a support ticket through iFix or HR Online. There were processes in place to manage

support tickets through to resolution, including updating on progress and when the issue was resolved.

- A Radar call was conducted three times a week for service leads to discuss any emerging issues that required escalation and coordination across different functions. There was also a weekly Working Group for matters of continuous improvement.
- Customer forums provided regular engagement with customers, including opportunities to raise specific concerns or provide feedback on the service offering.

151. The feedback from user bodies collected by the audit team, highlighted that users were frustrated with how the iFix support ticket process operated. These issues included the time taken to resolve issues, the communication of the action being taken in response to tickets, and the process for escalating higher priority iFix tickets relating to issues that were having an immediate operational impact.

152. The Scottish Government acknowledge that staff were not prepared for the volume of iFix support tickets raised, [Exhibit 10](#), and recognise that these were not well managed and resolved in a timely manner. To address this, a 9-tier prioritisation criteria has been developed which will be applied to iFix tickets going forward to ensure that the resolution of business critical tickets are prioritised. Continued efforts are required to clear the remaining backlog of iFix tickets, [Exhibit 10](#).

Exhibit 10

Analysis of iFix support tickets raised since 1 October 2024 (up to 31 August 2025)

Service area	Total number of tickets raised	Closed tickets	Open tickets	Unresolved tickets open for over 30 days
HR / Payroll	44,131	42,096	2,035	947
Purchase to Pay	10,748	10,718	30	12
Digital Operations	10,149	10,034	115	57
Finance	7,619	7,492	127	18
Corporate Hub	1,972	1,462	510	419
All service areas	74,619	71,802	2,817	1,453

Source: Scottish Government

Recommendation 11 – Resolution of support tickets

The new prioritisation criteria still needs to be embedded within the iFix support process. Management should also develop reporting tools that would enable the number and age of the open tickets in each priority category to be monitored and reported. Target timescales should also be developed for the resolution of each of the 9 prioritisation categories.

The Scottish Government continues to work with bodies to address their frustrations

153. The three-month hypercare period from October to December 2024 was focused on defect resolution and building corporate knowledge of the platform, alongside supporting users to transition to a new way of working. The period from January 2025 was then focused on addressing outstanding known issues whilst continuing to embed new processes, building in-house capabilities and working with users to adopt standardised processes. Alongside this, the Scottish Government was also preparing for the delivery of new functionality through the roll-out of the EPM reporting module in June 2025, and the enhancements and fixes implemented through the quarterly updates.

Hypercare refers to a critical support phase of an IT project immediately following a go-live event. It is designed to ensure a smooth transition from project implementation to business-as-usual operations.

154. During March 2025 the Scottish Government external audit team contacted the appointed auditors of each of the Oracle user bodies to ask them to complete a questionnaire. This sought to identify any issues with the new system that were impacting on day-to-day operations, their ability to produce up-to-date and accurate financial and HR reports, or that could impact on the preparation of their 2024/25 accounts.

155. Responses were submitted for 23 Oracle user bodies. Our analysis of these responses identified a level of frustration with the implementation process, or the new Oracle Cloud platform more generally, related to:

- The delay in implementing the EPM reporting module to June 2025, and the lack of other appropriate reporting tools for budget monitoring and payroll without the need for significant manual input and checking. *(Issue raised by 19 user bodies)*
- System issues with the HR-Payroll module that meant that certain functionality, including the ability to produce reconciliations between monthly payroll reports and the corresponding ledger data, was not available at implementation. *(Issue raised by 14 user bodies)*
- Issues with the Purchase-to-Pay module in the period immediately after implementation that prevented some bodies from raising

purchase orders or making payments to certain suppliers during October and November 2024. *(Issue raised by 13 user bodies)*

- The resource impact on staff having to deal with Oracle Cloud implementation issues alongside their routine day-to-day duties. This was mainly raised by smaller user bodies who had less capacity. *(Issue raised by 13 user bodies)*

156. Management advised that they were already aware of the majority of the issues raised in the survey from their own regular engagement with user bodies. They stated that these types of issues are anticipated for a project of this nature with users having to adapt to new ways of working. There are also tighter controls within Oracle Cloud which are essential to deliver the enhanced control environment. However, management accept that there were elements of the project that could have been managed and communicated better to user bodies and noted that activity is ongoing to ensure the system is supporting their business needs and enhancing operational processes and reporting.

The security arrangements for the finance and HR data has been strengthened

157. The contract between the Scottish Government and Oracle for the provision of Back Office Software Services was signed on 27 April 2024. Under the contract Oracle (as the cloud provider) are responsible for:

- Security on the Oracle side, including in respect of internal Oracle staff access to Scottish Government data.
- Service continuity, including disaster recovery on the Oracle side.
- Change management, covering system and service maintenance activities, upgrades and updates, and critical security maintenance.
- Customer support (the Scottish Government is the customer).

158. Under the Oracle Cloud Hosting and Delivery Policies, Oracle are also responsible for the secure backup of Scottish Government Oracle data and being able to recover and recreate this in the event of a cyber incident.

159. Our consideration of the cyber security arrangements for the new Oracle Cloud platform identified that the Scottish Government data will be stored on the UK Government Cloud. This is a sovereign cloud designed to reflect the requirements of the UK Government. This arrangement strengthens the security of the data stored for the Scottish Government's finance and HR systems compared to the old SEAS and e-HR systems.

Audited bodies were able to use the data from the Oracle Cloud platform to produce the 2024/25 annual report and accounts

160. A key measure of success for the Oracle Cloud implementation project for the 2024/25 financial year was the Scottish Government, and other user bodies,

being able to use the new platform to produce accurate and reliable financial information for their annual report and accounts.

161. As noted in section 2 of this report, we have issued unqualified opinions on the 2024/25 Scottish Government Consolidated Accounts, and our audit did not identify significant issues with the accuracy or reliability of the information from the Oracle Cloud platform required for the financial statements. Despite issues with financial and HR / payroll monthly reporting between October 2024 and March 2025, we are also not aware of any audited bodies having their 2024/25 annual report and accounts qualified due to issues with the information from the Oracle Cloud platform.

The Scottish Government has procured a service auditor for 2025/26

162. As part of our audit we reviewed the arrangements the Scottish Government has in place to obtain assurance on the Oracle Cloud application controls, and third-party hosting controls, through the use of a service auditor. The role of a service auditor is to provide independent assurance that outsourced service providers are operating effective controls confirming that the system is operating as intended. It also delivers efficiencies by avoiding the need for multiple audits and enquiries.

163. The Scottish Government's Corporate Hub advised that the following service auditor reports are being obtained for 2024/25 and 2025/26:

- **Service Auditor Report – System and Organisation Controls 2 (SOC2) 2024/25:** A SOC2 review is designed specifically for technology and cloud computing organisations that handle customer data. The Scottish Government has obtained a SOC2 report for 2024/25 which sets out the service auditor assessment of the operational effectiveness of the controls in place to protect customer data at Oracle's UK cloud data centres.
- **ISAE 3402 Type 1 Service Auditor Report – Application Controls 2024/25:** The Scottish Government has procured an ISAE 3402 Type 1 report for 2024/25. This is an industry standard report that scrutinises whether the new Oracle Cloud application has the requisite controls in place. The ISAE 3402 Type 1 review is currently being completed with the service auditor report due to be issued by October 2025. No audit assurance can be obtained from a Type 1 report as although it assesses the design of the key controls, it does not provide any assurance over their operation.
- **ISAE 3402 Type 2 Service Auditor Report – Application Controls 2025/26:** The first ISAE 3402 Type 2 report will cover the 2025/26 financial year and involve detailed testing of the effectiveness of the controls in place in respect of the Oracle Cloud application. The final report will be available in summer 2026.

164. The SOC2 report covered the period from Oracle Cloud go-live until the end of the 2024/25 financial year. Our review of the service auditor report identified that:

- Physical security controls were outlined and tested via access reports with no deviations from expected controls noted. This testing was completed remotely.
- Oracle Cloud infrastructure and security controls were found to be operating effectively with event management, vulnerability scanning and penetration testing undertaken with no deviations noted.
- Change management arrangements related to Oracle's internal update processes were found to be appropriately designed and operating as expected.
- Oracle Cloud infrastructure databases and configuration backups are carried out and tested according to the schedules specified by the Scottish Government.
- Full stack disaster recovery procedures are the responsibility of Oracle and policy standards covering business continuity and disaster recovery are outlined within the report. No testing of effectiveness of controls have been undertaken within the report. However, we have been advised that a separate assessment of Oracle business continuity and disaster recovery is carried out annually.

165. Based on our review of the SOC 2 report we are content that the Scottish Government has sufficient assurances over the operational effectiveness of the controls in place to protect customer data at Oracle's UK cloud data centres.

166. We will consider the impact of any emerging issues from the ISAE 3402 (application controls) Type 2 review on the 2025/26 audit approach. The results of any supplementary testing undertaken by the Scottish Government audit team will be shared with relevant auditors to ensure an efficient assurance approach.

The Scottish Government anticipate achieving Oracle Cloud stabilisation by Autumn 2025 and will then progress to optimisation

167. We have been advised that, as the number of new issues reported by users drops and known issues are resolved, the Scottish Government is moving closer to a position of Oracle Cloud stabilisation and thereafter, will look to move into a phase of optimisation and continuous improvement. The decision to move to a stable state would be subject to the following conditions being met:

- **Condition 1:** Monthly support ticket levels return to pre-Oracle Cloud levels.

- **Condition 2:** Over 75 per cent of priority 1 issues resolved with clear timetable to resolve remaining priority 1 issues.
- **Condition 3:** All Oracle Cloud-related support tickets raised during hypercare have been closed.
- **Condition 4:** Feedback from customers and users supports decision to move to stable position.

168. The Scottish Government anticipate being able to conclude that these four conditions have been met, and Oracle Cloud stabilisation has been achieved, by Autumn 2025. The project would then move to the optimisation phase with a rolling schedule of continuous improvement.

The Scottish Government should consider the impact of optimism bias on the original estimates for the timescale and costs of the project as part of the post-implementation review

169. As noted previously, the Scottish Government has identified the implementation of the Oracle Cloud platform as one of the biggest corporate transformation projects it has undertaken. As with any large project it is important that a post-implementation review is completed to reflect on the overall success of the project in meeting its stated objectives and expected benefits. This should include assessing which aspects of the project went well and what could have gone better, and to identify lessons and insights that can be applied more widely to improve the planning, management and delivery of future projects. This could help inform the procurement and implementation of a new finance system for NHS Scotland.

In project management, **optimism bias** refers to the systematic tendency for project planners and stakeholders to underestimate costs, durations, and risks, while overestimating benefits and the likelihood of success. This can lead to project overruns and failures if not properly managed.

170. The Scottish Government has not yet undertaken the post-implementation review for the Oracle Cloud project but plan to do this by the end of 2025. A key aspect of this review will be reflecting on the factors that contributed to the project being delayed and costs increasing, including the impact of any optimism bias on the initial estimates. Given the user experience challenges highlighted in this report it will also be important that the review gives system users appropriate opportunity to contribute their views on the system implementation process.

Recommendation 12 – Oracle post-implementation review

The Oracle Cloud post-implementation review should consider the impact of optimism bias on the original estimates for the timescale and costs of the project; and include feedback from Oracle Cloud user bodies on their experience of the implementation process, and the training and post-implementation support provided.

Continued focus will be needed to ensure the anticipated benefits from the new Oracle Cloud platform can be fully realised, and to demonstrate value for money from the investment in the new system

171. The Scottish Government anticipate a wide range of benefits to be realised from the new Oracle Cloud platform. This includes the opportunity for the Scottish Government and user bodies to make better informed financial decisions based on real time, more complete and reliable data.

172. As would be expected at this stage of the project, the majority of the anticipated benefits from the implementation of the new Oracle Cloud platform have not yet been delivered or can't yet be demonstrated. These include:

- **Running and Maintenance – Lower maintenance costs:** There is not yet sufficient cost data to assess whether the maintenance costs are lower than the previous systems.
- **Process and Capability – Operational efficiencies:** Although some operational efficiencies may have already been realised, feedback from user bodies suggests that additional resources were required during 2024/25 as staff adapted to the new control environment and reporting arrangements. We would expect that this should reduce as staff become more familiar with the operation of the new system, and the roll-out of the EPM reporting modules enables them to produce reliable reports with minimal manual input or checking.
- **Process and Capability – Engagement and collaboration:** It is clear from the feedback obtained from user bodies that improved engagement and collaboration is not yet being fully realised.
- **Innovation and Service Development – Innovation and agility:** Several services did not go-live on 1 October 2024, including the EPM workforce planning module which supports local workforce cost management. This went live on 29 September 2025. Therefore, the potential workforce planning benefits have not yet been explored.

- **Benefits for users and stakeholders – User experience:** It is clear that the improved user experience from Oracle Cloud's improved process design and workflows has still to be fully realised.
- **Integrated, Cloud, Scalable – Scalable solution:** As the Oracle Cloud platform was only rolled out in October 2024, the project is not yet at the stage where the Scottish Government would look to onboard additional customers.
- **Insight and Decision Support – Data capitalisation:** As parts of the EPM reporting module have not yet been implemented, the performance improvements that can be achieved through improved data quality and analytics have yet to be delivered.

173. Since its implementation on 1 October 2024 until the end of March 2025, the Scottish Government has incurred direct operating costs of around £1.6 million a month related to Oracle Cloud. A significant proportion of this monthly expenditure were the costs associated with the extended hypercare support provided by IBM to users following implementation of the system which are anticipated to reduce following the roll-out of the EPM reporting modules. Due to the ongoing rollout of EPM, there has not yet been a stable period of operation to use as a benchmark for the Oracle Cloud monthly running costs, but management has advised that they expect these to reduce to around £0.9 million by the end of 2025/26.

174. Management always recognised that some of the potential benefits from the new system will accrue over time and require shared responsibility to realise them. Having implemented the new Oracle Cloud platform, it is important that sufficient resources are available for the project going forward to support the developments required to ensure the anticipated benefits can be fully realised. Alongside this, there also needs to be a cultural change to embrace the opportunities created by the new system which will only be achieved if staff across user bodies invest time to upskill themselves on the features of the new system and the wide range of powerful functions available to users via the self-serve functionality, which will continue to expand over time.

Recommendation 13 – Delivery of anticipated Oracle Cloud benefits

The Scottish Government should develop a benefits delivery plan that sets out the key steps to deliver the cultural change required to realise the anticipated benefits from Oracle Cloud, and achieve the operational efficiencies and service delivery improvements envisaged when the new system was procured.

4. Vision, leadership and governance

Conclusions and judgements

The Scottish Government has well established assurance arrangements, however the portfolio structure presents challenges when tackling issues that impact across government. This should remain an area of focus.

There has been further increases in the cost and timeline to complete MV Glen Rosa which now sits at £185 million, with an estimated delivery date of between April and June 2026.

Sponsorship across the Scottish Government has remained an area of focus, but there are opportunities to further strengthen the assurance arrangements.

Governance and risk management arrangements are well established, but there is a need for an increased focus on how to tackle priorities that impact across portfolios

175. The Scottish Government has well established assurance arrangements in place, involving both Senior Management Team and Non-Executive Directors, including:

- Corporate Board – Meet quarterly to provide strategic oversight on key areas including strategy, performance and governance.
- Audit and Assurance Committee – Meet quarterly to assess the effectiveness of the assurance arrangements in place.
- Director-General Assurance Boards – Quarterly meetings for each Director-General portfolio to assess assurance arrangements around performance, finance, people and risk management. Following agreement at Corporate Board in March 2024, a new thematic approach to assurance was rolled out across all DG families, supporting a more assurance-focused conversation on priorities, and to connect lines of assurance and streamline the process.
- Executive Team – Twice weekly meetings, reduced to a single weekly meeting from July 2025, in various ‘modes’ to support focused consideration of key areas, for example delivery, strategic, people and investment assurance.

- There are a number of other corporate governance sub boards. These include, People and Place, Infrastructure and Investment, and the Talent Leadership and Learning Board.

176. The role of SGAAC continues to be paramount in ensuring efficient and effective arrangements are in place to provide advice, support and challenge to the Permanent Secretary, and in doing so, promoting good governance across the Scottish Government.

177. As reported in the Auditor General's report '[NHS is Scotland: Spotlight on governance](#)' (May 2025), there is a need to strengthen associated governance arrangements to deliver the scale of reform needed across the health service in Scotland.

178. Risk management is key to the Scottish Government's assurance framework and is a standing agenda item across the governance framework. The Scottish Government has demonstrated its commitment to risk management and its continuous improvement with a focus on developing risk appetite statements to identify the level of risk which it aims to operate at and the level of risk it is willing to tolerate.

179. We observed robust discussions on risk reporting with risk management arrangements being well developed across the Scottish Government.

180. Although the portfolio structure within the Scottish Government effectively supports focused action on key areas, it can present challenges when tackling issues that impact across government such as child poverty or public service reform. These may naturally have a different perceived priority for that area and further work is underway to review arrangements for cross cutting areas that require strong engagement across portfolios. We have seen how the escalation of risks to the corporate risk register can support cross-government action and focus and this should remain an area of focus for the Scottish Government.

Recommendation 14 – Approach to cross-government priorities

The Scottish Government needs to strengthen the approach, and associated assurances, for priorities that cut across portfolios to ensure focused action.

There have been significant changes in the Scottish Government leadership team during 2025

181. The Permanent Secretary is the most senior member of the staff of the Scottish Administration and, as the Principal Accountable Officer, is the Accountable Officer responsible for preparing the accounts and submitting them to the Auditor General for Scotland.

182. Joe Griffin was appointed as the new Permanent Secretary to the Scottish Government on 7 April 2025, succeeding John-Paul Marks who had served as

Permanent Secretary since January 2022. Prior to being appointed Permanent Secretary, Joe Griffin was the Director-General for the Strategy and External Affairs portfolio at the Scottish Government and had previously also held the posts of DG Education and Justice.

183. The appointment of the new Permanent Secretary created a vacancy for the DG Strategy and External Affairs post. The DG Communities, DG Net Zero and DG Scottish Exchequer are also leaving the Scottish Government during 2025, meaning that half of the eight portfolios will have a change in Director-General this year. During this period of transition it is important that there remains a clear focus on delivering the Programme for Government commitments and each portfolios contribution to these.

A new permanent Chair of the Audit and Assurance Committee was appointed in September 2025

184. Non-Executive Directors play a vital role in supporting good governance and accountability across the Scottish Government and other public bodies. They offer an independent perspective and provide strategic challenge and advice to senior leaders, including the Permanent Secretary and Directors-General.

185. At the start of 2024/25 the Scottish Government had nine Non-Executive Directors in post but there were a number of departures during the year which resulted in them operating with only six Non-Executive Directors for a number of months.

186. The Non-Executive Director departures also impacted on the Chair of SGAAC. Jayne Scott replaced Jim Robertson in September 2024 but stood down at the end of April 2025 and was replaced by Manish Joshi as Interim Chair. Tom Taylor was appointed as a Non-Executive Director and the new permanent Chair of SGAAC from 1 September 2025. Another new Non-Executive Director has also been appointed and will take up their post on 13 October 2025. It will be important that the new appointees are provided with adequate induction and support to enable them to maximise their contribution to the governance and scrutiny arrangements within the Scottish Government.

The Governance Statement accurately captures the arrangements and risks that are being managed

187. A Governance Statement, prepared by the Permanent Secretary, is a key feature of the Consolidated Accounts. It forms part of a wider accountability report and summarises how the core Scottish Government is controlled and directed. The statement confirms that the Scottish Government complies with relevant guidance on corporate governance. It also highlights the main risks and opportunities and any significant internal control issues in 2024/25. We reviewed these arrangements and concluded that they are appropriate, that the Governance Statement is consistent with the financial statements and has been prepared in accordance with guidance issued by the Scottish Ministers.

188. A review of the corporate governance system was undertaken in 2023/24 and the recommendations were endorsed by the Corporate Board in June 2024. However, these are still to be fully implemented.

The cost to complete the MV Glen Rosa has increased again to £185 million, and the estimated delivery date has now been pushed back to between April and June 2026

189. In March 2022, the Auditor General for Scotland issued the '[New vessels for the Clyde and Hebrides](#)' report. This noted multiple failings that had led to delays and cost increases and highlighted significant challenges at FMPG that needed to be addressed to deliver the vessels.

190. The Scottish Public Finance Manual (SPFM) requires the Accountable Officer to ensure the propriety and regularity of finances and that any resources are used economically, efficiently and effectively, e.g. that value for money is achieved. If after due diligence, the spending decision is not deemed to be value for money, then the Accountable Officer should obtain written authority from Scottish Ministers to proceed. [Exhibit 11](#) outlines the timeline, associated costs to complete the vessels and due diligence processes that have taken place. As a consequence of a due diligence review undertaken during 2022/23, a written authority was provided by the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy on 14 May 2023.

Exhibit 11

MV Glen Sannox and MV Glen Rosa: timeline and due diligence

 Date	MV Glen Sannox timeline	MV Glen Rosa timeline	Total cost to complete both vessels (public ownership)	Due diligence process
Dec 2019	Dec 2021	Oct 2022	£110m – £114m	Initial decision to acquire
Aug 2020	June 2022	Feb 2023	£110m – £114m	-
June 2021	Sept 2022	July 2023	£110m – £114m	-
March 2022	May 2023	Dec 2023	£119m – £123m	High level AO assessment
Sept 2022	May 2023	Jan 2024	£203m	Full AO assessment commenced
March 2023	May 2023	March 2024	£210m	-
June 2023	Dec 2023	Dec 2024	£223m	-

Sept 2023	March 2024	May 2025	£240m	FMPG detailed scrutiny
February 2024	May 2024	Sept 2025	£299m	-
November 2024	MV Glen Sannox officially handed over to CMAL			
December 2024	-	Sept 2025	£299m	Updated AO Assessment signed
January 2025	MV Glen Sannox begins operating on the Troon to Brodick route, serving the Isle of Arran			
May 2025	Nov 2024	April to June 2026	£334m	-

Source: Audit Scotland

191. We reported last year that, following detailed scrutiny by FMPG, further cost increases and delivery delays were announced in February 2024, however a Portfolio Accountable Officer Assessment had not been completed. This was completed in December 2024 based on the cost estimates provided by FMPG which had been subject to due diligence by Scottish Government officials but had not been scrutinised by external consultants.

192. The Scottish Government included a risk premium in the delivery schedule and costs associated with MV Glen Rosa in the options appraisal undertaken as part of the VFM assessment. The outcome of the options appraisal showed that it remained cheaper to purchase a new vessel than for FMPG to finish building the MV Glen Rosa. Therefore, the value for money standard was not met.

193. On 18 December 2024, the Director-General Economy was provided with confirmation that the previous written authority continued and the build of MV Glen Rosa should continue at FMPG. In this letter the Deputy First Minister and Cabinet Secretary for Economy and Gaelic also stated: *“I remain committed to supporting a sustainable and successful future for FMPG. I have therefore dedicated up to £14.2m as an investment over two years in a range of initiatives to modernise FMPG and its equipment, and to improve productivity at FMPG, subject to full legal and commercial diligence.”*

194. On 13 May 2025 the new chief executive of FMPG wrote to the Convenor of the Net Zero, Energy and Transport Committee, to advise that MV Glen Rosa would be substantially complete by Q1 (January to March) 2026, with full sign-off and delivery of the vessel in Q2 (April to June) 2026, a delay of between 6 and 9 months on the previous timescale advised to the Scottish Government. The letter also noted that the forecast total cost to complete the vessel had increased to £185 million (including £12.5 million for risk contingency), up £35 million from the December 2024 Accountable Officer assessment.

195. Due to these latest revisions to the completion date and costs of the MV Glen Rosa a further Accountable Officer assessment is being completed.

196. As set out in [Exhibit 11](#), there has been continual slippage and cost overruns throughout the MV Glen Sannox and MV Glen Rosa build process. MV Glen Sannox was delivered 3 years after the original completion date, and MV Glen Rosa is now projected to be delivered almost 4 years late. The combined costs of the vessels has also increased from an original upper estimate of £114 million to the latest projection of £334 million (a £220 million / 193 per cent overspend). The lack of accurate projections for the cost and completion dates of the vessels has undermined the previous Accountable Officer assessments.

197. The Auditor General for Scotland has published the [scope](#) for a further report on the delivery of the vessels following the completion of the MV Glen Rosa. It will also look to draw out lessons that should be applied to other complex projects or commercial operations.

The Scottish Government is continuing to embed the actions identified by the independent review

198. The independent review of public bodies, Eleanor Ryan's '[Progress Review of Scottish Government relationships with Public Bodies](#)' was published in 2022 and included 14 recommendations. The Scottish Government provided a formal response to the review including details on each recommendation, an indication of next steps as well as timescales for completion.

199. Last year we reported that the Scottish Government had implemented the recommendations set out in the independent review and, as a consequence, the risk was removed from the corporate risk register in March 2024 to be actively managed by each Director-General.

200. However, the Public Bodies Sponsorship Unit (PBSU) recognise that this requires ongoing review and assessment to ensure that the arrangements continue to be operating as expected. During 2025 the PBSU completed a full review of the recommendations and identified areas that required a continued focus to ensure full implementation.

201. We assessed this review and found that it was accurate, and we agree with the areas that require ongoing attention.

Sponsorship arrangements have remained a key focus, but there are opportunities to further strengthen the assurance processes

202. Following the significant weaknesses identified for the Water Industry Commission for Scotland (WICS), the PBSU tested the robustness of the Scottish Government's governance and accountability framework in relation to public bodies.

203. This identified that key risks related to public bodies not acting in line with financial management and governance best practice and sponsor teams not

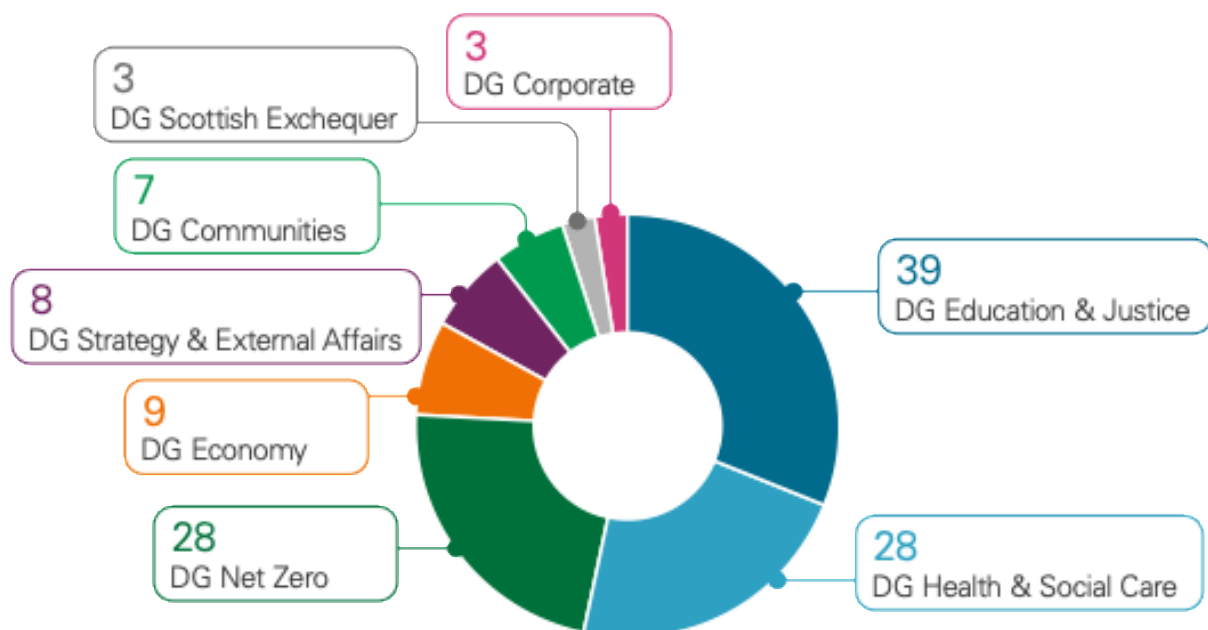
having robust processes in place to identify issues and respond appropriately. There were four agreed recommendations from this work:

- Sponsorship is to be viewed as a specialism, with Sponsorship Team and Senior Civil Service objectives in place for 2025/26.
- A peer led Sponsorship Forum is now established, with representatives from across the Scottish Government, providing a community to discuss issues and develop best practice.
- Establishment of the Public Body Advice and Support Network, enabling sponsorship teams and Directors General to access central resource to ensure consistency in support for live issues.
- Annual Deep Dives becoming part of the reporting of strategic sponsorship for each Director General portfolio.

204. There are 125 devolved public bodies in Scotland, excluding Parliamentary Commissioners and Ombudsmen. Each Director-General has responsibility for a range of public bodies with the numbers shown in [Exhibit 12](#). The PBSU continues to support each Director-General by providing an overview to each assurance board highlighting any areas of concern. However there continues to be inconsistencies in the assessments that support this reporting, with some returns having very little detail to evidence the overall conclusions.

Exhibit 12

Public bodies for each DG portfolio



Source: Audit Scotland

Recommendation 15 – Sponsorship arrangements

The assessment of public bodies should be strengthened to provide clearer assurance. This could include requiring positive statements that there are no issues at the relevant body.

205. The health sponsorship team have a different approach to monitoring performance and managing risks across territorial boards in the NHS in Scotland. The [NHS Scotland: support and intervention framework](#) sets out a process for the Scottish Government to support and intervene in territorial NHS Boards that are struggling to meet delivery standards or services. There is a ladder of escalation in place and the framework sets out a number of issues for which boards can be escalated including those associated with specific services or organisational issues.

206. The Scottish Government should continue to work to ensure that sponsorship gets the visibility and scrutiny it requires. It needs to strike the right balance between oversight and assurance, and the responsibilities of the appointed Accountable Officers.

5. Use of resources to improve outcomes

Conclusions and judgements

The lack of a clear and consistent performance reporting framework makes it hard for the Scottish Government to demonstrate the extent to which it is using resources effectively to improve outcomes.

The Performance Report within the Consolidated Accounts need to be improved to provide readers with a complete view of the Scottish Government's performance.

The lack of a clear and consistent performance reporting framework impacts on the Scottish Government's ability to demonstrate its impact on outcomes

207. In May 2025 the First Minister announced his [Programme for Government 2025 to 2026](#) which covers the 12 months up to the next Scottish Parliament elections in May 2026. This includes the same four priorities as the 2024/25 Programme for Government:

- Growing the Economy
- Eradicating Child Poverty
- Tackling the Climate Emergency
- High Quality and Sustainable Public Services.

208. Our 2023/24 Annual Audit Report noted that aligning funding to priorities will be essential to support effective decision making. We also highlighted that there is an absence of clearly defined performance measures with measurable targets for all priority areas. We recommended that the Scottish Government clarify its priorities and have measurable targets to support the achievement of improved outcomes, with non-essential areas being stopped to enable activity and funding to be targeted at priority areas.

209. The National Performance Framework (NPF) was intended to be the foundation for how policy was developed and delivered in Scotland. It included 11 National Outcomes and aimed to combine economic performance with a broader range of wellbeing measures. These indicators incorporated a range of data from social attitudes and perceptions, to economic and environmental statistics, designed to show a broad picture of Scotland's performance.

210. The Finance and Public Administration Committee's [Report on the National Performance Framework: Review of National Outcomes](#) (November 2024) made a range of recommendations for the NPF. These included the need for greater clarity and focus, improved alignment with government priorities, enhanced parliamentary scrutiny, and a stronger emphasis on wellbeing, sustainability, and fairness alongside a commitment to inclusive economic growth and community empowerment.

211. The Deputy First Minister, in her response to the inquiry, stated that the Scottish Government would take further time to rethink and reform the NPF. In practice, this has meant that the NPF website is no longer being updated, until the next iteration of the NPF is finalised.

212. The PSRS acknowledges that there are underlying systemic barriers and root causes which prevent faster progress and notes that to deliver a system that improves lives, reduces inequality and is fiscally sustainable, the public services system will need to:

- be efficient and effective with the right-size delivery landscape
- have better joined up services and a focus on helping people
- prioritise prevention
- empower people and communities to shape the services that matter to them
- be fiscally sustainable.

213. Key to delivering these types of whole system changes is having clear, reliable data on what activity is having the greatest positive impact on outcomes and driving improvement and efficiencies in public services.

214. As detailed above, the NPF is currently being reviewed and in its absence, there is no overarching framework to measure and report outcome data. The lack of a clear and consistent performance reporting framework makes it hard for the Scottish Government to demonstrate the extent to which it is using resources effectively to improve outcomes, and to direct resources to the areas of greatest impact.

Recommendation 16 – National Performance Framework

The Scottish Government need to establish a clear and consistent performance reporting framework that enables it to demonstrate the impact of its activity on priority outcomes over time.

The Performance Report within the Consolidated Accounts needs to be further developed to provide readers with a complete view of the Scottish Government's performance

215. The 'Purpose of the Performance Report' section of 2024/25 FReM outlines that the purpose of the performance report is to provide the user with an understanding of the entity and how it has performed. It notes that it enables the Parliament and the public to hold the Scottish Government to account and should provide a holistic view of performance. To support this, it is critical that the performance reporting is fair, balanced and understandable, and must tell the full story, including both positive and negative aspects of performance.

216. In 2023/24 we recognised some improvements had been made to the performance report but noted that the Scottish Government should ensure greater accessibility and transparency of its performance reporting within the Consolidated Accounts. We also highlighted that the performance report needed to present clear targets and progress towards achieving priority outcomes and recommended that there should be continuity of corporate knowledge and experience to ensure continuous improvement.

217. We were disappointed that the 2024/25 Performance Report presented for audit did not address our prior year recommendation for improvement and represented a step backwards in terms of the overall standard and transparency of reporting on performance outcomes. The report contained only limited outcome data which focused on areas of positive performance and therefore did not present the required balanced view of performance. We also noted that the report did not include the new enhanced sustainability disclosures required for 2024/25.

218. The Scottish Government accepted that the Performance Report presented for audit did not meet the minimum requirements. A number of revisions were made to address the overall tone and balance of the report. While these changes improved the quality of the report, the lack of a clear and consistent performance reporting framework meant that it still did not provide readers with a complete view of the Scottish Government's performance for the year.

Recommendation 17 – Performance Report

The Scottish Government need to establish robust arrangements to support the production of a performance report that provides readers with a fair, balanced, and complete view of the Scottish Government's performance each year.

Appendix 1 - Action plan

2024/25 recommendations

Issue / risk	Recommendation	Agreed action
1. Preparation of the Consolidated Accounts There were revisions made to the unaudited core schedules for non-audit adjustments which resulted in additional work for the audit team. Further, the core and consolidated cash flow statements were received later in the audit. Risk: The audit process cannot be efficiently delivered impacting on the overall timeline.	The core schedules provided to audit were subject to a number of non-audit adjustments resulting in additional work for the audit team. The processes should be reviewed to ensure similar issues aren't experienced in future years. Paragraphs 13. and 14.	Accepted As part of Accounts preparation for 2025/26, Corporate Finance will continue to fully engage with audit in order to agree clear timelines and will work with areas to receive all information in a timely manner to support overall deadlines. Responsible Officer: Deputy Director, Corporate Finance Completion date: August 2026
2. Fair Pay disclosures The Fair Pay disclosures omit agency and other temporary staff due to the availability of the necessary information from the system. Risk: Non-compliance with the FReM requirements impacts on the integrity of the disclosures.	The Scottish Government should put arrangements in place to enable full compliance with the FReM Fair Play disclosures. Issue 6 in Exhibit 3	Accepted Work will be taken forward to establish a process for strengthened controls on authorisation and provision, tracking and monitoring of available data for contingent workers. Responsible Officer: Director, People Directorate. Completion date: March 2026
3. Bank reconciliation process The cash and cash equivalents figure was not finalised when the core schedules were provided for audit, and revisions were made to the bank reconciliations during the	The Scottish Government should review the current processes, and resolve the remaining unreconciled difference, to ensure that accurate and clearly presented bank reconciliations can be	Accepted Treasury and Banking will review existing processes to ensure robust and timely reconciliations for bank accounts, as well as review remaining shadow account balances with Corporate Finance colleagues in order

Issue / risk	Recommendation	Agreed action
audit. Further, there remains an unreconciled difference of £17.3 million between the account balance in the ledger and the balance shown in the year-end bank statement. Risk: The bank reconciliation process is not sufficiently robust impacting on the accuracy of disclosures and efficiency of audit processes.	produced in a timely manner for all accounts. Paragraphs 29. to 34.	to ensure these are cleared as appropriate. Responsible Officer: Head of Treasury and Banking Completion date: March 2026
4. Approval of consultancy expenditure Audit testing identified three instances of consultancy expenditure that was above £10,000 but had not received the required Director-General approval. Retrospective Director-General approval was subsequently obtained. Risk: Inappropriate expenditure is incurred as required approval is not sought.	The Scottish Government should reinforce to staff the importance of adherence to the consultancy expenditure approval levels set out within the SPFM. Paragraphs 37. and 38.	Accepted A reminder to comply with the guidance will be provided to areas via relevant networks. Responsible Officer: Director, Scottish Procurement and Property Directorate Completion date: October 2025
5. Agency staff expenditure The policy for the use of interim workers permits appointments to be approved at Deputy Director level regardless of the daily charge, length of appointment, or overall cost of the engagement. Risk: Given the current financial pressures and restrictions on recruitment, the lack of strong approval thresholds could impact on the robustness of the spend.	The Scottish Government should review the appropriateness of the approval levels for agency staff appointments, and the arrangements to monitor and report on agency staff expenditure. Paragraphs 39. and 40.	Accepted Review to be undertaken of approvals for agency staff appointments and the management information provided to monitor and report on expenditure. Responsible Officer: Deputy Director, People Strategy Completion date: May 2026

Issue / risk	Recommendation	Agreed action
6. Whole of Government Accounts (WGA) The Scottish Government WGA process continues to experience delays and challenges. Risk: The omission of audited WGA information impacts on the reputation of the Scottish Government.	The Scottish Government need to strengthen the WGA process. Key to this will be establishing a timetable to produce a complete and accurate WGA pack for audit to support progress towards the achievement of WGA submission deadlines. Paragraphs 57. and 59.	Partially Accepted The 2024/25 WGA exercise is enabled by Oracle for the first time and this will strengthen processes. The 2024/25 WGA pack will be submitted as soon as possible after the sign off of the Consolidated Accounts. We aim to build on this for future years and will be happy to engage with Audit Scotland on the timetable for production and audit, linked to that for the annual accounts. Responsible Officer: Deputy Director, Risk Control and Assurance Completion date: By end March 2026
7. Consolidated public sector financial information We submitted a response in May 2025 providing our views on how the information collated by the Scottish Government for 2022/23 could be further enhanced to support public understanding. Risk: Stakeholders continue to seek additional transparency on financial information for the Scottish public sector.	The Scottish Government should develop the routine reporting of consolidated public sector financial information to provide a better picture of the movement in assets and liabilities over time. Paragraphs 88. and 89.	Accepted Work has continued and data collection is now complete. Development work has, however, been impacted by resourcing constraints. We aim to produce the next output by end October 2025. Going forward, we will explore with Audit Scotland how we can expediate the reporting, for example the earlier availability of the audited accounts of Scottish bodies, including Scottish Local Authorities. Responsible Officer: Deputy Director, Risk Control and Assurance Completion date: Part of planning cycle for 2025/26, by end March 2026

Issue / risk	Recommendation	Agreed action
8. Affordability of capital investment The capital budget has faced significant challenges in recent years, creating a backlog of infrastructure projects. Risk: Capital spending is not sufficient, or appropriately focused, to support the delivery of public sector priorities.	The Scottish Government is due to publish a revised Infrastructure Investment Plan later this year. The future reporting against the plan should accurately capture the impact of the spend on the desired outcomes. Paragraphs 98. and 99.	Accepted The Government intends to publish a draft Infrastructure Investment Plan (IIP) for consultation alongside the Budget, Scottish Spending Review and Infrastructure Delivery Pipeline (IDP). The IIP will cover broad infrastructure trajectories over 10 years. The IDP will provide details on funded projects and programmes, which will be the subject of regular progress reports. Responsible Officer: Deputy Director, Infrastructure Completion date: January 2026
9. Delivery of FSDP savings The Financial Sustainability Delivery Plan does not have sufficient detail on how the savings will be managed and delivered across public sector bodies, or how the desired outcomes will be prioritised and measured. Risk: The public sector does not deliver the required savings, impacting on the provision of necessary services.	The Scottish Government needs to develop more detailed delivery plans to support the realisation of the savings outlined in the Financial Sustainability Delivery Plan. These plans need to include detail on how the desired outcomes will be prioritised within the savings plans. Paragraphs 100. and 101.	Accepted The Medium-Term Financial Strategy and Financial Sustainability Delivery Plan (FSDP) set the framework for Budget 2026/27 and the forthcoming Scottish Spending Review (SSR). The Budget and SSR will include further detail on the specific actions to support the measures set out in the FSDP. Detailed plans will continue to be developed over the Spending Review period. Responsible Officer: Director, Public Spending Completion dates: Budget and SR published in January 2026 Savings to be delivered by 2029/30

Issue / risk	Recommendation	Agreed action
10. Delivery of robust workforce plans The Scottish Government does not have a Strategic Workforce Plan to support the move to a future operating model. Risk: The public sector workforce is not sufficiently managed, impacting on the provision of necessary services.	The Scottish Government needs to develop a strategic workforce plan that aligns with the delivery of key priorities. This should support a managed reduction in the workforce to more sustainable levels. Paragraphs 104. to 108.	Accepted Work has been initiated to determine how the core Scottish Government will respond to the ambitions set out within the Public Service Reform Strategy, and meet organisational goals in relation to delivery of key priorities, and the capabilities and diversity of the workforce. Responsible Officer: Deputy Director, People Strategy Completion date: To be completed in advance of the 2026 Scottish Parliamentary elections for discussion with Ministers following the election.
11. Resolution of support tickets The Scottish Government were not prepared for the volume of iFix support tickets raised. Risk: iFix issues are not well managed or resolved in a timely manner, impacting on users ability to use the system and deliver the expected efficiencies.	The new prioritisation criteria still needs to be embedded within the iFix support process. Management should also develop reporting tools that would enable the number and age of the open tickets in each priority category to be monitored and reported. Target timescales should also be developed for the resolution of each of the 9 prioritisation categories. Paragraphs 150. to 152.	Accepted The Corporate Services Dashboard allows some degree of oversight of volume and age of tickets relating to Oracle. The main constraint on progress with priority tickets is the functionality of the Oracle Time and Labour module. We continue to address these issues through management of the module as well as reviewing our own processes and the configuration of the module. Until the known issues in the module that Oracle has to address have been resolved target dates for resolution of priority areas is difficult to determine. More broadly, we are aware that iFix as a solution to managing tickets is not optimal and have it as part of

Issue / risk	Recommendation	Agreed action
		our forward plan, subject to available budget. Responsible Officer: Director of Corporate Transformation Completion date: November 2025 with continuous improvement process in place
12. Oracle post-implementation review The Scottish Government has not yet undertaken the post-implementation review for the Oracle Cloud project. This review is critical to understanding the factors that contributed to the project being delayed and costs increasing, including the impact of any optimism bias on the initial estimates. Risk: There is insufficient learning from the project resulting in similar mistakes being made in the future.	The Oracle Cloud post-implementation review should consider the impact of optimism bias on the original estimates for the timescale and costs of the project; and include feedback from Oracle Cloud user bodies on their experience of the implementation process, and the training and post-implementation support provided. Paragraphs 169. and 170.	Accepted The Programme continues to work on a post-implementation review which is near completion. Responsible Officer: Director of Corporate Transformation Completion date: November 2025
13. Delivery of anticipate Oracle Cloud benefits Many of the potential benefits from the new system will accrue over time and require shared responsibility to realise them. A cultural change is required to embrace the opportunities created by the new system, including upskilling staff. Risk: The Scottish Government is not able to demonstrate the value for money of the project.	The Scottish Government should develop a benefits delivery plan that sets out the key steps to deliver the cultural change required to realise the anticipated benefits from Oracle Cloud, and achieve the operational efficiencies and service delivery improvements envisaged when the new system was procured. Paragraphs 171. to 174.	Accepted We have set out a benefits realisation strategy to our internal governance groups and gathered initial feedback from external customers on benefits already recognised as part of the new platform and associated processes. Within the Scottish Government there is more to do to set out the plan to realise those benefits using delivery experience. We will set out firstly to internal forums our delivery plan to test where we are on our change curve.

Issue / risk	Recommendation	Agreed action
		Responsible Officer: Director of Corporate Transformation Completion date: January 2026
14. Approach to cross-government priorities The portfolio structure within the Scottish Government can present challenges when tackling issues that impact across government. Risk: The Scottish Government is not sufficiently and consistently focused on key priorities.	The Scottish Government needs to strengthen the approach, and associated assurances, for priorities that cut across portfolios to ensure focused action. Paragraphs 175. to 180.	Accepted The reform of the National Performance Framework, and the end of the Parliamentary term provide an opportunity to review the machinery of Government and the supporting structures which underlie delivery of the Government's priorities. This includes the development of the Government's programme across the life of the Parliament and how the workforce and ministerial decision making and budget is structured to deliver that programme. Working with key partners and learning from other Governments who are doing this well, this will form early advice and engagement following the May election. Cross-party engagement is scheduled in the intervening period. Responsible Officer: Director of Strategy and Delivery Completion date: August 2026
15. Sponsorship arrangements There are 125 devolved public bodies subject to Scottish Government sponsorship arrangements with inconsistencies in the assessments.	The assessment of public bodies should be strengthened to provide clearer assurance. This could include requiring positive statements that there are no issues at the relevant body. Paragraphs 202. to 204.	Accepted The Public Bodies Support Unit will conduct a review of templates, guidance and moderation processes to progress this recommendation and continue to strengthen the

Issue / risk	Recommendation	Agreed action
Risk: The assessments are not consistent or sufficiently robust to provide the necessary assurance.		approach to quarterly assurance. Responsible Officer: Deputy Director, Place Based Service and Reform Completion date: April 2026
16. National Performance Framework (NPF) The NPF is currently being reviewed and in its absence there is no overarching framework to measure and report outcome data. Risk: The lack of a clear and consistent performance reporting framework impacts on the Scottish Government's ability to demonstrate the effective use of resources to improve outcomes, and to direct resources to the areas of greatest impact.	The Scottish Government need to establish a clear and consistent performance reporting framework that enables it to demonstrate the impact of its activity on priority outcomes over time. Paragraphs 207. to 214.	Accepted The NPF remains central to Scotland's wellbeing vision. It brings together the national outcomes and indicators, alignment with the Sustainable Development Goals and guidance on implementation. Work to refresh the NPF is underway. While indicator updates are paused during the refresh process, which limits our ability to report on performance, the outcomes continue to guide public bodies. The refreshed framework is expected to launch following the 2026 election. This next iteration of NPF will be supported by robust data to enable effective performance monitoring and reporting. Responsible Officer: Director for Strategy and Delivery Completion date: August 2026
17. Performance report The performance report presented for audit did not meet the minimum FReM requirements, impacting on the efficiency of the audit process. Risk: The lack of a clear and consistent performance	The Scottish Government need to establish robust arrangements to support the production of a performance report that provides readers with a fair, balanced, and complete view of the Scottish Government's performance each year.	Accepted The updated report now meets the minimum requirements of the FReM. The Scottish Government continues to improve its understanding and practical application of the monitoring and reporting of inputs, outputs and outcomes. The

Issue / risk	Recommendation	Agreed action
reporting framework prevents the Scottish Government from providing a complete picture of performance.	Paragraphs 215. to 218.	reform of the National Performance Framework and the supporting processes and frameworks that sit below it within Scottish Government will provide a more focused set of outcomes against which performance will be measured. Similarly, the introduction of the DG Exchequer, Strategy and Performance post established in September 2025 will bring greater alignment and focus to programme, budget and outcomes reporting, strengthening already improved internal machinery. Responsible Officer: Director for Strategy and Delivery Completion date: Summer 2026

Follow-up of prior year recommendations

Issue / risk	Recommendation and agreed action	Progress
PY1. Completeness of unaudited accounts	All information should be available at the time of presenting the core schedules and Consolidated Accounts for audit.	Ongoing See Recommendation 1
PY2. Student loans	The Scottish Government should ensure adequate reviews of student loans and bursary eligibility are undertaken on a regular basis.	Complete The Student Awards Agency Scotland (SAAS) undertook a data matching exercise using HMRC data to identify overpayments in student awards payments during 2024/25, which included student loan advances and bursary payments. SAAS intend to undertake a similar data matching exercise on an annual basis going forward.
PY3. Expenses	The Scottish Government should review and enhance its controls around travel expenses, including strengthening its policy and ensuring that close down procedures are appropriately followed.	No action proposed Our 2024/25 audit confirmed that users can still set up a travel profile and self-authorise their own travel and accommodation expenditure. However, management has advised that no action is proposed in relation to this as the Travel Policy requires discussions with managers prior to booking, with spot checks and financial checks undertaken monthly. They also advised that there has been no evidence from these checks of fraudulent booking.
PY4. Whole of Government Accounts (WGA)	The Scottish Government need to strengthen the WGA process and engage with the associated audit to support the timely delivery and resolve the recent qualified audit assurance statements.	Ongoing See Recommendation 6

Issue / risk	Recommendation and agreed action	Progress
PY5. Consolidated public sector financial information	The Scottish Government should reflect on the stakeholder consultation and prepare and publish consolidated 2023/24 financial information.	Ongoing See Recommendation 7
PY6. Priorities and outcomes	The Scottish Government needs to clarify its priorities and have measurable targets to support the achievement of improved outcomes. Non-essential areas need to stop to enable activity and funding to be targeted at priority areas.	Ongoing See Recommendation 16
PY7. Performance report	The Scottish Government should ensure greater accessibility and transparency of its performance reporting within the Consolidated Accounts. The performance report needs to present clear targets and progress towards achieving priority outcomes. There should be continuity of corporate knowledge and experience to ensure continuous improvement.	Ongoing See Recommendation 17

Appendix 2 - Misstatements

The table below summarises unadjusted misstatements. If these had been adjusted, the net impact would have been to decrease comprehensive net expenditure by £69.2 million and increase net assets by £69.2 million.

	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
Description of error	Debit	Credit	Debit	Credit
	£m	£m	£m	£m
BT gainshare income not recognised in accounts (Issue 7 in Exhibit 3.)		64.7	64.7	
Year-end Warmworks expenditure under-accrual (Issue 8 in Exhibit 3.)	15.5			15.5
Main bank account understatement due to issues resulting from bank reconciliation process (Issue 10 in Exhibit 3.)			17.4	17.4
Classification error due to miscoding of electronic purchasing card balances			1.1	1.1
Receivables balance overstated due to inter-related balances between the Scottish Government and NHS boards not eliminated on consolidation			6.0	6.0
Payables balance overstated due to inter-related balances between the Scottish Government and NHS boards not eliminated on consolidation			0.6	0.6
Total Scottish Government unadjusted errors	15.5	64.7	89.8	40.6
NHS bodies unadjusted errors	12.0	23.9	51.4	39.5
Other consolidated bodies unadjusted errors	-	8.1	8.1	-
Total unadjusted errors in 2024/25 Consolidated Accounts	27.5	96.7	149.3	80.1

Appendix 3 - National reports

Report name	Date published
Auditor General for Scotland reports	
Scotland's colleges 2024	19 September 2024
Fiscal sustainability and reform in Scotland	21 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Administration of Scottish income tax 2023/24	17 January 2025
General practice: Progress since the 2018 GMS contract	27 March 2025
Scottish National Investment Bank	15 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Joint Auditor General for Scotland and Accounts Commission reports	
Alcohol and drug services	31 October 2024
Sustainable transport	30 January 2025
Additional support for learning	27 February 2025
Accounts Commission publications	
Local government budgets 2024/25	15 May 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
Transformation in councils	1 October 2024
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Other Publications	
The National Fraud Initiative in Scotland 2024	15 August 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
Auditing climate change	7 January 2025

Scottish Government

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