

Executive summary

# Public audit in Scotland

Interim evaluation



AUDITOR GENERAL  ACCOUNTS COMMISSION   AUDIT SCOTLAND

Prepared by Audit Scotland  
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# Key messages

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- 1 Public audit has impact:** 94 per cent of audit recommendations in scope for the evaluation were accepted by audited bodies, indicating strong buy-in and support for improvement. Public bodies are making changes and improvements, linked to our audit work.
  - 2 Stakeholder relationships are effective:** there is a picture of collaborative and respectful engagement, and this contributes to smoother audits and better recommendations.
  - 3 Stakeholder feedback is positive but fragmented:** there is a need for more coordinated and comprehensive stakeholder feedback approaches and tools.
  - 4 Parliamentary engagement is strong:** public audit has a strong track record of supporting parliamentary scrutiny with positive feedback from MSPs.
  - 5 Pace of change is slower than expected:** while our recommendations are overwhelmingly accepted, implementation can be slow and is often delayed due to complexity and a lack of timebound targets.
  - 6 Audit work supports all four outcomes but is not balanced:** over half of our audit recommendations contributed to public audit outcomes, but most of these were about financial management and transparent reporting with fewer about collaboration, resource prioritisation and service improvement.
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# Introduction and purpose

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This interim evaluation assesses progress with Public Audit in Scotland (PAIS); the joint statement of purpose from the Auditor General for Scotland (AGS), the Accounts Commission, and Audit Scotland. It aims to develop a model for assessing progress against the four outcomes set out in PAIS, where public audit aims to have a measurable difference by 2028.

This evaluation aims to:

- explore how well public audit is delivering against PAIS outcomes and whether this is achieving the impact we expected
- identify what is working well and where improvements are needed to inform future planning
- showcase the value of public audit in Scotland.

The evaluation is supplemented by case studies throughout.

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# Evaluation outcomes

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## Context for delivery

Scotland is facing significant fiscal and demographic pressures, which threaten the sustainability of public services. Audit Scotland itself is changing to modernise audit delivery and improve resource management. This evaluation uses the Scottish Government's ISM Framework to explore individual, social, and material factors that influence our contribution to outcomes.

Key contextual challenges include:

- tightening public sector budgets
- increasing demand for services
- need for reform and innovation
- resource constraints within Audit Scotland and audited bodies.

## Evaluation approach and theory of change

Public audit's impact is not in isolation, and we operate in a complex and dynamic system. It is difficult to attribute outcomes directly to audit work. Instead, we focus on understanding how audit contributes to change through stakeholder engagement, learning, and behavioural shifts.

For this evaluation we worked with Matter of Focus, a consultancy specialising in public and third sector impact evaluation. Using their methodology and contribution analysis, we developed a structured evaluation approach, involving:

- developing a theory of change
- testing assumptions and risks
- assembling evidence to build a contribution story
- and identifying data gaps and areas for improvement.

Our theory of change outlines a pathway from audit activities to outcomes. We have used this model as a framework for evaluating impact.

Through this exercise, we have identified two additional pathways that could be added to our Theory of Change as ways of increasing the impact and value of public audit:

- developing the audit profession and the role of public audit
- continuous learning and improvement within Audit Scotland.

We also propose considering whether to update PAIS by a potential fifth outcome: 'Public audit is efficient, effective and outcome-focused'.

## What we do

We evaluated our core activities, and identified strengths and weaknesses in what we do:

- **Engaging with audited bodies:** building relationships to build awareness and understanding of audit, identify risks and issues, and scope, deliver and follow up on audits
- **Delivering timely, impactful and high-quality audits:** supporting our audit work through our quality assurance arrangements, working to recover delivery timeliness, and monitoring impact.
- **Horizon scanning and intelligence sharing:** identifying risks and issues facing the public sector to inform our planned work
- **Promoting findings:** disseminating reports and recommendations through public relations, media, social media and stakeholder engagement.
- **Supporting parliamentary scrutiny:** engaging with parliamentary committees to inform and support their scrutiny of public bodies and services, supporting consultations and inquiries through submissions.
- **Developing tools and guidance:** providing public bodies with resources to support improvement and share good practice.

Strengths included having a clear engagement strategy, and strong communication and promotion mechanisms, an independent quality assurance regime and clear processes for identifying public sector risks and issues.

Areas for improvement included improving training on relationship building, more consistently producing supplementary outputs across sectors and audits, and better monitoring of engagement with tools and resources.

## Who we work with

We engage with a wide range of stakeholders, including: the Scottish Government and all public bodies; the Scottish Parliament; the public; third-sector organisations; and advisory groups. We also engage with our 345 staff with diverse qualifications and backgrounds, and the private firms we contract to deliver 38 per cent of financial audits.

We found that:

- our engagement is broad and inclusive
- relationships with Parliament and public bodies are well-established
- youth and equality advisory groups contribute valuable perspectives to our audit work
- the private audit firms are not fully accountable for public audit outcomes.

The evaluation recommends that we improve accountability mechanisms for the firms, and extract findings from firms' audit reports to assess their contribution to public audit outcomes.

## How stakeholders feel

Positive engagement is key to securing buy-in and commitment to change and improvement.

The feedback we have from stakeholder engagement is generally positive. Audited bodies give high ratings for the financial audit process, and pilots for performance audit show similar. Awareness and positive sentiment towards public audit are high among MSPs and council leaders, but awareness and understanding among the public are moderate.

Our feedback mechanisms are inconsistent, with data gaps, both in relation to specific stakeholders and to feedback in specific areas. We obtain limited feedback from the AGS and Accounts Commission.

Trust in public audit can be inferred but is not directly measured, nor are stakeholder perceptions of independence, or influence.

We recommend improving our feedback data collection to address gaps and provide a more coherent picture that fully evidences our contribution to the four outcomes.

## What stakeholders learn and gain

Changes to stakeholder knowledge, skills and attitudes because of engagement with our activities is a key part of demonstrating our contribution to outcomes and explaining the value we add.

The significant assurance we provide on public spending, to the public, to Parliament and other stakeholders, is the foundation of our impact. Across the 2022-23 and 2023-24 audit years, Audit Scotland audit teams provided opinions on 313 public sector annual accounts. Looking at a sample of these audits in 2023-24, we found 83 per cent had effective financial management arrangements and 72 per cent had effective financial sustainability arrangements.

We do not explicitly seek feedback on how we build understanding of public audit. However, there are several examples of activities such as holding workshops that show that such work is carried out.

We deliver a range of approaches to support improvement, such as evidence-based recommendations, sharing insights and good practice, and producing supplementary tools, resources and guidance. The 94 per cent acceptance rate across the assessed audit recommendations suggests strong buy-in and support for improvement from audited bodies. Audited bodies provide positive feedback about our financial and performance audit reports, and value the technical support and early engagement by audit teams.

Tools and alternative audit outputs such as animations and easy read formats help the public receive and understand our findings.

The evaluation recommends that we expand feedback questions to assess learning from the tools and case studies we provide, and that we analyse conclusions across all audit work to better understand our contribution to outcomes.

## **What stakeholders do differently**

Our evaluation explores the specific changes we hope stakeholders make to deliver against public audit outcomes.

While our recommendations have high acceptance, we found that only 49 per cent were implemented, while 37 per cent were in progress and 14 per cent had not been implemented.

Our support for Parliamentary scrutiny is a critical foundation for our impact. We recognise that we cannot compel public bodies to engage with our tools, resources, guidance, insights and recommendations. The findings clearly indicate that our audit work is making a significant contribution to parliamentary scrutiny, with strong examples from both annual and performance audit work of parliamentary committees holding public bodies to account due to our audit findings. There is also evidence that third-sector organisations use audit findings to support advocacy for change.

Regarding public audit outcomes, we found:

- **Collaboration and prioritisation:** public audit makes few recommendations focussing on this area.
- **Financial management and financial planning:** strong focus and progress.
- **Transparency:** we have seen improvements in reporting and accountability
- **Public service improvement:** there is some evidence of impact, but more emphasis needed.

Challenges include a lack of timebound targets for recommendations, lower implementation rates for complex, system-wide recommendations, and limited data on engagement with tools and resources.

We recommend that auditors follow new guidance on timebound recommendations, we better monitor stakeholder engagement with tools and guidance and consider the balance of audit recommendations against the four outcomes, setting out more clearly what good looks for each outcome.

## What difference we're making

While public audit's impact must be seen as a contribution, and there are challenges around the complexity of public services, we found that we can be confident that public audit contributes meaningfully to public audit outcomes.

For each outcome we found:

- **Collaboration and prioritisation:** progress is slow; systemic barriers persist.
- **Efficiency and effectiveness of public spending:** robust systems in place, sustainability challenges persist, audit recommendations lead to improved financial management and planning.
- **Confidence in public spending:** mixed public perceptions, but public audit supports transparency.
- **Public service improvement:** audit work influences reform and service delivery, though attribution is complex.

The evaluation and case studies in it clearly illustrate tangible improvements in governance and financial controls, workforce management and planning, and transparency and reporting.

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# Conclusions and next steps

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This interim evaluation demonstrates strong progress and impact.

Key development areas for the future include:

- **Planning for outcomes:** Embed outcome focus in audit planning.
- **Stakeholder feedback:** Improve coordination and address data gaps.
- **Future audit model:** Align Code of Audit Practice with outcomes.
- **Evaluation approach:** Enhance reflective practice and explore automation.
- **Future outcomes:** Consider adding efficiency and effectiveness as a fifth outcome.

The final evaluation report in 2027 will build on this interim assessment, incorporating lessons learned and further evidence of impact.

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