

Standards Commission for Scotland

2024/25 Annual Audit Report



Prepared for Standards Commission for Scotland and the Auditor General for Scotland
July 2025

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Key messages

Audit of the annual report and accounts

- 1** All audit opinions stated 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 by the Standards Commission for Scotland.

Financial Sustainability and Best Value audit

- 3** The Standards Commission for Scotland has effective and appropriate arrangements in place for securing financial sustainability.
 - 4** The Standards Commission for Scotland has effective and appropriate arrangements in place for securing Best Value.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Standards Commission for Scotland's annual report and accounts and the wider scope areas specified in the Code of Audit Practice (2021).
2. The Annual Audit Report is addressed to the Standards Commission for Scotland and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

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

Acknowledgements

4. We would like to thank the Standards Commission for Scotland 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.

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
- concluding on the financial sustainability of the Standards Commission for Scotland and a review of the Governance Statement
- reporting on the arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the body 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 body's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Standards Commission for Scotland from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Standard Commission for Scotland's responsibilities

10. The Standards Commission for Scotland 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 give 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, some of which may be of interest to the Standards Commission for Scotland. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual report and accounts

Main judgements

All audit opinions stated 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 by the Standards Commission for Scotland.

Audit opinions on the annual report and accounts

12. The Standard Commission for Scotland's annual report and accounts were approved on 28 July 2025 and signed by the appointed auditor on 28 July 2025. The Independent Auditor's Report is included in the Standards Commission for Scotland's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual report and accounts and all working papers were received on 02 June 2025 in accordance with the agreed audit timetable.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £4,030. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

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

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

17. Materiality levels for the body were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. No changes were required to the materiality levels, which are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the Standards Commission for Scotland

Materiality	Amount
Materiality – set at 2% of gross expenditure	£6,700
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£5,000
Reporting threshold – set at 5% of materiality (rounded to £1,000)	£1,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for the Standards Commission for Scotland is the Audit and Risk Committee.

19. 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.

20. 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.

21. We are pleased to report that MyCSP pension information for the Executive Director was available for inclusion in the 2024/25 accounts.

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

Qualitative aspects of accounting practices

23. 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

24. The appropriateness of accounting policies adopted by the Standards Commission for Scotland was assessed as part of the audit. These were considered to be appropriate to its circumstances, and there were no significant departures from the accounting policies set out in the 2024/25 Government Financial Reporting Manual (FReM).

Accounting estimates

25. Audit work considered the process management in place around making accounting estimates, including the assumptions and data used in making the estimates. Audit work concluded there was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was satisfactory.

Significant matters discussed with management

27. There were no significant matters identified during the audit.

Audit adjustments

28. No audit adjustments were required to the financial statements greater than the reporting threshold of £1,000.

Significant risks of material misstatement identified in the Annual Audit Plan

29. 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, \(page 10\)](#).

Exhibit 2

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. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design of controls over journal processing were appropriate and these were implemented as intended. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

Prior year recommendations

30. The Standards Commission for Scotland has made some progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed and are outlined in [Appendix 1](#).

Financial Sustainability and Best Value audit

Conclusion

The Standards Commission for Scotland has effective and appropriate arrangements in place for securing financial sustainability.

There are effective and appropriate arrangements in place for securing Best Value, including the fairness and equality characteristic.

Audit approach to wider scope and Best Value

Wider scope

31. The Annual Audit Plan reported that the Standards Commission for Scotland is 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 financial sustainability.

Duty of Best Value

32. 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.

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

34. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic was carried out as part of the 2024/25 audit.

Conclusions on Financial Sustainability

35. The audit work performed on the arrangements in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the Standards Commission for Scotland:

- making appropriate arrangement to develop medium term financial plans within the Strategic Plan 2024-28 and linking these to its annual Business Plan and priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.
- understanding the benefits of utilising shared services and functions with other Officeholders to reduce costs.

36. The Scottish Parliamentary Corporate Body issued its report on the Supported Bodies Landscape Review on 19 June. There are no recommendations specifically relating to the Standards Commission for Scotland.

Conclusions on Financial Sustainability

37. The audit work performed on the arrangements in place for securing financial sustainability found that these were effective and appropriate.

Conclusion on duty of Best Value

38. Our work on the arrangements in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- the Standards Commission for Scotland having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements. Finance and procurement policies are subject to regular review
- arrangements in place to secure financial sustainability which help ensure the effective use of available resources. The Standards Commission for Scotland negotiated a better deal for the extension of the CGI (payroll) service as the contract includes a few public sector bodies
- Members undertake reviews after every Hearing to identify any process improvements and learning points. They are provided with training on best practice in conducting hearings.

39. Our audit of the 'fairness and equality' characteristic concluded that there are adequate arrangements in place to comply with relevant legislation and meet the characteristics set out in the Scottish Public Finance Manual.

40. A number of activities are undertaken in relation to the best value framework however these are not formally reported to the Audit and Risk Committee or the Standards Commission for Scotland.

Recommendation 1

A summary of the Standards Commission for Scotland's compliance with the duty of best value should be formalised and presented to those charged with governance.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Best value reporting</p> <p>The SPFM sets out the accountable officer's duty to ensure arrangements are in place to secure best value. The Standards Commission for Scotland does not formally report progress against the key characteristics of best value</p> <p>Risk: There is a risk that the Standards Commission for Scotland is not fully complying with the key best value characteristics.</p>	<p>A summary of the Standards Commission for Scotland's compliance with the duty of best value should be formalised and presented to those charged with governance.</p>	<p>A paper on best value compliance will be prepared and presented to the Commission in 2025/26.</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>2. 2023/24: Year End Accruals</p> <p>Issues identified with two-year end accruals:</p> <ul style="list-style-type: none"> • Legal costs accrual included 2024/25 expenditure and was overstated by £2k. • Error identified with the calculation of the annual leave/ flexi accrual and was understated by £500. <p>There is a risk that expenditure is misstated at the year end.</p>	<p>To ensure year end accruals are correctly disclosed in the financial statements.</p> <p>Responsible officer: Office Manager</p> <p>Revised implementation date: 31 March 2025</p>	<p>Partially Implemented – issues were identified with accruals in 2024/25, however, these were below the reporting threshold and had a net impact of £400 over accrued expenditure.</p> <p>The annual leave accrual is calculated using a template provided by the SPCB, so issues with it need to be raised with them.</p>
<p>3. 2022/23: Service Level Agreements (SLA)</p> <p>The IT service level agreement in place between Scottish Parliamentary Corporate Body (SPCB) and Standards Commission for Scotland should be refreshed to ensure this reflects current services, including cyber security.</p> <p>There is a risk that services provided by SPCB on behalf of Standards Commission for Scotland are not suitable for its business needs</p>	<p>Standards Commission for Scotland and SPCB should review the IT service level agreement to ensure that it reflects the current services provided.</p> <p>Responsible officer: Office Manager</p> <p>Revised implementation date: 31 March 2025</p>	<p>Not implemented</p> <p>A draft of the IT SLA was received on 30 June 2025. This has been reviewed by the Executive Director and returned to IT with a few minor amendments.</p> <p>Cyber security online training provided by NCSC has been circulated to staff and members for completion in July 2025.</p>

Appendix 2

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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