

Scottish Commission on Social Security

2024/25 Annual Audit Report



Prepared for the Scottish Commission on Social Security and the Auditor General for
Scotland

September 2025

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Key messages

Audit of the annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 The annual report and accounts were submitted for audit in line with the agreed timetable.

Financial Sustainability and Best Value audit

- 3 The Scottish Commission on Social Security operated within its budget of £480,000, reporting an underspend of £51,352 (or 10.7 per cent) in 2024/25.
 - 4 The 2025/26 budget was agreed by the board in April 2025 and the Secretariat continues to work closely with Scottish Government finance to maintain effective financial monitoring.
 - 5 The Social Security (Amendment) (Scotland) Act 2025 removes the Scottish Commission on Social Security's accounting and auditing duties from 2025/26.
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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 Commission on Social Security annual report and accounts and the wider scope areas specified in the [Code of Audit Practice](#).
2. The report is addressed to the Scottish Commission on Social Security (the Commission) and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) once the audited accounts have been laid at the Scottish Parliament.

Appointed auditor and independence

3. Lisa Duthie, Audit Director of Audit Scotland, has been appointed as external auditor of the Commission for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Lisa Duthie and the audit team are independent of the Commission in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the Commission, including the provision of non-audit services.

Acknowledgements

4. We would like to thank the Commission and its staff, particularly those involved in preparing the annual report and accounts, for their cooperation and assistance during the audit.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure
- an opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement, and an opinion on the audited part of the Remuneration and Staff Report
- conclusions on the financial sustainability of the Commission and a review of the Governance Statement
- reporting on the Commission's arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the Commission and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

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

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

9. Weakness or risks identified in this report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve management or the

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

The Scottish Commission on Social Security's responsibilities

10. The Commission 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 that gives a true and fair view and other specified information
- establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption
- implementing arrangements to ensure its financial position is soundly based
- making arrangements to secure Best Value
- establishing an internal audit function.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the Commission and audit sub-committee. Details of recently published national and performance audit reports can be seen in [Appendix 3](#).

Audit of the annual report and accounts

Main judgements

Audit opinions on the annual report and accounts are unmodified.

The unaudited annual report and accounts were received in line with the agreed audit timetable.

Audit opinions on the annual report and accounts are unmodified

12. The board approved the annual report and accounts for the Commission for the year ended 31 March 2025 on 28 August 2025. As reported in the independent auditor's report, in my opinion as the appointed auditor:

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



The unaudited annual report and accounts were received in line with the agreed audit timetable.

13. The unaudited annual report and accounts and working papers were received on 9 June 2025 in accordance with the agreed audit timetable. The working papers were of a good standard and staff responded promptly to audit queries.

Overall materiality was reviewed on receipt of the unaudited annual report and accounts

14. 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.

15. 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.

16. Materiality levels for the audit were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan. These were reassessed on receipt of the unaudited annual report and accounts to reflect actual expenditure reported in year and can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels

Materiality	Amount
Materiality – set at two per cent of gross expenditure. The materiality threshold was set with reference to gross expenditure, as it is considered to be the figure most relevant to the users of the financial statements.	£8,500
Performance materiality – set at 60 per cent of materiality. This acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£5,000
Reporting threshold – we are required to report to those charged with governance on all unadjusted misstatements greater than the 'reporting threshold', set at five per cent of materiality.	£400

Source: Audit Scotland

Significant findings and key audit matters

17. ISA (UK) requires auditors to communicate significant findings from the audit to those charged with governance, which for the Commission is the board.

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

19. In determining key audit matters, auditors consider:

- areas of higher or significant risk of material misstatement

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

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

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>1. Misstatement of audit fee accrual</p> <p>During the audit process, an error was identified in the accrual for the 2024/25 audit fee. Specifically, a duplicate accounting entry was made for one of the related invoices. It was confirmed that the invoice had not been paid twice, and the issue was confined to a ledger error.</p> <p>The expenditure line for the audit fee was verified as accurate; however, the error related to the accrual recorded in the unaudited accounts. This resulted in an understatement of £2,546 in the audit fee accrual.</p> <p>Given the financial framework between SCoSS and SG, whereby SG covers all SCoSS expenditure, this understatement also impacted the "Other Receivables" figure in the draft accounts. The reported figure was therefore understated by £2,546.</p>	<p>Management chose not to adjust the misstatement identified as it is below materiality and does not impact the reported financial position.</p>

Source: Audit Scotland

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

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

Accounting policies

22. The appropriateness of accounting policies adopted by the Commission was assessed as part of the audit. These were considered to

be appropriate to the circumstances of the Commission, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

23. Accounting estimates are used in the Commission's financial statements, specifically in relation to short term employee benefits. Audit work considered the process that management of the Commission has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

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

Disclosures in the financial statements

24. The adequacy of disclosures in the financial statements was assessed as part of the audit and no significant issues were identified.

The value and nature of the uncorrected misstatement was considered and it was concluded it was not material to the financial statements

25. The audit identified one misstatement greater than the reporting threshold of £400. The value, nature, and circumstances of the uncorrected misstatement was considered and it was concluded it was not material to the financial statements. As a result, it did not have any impact on the audit opinions given in the Independent Auditor's Report.

26. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management have chosen not to adjust the accounts for the error identified. Details of the uncorrected misstatement is described in [Exhibit 2](#) and [Appendix 2](#).

Audit work responded to the risks of material misstatement identified in the annual report and accounts

27. Audit work has been performed in response to the risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

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

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The Scottish Government audit team's review of the design and implementation of controls over journal processing informed our audit procedures. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>

28. The Commission uses the Scottish Government's general ledger and supporting systems. On 1 October 2024, the Scottish Government replaced the existing financial and eHR systems with the new Oracle cloud-based system. We carried out detailed testing over the mid-year data migration to confirm a complete and accurate transfer of data from the old ledger (SEAS) to the new Oracle cloud-based system and no issues were identified.

The prior year recommendation has been implemented

29. The Commission has made good progress in implementing the agreed prior year audit recommendation. Detail can be found in [Appendix 1](#).

Financial Sustainability and Best Value audit

Conclusion

The Scottish Commission on Social Security operated within its budget of £480,000, reporting an underspend of £51,352 (or 10.7 per cent) in 2024/25.

The 2025/26 budget was agreed by the board in April 2025 and the Secretariat continues to work closely with Scottish Government finance to maintain effective financial monitoring.

The Social Security (Amendment) (Scotland) Act 2025 removes the Scottish Commission on Social Security's accounting and auditing duties.

Audit approach to wider scope and Best Value

Wider scope

30. The Annual Audit Plan reported that the Commission was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of the Commission.

Duty of Best Value

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

32. Consideration of the arrangements the Commission has in place to secure Best Value have been carried out alongside the wider scope audit.

The Scottish Commission on Social Security operated within its 2024/25 budget

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

34. The Commission reported operating expenditure of £428,648 in 2024/25, an underspend of £51,352 (or 11 per cent) against the allocated budget for the year. The underspend was attributed to:

- a staff vacancy in the Secretariat from December 2024 to the end of the reporting period. The majority of operating expenditure is represented by staff costs, including board members fees (£394,396 or 92 per cent)
- costs relating to the migration of the Commission's website to Oracle Cloud in March 2025 were substantially lower than forecast.

The 2025/26 budget was agreed by the board in April 2025 and the Secretariat continues to work closely with Scottish Government finance to maintain effective financial monitoring

35. The 2025/26 budget allocated to the Commission in the Budget (Scotland) Act 2025 is £550,000 and was agreed by the board at its meeting on 24 April 2025. The budget allocation has increased from £450,000 in 2024/25. The latest financial report presented to the board in June 2025 forecasts £506,385 of expenditure for the year to 31 March 2026.

36. The Secretariat continues to maintain a constructive working relationship with Scottish Government finance. Regular engagement and collaboration supports effective financial monitoring and forecasting processes throughout the year. The financial position is subject to joint monthly monitoring by Secretariat staff and SG finance. Finance updates are also subject to scrutiny by the board and audit sub-committee.

Governance arrangements are appropriate

37. The Commission was created by the Social Security (Scotland) Act 2018 and is an advisory non-departmental public body. It was set up to provide independent scrutiny of the Scottish social security system, including benefit regulations and to hold Scottish Ministers to account. The Commission is separate from the Scottish Government and carries out its functions independently of both Scottish Ministers and the Scottish Parliament.

38. The Commission is governed by a board which is comprised of a chair and four members. Following a successful recruitment exercise, the

Cabinet Secretary appointed a chair and member on 1 August 2024, with the previous interim co-chairs reverting to members.

39. An audit sub-committee was established in 2022/23 and quarterly meetings have been held since December 2022. The audit sub-committee is responsible for providing support to the board in its responsibilities for issues of risk, control and governance and associated assurance, including consideration of the annual report and accounts.

40. Overall, we have concluded that appropriate governance arrangements were in place during 2024/25.

Conclusion on Best Value

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

- the Commission having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements
- the arrangements the Commission has in place to secure financial sustainability which help ensure the effective use of available resources.

The Social Security (Amendment) (Scotland) Act 2025 removes the Scottish Commission on Social Security's accounting and auditing duties

42. The Social Security (Amendment) (Scotland) Act 2025 (the Act) received royal assent on 23 January 2025. The Act extends the scrutiny remit of the Commission as well as removes the body corporate status and requirement to produce externally audited annual reports and accounts. The Act replaces this latter requirement with a duty to publish an annual report. Regulations giving effect to the provisions of the Act came into force on 10 May 2025. As a result, 2024/25 will be the final year of external audit for the Commission.

Appendix 1

Action plan 2024/25

Follow-up of prior year recommendation

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Audit Sub-Committee</p> <p>The Audit Adviser played a key role in ensuring the effective operation of the audit sub-committee until the contract ended in March 2024. Prior to the contract concluding, the Audit Adviser provided a legacy report which made a range of recommendations seeking to ensure the loss of the post did not result in a diminution in the governance of SCoSS.</p> <p>Risk: Appropriate challenge and scrutiny on key items of business is lost at audit sub-committee meetings.</p>	<p>Recommendation: The audit sub-committee, with support from the Secretariat, sponsor unit and SG finance, should perform a self-assessment using the checklist in the Audit Committee Handbook published by the Scottish Government.</p> <p>Agreed Action: The Audit Sub-Committee will perform a self-assessment, using the checklist in the Audit Committee Handbook, during 2024-25.</p> <p>Secretariat / Sponsor Unit / SG Finance March 2025</p>	Implemented

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure		Statement of Financial Position	
		Dr	Cr	Dr	Cr
Uncorrected misstatements		£	£	£	£
Error in audit fee accrual					
	Other Receivables (Asset)			2,546	
	Accruals (Liability)				(2,546)

Appendix 3

Supporting national and performance audit reports

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

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