



Scottish Fiscal Commission

Report to the Audit and Risk Committee on the 2024/25 audit
Issued on the 3 October 2025 for the meeting on the 7 October 2025

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Partner introduction

The key messages

Introduction

I have pleasure in presenting our report to the Audit and Risk Committee (“ARC”) of the Scottish Fiscal Commission (“SFC”) for the 2024/25 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee on 18 February 2025.

Conclusions from our testing

Based on our audit work completed, we are expecting to issue an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of SFC.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation.

Based on the audit procedures performed to date we have no uncorrected misstatements or disclosure deficiencies. However, we have identified prior year errors in relation to the remuneration report, specifically the pensions disclosures. Please refer to [page 26](#) for further details. A summary of the corrected misstatement schedule is detailed on [page 25](#).

Significant risk

In our planning report we identified operating within expenditure resource limits and management override of controls as significant risks, a summary of our work is presented on [page 7](#).

Conclusions from our testing (continued)

Areas of audit focus

Change in IT system: No significant issues arose from our data migration testing refer to [page 10](#) for further details. We note that there were issues in obtaining an accurate and complete transaction listing from the former IT system, SEAS. However, this has now been resolved.

Outstanding matters

The appendices contain a list of outstanding items that Deloitte and management are actively addressing prior to signing the Annual Report and Accounts.

Wider Scope

SFC faces financial sustainability challenges due to rising costs, management and board members are actively involved in monitoring current and future risks and are exploring mitigating actions.

SFC has achieved financial balance in 2024/25 and has confirmed funding for 2025/26 with an approved balanced budget (assuming all contingency is used). Based on this and the historic sound financial management in prior years to achieve consistent underspends, SFC is therefore financially sustainable in the short term.

Stuart Kenny
Engagement Leader ³

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

 Lagging
  Developing
  Mature

Area	Grading	Reason	Further detail
Timing of key accounting judgements		We note that there were changes processed to accruals subsequent to Deloitte receiving the initial trial balance. We would recommend that a full review of balance sheet accounts is performed prior to providing the trial balance for auditing.	N/A
Adherence to deliverables timetable		There were delays in receiving information, particularly in relation to the transaction listing from SEAS system, accruals listings, operating expenditure listings and a full set of annual report and accounts. Additionally, after receiving the initial trial balance, there were further updates to this. Furthermore, there were delays in SFC providing us with supporting evidence for the trade payables and payroll creditor balances. These all contributed to delays in our significant risk testing. This metric has been graded as 'Developing' in our previous ISA 260 reports.	N/A
Access to finance team and other key personnel		The finance team were accessible throughout the audit fieldwork.	N/A
Quality and accuracy of management accounting papers		In general, documentation provided was of a good standard. However, there were instances where Deloitte had to request further information due to the quality of information initially provided.	N/A

Quality indicators (continued)

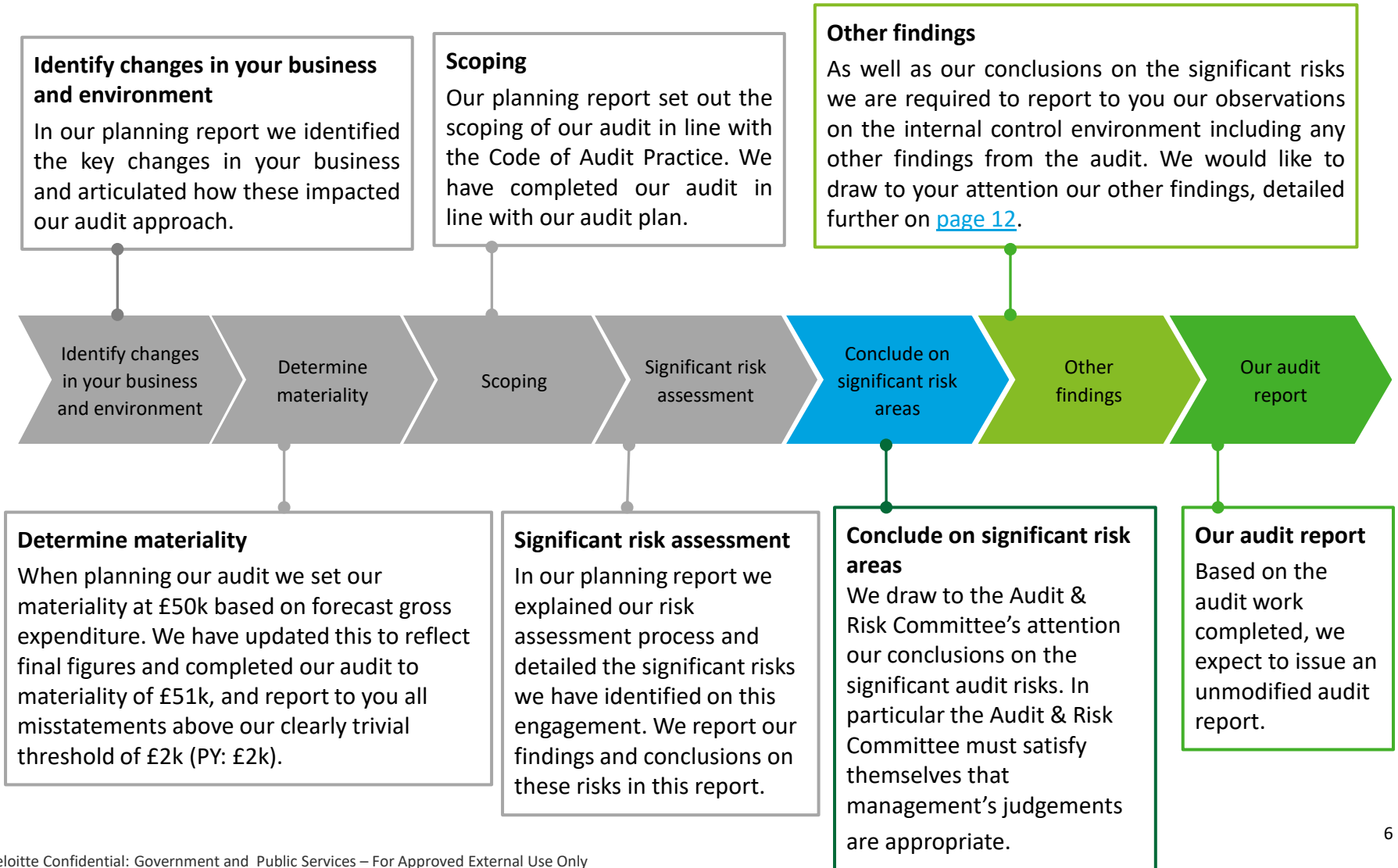
Impact on the execution of our audit

 Lagging
  Developing
  Mature

Area	Grading	Reason	Further detail
Quality of draft Annual Report and Accounts		The first draft provided of the Annual Report and Accounts was of a good quality.	N/A
Response to control deficiencies identified		Limited control recommendations have been identified, as set out on page 11 .	Page 11
Volume and magnitude of identified errors		There have been errors identified in relation to the prior period for disclosures in the remuneration report, specifically relating to pensions. Please refer to our disclosure deficiency tab for further details on Page 26 . We note there are no uncorrected misstatements in the period. Please see the misstatements on page 25 .	Page 26 Page 25

Our Audit Explained

We tailor our audit to your business and your strategy



Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Please see page 11 for recommendations	
Operating within the expenditure resource limit			Please see page 11 for recommendations	

Controls approach adopted

 Assess design & implementation

Level of management judgement



Limited management judgement



Moderate management judgement

Significant risks (continued)

Management override of controls

Risk identified

The risk identified includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override SFC's controls for specific transactions.

Although management is responsible for safeguarding the assets of the organisation, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the audit procedures that are set out in our planning report, specifically:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Review and perform testing on key accounting estimates for biases that could result in material misstatement;
- We have used our Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted throughout the year.

Accounting estimates and judgements.

While management has not identified any key sources of estimation uncertainty, standard prepayments and accruals will be recorded during the year-end close process. We specifically challenged the level of accruals and considered prepayments in relation to the identified fraud risk of exceeding resource limits.

We discussed with management the basis for their assertion that the entity has no key sources of estimation uncertainty requiring disclosure in accordance with IAS 1, specifically considering the judgements inherent in determining the accruals value. Management believe that the accruals are based on standard invoices. Therefore, they believe their own judgements do not significantly influence the resulting figures. We evaluated this rationale in light of the requirements of IAS 1.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls from our testing.

Significant risks (continued)

Operating within the expenditure resource limits



Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We consider this fraud risk to be focused on how management operate within the resource budget set by the Scottish Government. The risk is that SFC could materially misstate expenditure in relation to year end transactions, in an attempt to achieve a breakeven position on their budget.

The significant risk is therefore pinpointed to the validity and completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around the year end.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around the year-end accruals process. We note there were no prepayments therefore no testing performed;
- Obtaining an independent confirmation of the resource limits allocated to SFC by the Scottish Government;
- Testing a sample of accruals to supporting documentation to check whether they are valid liabilities, that the amount accrued is appropriately supported, and that the liability had been incurred as at 31 March 2025.
- Performing cut-off testing of a sample of invoices received and payments made around the year-end.

Deloitte view

Following the completion of our testing, we have no matters to report.

Area of audit focus

Change in IT system

Risk identified

In October 2024, SFC changed its Finance, Procurement and HR systems from SEAS to Oracle Cloud as a result of a Scottish Government wide transformation programme. This has created an increased risk over completeness of data as data was migrated from SEAS to Oracle for the 2024/25 audit. Furthermore, because the transition occurred mid-year, SFC operated on two separate systems during this financial year.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the transition to Oracle. Our work in this area included the following:

- We performed walkthroughs of key controls and business processes over both systems (SEAS and Oracle), to ensure in the period both were designed appropriately and implemented correctly;
- We engaged our IT team to review the controls over the implementation process at Scottish Government level; and
- We performed a reconciliation of data transferred, to ensure the transfer of data from SEAS to Oracle was accurate and complete.

Deloitte view

In terms of procedures performed centrally on the review of controls over the implementation at Scottish Government level this was deemed effective.

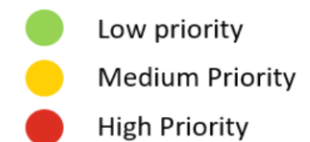
At SFC level we concluded that the reconciliation of data transferred from SEAS to Oracle was successful.

However, as part of our audit procedures we identified the following insight and recommendation as follows:

- SFC had not prepared their own reconciliation of the closing SEAS data to the opening Oracle data. We would recommend that for any future data transfers a reconciliation of this data is performed to ensure SFC are satisfied with the completeness and accuracy of the data.

Your control environment, findings and remediation plan

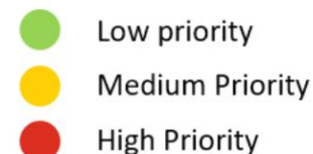
Control deficiencies and areas for management focus



Observation		Deloitte recommendation	Management response and remediation plan
1. Financial Tracker SFC maintain a financial tracker that compares payments that SFC expect the Scottish Government to make, against actuals. For the reconciliation/sign off for the tracker, there is only a cell in the tracker which is then signed off when the monthly reconciliation has been performed. Confirmation as to when this has been performed is then verbalised and there is no email confirmation to show that this has been reconciled/signed off.	●	Consistent with our recommendation from our 2023/24 audit, we are recommending an email confirmation is sent to confirm when the tracker is reconciled and signed off.	Desk instructions already require the reconciliation to be emailed and saved. The tracker also provides space to confirm the date and name of person carrying out the monthly reconciliation, and the name and date of the person who has checked that reconciliation.
2. Balance Sheet Reconciliations Throughout our audit procedures, we identified that management do not perform a detail balance sheet reconciliation of the control accounts.	●	We would recommend that reconciliations with supporting schedules are prepared and reviewed for all balance sheet accounts.	Scottish Government Finance carries our balance sheet transactions on our behalf and provides our accountancy support. We will ensure that balance sheet reconciliations are prepared and reviewed.
3. Data Migration During our testing of the completeness and accuracy of the data migration, we identified that SFC had not performed a reconciliation of this data.	●	We would recommend that going forward for future data migrations this reconciliation is performed.	We complied in full with all data migration testing advised by the Scottish Government Oracle programme. We do not anticipate any future data migrations.

Your control environment and findings

Control deficiencies and areas for management focus



Observation		Deloitte recommendation	Management response and remediation plan
3. OECD Review Recommendations We have enquired with SFC as to whether they have an action plan in place for recommendations raised by OECD and note that this is being worked on currently.	●	We would recommend that a review of the recommendations, impacts and action plan is put in place.	We continue to work through how we take forward the OECD Review recommendations with the Scottish Parliament and Scottish Government. Our intention is to write to the Parliament with an update after new Commissioners have been appointed and have had the opportunity to consider the recommendations.
4. IT Penetration Testing SFC have advised that any penetration or vulnerability assessments are the responsibility of Scottish Government iTECS. We understand that Scottish Government iTECS hold a Cyber Essentials certificate.	●	We would recommend that SFC ensure that the Scottish Government perform penetration and vulnerability assessments regularly.	It would not be effective or efficient for the SFC to try to duplicate the IT security expertise offered by iTECS, our IT shared service provider. We take assurance from the Cyber Essentials certification and the annual penetration testing to PSN standards which is already carried out.
5. Leases Liability SFC have disclosed a two-year lease liability within the financial statements as this presents a more realistic view of the length of the lease, compared to the one-year rolling basis.	●	We would recommend that this position is regularly reviewed and considered.	There has been no change to our lease terms or our disclosure of it. Consideration of disclosures is part of preparing our annual accounts each year.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

SFC's Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the "FReM"). Subject to the conclusion of our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

There were no significant matters raised with management.

Below are the findings from our audit surrounding your control environment.

Your control environment and findings

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Please refer to [page 25](#) for details of misstatements identified in the period that have been corrected and [page 26](#) for our recommendations.

Liaison with internal audit

The audit team has reviewed the findings of the Internal Audit team, which has been used to inform our risk assessment. It should however be noted that we have not placed any reliance on the work of Internal Audit during the year.

We will obtain written representations from SFC on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Accounts

Our opinion on the financial statements is expected to be unmodified.



Going concern

To date, we have not identified a material uncertainty relating to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment than the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

Based on our audit procedures to date, there are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in any other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in, to date, all material respects the expenditure and income in the Annual Report and Accounts were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on [page 14](#).

Your Annual Accounts

We are required to provide an opinion on the auditable parts of the Remuneration report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines SFC's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by SFC.	We have assessed whether the Performance Report has been prepared in accordance with the account's direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the revised draft.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the account's direction. No exceptions were noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the revised draft. We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the account's direction.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Risk Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP

Newcastle upon Tyne | 3 October 2025

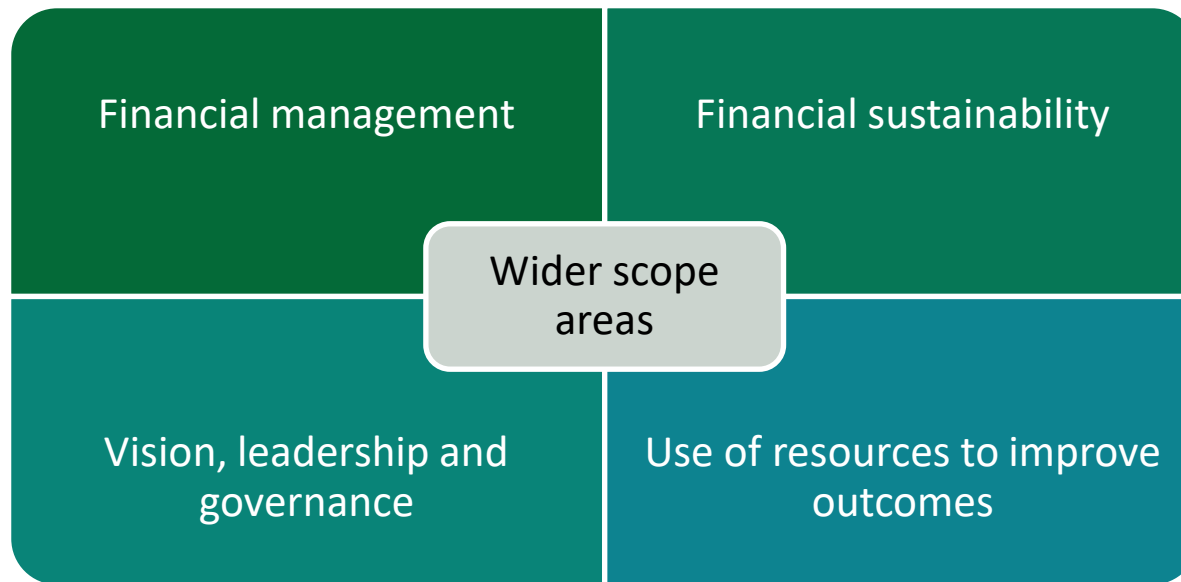
Wider scope audit



Wider scope requirements

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how the Board is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ("BV") have all been incorporated into this audit work.

As highlighted in our Audit Plan and agreed with the Commission we concluded that SFC was assessed as 'less complex' in accordance with Audit Scotland planning guidance and therefore our wider scope work is limited to assessing the financial sustainability of SFC.

Wider scope requirements (continued)

Financial sustainability

Significant risks identified in Audit Plan

In our audit plan we highlighted that we would assess the development of the 2025/26 budget and the impact on the medium to long term financial outlook to then assesses whether this aligns with SFC's strategic objectives. We also noted that SFC have a medium-term financial plan and planned on reviewing the progress in maintaining this and assessing any revisions SFC has made to this.

2024/25 performance

The Commission has achieved financial balance in 2024/25 and reported an underspend of £0.08m. Savings from the OECD statutory review together with other minor savings resulted in £0.07m being returned to the Scottish Government.

2025/26 budget setting

The Commission's core budget allocation appears as distinct line items in the Annual Scottish Budget Bill. The initial confirmed budget allocation for 2025/26 is £2.765m. Subsequently, SFC have been informed of additional funding of £0.023m to cover increased employer national insurance contributions, resulting in a total allocation of £2.788m. The breakdown of this budget was presented to the Governance Board before submitting the funding request to the Scottish Government. The breakdown provided a granular detail of the proposed budget allocations and assumptions applied and how this compared to previous year costs, demonstrating that a balanced position is expected to be achieved assuming all contingency is used.

The SFC is vulnerable to needing cover for staffing positions due to the small size of the workforce. This is the principal motivation for applying a £0.05m contingency to the budget, consistent with past financial years.

SFC continues to face financial pressures. The SFC monitors and reports on the uncertainties and pressures on its budget throughout the year to assist it with managing these uncertainties. These are reported regularly throughout the year to the Governance Board and to the Audit & Risk Committee.

Can short-term
(current and next year)
financial balance be
achieved?

Is there a medium and
longer-term plan in
place?

Is the body planning
effectively to continue
to deliver its services
or the way in which
they should be
delivered?

**Financial
Sustainability**

Wider scope requirements (continued)

Financial sustainability (continued)

2025/26 budget setting (continued)

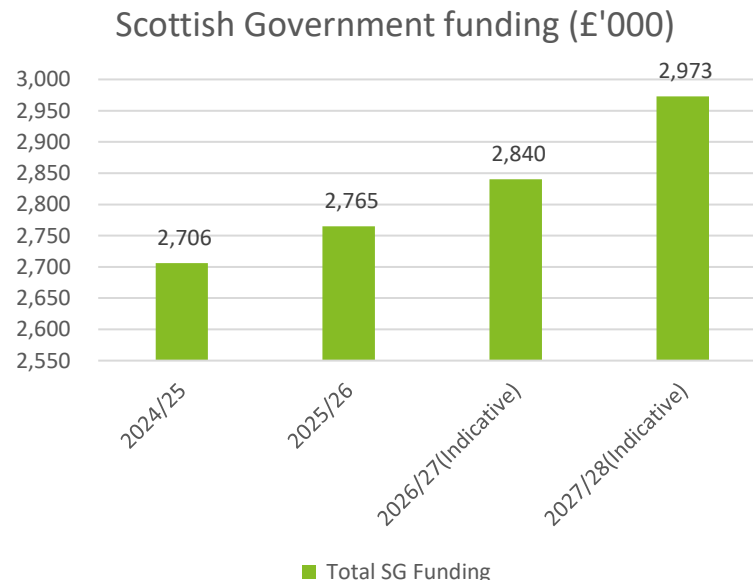
Staff costs include uncertainties and SFC are currently awaiting the outcome of the SG main pay bargaining negotiations. Unforeseen staff departures and the timing of recruitment bring uncertainties – a one month gap in a post is equivalent to £4,200 - £9,000 to SFC.

Currently, staffing is graded red on the risk register. This is because of the potential impact and increased likelihood of staff vacancies over the budget forecast period, SFC's more pressured time of year.

A 4% vacancy assumption has been incorporated by the Commission whereby management apply an internal overallocation on staff budgets by 4%. This practice is intended to reduce underspends caused by staff turnover. Further pressures include: unforeseen parental leave cover costs potentially exceeding SFC's contingency by £6,000; increased employer National Insurance contributions from the UK Government (£38,000); and potential union pressure to accelerate salary increases beyond the 3% already factored into their budget, which aligns with the Scottish Government's pay policy. The full financial impact of these factors remains uncertain.

At the same time as receiving the budget allocation for 2025/26, the Scottish Government also provides indicative figures for the following two years, in line with the OECD's Principles for Independent Fiscal Institutions. Please see the below graph which provides a visual representation of Scottish Government funding until 2027/28.

Finance updates are provided at every Governance Board meeting. Here, the budget, key variances, and financial issues are presented to the Board.



Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning

During the 2024/25 year, SFC developed a Medium-Term Financial Strategy called the Medium Term Approach to the SFC's Budget Planning (to avoid confusion with SG's Medium Term Financial Strategy), in recognition of the wider funding pressures across the public sector and the potential impact this could have for SFC. An overarching theme of this strategy is the focus on SFC being staff based, and as such, staff costs are presented as the key risks and the key to potential savings.

In our 2023/24 audit, we recommended including forecasted numbers within the medium-term plan. However, through discussions with management, SFC believed it would not add significant value to include this level of detail within this paper.

Through our discussions in the current year audit, SFC have confirmed that they do not intend to implement the four-year projections into the medium-term plan due to the lack of added value they feel users would receive from inclusion. SFC are of the opinion that this would divert the focus on the wrong areas, particularly on the staffing costs which are based on the SG Pay Deal, and as such, cannot be reliably predicted.

Audit Scotland's report, published in June 2014 included a helpful summary of important features of a financial strategy, as summarised to the right. Management have referred to this as a guide to best practice, but scenario analysis and financial figures are missing from the paper. These are critical aspects to any plan and should be included in an updated version.

Area	Important features of a financial strategy
<i>Period</i>	A financial strategy should cover 5-10 years
<i>Cost</i>	A clear understanding of the business model and the cost of individual activities within it
<i>Savings options</i>	Evidence based options for achieving savings
<i>Savings details</i>	Details of one-off and recurring savings
<i>Scenario planning</i>	Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used
<i>Assets/Liabilities and Reserves</i>	Details of assets, liabilities and reserves and how these will change over time
<i>Capital Investment Activity</i>	Details of investment needs and plans and how these will be paid for
<i>Demand</i>	An analysis of levels of service demand and project income
<i>Funding shortfalls</i>	Any income or funding shortfalls and how to deal with these
<i>Strategy links</i>	Clear links to the corporate strategy and other relevant strategies such as workforce and asset management
<i>Risks and timescales</i>	The risks and timescales involved in achieving financial sustainability

Wider scope requirements (continued)

Financial sustainability

Medium-to-long term financial planning

The timescale for reviewing the medium-term plan has not been agreed. When the plan was approved by the Governance Board, it was not intended for the document to be updated annually. Following discussions with SFC, this is due to be updated in line with their next update of the Corporate Plan, therefore in 2028.

As part of the Spending Review, the Scottish Government expects bodies to set an annual efficiency target of 3% and also expects them to explore the scope to maximise the use of shared services across the public sector landscape. The setting of an efficiency target of 3% is particularly challenging for SFC where 84% of its costs are staffing and Board costs. Through creating flexibility within the workforce and shared services agreements in place, SFC must remain focused on creating efficiencies.

Deloitte view – Financial sustainability

SFC has achieved financial balance in 2024/25 and has confirmed funding for 2025/26 with an approved balanced budget (assuming all contingency is used). Based on this and the historic sound financial management to achieve consistent underspends, SFC is therefore financially sustainable in the short term.

While the indicative funding for 2026/27 and 2027/28 are expected to cover the projected costs, SFC have developed a concise Medium-Term Financial Strategy in response to Deloitte's recommendation in the 2022/23 audit.

Although this gives a clear summary of SFC's cost base, potential saving measures and funding shortfall implications, this could be improved by including forecasted numbers, as well as providing scenario analysis.

This would provide a basis for understanding expected financial outcomes and aid the monitoring planning and monitoring of progress over the medium term. The 4-year projection working paper's assumptions and outputs could provide a basis for this, whilst being periodically updated to reflect evolving conditions.

Wider scope requirements (continued)

Best value

Requirements

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 (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
 - Vision and Leadership
 - Governance and Accountability
 - Use of resources
 - Partnership and collaborative working
 - Working with Communities
 - Sustainability
 - Fairness and equality

Conclusions

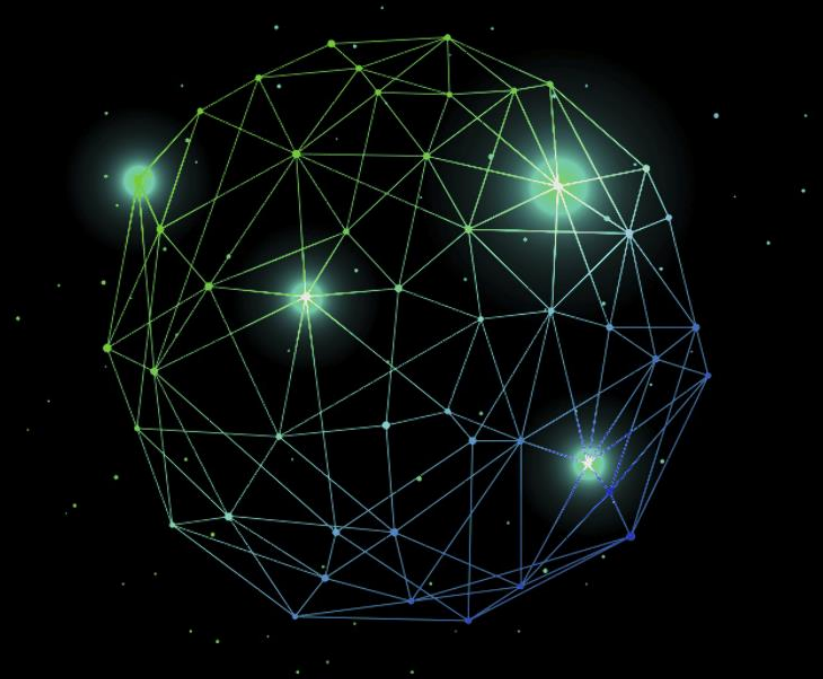
The Scottish Fiscal Commission has a number of arrangements in place to secure best value. The Corporate Plan provides a focus on some of the BV characteristics including partnership and collaboration, fairness and equality and a focus on continuous improvement.

Deloitte view – Best Value

SFC has sufficient arrangements in place to secure best value.

It has an understanding of areas which require further development. The findings and recommendations from the OECD Review of the SFC has assisted with this understanding.

Appendices



Audit adjustments

Corrected misstatements

The following misstatements have been identified by management up to the date of this report which have been corrected. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Account Balance	Debit/ (credit) income statement £	Debit/ (credit) in net assets £	Debit/ (credit) prior year retained earnings £	Debit/ (credit) OCI/Equity £	If applicable, control deficiency identified
Annual leave/flexi leave accrual adjustment	[1]	Accruals		15,598			N/A
		Staff costs	(15,598)				
Accrual correction	[2]	Accruals		3,047			Page 11
		Expenditure	(3,047)				
Trade payable correction	[3]	Trade payable		(3,876)			Page 11
		Expenditure	3,876				
Total			(14,769)	(14,769)			

[1] In 2023/24, SFC had included employer pension contributions in the annual leave/flexi leave accrual. For 2024/25, SFC realised that payment for untaken leave is non-pensionable and therefore the employer pension contributions aspect of the total accrual should not be included. An adjustment is therefore required to reduce the accrual, in line with what the approach should have been in the prior year.

[2] Management's review of the accounts at year end uncovered an amount of £3,047 from a 2023/24 journal correction to salaries had not been reversed. After discussions with SFC Management, a decision was made to post a correction journal in the period.

[3] Deloitte identified an understatement of costs due to costs held within a trade payable control account in error. This was corrected by management in the period.

Audit adjustments

Disclosures

Disclosure misstatements

In 2024/25, up to the date of issuing this report, SFC have complied with all disclosure requirements satisfactorily. There have been no recommendations identified by the audit team.

Remuneration Report

We do note however, that within the current period there have been prior period errors identified and restated in relation to the Remuneration report. This relates specifically to the prior year CETV and accrued pension benefit values and we received updated opening balances from My Civil Service Pensions in the current year. The comparatives in the 2024/25 have therefore been restated. In addition, we note that the total bandings column of the Senior Management Team column has been restated for certain team members due to arithmetical error.

Recruitment Diversity Information Disclosure

SFC have suppressed numbers within the summary recruitment diversity information disclosure in the Performance Report. We have reviewed the FReM and have not been able to identify guidance that allows for this suppression. As a result, we are raising this as a control deficiency to bring it to the Committee's attention. However, given the immaterial nature of the disclosure and the fact that we are not required to audit this disclosure, we are satisfied that it does not impact upon our audit opinion.

Action Plan

We have followed up the recommendations made in 2023/24. Please see below updates on these:

Recommendation	Management Response	Responsible Person/Target Date	FY 24/25 update
1. Financial Tracker We recommend that an email confirmation is sent from the control owner as evidence that the financial tracker has been reconciled and signed off. This further strengthens the control which is now of heightened importance due to the incorrect transactions recorded by Scottish Government.	A further line will be added to the tracker to allow confirmation of the monthly reconciliation which will be completed before the monthly snapshot is saved to eRDM.	Governance Manager 31 March 2025	Desk instructions require the reconciliation to be emailed. The tracker also provides space to confirm the date and name of person carrying out the monthly reconciliation, and the name and date of the person who has checked that reconciliation.
2. Medium-Term Approach to SFC's Budget Planning Although this gives a clear summary of SFC's cost base, potential saving measures and funding shortfall implications, this could be improved by including forecasted numbers. This would provide a basis for understanding expected financial outcomes and aid the monitoring planning and monitoring of progress over the medium term. The 4-year projection working paper's assumptions and outputs could provide a basis for this, whilst being periodically updated to reflect evolving conditions.	These figures are already available to management and commissioners in a working spreadsheet and we believe it would not add significant value to include this level of detail within this paper.	Head of Governance, Strategy, and Corporate Services 31 March 2025	No change.

Action Plan (continued)

Recommendation	Management Response	Responsible Person/Target date	FY24/25 update
3. Efficiency Targets While the 3% efficiency target has been removed in the latest Scottish Government Medium Term Financial Strategy published in May 2023, it is still important for the Commission to demonstrate how efficiencies are being achieved. This ensures resources are managed carefully by the Commission.	Additional text to address this will be included in the Annual Report and Account and in future Annual Reports and accounts.	Head of Strategy, Governance, and Corporate Services 15 October 2025	Text included in annual report.
4. Oracle Cloud Implementation To support successful implementation and to realise the benefits of the system, there must be an ongoing channel of communication, engagement, and training of staff to support the implementation. We strongly advise management continue to cooperate with the Programme team to monitor developments and risks.	Management and the Corporate Services Team has been and is continuing to engage with the Oracle Cloud implementation teams.	Head of Strategy, Governance, and Corporate Services 31 March 2025	Management and the Corporate Services Team did engage with the Oracle Cloud implementation teams and continues to engage with their successor, the Scottish Government Corporate Hub.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Board.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in operating within expenditure resource limits and management override of controls as key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit and Risk committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and our objectivity is not compromised.
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Fees	The expected fee for 2024/25, is analysed below:
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	£
Auditor remuneration	40,600
Audit Scotland fixed charges:	
• Pooled costs	(3,350)
• Audit support costs	-
• Sectoral Cap Adjustment	(6,110)
Total expected fee	31,140

Note additional fees will be requested due to the work performed in relation to Oracle transition which will be communicated separately.

There are no non-audit fees.

Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
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Relationships	We have no other relationships with SFC, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.
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Outstanding Matters

Outstanding matters

At the point of issue we are continuing to close out the following areas:

- Annual Report and Accounts – finalisation of reviews;
- Finalisation of reporting and concluding matters;
- Completion of quality review procedures;
- Completion of consultations regarding prior year adjustments;
- Receipt of signed management representation letter; and
- Our subsequent events review since 31 March 2025.



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