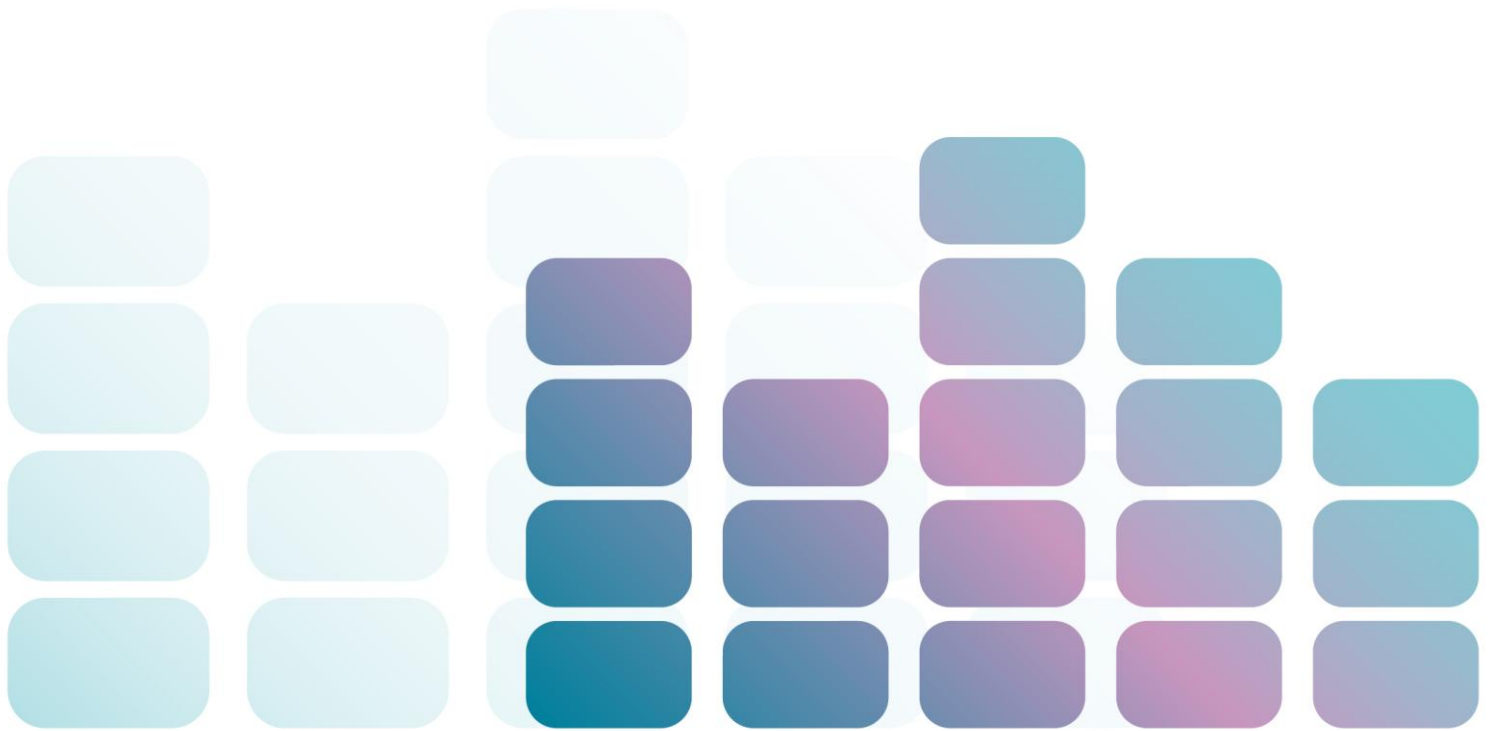


The Scottish Road Works Commissioner

2024/25 Annual Audit Report



Prepared for the Scottish Road Works Commissioner and the Auditor General for
Scotland

September 2025

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Accessibility

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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 Scottish Road Works Commissioner (SRWC).

Financial Sustainability and Best Value audit

- 3** SRWC has effective and appropriate arrangements in place for securing financial sustainability.
 - 4** SRWC 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 Scottish Road Works Commissioner's (SRWC) 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 SRWC and the Auditor General for Scotland and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Stuart Nugent, of Audit Scotland, has been appointed as external auditor of SRWC for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Stuart Nugent and the audit team are independent of the body 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 SRWC, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the body 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.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Concluding on the financial sustainability of the body and a review of the Governance Statement.
- Reporting on the body's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

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 SRWC 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.

SRWC's responsibilities

10. SRWC 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, many of which may be of interest to SRWC and the Commissioner. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

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 body.

Audit opinions on the annual report and accounts

12. The body's annual report and accounts were approved by the Commissioner on 23 September 2025 and signed by the appointed auditor on the same day. The Independent Auditor's Report is included in SRWC'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 19 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 £18,530. 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 SRWC 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. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for SRWC

Materiality	Amount
Materiality – set at 2% of Gross Expenditure	£31,000
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.	£23,000
Reporting threshold – set at 5% of materiality.	£1,600

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 SRWC is the Commissioner.

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

Qualitative aspects of accounting practices

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

Accounting policies

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

Disclosures in the financial statements

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

Other matters to report

25. SRWC used the Scottish Government's SEAS ledger system to process expenditure payments. SRWC used a separate ledger system (Sage) to prepare its accounts.

26. In October 2024, the Scottish Government replaced SEAS as it adopted Oracle Fusion to manage its HR, finance and procurement functions. Despite numerous planning meetings, when Oracle Fusion went live in October 2024, SRWC experienced issues in processing payments to suppliers.

27. As a result, SRWC implemented changes to how they process payments and began paying suppliers directly. This process remains in place and SRWC are not using Oracle Fusion in any capacity. SRWC continues to use Sage to prepare the annual report and accounts.

28. SRWC use the services of an accountant to produce the financial statements within the annual report and accounts. The current accountant has notified SRWC of their intentions to retire in the latter half of 2025. SRWC is in the process of procuring the services of a new accountant and intend to complete this process to allow for a smooth transition between providers. We will follow up on this in 2025/26.

Significant matters discussed with management

29. All significant matters identified during the audit and discussed with SRWC's management have been reported in the Annual Audit Report.

Audit adjustments

30. No audit adjustments were required to the financial statements greater than the reporting threshold of £1,600.

Significant risks of material misstatement identified in the Annual Audit Plan

31. 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 , \(page 11\)](#).

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 controls regarding payments made via Bankline and test a sample of these payments • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<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. • No significant issues were identified from testing of payments made via Bankline. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

Prior year recommendations

32. SRWC has made substantial progress in implementing the agreed prior year audit recommendations.

Financial Sustainability and Best Value audit

Conclusion

SRWC has effective and appropriate arrangements in place for securing financial sustainability.

The body has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

33. The Annual Audit Plan reported that SRWC 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 body.

Duty of Best Value

34. 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.

35. Consideration of the arrangements SRWC has in place to secure Best Value have been carried out alongside the wider scope audit. We confirmed that the framework document we reported on last year continues to be subject to ongoing review at team meetings, most recently in January 2025.

36. In December 2024, SRWC's Performance Manager retired. This coincided with a recruitment freeze across Scottish Government aligned bodies. While the wider staff group have taken on additional tasks, this has led to a number of functions being either delayed or curtailed, such as reduced engagement with roads authorities and undertakers. This creates a resultant risk of a decrease in performance.

37. Through discussions with Transport Scotland, SRWC received authorisation to recruit a Performance Manager. SRWC plan to fill this

position by the end of 2025. We will follow up on this point in 2025/26 and track what impact the vacancy had had on SRWC's ability to deliver its core services.

Recommendation 1

Succession Planning.

SRWC should regularly review its business continuity planning ensuring that it has identified, for each critical activity, an individual(s) who could perform that activity in the event of a loss of staff.

Conclusions on Financial Sustainability

38. The audit work performed on the arrangements SRWC has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by SRWC maintaining rolling 5-year financial budget forecasts (including for the Scottish Road Works Register). We also confirmed that these are regularly updated in response to our brought forward recommendation (see Appendix 1).

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Succession Planning</p> <p>Given the size of the organisation, any loss of people, particularly unplanned, could place excessive strain on SRWC.</p> <p>Risk – SRWC is unable to fulfil its duties due to a loss of staff</p>	<p>SRWC should regularly review its business continuity planning ensuring that it has identified, for each critical activity, an individual(s) who could perform that activity in the event of a loss of staff.</p>	<p>Agreed action – The recommendation is accepted.</p> <p>Review the business continuity plan to identify specific individual(s) to cover critical activities in the event of a loss of staff.</p> <p>Responsible officer – Business and Governance Manager</p> <p>Agreed date – 31 March 2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Medium-term financial plans</p> <p>SRWC maintains 5-year financial plans for both SRWC and SRWR. These incorporate assumptions about future events such as future funding. The SRWC plan assumes future funding for 2026/27 based on a forecast cash balance at that time. Our testing confirmed that the plan had not been updated to account for the cash surplus achieved in 2023/24.</p> <p>Risk – the financial plans do not reflect likely future events and could present a misleading forecast.</p>	<p>SRWC should regularly update the 5-year financial plans for both SRWC and SRWR to ensure that they incorporate all known factors.</p> <p>The SRWC will formerly review the 5 year financial plans for both the SRWC and SRWR.</p> <p>Business and Governance Manager.</p> <p>31 March 2025.</p>	<p>Implemented – SRWC provided updated 5 year plans which take account of 2024/25 activity.</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

Scottish Road Works Commissioner

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