

Scottish Prison Service

2024/25 Annual Audit Report



Prepared for the Scottish Prison Service and the Auditor General for Scotland
July 2025

Contents

Key messages	3
Introduction	5
Audit of the annual report and accounts	8
Financial management and sustainability	14
Vision, leadership and governance	20
Use of resources to improve outcomes and Best Value	22
Appendix 1 – Action plan 2024/25	26
Appendix 2 – National reports	43

Accessibility

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions confirmed that the annual report and accounts were free from material misstatement.
- 2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed.
- 3 Limited progress has been made towards implementing prior year recommendations.

Financial management and sustainability

- 4 In 2024/25, SPS required authorisation for a £13.7 million (2.2 per cent) overspend against revenue and capital budgets due to late reprogramming of capital expenditure and unexpected costs. Despite this, arrangements for securing sound financial management are generally effective and appropriate.
- 5 During the current financial year, increased funding was made available through the 2025/26 Budget Act. SPS is forecasting a balanced budget for 2025/26.
- 6 Limited progress has been made in the development of a medium-term financial strategy, restricting SPS's ability to demonstrate its financial sustainability.

Vision, leadership and governance

- 7 The audit work performed on the arrangements in place for Vision, Leadership and Governance found that these are effective and appropriate.
- 8 SPS has a clear vision and strategy as set out in its 2023-28 Corporate Plan.
- 9 Changes to the Executive Management Group have increased leadership capacity.

Use of resources to improve outcomes and Best Value

- 10** Audit work on SPS's use of resources to improve outcomes found that arrangements are effective and appropriate.
 - 11** Performance of the Scottish Courts Custody and Prisoner Escorting Services (SCCPES) contract continued to see improvements during 2024/25.
 - 12** The prison population continued to rise with no ease on the pressure being put on service delivery.
 - 13** The contract for the new HMP Glasgow was signed in February 2025, with an expected cost of £998.4 million and a planned completion date in 2028.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Scottish Prison Service's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#) of:

- financial management.
- financial sustainability.
- vision, leadership and governance.
- use of resources to improve outcomes.

2. The Annual Audit Report is addressed to the Scottish Prison Service, hereafter referred to as 'SPS', and the Auditor General for Scotland. It will be published on [Audit Scotland's website](#) in due course.

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. These set out the requirements for the scope of the audit which includes:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- an opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- an opinion on the audited parts of the Remuneration and Staff Report.
- conclusions on SPS's arrangements in relation to the wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.
- reporting on SPS's arrangements for securing Best Value.

Auditor Independence

4. We can confirm that the appointed auditor and the audit team are independent of SPS 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 appointed auditor or the rest of the audit team, including no provision of non-audit services.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of SPS and the auditor, with a summary 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 SPS's arrangements in place for the wider scope areas and Best Value.

7. The Annual Audit Report includes an agreed action plan at [Appendix 1](#). The matters reported are those that have been identified by the audit team during audit work and may not be all that exist. Communicating these does not absolve SPS from its responsibilities outlined below.

SPS's responsibilities

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

- establishing arrangements to ensure the proper conduct of its affairs.
- preparation of an annual report and accounts, comprising financial statements for SPS that gives a true and fair view and other specified information.
- establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- implementing arrangements to ensure its financial position is soundly based.
- making arrangements to secure Best Value.
- establishing an internal audit function.

National and performance audit reporting

9. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to SPS and the Risk Monitoring and Audit Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Acknowledgements

10. We would like to thank SPS and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment to 2026/27.

Audit of the annual report and accounts

Main judgements

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

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed.

Limited progress has been made towards implementing prior year recommendations

Audit opinions on the annual report and accounts are unmodified

11. SPS's annual report and accounts were approved by the Risk Monitoring and Audit Committee (RMAC) on 30 July 2025. The Independent Auditor's Report, included in SPS's annual report and accounts, was signed on 1 August 2025 and reports that these were free from material misstatement with no modifications across each audit opinion.



The audit was delivered in accordance with the agreed timetable

12. The unaudited financial statements and all working papers were received on 19 May 2025, earlier than the agreed audit timetable date of 23 May 2025. The unaudited annual report was received on 5 June 2025, also earlier than the agreed date of 9 June 2025.

The audit fee remained unchanged

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £119,220. There were no developments that impacted on the planned audit work required. Therefore, the audit fee reported in the Annual Audit Plan remained unchanged.

Materiality was reviewed on receipt of the unaudited annual report and accounts

14. Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

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

Exhibit 1 2024/25 Materiality levels for SPS

Materiality	
Materiality – set at 1.6% of gross expenditure.	£8.2 million
Performance materiality – set at 71% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£5.8 million
Reporting threshold – set at 4.5% of materiality.	£365,000

Source: Audit Scotland

No significant findings or key audit matters were identified from our 2024/25 audit work

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

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

- Areas of higher or significant risk of material misstatement.

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

18. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

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

Accounting policies

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

Accounting estimates

21. Accounting estimates are used in SPS's financial statements, including the valuation of land and buildings assets and the valuation of provisions. Audit work considered the processes 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 reasonable.
- there was no evidence of management bias in making the accounting estimates.

22. Details of the audit work performed and the outcome of the work on the valuation of land and buildings that gave rise to a significant risk of material misstatement are outlined in [Exhibit 2, \(page 11\)](#).

Disclosures in the financial statements

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

There are no uncorrected misstatements to report

24. One material adjustment was required to the financial statements to correct a classification error within Note 4 - property, plant and equipment (PPE). Some downward revaluations were originally disclosed as impairment charges within the depreciation line of the note, both in the current and prior year. Our work identified that the amounts should have

been disclosed on the revaluation line within the cost section. This resulted in adjustments of £20.781 million in 2023/24 and £3.578 million in 2024/25.

25. This adjustment did not impact the overall net book value of PPE. It did, however, change the current and prior year breakdown of cost and depreciation within the note.

26. There are no uncorrected misstatements to report.

Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

27. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 2](#).

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Significant risks of material misstatement		
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over processing journal entries. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Detailed testing of journal entries. • Review accounting estimates for management bias, including a retrospective review of accounting estimates. 	Audit work performed found: <ul style="list-style-type: none"> • The design and implementation of controls over journal entry processing still requires improvement (see Appendix 1, prior year recommendation 7 for more detail). • Management were not aware of any inappropriate or unusual activity. • The detailed testing of journal entries did not identify any issues or errors. • No management bias was identified from our review of accounting estimates.

Risk of material misstatement	Planned audit response	Outcome of audit work
	<ul style="list-style-type: none"> • Evaluate significant transactions outside the normal course of business. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Substantive testing of accruals and prepayments to confirm they are accounted for correctly. 	<ul style="list-style-type: none"> • No significant transactions outside the course of business were identified • The detailed testing of income and expenditure around the year-end did not identify any issues or errors. • Detailed testing of accruals identified no issues. The prepayments balance was not material. <p>Conclusion: We did not identify any instances of management override of controls. We do note that the policy for journal authorisation still only covers a limited number of scenarios and needs to be updated to include a wider reaching remit.</p>
<p>Valuation of land and buildings</p> <p>SPS held £1.451 billion of property, plant, and equipment (PPE) at 31 March 2024, of which £1.352 billion was land and building assets.</p> <p>SPS is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over the valuation process were adequate. • The information provided to external valuer was complete and accurate • We considered the valuer to be competent, capable and objective • We were content with management's involvement in the valuation process and found that appropriate oversight occurred. • The frequency of valuation was appropriate. • All land and buildings were valued in year.

Risk of material misstatement	Planned audit response	Outcome of audit work
material changes to valuations.	valuation process, and challenge these where required. <ul style="list-style-type: none"> Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25, is not materially different to the current value at the year end. 	<ul style="list-style-type: none"> The disclosures, regarding the assumptions in relation to the valuation of land and buildings, were appropriate. <p>Conclusion: We did not identify any issues in relation to the valuation of land and buildings.</p>

Source: Audit Scotland

Limited progress has been made towards implementing prior year recommendations

28. SPS has made limited progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with SPS and are outlined in [Appendix 1](#). Our initial work identified that 17 of the 21 agreed actions were not yet fully implemented. However, as part of the clearance process for this report, SPS advised a further seven were implemented. We have marked these as 'Implemented - to be confirmed by audit' in Appendix 1 and will review as part of our 2025/26 audit.

Financial management and sustainability

Conclusion

In 2024/25, SPS required authorisation for a £13.7 million (2.2 per cent) overspend against revenue and capital budgets due to late reprogramming of capital expenditure and unexpected costs. Despite this, arrangements for securing sound financial management are generally effective and appropriate.

During the current financial year, increased funding was made available through the 2025/26 Budget Act. SPS is forecasting a balanced budget for 2025/26.

Limited progress has been made in the development of a medium-term financial strategy, restricting SPS's ability to demonstrate its financial sustainability.

Significant wider scope risks

29. Audit work was performed in response to the significant wider scope risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant wider scope risks

Significant risk	Planned audit response	Outcome of audit work
<p>Financial sustainability</p> <p>SPS faces a challenging financial position and this is likely to continue for the foreseeable future. Financial pressures arising from issues such as inflationary pressures, large capital projects like the construction of HMP</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review SPS's arrangements in place to manage its financial position. • Review any progress made in developing financially sustainable plans in the short to medium term. • Review any forecasts/budgeting work for future years. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The budgetary controls around budget monitoring were well designed and operated effectively, providing a strong control environment for

Significant risk	Planned audit response	Outcome of audit work
<p>Glasgow, the renewal of the Scottish Court Custody and Prisoner Escort Service contract and pay awards represent a significant challenge for SPS. This represents a wider scope risk for SPS.</p>		<p>managing the financial position.</p> <ul style="list-style-type: none"> The creation of a medium-term financial strategy is ongoing. <p>Conclusion: SPS needs to strengthen its arrangements for assessing its financial sustainability by developing of a Medium-Term Financial Strategy (MTFS).</p>
<p>IT Strategic Planning and Cyber Security</p> <p>As part of our 2022/23 audit, we identified that there is scope for SPS to strengthen their IT Strategic Planning and cyber security arrangements. There continues to be a significant risk of cyber-attacks to public bodies.</p> <p>SPS should ensure they have appropriate independent cyber accreditation (i.e. cyber essentials).</p> <p>There is a risk for SPS, that a cyber-attack could significantly impact on both the finances and operation of SPS.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> Consider and assess actions SPS have and plan to take to strengthen their IT Strategic Planning and Cyber Security. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> SPS obtained Cyber Essentials Accreditation in May 2025. SPS do not have an approved Business Continuity Plan. However management have advised that a range of work has commenced across Directorates to bring together a corporate plan. SPS has created a high-level recovery plan. <p>Conclusion: Despite some progress, SPS continues to manage significant risks in relation to its IT strategic planning and cyber security arrangements.</p>

SPS has achieved Cyber Essentials accreditation, but further action is required to strengthen cyber security arrangements

30. SPS obtained Cyber Essentials accreditation in May 2025. While the risk of cyber attacks to public bodies remains high, this accreditation provides external assurance over the organisation's cyber security arrangements.

31. We do note that further action is still required to strengthen cyber security arrangements in line with previous external audit recommendations. SPS has still to develop a centralised business continuity plan; undertake periodic inventory to verify the maintenance and testing of backup files; and test data regeneration. All of which should be undertaken to improve the organisation's resilience against cyber attacks.

32. For more detail and an updated management response, see [Appendix 1](#), prior year recommendation 10. We also note the findings from internal audit's review in February 2025 which made three high-graded recommendations.

SPS required Scottish Government authorisation for a £13.7 million overspend of their revenue and capital budgets in 2024/25

33. The main financial objective for SPS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

34. The initial 2024/25 budget was set at £648.2 million. During the year additional revenue funding was provided to cover areas including the 2024/25 pay award, the impact of inflation and high prisoner numbers. The capital budget was reduced primarily due to slippage in the capital programme. This resulted in a final approved allocation following the spring budget revision of £614 million.

35. SPS reported an outturn of £627.7 million against the revised budget, an overspend of £13.7 million (2.2 per cent). This overspend was authorised by the Scottish Government. The financial performance against fiscal resource is shown in [Exhibit 4](#).

36. £10.8 million of the overspend related to the capital budget. This arose due to increased capital costs during the year at HMP Highland, and the HMP Glasgow contract being signed earlier than expected. The revenue overspend arose due to increased costs relating to the early release of prisoners and unexpected costs associated with the Scottish Redress scheme.

Exhibit 4**Performance against budget limits in 2024/25**

	Initial Budget £m	Final Budget £m	Outturn £m	Over / (under) spend £m
Resource	481.2	502.0	504.9	2.9
Capital	167.0	112.0	122.8	10.8
Total budget	648.2	614.0	627.7	13.7

Source: Scottish Prison Service annual report and accounts 2024/25

Appropriate internal controls operated throughout 2024/25, including arrangements for the prevention and detection of fraud and standards of conduct

37. 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.

38. We reviewed the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach. We did not identify any significant internal control weaknesses which could affect the body's ability to record, process and report financial and other relevant data to result in a material misstatement in the financial statements.

39. From our prior year annual audit report, three outstanding actions were carried forward relating to payroll controls and journal authorisation. As part of our 2024/25 review of the control environment, we considered the progress of SPS in implementing these outstanding actions.

40. Our work identified that the year-end reconciliation between payroll and the general ledger had been implemented and was found to be well designed and operating effectively.

41. The remaining two actions, relating to journal authorisation and employee verification, remained in progress. Please see [Appendix 1](#), prior year recommendations 7 and 8, for management updates in relation to these outstanding improvements.

42. SPS has the following arrangements in place to ensure the prevention and detection of fraud and standards of conduct:

- A Fraud Response Group (FRG) that reviews and reports on any identified frauds. The FRG provides an annual report to the Risk Monitoring and Audit Committee.
- A Fraud and Corruption Register.
- Policies in place for Anti-Corruption, Fraud Prevention and Whistleblowing.

43. While we have not identified any risk of material misstatement in relation to fraud at SPS, we do note that Internal Audit identified four medium and three low recommendations as part of their 'Counter Fraud and Awareness' review. We encourage SPS to implement these recommendations in line with the agreed action dates.

Increased funding was made available through the 2025/26 Budget Act, with SPS forecasting a balanced budget for 2025/26

44. The SPS 2025/26 budget shows that the resource budget is £481.5 million, an increase of £24.1 million from the 2024/25 Spring Budget Revision (SBR). The capital budget is £355 million, an increase of £243.5 million from the 2024/25 SBR.

45. The budget excluded any funding in relation to the increased employer National Insurance Contributions (NIC) announced in the UK Budget. Scottish Government advised SPS that they will receive 60% of additional NIC costs for directly employed staff.

46. SPS is forecasting a balanced budget in 2025/26.

Limited progress has been made in the development of a medium-term financial strategy

47. In June 2025 the Scottish Government published its [Medium-Term Financial Strategy and Fiscal Sustainability Delivery Plan](#).

48. There is a prior year audit recommendation that SPS should develop a medium-term financial strategy. SPS advised us that the development of a financial strategy was a key objective for SPS. However, capacity issues in the finance function severely impacted progress towards developing a medium-term financial strategy in 2022/23 and 2023/24.

49. During 2024/25, resource pressures continued to impact the finance function. This has led to further delays in developing the medium-term financial strategy. The development of a medium-term financial strategy should be a key focus for SPS during 2025/26 to help demonstrate its financial sustainability and support decision making across the organisation. Please see [Appendix 1](#), prior year recommendation 14, for an update in relation to this recommendation.

A new finance structure was approved during 2024/25 but vacancies remain

50. In November 2024, SPS approved a new finance structure that aims to help SPS align their finance capacity with requirements and address capacity issues. However, at the start of 2024/25, there was an increase in staff turnover, including the Director of Finance retiring and the Head of Finance and Senior Financial Accountant leaving the organisation.

51. Some of these vacancies have been filled, with an Interim Head of Finance and a new Director of Finance being appointed. However, due to challenging market conditions there remains a number of vacant positions.

52. Overall, the Financial Policy and Services department is in a stronger position compared to 2023/24. See [Appendix 1](#), prior year recommendation 11, for an updated management response in relation to finance capacity.

Vision, leadership and governance

Conclusion

The audit work performed on the arrangements in place for Vision, Leadership and Governance found that these are effective and appropriate.

SPS has a clear vision and strategy as set out in its 2023-28 Corporate Plan.

Changes to the Executive Management Group have increased leadership capacity

SPS has a clear vision and strategy as set out in its 2023-28 Corporate Plan

53. SPS has published a Corporate Plan for years 2023 to 2028. It highlights the environment SPS is managing in the form of changing prison demand and the challenges this brings. The plan's overview sets out SPS's strategic intent, its objectives and enablers of success. It is supported by the 2024/25 – 2025/26 annual delivery plan.

54. The arrangements in place demonstrate a clear plan to implement SPS's vision, strategy and priorities for the foreseeable future.

Changes to the Executive Management Group have increased leadership capacity

55. There were a number of changes at Executive Management Group level during the year. This included new Directors of Operations; a new Director of Policy; and a permanent appointment to the role of Director of Organisational Development. These appointments have increased the capacity of the leadership team at SPS.

Governance arrangements continue to operate effectively

56. SPS's governance arrangements are set out in the Governance Statement in the annual report and accounts. We reviewed these arrangements and concluded that they are effective and appropriate.

57. SPS is governed by its Advisory Board, the Risk Monitoring and Audit Committee (RMAC) and the Executive Management Group (EMG). Minutes for the Advisory Board and RMAC meetings, including financial and performance information and details of decisions made, are available on the SPS website.

58. We previously recommended that minutes should be taken for all EMG meetings. SPS has considered this recommendation and decided not to implement as they believe the current practice of recording actions is appropriate. See [Appendix 1](#), prior year recommendation 12.

59. SPS has well established governance arrangements in place, involving both the Senior Management Team and Non-Executive Directors. This allows for an appropriate and effective level of scrutiny and transparency.

Use of resources to improve outcomes and Best Value

Conclusion

Audit work on SPS's use of resources to improve outcomes found that arrangements are effective and appropriate.

Performance of the Scottish Courts Custody and Prisoner Escorting Services (SCCPES) contract continued to see improvements during 2024/25.

The prison population continued to rise with no ease on the pressure being put on service delivery.

The contract for the new HMP Glasgow was signed in February 2025, with an expected cost of £998.4 million and a planned completion date in 2028.

SPS continues to report progress against their revised suite of Key Performance Indicators (KPIs)

60. In 2023/24, SPS updated their KPIs to align with the strategic objectives set out in their Corporate Plan 2023-28. This involved creating eight new KPIs, escalating six previously held operational measures to KPI level and continuing the use of 17 KPIs.

61. This is the first year where year-on-year comparison is available for the new KPIs. The data reported in the SPS annual report and accounts shows that performance was maintained or improved for 52% of the KPIs (five maintained and 10 improved). 14 KPIs, 48%, saw a decrease in performance. Notable points highlighted include:

- Instances of violence reduced to levels slightly above what was observed in 2021/22. However, there has been a slight increase in violence when compared to 2023/24.
- The total and average hours of purposeful activity increased.
- The average cost per prisoner was up against 2023/24.

- Vocational and employment related qualifications increased.

62. Alongside the KPIs, SPS report progress against actions and activities set out in their Annual Delivery Plan. In the 2024/25 SPS annual report and accounts, both the KPIs and Annual Delivery Plan actions are aligned to the Corporate Plan, to demonstrate overall performance. Activities are rated as being delivered, less progressed than planned and significantly less progressed than planned.

63. For 2024/25, SPS delivered 25 of the 37 activities (67.6%), with less progress being made than expected on 11 (29.7%). Only one activity was noted as having significantly less progress made than expected (2.7%).

Performance of the Scottish Courts Custody and Prisoner Escorting Services (SCCPES) contract continued to see improvements during 2024/25

64. SPS manages the Scottish Courts Custody Prisoner Escorting Services contract on behalf of the Justice Multi Agency Liaison Group (MALG) which includes SPS, Scottish Courts and Tribunals Service, Crown Office and Procurator Fiscal Service and Police Scotland.

65. In 2023/24, the performance of the contract saw improvements across all key service performance areas by the end of quarter 4.

66. In 2024/25, the performance of the contract continued to improve, with performance at the end of March 2025 being at its highest levels since 2020. One of the Contract Improvement Notices was removed in December 2024. SPS advised that if performance continues to improve through 2025 a further two could be removed by the end of September 2025.

67. Our testing of expenditure did identify that the cost of delivering the contract increased by £8.6 million (28%) in 2024/25. This was primarily driven by higher pass through costs charged by GEOAmey following revisions to the contract.

68. In March 2025, SPS published a contract notice for the Justice Partners Escort and Custody (Scotland). This will replace the SCCPES contract when it expires and will run from January 2027 to March 2035. SPS must continue to engage closely with justice partners, including the Scottish Government, to ensure the new contract delivers value for money and meets the level of service required by partner organisations.

The prison population is continually rising, with no ease on the pressure being put on SPS

69. Scotland's prison population continues to increase, with an average daily population of 8,214 in 2024/25 (2023/24 – 7,859). This is the highest average daily population ever recorded by SPS.

70. The Scottish Government attempted to reduce the population during the year. People on short term sentences were released early in summer 2024 and at the start of 2025 the Prisoners (Early Release) (Scotland) Act changed the release point for some short-term prisoners from 50 per cent to 40 per cent of their sentence.

71. These actions did have an impact, but the population remains high. At 31 March 2025 the prison population was 8,182, down from a high of 8,379 earlier that month (4 March 2025).

72. The challenge of managing the high number of people in Scotland's prisons is compounded by the complexity of the population. The changing age profile of those within the care of SPS requires increased health and social care needs, while the number of people with links to serious and organised crime creates challenges in managing the population.

73. SPS has identified that increased funding may be required to pay for additional staff where prisons are operating above their design capacity. It has also identified cost pressures in relation to food provision in prisons. SPS is taking forward a 'wide ranging review' of food provision to better understand inconsistencies and to establish a cost-effective practise across all locations.

74. The above factors are placing significant pressure on the service. SPS should continue to engage closely with the Scottish Government and justice partners to find lasting solutions.

HMP Highland contract was awarded in April 2024

75. The construction contract for HMP Highland, the replacement for HMP Inverness, was awarded in April 2024. HMP Highland will have a capacity of 200, which is 103 more than the 93 spaces at HMP Inverness. The completion date is expected to be Summer 2026 and the total project cost is £209 million.

The new HMP Glasgow project has made progress

76. The construction contract for HMP Glasgow was signed on 6 February 2025. HMP Glasgow has been designed to have a capacity of 1,344 - adding 357 more places to the overall prison estate. The total project cost is £998.4 million. The cost is considerably more than reported in 2023/24.

77. The opening date has been set as 2028. This means HMP Barlinnie will continue to be in use for another three years despite being considered by the His Majesty's Inspectorate of Prisons in Scotland (HMIPS) as 'physically no longer fit-for purpose to manage the size and complexity of the population it routinely holds'.

Duty of Best Value

78. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

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

80. In 2023/24, SPS implemented our recommendation to create a Best Value framework document. The 'Delivering 'Best Value in Public Services' at SPS' document demonstrates the way in which the Accountable Officer at SPS meets their Best Value obligations. The document covers the five themes and two cross cutting themes that are set out in the SPFM. Considerable evidence is included for each theme (and sub-theme) to demonstrate that Best Value is implemented and achieved.

Conclusions on duty of Best Value

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

- SPS having well established and effective governance arrangements in place.
- The arrangements SPS has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.
- Progress the body is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Appendix 1 – Action plan 2024/25

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Ex-Gratia Payroll Review</p> <p>We identified two errors as part of our ex-gratia testing. This was found to be due to human error. SPS identified other claims which could have been affected by the same issue.</p> <p>Risk – Overpayments are made for ex-gratia that are not identified.</p>	<p>Recommendation – SPS should investigate all potential errors identified from their review of ex-gratia payments. In addition, SPS should review payroll processes for ex-gratia to ensure they are appropriate.</p> <p>Agreed Action – All potential errors from the payroll reports on Ex Gratia payments will be investigated fully with a managerial review to review reasons for errors.</p> <p>As part of the review looking at the SPS policy and Operation of the ex gratia process, the payroll process for ex gratia will be reviewed for appropriateness with the outcome disseminated to the Payroll Team members.</p> <p>Director of Organisational Development</p> <p>Quarter 3, 2024-25</p>	<p>Implemented – to be confirmed by audit</p> <p>In April 2025, Operations Directorate introduced a new ex-gratia process which established a dedicated Roster Management Group (RMG) for each Establishment. Each RMG is responsible for checking and approving all ex-gratia claims, and for completing a new suite of governance documents.</p> <p>In February 2025 a new HR/Payroll system (iTrent) was introduced, and prison officers must now claim for payment of ex-gratia through the system. Once RMG have approved a claim, the system calculates rates of ex-gratia payment based on when the claim was worked and the employee's salary. This replaces the previous manual/temporary claim process for claiming, authorising and paying ex-gratia.</p> <p>Within the monthly payroll cycle, a process exists to identify and remove any duplicate ex-gratia claim, ensuring that this isn't processed for payment. Operational managers now</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		<p>also have access to ex-gratia related data via interactive dashboards, which enables them to assess and assure that the ex-gratia claim process is operating effectively.</p> <p>Director of Organisational Development</p> <p>Quarter 4, 2024-25</p>
<p>2. Ex-Gratia Process Review</p> <p>The current ex-gratia process is not fit for purpose. There is an ongoing review of the process being carried out by SPS. This review should ensure that a new process is well designed and consistent with any SPS policy.</p> <p>Risk – Issues with the current ex-gratia process are not addressed as part of the review.</p>	<p>Recommendation – SPS’s ongoing review of the ex-gratia process should ensure there is a new and improved process which ensures compliance with working time regulations and SPS policy, and has well-designed and consistent procedures in place for working, claiming and paying ex-gratia. It should ensure a strong control environment that allows for efficient and accurate recording, authorisation and payment of ex-gratia.</p> <p>Agreed Action – In recognition of a range of challenges with the ex-gratia policy and process, SPS is undertaking a review of ex-gratia to inform a project for a new ex-gratia policy, which will ensure compliance with working time regulation and improved consistency of its use, claim, approval and payment of ex-gratia across the estate.</p> <p>The SPS ex-gratia process has two parts, both of which will require change. Namely:</p>	<p>Implemented – to be confirmed by audit</p> <p>Revised ex-gratia claim process implemented in February 2025. All ex-gratia claims now submitted and approved via employee and manager self-service functionality.</p> <p>Director of Operations and Director of Organisational Development</p> <p>Quarter 4, 2024-25</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>Part A - distributing ex-gratia shifts (Operations Directorate); and;</p> <p>Part B - ex-gratia claiming process (Organisational Development Directorate).</p> <p>The SPS ex-gratia process has two parts, both of which will require change. Namely:</p> <p>Part A - distributing ex-gratia shifts (Operations Directorate); and;</p> <p>Part B - ex-gratia claiming process (Organisational Development Directorate).</p> <p>SPS will ensure the recommendations and conclusions of reviews by internal and external audit on ex-gratia will be used to inform our project for renewing the policy and operation of ex-gratia across the organisation. The project will report into our Major Projects and Management Board, and update to the Risk Management Audit Committee.</p> <p>It is also acknowledged that the future use of ex-gratia will be informed by medium to longer term reform prison operating models and staff structures.</p> <p>The introduction of a new integrated HR and Payroll system (MHR) in October this year presents an opportunity to make improvements to part B- ensuring consistency in claiming across the estate.</p> <p>SPS will also ensure all establishments are compliant with the working time</p>	

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>regulations. and adhere to the correct use of the SPS policy on ex-gratia to ensure there is improved consistency in decision making and processes.</p> <p>Quarter 3, 2024-25 Director of Operations Director of Organisational Development</p>	
<p>3. Ex-Gratia Claims Review</p> <p>Our audit testing of ex-gratia identified that there are employees who have worked over 48 hours per week. This is in breach of Working Time Regulations and SPS policy.</p> <p>Risk – SPS employees are breaching Working Time Regulations and SPS policy.</p>	<p>Recommendation – SPS should review all cases where individuals have breached Working Time Regulations and organisational policy, and ensure that effective controls are in place to prevent such cases happening again in the future.</p> <p>Agreed Action – Management Action is as Risk 1 noted above.</p> <p>Similar to above, the SPS operational Ex-Gratia Audit highlighted the same concerns about individuals working more than the 48 hours per week breaching the working time regulations. OD and HR will target immediate action to ensure that there is greater understanding and reinforce the implementation of this policy across establishments as we seek to renew the policy, it's understanding and implementation.</p> <p>Director of Operations Director of Organisational Development Quarter 3, 2024-25</p>	<p>Implemented – to be confirmed by audit</p> <p>Compliance with working time directive regulations is monitored on a monthly basis via production and review of MI, with concerns escalated to local management/HR teams to support local decision making.</p> <p>Director of Organisational Development Quarter 4, 2024-25</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>4. Workforce planning review of ex-gratia</p> <p>Ex-gratia payments have been increasing in recent years. There was an increase of £1.2 million, from 2022/23 to 2023/24. This is a 19% increase. Given the increased reliance on SPS staff working ex-gratia shifts, SPS should review the ex-gratia policy as part of its wider workforce planning.</p> <p>Risk – Ex-gratia payments continue to rise with no consideration of wider workforce planning.</p>	<p>Recommendation – SPS should review its policy for using ex-gratia payments as part of its wider workforce planning to improve its model of staff deployment where use of ex-gratia is extensive.</p> <p>Agreed Action – As identified above, SPS will ensure to review its current policy is in line with wider workforce planning. In addition, further changes to the approval and claiming process will aim to mitigate against any potential future increases in costs. Future use of ex-gratia will be informed by wider reform of SPS operating model and staffing structures.</p> <p>Director of Operations Director of Organisational Development Quarter 3, 2024-25</p>	<p>Work in progress</p> <p>SPS is reviewing the causes/drivers of ex-gratia to inform workforce planning decisions relating to Prison Officer recruitment and deployment.</p> <p>This is in the context of prison population pressures and SPS is also continuing to take forward work to ensure that we have sufficient Prison Officer resource in place at the times when needed most.</p> <p>Director of Organisational Development Quarter 4, 2024-25</p>
<p>5. National Fraud Initiative (NFI)</p> <p>We rated SPS's NFI arrangements as being Amber (on a Red, Amber and Green (RAG) rating). The reason for this rating was due to the NFI not being an explicit part of SPS's Counter Fraud Strategy, the NFI self-assessment checklist had not completed and NFI progress and outcomes are not reported to senior management.</p> <p>Improvement – SPS's NFI arrangements can be improved upon.</p>	<p>Recommendation – SPS should implement the following as part of their NFI arrangements:</p> <ul style="list-style-type: none"> • Incorporate NFI as an explicit part of SPS's Counter Fraud Strategy. • Complete the NFI self-assessment checklist for each NFI exercise and present it to management and those charged with governance for consideration. • Report NFI progress and outcomes to senior management and the RMAC. 	<p>Implemented – to be confirmed by audit</p> <p>The Fraud Response Group last met on 5 March 2025, with meetings taking place in each quarter.</p> <p>NFI is part of SPS's counter fraud activity and the findings were presented to the SPS Director of Finance and Director of Organisational Development.</p> <p>During 2023/24 SPS were commissioned to upload extracts of standing data to the NFI portal. This data was matched against data sets from other public sector organisations and then SPS</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>Agreed Action – A process shall be put in place for all establishments to complete the self-assessment checklist for NFI exercise. The results from the exercise shall be reported to the Fraud Response Group for deliberation with progress reported to RMAC in due course.</p> <p>Chair of the Fraud Response Group</p> <p>March 2026</p>	<p>were provided with a list of data to check for possible fraud. SPS examined each of these cases and we can confirm that no instances of possible fraud were identified.</p> <p>A progress update on NFI was then presented to RMAC in November 2024.</p> <p>The Fraud Prevention Policy and Fraud Response Plan was updated on 16 January 2025</p> <p>Chair of the Fraud Response Group</p> <p>March 2026</p>
<p>6. Certificates of Assurance and accompanying checklists</p> <p>From our review of the Certificates of Assurance and accompanying Internal Control Checklists, we found that some Certificates did not contain all required content of the SPFM and the checklists were not comprehensively completed.</p> <p>Risk – Incomplete assurance is provided to the Accountable Officer.</p>	<p>Recommendation – SPS should ensure that Internal Control Checklists are comprehensively completed, and that all Certificate of Assurance reflect the required content of the SPFM template. This is important for assuring the Accountable Officer on the effectiveness of internal controls and corporate governance.</p> <p>Agreed Action –</p> <p>a) SPS will update the Certificate Template to reflect the SPFM.</p> <p>b) SPS will provide enhanced guidance, support and review of checklists for the next cycle of assurance statements (April-May 2025) to improve the quality of responses.</p> <p>Deputy Chief Executive</p> <p>June 2025</p>	<p>Implemented</p> <p>The SPS Certificate of Assurance template was updated and additional guidance issued to those completing Statements of Assurance.</p> <p>Deputy Chief Executive</p> <p>Quarter 4, 2024-25</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>7. Journal Authorisation</p> <p>The current policy for authorisation of journals in the Finance Policy and Guidance Manual is too limited.</p> <p>Risk – Without journal authorisation, there is a risk that inappropriate or incorrect journals are entered into the general ledger.</p>	<p>Recommendation – When SPS is updating their Finance Policy and Guidance Manual, the journal authorisation policy should be updated and expanded to ensure that the requirements for authorisation cover a wider range of situations.</p> <p>Agreed Revised Action – Due to ongoing resource constraints the finance manual review has not yet taken place. Due to the scale of this task and with limited resources, a process of focusing on specific areas with an ongoing change management process is viewed as the most effective way of targeting this. The new finance structure which is being worked on will provide more senior finance resource which should help address progress with this in 2024-25. The absence of an efficient and effective system for authorising journals has also impacted this- the adoption of an upgraded version of the financial system with cloud functionality should also help this process once it is implemented.</p> <p>Director of Finance Quarter 4 2024-25</p>	<p>Work in progress</p> <p>New finance business partner process reviews the authorisation process. Working group is set up to review this as part of improved assurance process. Working group due to start in June 2025.</p> <p>Director of Finance Quarter 4, 2025-26</p>
<p>8. Strengthening of Payroll Controls</p> <p>As part of our testing, we identified a number of improvements that should be made to the payroll control environment. These covered exception report, employee verification and a cumulative</p>	<p>Outstanding Recommendation – SPS should strengthen controls in relation to payroll by:</p> <ul style="list-style-type: none"> Implementing an employee verification exercise to provide assurance that the 	<p>Work in progress</p> <p>In February 2025, SPS implemented a new, integrated HR & Payroll system which transitioned SPS to a cloud based, managed service model of payroll delivery.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>ledger to payroll reconciliation.</p> <p>Improvement – In making these improvements, SPS will strengthen their payroll controls to better prevent and detect material misstatements.</p>	<p>payroll listing is complete and accurate.</p> <p>Agreed Revised Action – A report of New Starts and Leavers for each month is produced from the HR system and reconciled against the Pay system each month prior to main run being completed; assurance that the reconciliation has been completed is recorded on the Monthly Payroll check assurance.</p> <p>Director of Finance Quarter 4 2024-25</p>	<p>As part of implementation, revised finance and compliance requirements were developed and implemented to support roll out (such as revised General Ledger requirements). Other compliance activity to identify basic pay, time & expense and overpayment errors has also been introduced.</p> <p>SPS is continuing to contract a Payroll Consultant, and a key part of their ongoing work will be to devise and implement a revised suite of payroll compliance processes which complement new processing and managed service needs.</p> <p>Director of Organisational Development By 31 December 2025</p>
<p>9. Cyber Essentials</p> <p>SPS does not have cyber essentials and is currently not meeting the requirements set.</p> <p>Risk – SPS is not sufficiently protected against common online threats.</p>	<p>Recommendation – SPS should ensure that they are demonstrating strong cyber security. This involves ensuring they are complying with the Public Sector Cyber Resilience Framework by obtaining Cyber Essentials.</p> <p>Agreed Revised Action – SPS is currently working through its remediation plan completed in January 2024 prior to applying for Cyber Essential accreditation during 2024/25.</p> <p>Head of Digital Services Quarter 2 2024-25</p> <p>Digital Services has a daily triage review of SC3 threat assessment and weekly cyber forum. Utilising MS Defender and Sentinel plus Smoothwall</p>	<p>Implemented</p> <p>SPS achieved Cyber Essentials accreditation on 2 May 2025.</p> <p>Head of Digital Services</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>firewall tools. Digital Services is working on our remediation plan from the Pentest undertaken in Jan 2024 prior to applying for accreditation in Q2 2024.</p> <p>Head of Digital Services Quarter 2 2024-25</p>	
<p>10. IT Strategic Planning</p> <p>SPS does not have a central Disaster Recovery Plan and Business Continuity Plan. In addition to this, they do not regularly verify and test the back-ups of files.</p> <p>Risk – In the face of an event that stops day to day operations, SPS risks data loss, additional expenses and reputational damage due to not having these plans in place.</p>	<p>Recommendation – The SPS needs to strengthen its IT strategic planning. This includes:</p> <ul style="list-style-type: none"> • Creating a corporate Business Continuity Plan and Disaster Recovery Plan that is approved by Senior Management and tested regularly to ensure that they remain fit for purpose. • Undertaking a periodic inventory to verify the maintenance and testing of backup files. Testing of data regeneration should also be carried out on a regular basis. <p>Agreed Revised Action – Digital Services have completed a Disaster Recovery Plan to review scenario and response planning. This includes Incident response support from Resillion for cyber workshop and tabletop exercises. Digital Services undertook a board workshop on 31/1/24 and identified responsibilities for Disaster Recovery planning. Digital Services also identified Business Continuity requirement for wider business departments to</p>	<p>Work in progress</p> <p>Digital Services has a Disaster Recovery plan which highlights scenario planning, however, it does not take account of recovery testing therefore timelines are estimates only. SPS Executive Management group have approved the tiered recovery systems in Apr 25. Digital Services will expand Disaster Recovery plan on appointment of new Cyber Incident Response partner. Acumen were appointed in Jul 2025. Digital Services have secured funding for additional Netapp storage to enable full backup recovery testing to commence. Business cases for 24/7 cyber monitoring options; and for an upgrade to the technical platform for the prisoner database PR2 have been submitted for funding approval.</p> <p>Head of Digital Services Q3 2025/26</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>complete, which are still in progress. This was reported to SPS RMAC on 28/6/24.</p> <p>Head of Digital Services</p> <p>Q4 2024-25</p>	
<p>11. Finance Capacity</p> <p>The Finance Policy and Services Department is currently operating under capacity, with an over-reliance on key members of staff. The additional work carried out by the Department to keep the Department operating is not maintainable.</p> <p>Risk – The Finance Policy and Services Department is under-resourced and cannot operate properly or effectively.</p>	<p>Recommendation – SPS should review resourcing within the Financial Policy and Services (FP&S) department to ensure that it can function properly and effectively.</p> <p>Agreed Revised Action – Certain key positions within the current finance structure have been filled in the year, however, there remains vacancies and the adoption of a new finance structure will lead to further roles which will help SPS align their finance capacity with requirements and help address capacity issues.</p> <p>Director of Finance</p> <p>Q4 2024-25</p>	<p>Work in progress</p> <p>Recruitment of vacancies to new structure substantially complete despite challenging market conditions. An Interim review of the structure suggests further adjustments are required to improve reporting lines. The process to recruit a new FD due to the retirement of current incumbent has been completed. However, several senior positions within the Finance team are on an interim/agency basis and need to be converted to permanent positions.</p> <p>Director of Finance</p> <p>March 2026</p>
<p>12. Improving Transparency</p> <p>RMAC minutes are not published online. In addition to this, no minutes are taken for the EMG meetings.</p> <p>Risk – The SPS is not being fully open and transparent.</p>	<p>Outstanding Recommendation – SPS should increase their openness and transparency by:</p> <ul style="list-style-type: none"> Ensuring that minutes are taken for all meetings of the Executive Management Group. <p>Agreed Revised Action – Decisions reached at the Executive Management Group are either discussed at the SPS Advisory Board or RMAC and thereafter the minutes for these meetings are published on SPS'</p>	<p>Work in progress</p> <p>Consistent with SPS Advisory Board minutes, which have been routinely published on SPS website for a number of years, RMAC meeting minutes have been routinely published since March 2024.</p> <p>A comprehensive action note and decision log is taken of every SPS EMG meeting. Further consideration of wider dissemination of the EMG action log is under active consideration as part of wider</p>

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	<p>website. It is therefore not intended to change this current practice meantime.</p> <p>Head of the Office of the Chief Executive</p>	<p>review of governance arrangements.</p> <p>Head of the Office of the Chief Executive By end of Q3 2025/26</p>
<p>13. Policy Review, including Framework Document</p> <p>A number of key policy documents are overdue for review.</p> <p>Risk – Key policy documents may be out of date and no longer relevant.</p>	<p>Recommendation – SPS should review and update all key policy documents to confirm that they remain relevant.</p> <p>Agreed Revised Action – In July 2023, SPS agreed in partnership to a differing approach to policy review and removed the fixed triennial policy review period. This is on the basis that HR policy priorities are reviewed annually in partnership as part of SPS' continuous review process that considers legislative changes, emerging business needs, continued relevancy, the time since the last review and based on stakeholder feedback from managers, staff and trade unions. Therefore, where necessary and in partnership with unions, policy changes are agreed and actioned as required.</p> <p>In the last three reporting years, SPS has undertaken and published 19 HR policy reviews (16 constituted reviews of existing policies and 3 implemented as new policies). Of the 65 related HR policies, all but five still require to be updated to reflect SPS' revised approach.</p> <p>Director of Organisational Development Ongoing</p>	<p>Implemented</p> <p>HR Policy Review Action plan implemented in July 2023.</p> <p>Framework document was completed July 2024.</p> <p>Director of Organisational Development</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>14. Financial Sustainability</p> <p>COVID-19 has continued to have a significant impact on both capital and revenue expenditure of SPS and, as reported in 2020/21, work is still ongoing to quantify the potential impact on medium and long-term financial plans. The most recent Spending Review published by the Scottish Government allocates SPS with a flat cash position of £370 million per annum for the next five years and until 2026/27. This will offer both challenge and opportunity to SPS and will require a good quality medium term financial plan. SPS's ability to address those issues and to be financially sustainable is dependent on additional financial support and efficient use of the resources. Management continue to liaise with Scottish Government to ensure SPS can respond to these operational challenges in a sustainable way.</p> <p>Risk – There is a risk that SPS will not be able to deliver and finance its services.</p>	<p>Recommendation – SPS should prioritise the development of realistic medium term financial strategy.</p> <p>Agreed Revised Action – Resourcing issues severely impacted the development of the MTFS in 23-24 but a full detailed budget exercise has been carried out and seen as the key input to the MTFS and will detail the current budget and funding pressures facing SPS. A realistic Medium Term Financial Strategy is one of the top priorities for 2024-25 with this planned to be put in place in 2024-25.</p> <p>Director of Finance Q4 2024-25</p>	<p>Work in progress</p> <p>Work ongoing but the resignations during the year of the Head of Finance and Senior Financial Accountant, continued staff shortages at senior level, required prioritisation of other key operational finance deliverables which impacted on finalising a MTFS in the period. However, work in literature research and medium-term financial forecasts was undertaken in the period by the Finance Director and the new Interim Head of Finance.</p> <p>A revised target date of Q3 2025-26 is required due to the transitioning period of change of Finance Director role in the organisation.</p> <p>Director of Finance/Head of Finance December 2025</p>
<p>15. Kilmarnock PFI</p> <p>We note that Kilmarnock Prison will be the first PFI contract asset to return to the public sector in 2024 alongside the workforce currently employed by SERCO and associated facilities management services.</p> <p>Risk – There is a risk that upon the transfer of PFI</p>	<p>Recommendation – In the context of an overall flat cash settlement for the Prison Service, more needs to be done to establish and plan for the financial, operational and strategic risks associated by this transfer.</p> <p>Agreed Action – Phase 2 to complete Q4 2024/2025</p> <p>The current known funds required for Kilmarnock</p>	<p>Implemented</p> <p>Implemented and finalised in November 2024.</p> <p>Director of Finance Quarter 3, 2024-25</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>ownership the prison operations and services at Kilmarnock will become disrupted.</p>	<p>operation has been factored in the current year budget request and ongoing work with SG to address the overall SPS funding gap.</p> <p>Director of Finance</p> <p>Q3 2024-25</p>	
<p>16. Capital Programme</p> <p>The impact of COVID has contributed to capital underspends in recent years. Improving the efficiency and effectiveness of the current estate remains a strategic priority. However, with limited capacity and restraint of resources requiring prioritisation of projects, including consideration of older facilities repairs value for money aspect, it is not currently clear that the SPS is capable of delivering the capital investment required to adequately maintain the existing estate.</p> <p>Risk – There is a risk that the capital investment and maintenance programmes are not delivered impacting negatively on SPS operations.</p>	<p>Recommendation – SPS should develop a capital and maintenance plan to address the needs of the estate and assess capability to deliver their capital plan.</p> <p>Agreed Revised Action – Through the detailed budget process for 2024-25, capital project spend is broken out across areas and for estates through projects. This is then monitored on a regular basis and reported through our normal reporting. There has been an increased focus on phasing of budget spends in this to ensure more consistent spend profiles throughout the year. This should allow for a more planned and proactive approach to managing capital particularly on the more routine capital projects. Major capital programs have separate project teams to specifically deal with progress. Finance resource has now been secured to help the ongoing budget scrutiny and reporting of the capital programme with the Capital Accountant due to start in Q2 2024-25.</p> <p>Director of Finance</p> <p>Q4 2024-25</p>	<p>Implemented – to be confirmed by audit</p> <p>During the period SPS recruited a Capital Accountant on an agency contract basis. The capital accountant has established processes and procedures for monthly budget reporting and forecasting of capital expenditure.</p> <p>Director of Finance</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>17. Workforce Planning</p> <p>Sickness absence, ageing workforce, the levels of ex-gratia payments and compensations for dismissals on ill health grounds are interlinked and should be looked at together to establish an effective workforce strategy going forward. This is going to be done within the latest Resource Spending Review allocating SPS with the flat cash position over the next 5 years and will provide a serious challenge to manage.</p> <p>We would also encourage SPS to review its current policy on Civil Service and other compensation schemes – exit packages to ensure this provides value for money and is supported by appropriate governance arrangements.</p> <p>Risk – There is a risk that operations of SPS are adversely impacted by the lack of highly motivated workforce. There is a risk that value for money is not achieved in relation to compensation payments and that the governance arrangements are not appropriate.</p>	<p>Recommendation – To produce an effective workforce strategy. To consider value for money of the Civil Service and other compensation schemes – exit packages. To strengthen the governance arrangements around Civil Service and other compensation schemes – exit packages.</p> <p>Agreed Revised Action – Efficiency Compensation</p> <p>During 2022/23, SPS took forward work to better understand the root cause of the considerable number of dismissals on efficiency grounds and the associated costs. Work was undertaken to review current practice, wider & cultural drivers behind dismissals, and SPS' alignment to applicable civil service and cabinet office guidance.</p> <p>This work produced a number of recommendations that SPS is continuing to implement in consultation with key stakeholders, including trade union partners.</p> <p>Work and changes to date have delivered a substantial reduction in the volume and cost of dismissals during 2023/24.</p> <p>Workforce Strategy</p> <p>Throughout 23/24, work to baseline and reconcile the SPS workforce to fully understand the current position from a capacity, skills and financial perspective commenced, and this will</p>	<p>Implemented – to be confirmed by audit</p> <p>Work to review SPS' practice in relation to the Civil Service Compensation Scheme has resulted in a reduction in associated costs. Workforce decisions are now supported by an enhanced people data and MI as a consequence of the implementation of iTrent. This enables for more effective, informed decisions can be made in relation to workforce planning, deployment and recruitment, with consideration for financial impact and value for money, right across the prison estate, including new prisons.</p> <p>Director of Organisational Development</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>inform the next stage of SPS' work in developing an effective workforce strategy, taking account of future needs and aspirations.</p> <p>SPS has been progressing, supporting, and aligning various organisational workstreams, including HR Transformation, Leadership Development, Prison Officer Professionalisation, Efficiency Compensation Dismissal Review and budget planning. SPS recognise that we have been restricted in our capacity to progress this work due to the volume of other essential workforce planning activity, such as the transition of HMP Kilmarnock and high-volume prison officer recruitment during 23/24, which has continued into this financial year.</p> <p>Director of Organisational Development March 2025</p>	
<p>18. IT Controls</p> <p>The following control weaknesses were identified and not addressed at the previous reporting date:</p> <ul style="list-style-type: none"> • SPS is not fully aware of the personal information held. <p>Risk – Risk of non-compliance with GDPR;</p> <ul style="list-style-type: none"> • Unsupported systems are more vulnerable to cyber-attacks; and <p>Risk – loss of information if systems were to become</p>	<p>Recommendation – A data mapping exercise is undertaken and a data register in order to become fully aware of the personal information they hold.</p> <p>Agreed Revised Action – SCCMServiceNow have been appointed to manage SPS information assets and the Cloud Backup system is now in place.</p> <p>The wider Information Asset register review and implementation of a quarterly back up review programme are key deliverables and form</p>	<p>Work in progress</p> <p>Digital Services has completed their response to the Information Management audit of Aug 2023. A comprehensive Information management plan is in place and forms part of the Digital Services Annual Delivery Plan for 2025-26. Information governance is being reset with all information asset owners. All Digital Services owned systems have off-site immutable backups available. See above regards system recovery planning.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
corrupt and a viable back up is not available.	<p>part the Digital Services' Annual Delivery Plan (ADP) for this year.</p> <p>Head of Digital Services Quarter 4 2024-25.</p>	<p>Head of Digital Services Q2 2026/27</p>
<p>19. Financial Management</p> <p>SPS's 13 Finance Managers are directly accountable to the Operations Directorate of SPS; however the HQ Finance Directorate is accountable to the Chief Executive Office. Limited assurance financial control reviews were identified by internal audit in 2016/17.</p>	<p>Recommendation – In conjunction with movement in the governance structure in alignment with the new 2017-2020 SPS Corporate Plan, SPS should consider the suitability of finance professionals along with training and development needs.</p> <p>SPS should also consider if the current accountability structure of the Establishment Finance Managers to the Operations Directorate is most effective.</p> <p>Agreed Revised Action –</p> <p>Work is ongoing within the current HQ finance team to restructure the team to more closely align the team with the objectives and goals of the organisation through developing a finance business partnering approach, the development of financial reporting and financial governance.</p> <p>Q4 2024-25</p> <p>Director of Finance</p> <p>No further decision or update on the accountability structure of the Establishment Finance Managers has been made in 2023-24.</p>	<p>Work in progress</p> <p>During the period the new finance structure was approved and the recruitment of the new finance business partnering roles to support establishment finance managers commenced. It is the intention that during 2025/26, HQ Finance will be represented at the quarterly business reviews which are held at each of the establishments.</p> <p>Director of Finance December 2025</p>
<p>20. Value for Money</p> <p>Scottish Government KPIs reported in the annual</p>	<p>Recommendation – SPS should conduct an exercise in conjunction with the Scottish Government to refresh the</p>	<p>Implemented – to be confirmed by audit</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>performance report do not feed into the strategic priorities of SPS's Corporate Plan. The KPIs are agreed and required by the Scottish Government but have not been revised in several years. These KPIs remain unlinked to the success/outcome indicators within the new 2017-20 Corporate Plan.</p>	<p>KPI trackers reported, and link appropriately to the 2017-20 Corporate Plan Success Outcomes.</p> <p>Agreed Revised Action –</p> <p>SPS will complete its review of organisational KPIs agreeing the initial set of KPIs.</p> <p>Deputy Chief Executive</p> <p>March 2025</p>	<p>A review of SPS's KPIs has been completed and proposals made in a paper to the Chief Executive.</p> <p>Deputy Chief Executive</p>
<p>21. SPS Finance Policy and Manual</p> <p>There is risk that the SPS Finance Manual does not reflect up to date practices, which could result in inconsistent and/or inappropriate procedures and controls being operated.</p>	<p>Recommendation – We recommend SPS undertakes a full review of the manual, and continues to review content on a timely basis to ensure it remains appropriate and reflects current practice.</p> <p>Agreed Revised Action –</p> <p>Due to ongoing resource constraints the finance manual review has not yet taken place. Due to the scale of this task and with limited resources, a process of focusing on specific areas with an ongoing change management process is viewed as the most effective way of targeting this. The new finance structure which is being worked on will provide more senior finance resource which should help address progress with this in 2024-25.</p> <p>Director of Finance</p> <p>Q4 2024-25</p>	<p>Work in progress</p> <p>Process in place for periodic review on an ongoing basis. Working group established to review finance manual and work will commence in June 2025. The lead role, Senior Financial Accountant, remains vacant at this time.</p> <p>Director of Finance</p> <p>March 2026</p>

Appendix 2 – National reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

Scottish Prison Service

2024/25 Annual Audit Report



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