

Accountant in Bankruptcy

2024/25 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Accountant in Bankruptcy and the Auditor General for Scotland
November 2025

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Key messages

Audit of the annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified. The Accountant in Bankruptcy's (AiB) financial statements give a true and fair view of its financial position and its net expenditure for the year.
- 2 There was one significant finding to report relating to the restatement of the prior year contingent asset disclosure. This did not impact the core financial statements. All audit adjustments required to correct the financial statements were processed by AiB.
- 3 Key risks arising from the audit of AiB's accounts were detailed in our Annual Audit Plan. There are no matters relating to our significant risks of material misstatement to draw to the attention of AiB.
- 4 The annual report and accounts were received after the agreed timetable. This has resulted in a delay to the conclusion and certification of the audit.

Financial Sustainability and Best Value audit

- 5 AiB has effective and appropriate arrangements in place for securing financial management. AiB operated within its operational cash resource budget for 2024/25. AiB's comprehensive net expenditure for the year was £1.44 million.
 - 6 AiB developed a medium-term financial plan in 2024, looking forward five years to 2028/29. The plan should be subject to regular review to ensure savings plans to address budget gaps are incorporated and the plan aligns with corporate strategies.
 - 7 AiB has 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 annual audit of the Accountant in Bankruptcy's (AiB) 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 AiB and the Auditor General for Scotland and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

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

Acknowledgements

4. We would like to thank AiB 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.
- 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 the body 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.

AiB's responsibilities

10. AiB 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 AiB and the Audit Committee. 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

Audit opinions on the annual report and accounts are unmodified. The Accountant in Bankruptcy's (AiB) financial statements give a true and fair view of its financial position and its net expenditure for the year.

There was one significant finding to report relating to the restatement of the prior year contingent asset disclosure. This did not impact the core financial statements. All audit adjustments required to correct the financial statements were processed by AiB.

Key risks arising from the audit of AiB's accounts were detailed in our Annual Audit Plan. There are no matters relating to our significant risks of material misstatement to draw to the attention of AiB.

The annual report and accounts were received after the agreed timetable. This has resulted in a delay to the conclusion and certification of the audit.

Audit opinions on the annual report and accounts

12. The Accountable Officer approved the annual report and accounts for AiB for the year ended 31 March 2025 on 26 November 2025. The Independent Auditor's Report is included in AiB's annual report and accounts, and this reports that, in the appointed auditor's opinion,

- The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- Expenditure and income are regular and in accordance with applicable enactments and guidance.
- The audited part of the Remuneration and Staff Report was prepared in accordance with the Government Financial Reporting Manual.
- The Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.



Audit timetable

13. There were delays in the production of the unaudited annual report and accounts and it was not received in accordance with the agreed audit timetable. The finance team provided working papers on time which allowed us to progress elements of our audit work. This impacted on the audit timetable and delayed the agreed date for certification of the annual report and accounts. This resulted in an additional fee being charged.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £50,640.

15. Significant additional audit testing was required following the work the migration of the general ledger system from SEAS to Oracle. This resulted in an increase to the audit fee of £2,500. The delay in receiving the unaudited report and accounts resulted in an additional fee of £1,860. This resulted in a total audit fee of £55,000.

Materiality

16. 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.

17. 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.

18. Materiality levels for AiB 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 AiB

Materiality	Amount
Materiality – set at 2% of operating income.	£180,000

Materiality	Amount
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.	£135,000
Reporting threshold – set at 5% of materiality (rounded).	£10,000

Source: Audit Scotland

Significant findings and key audit matters

19. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for AiB is the Audit Committee.

20. 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.

21. 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.

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

Exhibit 2 Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Prior year contingent asset disclosure</p> <p>AiB recognise a contingent asset relating to repayments to the public purse in respect of recovery of fees paid out in bankruptcy cases where AiB is the trustee.</p>	<p>Audit work identified that there were differences in the types of cases being included in the contingent asset between 2023/24 and 2024/25.</p> <p>Older cases relating to two customer categories had either been excluded from</p>

Significant findings and key audit matters	Outcome
<p>In 2023/24, the contingent asset was reported at £0.673 million.</p> <p>This value had decreased in 2023/24, and we were advised at the time this was due to ongoing work to settle older cases, fewer new bankruptcy cases and newer cases having lower values.</p> <p>In 2024/25, the value reported was £1.779 million. However, at the same time, AiB had noted that there continued to be lower levels of new cases and lower value cases.</p>	<p>2023/24 or only part of the fees had been included in the calculation.</p> <p>This disclosure has been restated, and the annual report and accounts now report a contingent asset of £1.710 million for 2023/24.</p> <p>Further, appropriate narrative disclosures have been included in the annual report and accounts.</p> <p>There has been an update to the amount of the 2023/24 contingent asset realised during 2024/25 from £0.217 million to £0.621 million which had been impacted by the same calculation error.</p> <p>Due to the nature of contingent assets, this has not impacted the core financial statements.</p> <p>This is a key audit matter due to the value of the restatement.</p>

Source: Audit Scotland

Audit adjustments

23. No audit adjustments were required to the financial statements greater than the reporting threshold of £10,000. Disclosure adjustments greater than £10,000 were identified. The significant disclosure adjustment is detailed in Exhibit 2, with all other disclosure adjustments greater than the reporting threshold of £10,000, outlined in [Exhibit 3](#).

Exhibit 3 Audit adjustments

Audit adjustments in disclosures

1. AiB disclosed a contingent liability of £0.397 million in respect of fixed fees expected to be paid out to insolvency agents acting on AiB's behalf in Note 17. This was restated following our audit work to £0.373 million.
2. Following the introduction of Oracle Cloud the categorisation of payables within Note 10 has been changed from the prior year. The total value of short-term payables has not changed.

2023/24 payables figures have been restated in Note 10 to reflect this reclassification, with no impact on the core financial statements.

2024/25 financial instruments relating to payables in Note 12 has been updated as part of the audit process to reflect these changes. This has resulted in a £0.329 million increase in liabilities. This is a disclosure only so there is no impact on the core financial statements, the corresponding figures have been restated for 2023/24.

3. Note 2 of the financial statements (staff costs) and the Staff report were both updated to include the movement in employee benefit accrual of £0.069million, to bring these in line with the Statement of Comprehensive Net Expenditure disclosure.

4. The fair pay disclosures included within the Remuneration and Staff Report have been updated due to calculation errors in the 25th percentile and median figures and the corresponding ratios.

Source: Audit Scotland

24. Management of AiB processed the disclosure audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatements to report.

Significant matters discussed with management

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

Qualitative aspects of accounting practices

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

Accounting policies

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

Accounting estimates

28. Accounting estimates are used in number of areas in the AiB's financial statements, including in contingent assets and liabilities. Audit work considered the process management of the body has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts.

29. Audit work concluded:

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

Disclosures in the financial statements

30. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as right of use assets and liabilities.

Other matters to report

31. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. These matters include suspected or identified fraud, non-compliance with legislation, significant deficiencies in control. From work done throughout the audit, there were no matters identified or encountered on the audit of the AiB which required to be reported.

Significant risk of material misstatement identified in the Annual Audit Plan

32. Audit work has been performed in response to the significant risk of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4

Significant risk 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 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over journal processing were appropriate and enhanced by the introduction of Oracle. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in processing journal entries.

Risk of material misstatement	Planned audit response	Outcome of audit work
	<p>processing of journal entries.</p> <ul style="list-style-type: none"> • Test journals entries, focusing on those at year end which are assessed as higher risk. • 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. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<ul style="list-style-type: none"> • No unusual or inappropriate transactions were identified as part of our detailed testing of journal entries. • No significant transactions outside the normal course of business were identified. • Controls in place for identifying and disclosing related party relationships and transactions were considered 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

Introduction of Oracle Cloud finance and HR systems

33. In our Annual Audit Plan, we noted that on 1 October 2024, the Scottish Government replaced the existing finance and HR systems with the new Oracle Cloud system. As an agency, AiB use these systems as part of a shared services agreement with the Scottish Government.

34. The Scottish Government obtained a SOC2 report for 2024/25 for Oracle Cloud. A SOC2 report is designed specifically for technology and cloud computing organisations that handle customer data. The SOC2 report sets out the service auditor's (EY) assessment of operational effectiveness of the controls in place to protect customer data at Oracle's UK cloud data centres. We reviewed the work completed by Audit Scotland colleagues and noted that there were no specific issues identified covering physical security, back-ups and recovery procedures.

35. As part of our audit work on the financial statements, we have reviewed the output from the new system to confirm reliability, focussing

our work on the completeness of the data and the risk of classification errors in the financial statements.

36. We undertook additional work:

- focussed testing of income, expenditure and journal transactions in period 6 and period 7 to assess the completeness of data following the migration of the general ledger from SEAS to Oracle.
- reperformance of testing on staff costs and staff numbers, to ensure all staff and the associated salary costs had migrated over correctly to the new system.
- reviewed AiB's migration testing from the trial balance and assessed the classification, completeness and reliability of AiB's own testing.

37. No issues were identified from our additional testing.

AiB's control arrangements

38. From a review of the design and implementation of key controls within AiB's systems of internal control (including those relating to IT) relevant to our audit approach, we did not identify any internal control weaknesses which could affect AiB's ability to record, process, summarise and report financial and other relevant data and result in a material misstatement in the financial statements. We found that the financial key controls were generally operating as expected with a small number of housekeeping points shared with the finance team.

39. Given the significant system changes over the last 12 months, it is good practice to re-evaluate the financial controls in place. This is to ensure that the controls remain appropriate and to identify if there are any new controls which require to be introduced.

Recommendation 1

Given the change in systems over the last 12 months, AiB should review the financial controls in place to ensure they remain appropriate and identify if there are any new controls which require to be introduced.

40. We noted that a planned restore and back up test did not go ahead as planned in early 2025. Standard backup procedures have been in place throughout the year. AiB were able to carry out this testing in 2025/26 as part of cloud migration work.

Scottish Government Consolidation Accounts

41. As an agency of the Scottish Government, AiB's financial statements are included in the consolidated Scottish Government's annual report and accounts. We will undertake work on the consolidation disclosures in due course following the certification of AiB's annual report and accounts.

Prior year recommendations

42. The body has made good progress in implementing one of the agreed prior year audit recommendations, whilst the other has been superseded, as outlined in [Appendix 1](#).

Financial Sustainability and Best Value audit

Conclusions

AiB has effective and appropriate arrangements in place for securing financial management. AiB operated within its operational cash resource budget for 2024/25. AiB's comprehensive net expenditure for the year was £1.44 million.

AiB developed a medium-term financial plan in 2024, looking forward five years to 2028/29. The plan should be subject to regular review to ensure savings plans to address budget gaps are incorporated and the plan aligns with corporate strategies.

AiB has appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

43. The Annual Audit Plan reported that AiB 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 AiB.

Duty of Best Value

44. 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.

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

Wider scope and Best Value risks

46. Audit work has been performed in response to the wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5

Wider scope and Best Value risks

Significant risk	Planned audit response	Outcome of audit work
<p>Financial Sustainability</p> <p>Whilst AiB has set a balanced budget for 2024/25, the medium-term financial plan identifies increasing shortfalls in the following years budgets for over 2 million over the period to 2028/29. This is due to inflationary and pay related pressures and AiB will require to identify savings to mitigate these shortfalls. Similar challenges are being seen across the public sector in Scotland.</p> <p>Staff costs are approaching 70% of expenditure. AiB is predominantly funded through fees set out in the Bankruptcy Fees (Scotland) Regulations 2018 as amended, with smaller amounts of revenue funding from the Scottish Government. Downward fluctuations in bankruptcy income would create additional pressures.</p> <p>Within this financial environment, AiB faces challenges going forward in maintaining the delivery of services in a financially sustainable way.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review AiB's annual budget setting and monitoring arrangements. • Review AiB's financial position and plans for delivery of savings. • Assess progress in refreshing the medium-term rolling financial plan and incorporating enhanced savings reporting into this plan, following the departure of the Head of Finance. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • Budget setting was completed before the end of the year, and regular reporting is provided to the Audit Committee and Board. • Whilst there continues to be evidence of work to identify savings, the plans and outcomes of this work is not always visible. • A medium-term financial plan is in place. This should be refreshed on a rolling basis to incorporate savings plans to address budget gaps in future years and ensure it is aligned with other corporate strategies (see recommendation 2).

Source: Audit Scotland

AiB operated within its operational resource budget for 2024/25

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

48. AiB's operating costs are met predominantly through income raised from fees and charges as set out by Bankruptcy Fees (Scotland) Regulations 2018. AiB's operating expenditure for the year was £10.6 million. This was funded by operating income of £9.2 million, plus Scottish Government funding of £1.6 million, resulting in an underspend against the resource budget of £0.18 million.

49. Non-cash resource expenditure relating to depreciation and amortisation of non-current and intangible assets was £1.36 million, against the non-cash resource budget of £1.36 million. The cash resource budget showed an underspend in year of £0.18 million, resulting in an underspend of £0.18 million on the total resource budget.

50. Capital expenditure for the year was £0.7 million. AiB's capital allocation for the year was £1.1 million, resulting in an underspend of £0.4 million on the capital budget. AiB invested in two energy efficient projects which were completed in year, as well as new IT equipment.

There are net assets recorded in the Statement of Financial Position

51. The Statement of Financial Position summarises what is owned and what is owed by AiB. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

52. AiB's Statement of Financial Position as at 31 March 2025 discloses net assets of £2.72 million, which includes the right of use asset and associated liability for the Kilwinning office building.

AiB has a medium-term financial plan in place. This should be refreshed on a rolling basis

53. AiB's 2025/26 budget was approved by the Board in February 2025, with a balance budget forecast. AiB's 2025/26 budget includes operating expenditure of £9.535 million, operating income of £9.047 million and a Scottish Government resource allocation of £0.488 million. In addition, the allocation of capital expenditure is £1.1 million.

54. AiB developed a medium-term financial plan in 2024 which covers the period 2024/25 to 2028/29. It includes scenario planning, with both an optimistic and pessimistic forecast. The central scenario identifies that there is an expected budget gap of £0.518 million in 2026/27, rising to £1.123 million in 2028/29.

55. AiB should look to revise the medium-term financial plan on a rolling basis to adapt and update the forecasts for new financial pressures. This would include new information on estimated pay increases and the increase in revenue expenditure associated with cloud computing. These factors and considerations evolve each financial year.

56. Further, a number of new strategies have been developed or are continuing to be developed including a planned target operating model. As such, to ensure financial sustainability risks are identified and addressed in a timely manner, AiB should review and update their medium-term financial planning to incorporate both financial factors and ensure they align with other AiB strategies.

57. In AiB's annual budgets, quarterly reporting and the medium-term financial plan, there is limited visibility on the amount of savings AiB requires in year to address budget gaps in the medium-term financial plan. As budget pressures increase and budget gaps are identified in forecasting, savings plans and the outcomes from this work should be incorporated into financial planning. The prior year recommendation in this area has not progressed due to staff vacancies.

Recommendation 2

The medium-term financial plan should be refreshed on a rolling basis to incorporate savings plans to address budget gaps in future years. It should also be reviewed to ensure it aligns with other corporate strategies, including workforce planning.

Disclosures in the Governance Statement are consistent with the financial statements, and the statement has been prepared in accordance with the relevant statutory guidance

58. The FReM states that AiB must prepare an annual governance statement within the annual report and accounts. Guidance is set out within the Scottish Public Financial Manual (SPFM) around the content of the governance statement, which provides assurances around the achievement of the organisation's strategic objectives.

59. The governance statement reflects a range of assurances received by the accountable officer in relation to the adequacy and effectiveness of AiB's system of internal control which operated during the financial year. We confirmed that the accountable officer received assurances from members of the senior management team covering their areas of responsibility at year end and that there is ongoing review of the assurance mapping process across AiB.

AiB's governance and transparency arrangements are appropriate

60. AiB is an executive agency of the Scottish Government responsible for administering the process of personal bankruptcy and recording corporate insolvencies in Scotland.

61. During 2024/25, the Advisory Board and the Audit Committee meetings were held in person with access online for those who required.

We attend Audit Committee meetings and papers are circulated to members in a timely manner in advance of meetings for review. From our attendance at Committee, we observed and concluded that members are engaged during meetings and provide effective scrutiny and challenge.

62. We have reviewed a selection of papers and minutes submitted to the Advisory Board throughout the year. The papers are detailed and comprehensive, allowing for effective decision making and scrutiny of performance.

The performance report complied with the requirements of the FReM. There is the ability to enhance this reporting going forward

63. We consider the qualitative aspects of the performance report included in the annual report and accounts. The performance report is to provide information on the main objectives and strategies of the organisation, and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of performance, and is essential in helping stakeholders understand the financial statements.

64. We concluded that the information disclosed in the 2024/25 performance report complies with the FReM. We discussed some minor amendments to the draft performance report for 2024/25 which management implemented, including prior year information on key performance indicators.

65. We identified areas of repetition within the performance report. The performance report would benefit from being more concise to highlight the work of AiB whilst remaining compliant with the FReM. The use of infographics to support reporting performance should be considered.

Recommendation 3

AiB should review the performance report so that it is more concise going forward, whilst remaining compliant with the FReM.

AiB has appropriate arrangements in place for securing Best Value

66. From discussions with AiB, our attendance at Committee meetings and review of papers submitted to Committee, we are satisfied that there are appropriate arrangements in place for securing best value.

67. This judgement is evidenced by:

- AiB has well established and effective governance arrangements in place.

- the arrangements AiB has in place on securing financial sustainability, supported by a medium-term financial plan. This can continue to be enhanced.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Review of financial controls</p> <p>AiB has had significant financial system changes in the last 12 months. It is good practice to review AiB's specific controls to ensure that they remain appropriate.</p> <p>Risk – that controls are no longer fully appropriate for the new systems.</p>	<p>Given the change in systems over the last 12 months, AiB should review the financial controls in place to ensure they remain appropriate and identify if there are any new controls which require to be introduced.</p>	<p>Accepted</p> <p>A full review of system reconciliations will take place this year following the changes to our finance systems, and will include the planned updates to our accounts receivable system. While controls are regularly reviewed, additional focus is will be placed on new controls introduced through these system changes.</p> <p>Interim Head of Finance 31/03/2026</p>
<p>2. Reviewing medium-term financial planning</p> <p>Financial challenges continue to exist across the Scottish public sector. AiB needs to ensure it understand financial risks and address future budget gaps to ensure it can plan for an uncertain future. The medium-term financial plan needs to align with other strategies.</p> <p>Risk – financial risks are not identified on a timely basis</p>	<p>The medium-term financial plan financial plan should be refreshed on a rolling basis to incorporate savings plans to address budget gaps in future years. It should also be reviewed to ensure it aligns with other corporate strategies, including workforce planning.</p>	<p>Accepted</p> <p>AiB recognises the Medium term financial strategy as a critical tool in navigating the challenges currently facing the public sector. We are committed to maintaining its relevance and accuracy by refreshing the document on a rolling basis, ensuring it continues to support informed decision making and long-term financial sustainability.</p> <p>Interim Head of Finance 31/03/2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
3. Enhancing the performance report <p>Our audit work identified that there were areas of repetition in the performance report, and that the report could be more concise.</p> <p>Risk – key messages may be obscured.</p>	<p>AiB should review the performance report so that it is more concise going forward, whilst remaining compliant with the FReM.</p>	<p>Accepted</p> <p>Our Governance and Communications teams will collaborate to review the performance report, removing duplication and improve the overall clarity and readability for the 2025-26 edition.</p> <p>Interim Head of Finance 01/06/2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Over recovery of outlays in RPP income <p>AiB has over recovered outlays at the settlement of bankruptcy cases where costs have been recovered in full (equivalent to the value of recoverable VAT).</p> <p>Risk – income in the financial statements is overstated and there may be repayments due to third parties.</p>	<p>Recommendation</p> <p>The system reporting of costs incurred in bankruptcy cases and how this interacts with RPP require to be more robust to ensure that only costs due to AiB are recovered.</p> <p>Action</p> <p>Accepted – AiB operational and finance staff have attended a workshop with the IT developers to update the calculation in the case management system. Further investigation will continue during the 2024/25 year.</p> <p>Head of Finance On-going during 2024/25</p>	<p>Implemented</p> <p>A fix was implemented on the case management system in February 2025. We carried out focused testing of settlements from February 2025 onwards, no issues were identified.</p> <p>AiB have made good progress in identifying affected cases and arranging for the VAT amounts to be refunded, with over £80,000 now paid back since 2023/24.</p>
2. Enhancing savings reporting <p>Whilst work on identifying savings takes place, the plans</p>	<p>Recommendation</p> <p>The visibility of savings plans, and reporting savings outcomes can be improved by incorporating these into</p>	<p>Superseded by recommendation 2 above</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>and outcomes of this work is not always visible.</p> <p>Risk – that savings plans and outcomes are not evidenced.</p>	<p>financial planning. The outcomes from savings plans should be reported regularly.</p> <p>Accepted</p> <p>Head of Finance</p> <p>Ongoing during 2024-25.</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

Accountant in Bankruptcy

2024/25 Annual Audit Report



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