Scottish Public Pensions Agency
NHS Pension Scheme (Scotland)
Scottish Teachers' Pension Scheme
2024/25 Annual Audit Report

AUDIT SCOTLAND

Prepared for Scottish Public Pensions Agency and the Auditor General for Scotland
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2 There were a number of significant findings to report which reflected the poor quality of supporting evidence. All audit adjustments required to correct the financial statements were processed by the agency.

Financial management and sustainability

3 SPPA operated within its 2024/25 budget after it received additional funds during the year following a successful request to the Scottish Government.

4 The agency did not fully prepare for the move to Oracle Fusion, but did proactively manage an issue with the pension platform.

5 The agency has developed its first medium-term financial strategy which is based on reasonable assumptions.

Vision, leadership and governance

6 The agency needs to ensure stability within its leadership following a period of significant change.

7 The agency revised its governance arrangements in 2024/25 but there is a risk that scrutiny is being reduced.

8 The Audit and Risk Committee's effectiveness has been constrained by limitations on information and support provided.

User of resources to improve outcomes and Best Value

9 The agency did not meet the statutory deadline of 1 April 2025 for issuing pension statements in respect of Remedy. The agency underestimated the scale and complexity of the work involved in calculating the options for members across each of its four schemes. The agency has informed The Pensions Regulator of a series of extensions and is now working towards

revised deadlines through to 31 July 2028, over three years late, to fulfil its obligations.

10 The agency has reported several reasons for Remedy delays both internal and external to the organisation. The agency is prioritising Remedy work but, as many of these issues are ongoing, it remains unclear whether it will meet its revised timescales for delivering its Remedy obligations.

11 The agency has not demonstrated sufficient transparency regarding its progress on Remedy.

12 The agency uses benchmarking to demonstrate Best Value but is considering the appropriateness of the current peer group arrangements.

Introduction

Purpose of the Annual Audit Report

1. The Scottish Public Pensions Agency (the agency) is an executive agency of the Scottish Government. It is responsible for administering and presenting accounts for the NHS Pension Scheme (Scotland) (NHSPSS) and Scottish Teachers' Pension Scheme (STPS). The agency is also required to prepare accounts for its own finances, referred to here as SPPA.

2. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audits of SPPA, NHSPSS and STPS annual report and accounts and the wider scope areas specified in the Code of Audit Practice (2021) of:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

3. The Annual Audit Report is addressed to the agency and the Auditor General for Scotland, and will be published on Audit Scotland's website in due course.

Scope of the audit

4. 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.

- Conclusions on the agency's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the agency's arrangements for securing Best Value.
- Providing assurance on the Whole of Government Accounts return.

Appointed auditor and independence

5. Michael Oliphant, of Audit Scotland, is the appointed auditor of SPPA, NHSPSS and STPS for the period from 2023/24 until 2026/27. As reported in the Annual Audit Plan, the appointed auditor and the audit team are independent of the agency 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 the agency, including no provision of non-audit services.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the agency and the auditor, with a summary 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 agency's arrangements in place for the wider scope areas and Best Value.

8. The Annual Audit Report includes an agreed action plan at Appendix 1. The matters reported are 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 agency from its responsibilities outlined below.

The agency's responsibilities

9. The agency 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 annual report and accounts, comprising financial statements for the SPPA, NHSPSS and STPS 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

10. 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 the agency and the Audit and Risk Committee (ARC). Details of national and performance audit reports published over the last year can be seen in Appendix 3.

Acknowledgements

11. We would like to thank the agency 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 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 a number of significant findings to report which reflected the poor quality of supporting evidence. All audit adjustments required to correct the financial statements were processed by the agency.

Audit opinions on the annual report and accounts are unmodified

12. The annual report and accounts for SPPA, NHSPSS and STPS were approved by the ARC on 8 January 2026. The Independent Auditor's Report is included in the annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

The draft accounts were submitted to audit within a reasonable timescale but significant issues and poor-quality supporting papers delayed the completion of the audit

13. The unaudited SPPA annual report and accounts was received on 1 July 2025 in accordance with the agreed audit timetable. Working papers were then made available upon request.

14. The STPS draft annual report and accounts were provided on 23 July, with the NHSPSS draft annual report and accounts provided on 24 July. Working papers for both schemes were made available at the same time. While this was later than planned, it was discussed in advance with the audit team and did not significantly impact on the audit.

15. While the accounts and working papers for all three sets of annual report and accounts were provided in reasonable time, significant issues within each delayed the audit. The main issues are highlighted in Exhibit 4 with new recommendations raised relating to capitalised internal staff costs, supporting records for payables and receivables and the scheme

account templates. There were also actions from previous years which were not fully implemented relating to police and fire balances and asset accounting. These recommendations are set out in Appendix 1.

An additional audit fee will be charged due to issues encountered during the audit

16. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at the baseline levels of:

- SPPA: £29,120
- NHSPSS: £75,920
- STPS £72,170.

17. Due to delays in the audit process, an additional audit fee shall be raised. At the time of writing the amount has still to be agreed. This is the second year that such an additional charge has been applied.

Materiality was reviewed on receipt of the unaudited annual report and accounts

18. Materiality is applied by auditors in planning and performing an audit. 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.

19. Materiality levels for the audit of SPPA, NHSPSS and STPS 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 and 2.

Exhibit 1
2024/25 Materiality levels for SPPA

SPPA Materiality	Planning	Final
Materiality – set at 2% of gross expenditure	£0.55 million	£0.58 million

SPPA Materiality	Planning	Final
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£0.33 million	£0.35 million
Reporting threshold – set at 5% of materiality.	£28,000	£30,000

Source: Audit Scotland

Exhibit 2
2024/25 Materiality levels for NHSPSS and STPS

NHSPSS Materiality	Planning	Final
Materiality – set at 2% of scheme liabilities	£266 million	£268 million
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£160 million	£160 million
Reporting threshold	£0.5 million	£0.5 million

STPS Materiality	Planning	Final
Materiality – set at 2% of scheme liabilities	£150 million	£150 million
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£90 million	£90 million
Reporting threshold	£0.5 million	£0.5 million

Source: Audit Scotland

20. In addition to overall materiality, we can set lower, specific materiality levels for certain classes of transaction, account balances or disclosures where lesser amounts could influence the decisions of the users of the annual report and accounts.

21. We recognise that transactions relating to the ongoing activities of NHSPSS and STPS are likely to be of interest to the users of the annual report and accounts. We therefore set specific materiality levels as shown in Exhibit 3.

Exhibit 3
2024/25 Lower specific materiality levels for NHSPSS and STPS

NHSPSS Materiality	Planning	Final
Materiality – set at 2% of gross expenditure (benefits paid)	£37 million	£42 million
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£22 million	£25 million
Reporting threshold	£0.5 million	£0.5 million

STPS Materiality	Planning	Final
Materiality – set at 2% of gross expenditure (benefits paid)	£26 million	£28 million
Performance materiality – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£15 million	£16 million
Reporting threshold	£0.5 million	£0.5 million

Source: Audit Scotland

The audit identified significant findings and key audit matters

22. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the agency is the ARC.

23. 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 include:

- 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.

24. The significant findings and key audit matters to report are outlined in Exhibit .

Exhibit 4
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
1) SPPA: Police and fire balances Police and fire balances represent amounts which have been paid, or due to be paid, on behalf of the police and fire schemes by the agency. Amounts are payable to HMRC or recoverable from the Scottish Police Authority and the Scottish Fire and Rescue Service. Through our review we found the following issues: - Balances in the draft accounts did not agree to the general ledger and working papers - Material adjustments were required to ensure the ledger included all required balances - During the year new bank accounts set up for the police and fire pension schemes (and under the control of the agency) with combined balances of £20.19 million were not appropriately classified in the SPPA accounts.	Proposed revisions in respect of police and fire receivables and payables were presented by the agency and were agreed following an audit review. The agency agreed to amend the SPPA accounts to include the bank accounts held in respect of the police and fire schemes. This was reviewed and confirmed by the audit team. The issues found in this year's audit are similar to those identified last year, therefore, our recommendation remains in place and will be carried forward to 2025/26 (see b/f 3 in Appendix 1).

Significant findings and key audit matters	Outcome
2) SPPA: Non-current assets – property, plant and equipment Our review of non-current assets found that the fixed asset register (FAR) did not reconcile to the ledger and subsequently to the draft accounts. The FAR should support the ledger and the accounts. After raising these points with the agency, we were informed that there were issues with the categorisation of assets in the FAR which resulted in differences in balances brought forward. Similar to last year, audit testing found that no indexation adjustment was posted. SPPA's accounting policy confirms that full property revaluations will take place every 5 years with appropriate indices used to restate the values in the intervening years. This ensures that assets are not materially misstated as required by the underlying accounting standard (IAS 16). Audit testing also confirmed that an impairment review was not carried out by the agency in 2024/25. Such a review is required by IAS 36.	Following our audit testing, the agency sought further advice from the Scottish Government regarding issues with the FAR. As a result, the agency noted that it was not possible to adjust the figures in the FAR for 2024/25. However, adjustments were put through the opening balances for 2025/26 which should prevent these issues occurring again in future years. This exercise did find some immaterial misstatements in the draft accounts with adjustments of £0.06 million and £0.01 million to the balances for PPE and intangible assets respectively. A series of more substantial disclosure adjustments were also required to the supporting note to bring it in line with the FAR. Audit testing found that indexation figures advised by the Scottish Government would only result in an immaterial adjustment of £0.01 million. While accepting this point, it was also noted that the agency did not obtain and review supporting property revaluation reports which the Scottish Government based its findings on. Management at the agency should have confirmed that the findings presented by the Scottish Government were appropriate to the SPPA, but there is no evidence of this taking place. As such, the recommendation from last year has been reported as not implemented and has been revised (to include the requirement for an impairment review) and carried forward to 2025/26 (see b/f 3 in Appendix 1).

Significant findings and key audit matters	Outcome
3) SPPA: Non-current assets – intangible assets under development Our testing found that the agency capitalised around £0.52 million of internal staff costs in 2024/25 relating to work on software solutions for the Remedy project. This is the first year that internal staff costs have been capitalised. Upon further review we found that the agency had charged the full salary for the individuals in question with poor consideration of whether their underlying activities met with Scottish Government guidance (based on IAS 38). The guidance confirms that business analysis, system design, system testing and system documentation are attributable and can be capitalised. It also states that system investigation, business case preparation and project management are non- attributable and cannot be capitalised. Further issues were found in terms of capital transfers from assets under development of £0.26 million and £0.30 million, with the former including some items which did not appear to be capital in nature.	Through discussion it was found that some of the internal staff time did not meet with the criteria set out in the guidance. This was in light of some of the staff having project management roles, and also allowing for non-productive time such as performance reviews, one to one discussions and training. The agency consequently made an adjustment of £0.13 million. The agency confirmed that £0.05 million within the £0.26 million of transfers were revenue in nature and would be adjusted. The agency also confirmed the remaining £0.22 million should be an addition to assets under development rather than a transfer out. Finally, the agency confirmed that the £0.30 million adjustment was a transfer out from assets under development but that this had not been properly disclosed in the draft accounts presented to audit and would consequently be adjusted. A new recommendation has been raised for the agency to monitor and review the percentage of attributable and non-attributable time applied in 2024/25 to ensure that it remains reasonable (see item 1 in Appendix 1).

Significant findings and key audit matters	Outcome
4) SPPA: Receivables and Payables Our testing found a number of issues in relation to both receivables and payables balances. These had a material gross value of £0.87 million and the net impact of increasing both balances by £0.1 million. These related to: a) An over accrual of £0.145 million in relation to actuarial services and remedy costs. b) An over accrual relating to an invoice for consultancy services for February 2025 of £0.077 million which had already been paid at the year end. c) Omitted accruals of £0.134 million relating to agency staff costs. A further exercise led by SPPA identified an additional £0.162 million of missing accruals d) The annual leave accrual did not include employers NI or pension contributions of £0.180 million e) The initial draft did not include 2 journals posted in June 2025 which reduced the payables balance by £0.08 million f) A £0.073 million historic negative receivables balance needed to be cleared g) A £0.034 million invoice had incorrectly been classed as a prepayment	Through discussion with the agency, all of these points were accepted in principle with adjustments duly posted. Given these issues, a new recommendation has been raised (see item 2 in Appendix 1).

Significant findings and key audit matters	Outcome
5) NHSPSS/STPS: Supporting templates The agency provided supporting templates for both scheme accounts in the format previously provided. However, a number of issues were found in relation to these templates. Firstly, these templates were based on the old ledger (SEAS) coding structure and have not been updated to allow for the new Oracle Fusion structure which was in place at year end. This required manual adjustments to be made to the figures from the trial balance (from Oracle Fusion) by finance staff. Some errors were found as a result of this. Further testing found that there were some internal inconsistencies within the templates, some tabs were missing and there were some differences to the draft accounts presented to audit.	The agency revised the templates to address points concerning missing tabs and internal inconsistencies, but did not adjust them to allow for the new Oracle Fusion coding structure due to time pressures. The agency then revised the accounts for both schemes in line with the revised templates. These were checked by the audit team and confirmed to be satisfactory. Going forward the agency should update the functionality within the templates to allow for the new coding structure in Oracle Fusion. A new recommendation has been raised in Appendix 1 (see number 3).

Source: Audit Scotland

Qualitative aspects of accounting practices

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

Accounting policies

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

Accounting estimates

27. Accounting estimates are used in the financial statements for SPPA, NHSPSS and STPS. This includes the valuation of land and buildings assets (SPPA) and the valuation of the pension scheme liabilities (NHSPSS and STPS). Audit work considered the processes the agency has in place, including the assumptions and data used in making the estimates, and the use of any management experts. 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 reasonable.

- There was no evidence of management bias in making the accounting estimates. However, there was a lack of management oversight of revaluation information relating to land and buildings (see item 2 in Exhibit 4).

28. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in Exhibit , (page 21).

Disclosures in the financial statements

29. The adequacy of disclosures in the financial statements was assessed as part of the audit. As indicated above, our testing found a significant number of issues with the three sets of financial statements. This reflected the poor quality of accounting records maintained by the agency and insufficient planning to manage the impact from a change in the accounting system. These were subsequently addressed as a result of the audit.

We have other matters to report relating to suspected fraud, non-compliance with laws and regulations, internal control and other issues

30. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. The matters identified or encountered on the audit of the body are outlined in Exhibit .

Exhibit 5
Other matters to report

Auditing standard requirement	Matter to report	Outcome
Suspected or identified fraud ISA (UK) 240 requires auditors to report any suspected or identified frauds.	As reflected in the SPPA accounts, there are six ongoing fraud investigations.	Through discussions with staff, we are content there is no material impact on any of the financial statements.
Non-compliance with laws and regulations ISA (UK) 250 requires auditors to report any instances of non-compliance with laws and regulations identified during the audit.	The agency did not meet the initial timescale set out by the Public Service Pensions and Judicial Offices Act 2022 for implementation of Remedy.	The agency has applied flexibility as set out in 29(10)(b) of the Act to extend deadlines. There is no impact on the 2024/25 accounts. See further details at paragraphs 79 to 95.

Auditing standard requirement	Matter to report	Outcome
Other ISA (UK) 260 matters In addition to the matters already reported under ISA (UK) 260 in the Annual Audit Report, this standard also requires auditors to report: • Any significant difficulties encountered during the audit. • Circumstances that affect the form and content of the auditor's report. • Any other matters that are relevant to those charged with governance.	As reflected in Exhibit 4 and as per paragraph 15 there were significant issues with the working papers presented to audit. This resulted in numerous adjustments to the accounts presented for audit and caused a delay in the audit process.	Working papers for the various areas were revised and audited and found to be satisfactory. This allowed for revisions to the financial statements.
Significant deficiencies in internal control ISA (UK) 265 requires auditors to report any significant deficiencies in internal control identified during the audit.	Ongoing control issues found in relation to the Epicor system, and new issues relating to the new Oracle Fusion. See paragraphs 47, 51 and 52 in the Financial Management section of this report for more details.	A recommendation from last year see b/f 5 in Appendix 1) which covers control issues has been carried forward to 2025/26.

Source: Audit Scotland

There were misstatements identified during the audit process

31. Audit adjustments were required to the SPPA financial statements to correct misstatements that were identified from the audit. We identified total adjustments of £23.617 million. Details of all audit adjustments greater than the reporting threshold of £30,000 are outlined in Appendix 2a.

32. Audit adjustments were required to be made to the scheme accounts, and these have been documented in Appendices 2b and 2c. These totalled to £25.100 million for NHSPSS and £7.412 million for STPS. Although there were some changes in the primary statements many of the changes were found in disclosure notes such as statement of parliamentary supply. These were caused due to the issues in the underlying templates as reflected in Exhibit 4, item 5.

33. The agency processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatements to report.

Improvements are still required to the arrangements for the Whole of Government Accounts (WGA) return

34. NHSPSS and STPS are part of the WGA boundary and therefore the agency prepares returns that are used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion.

35. As reflected in our interim report, the reports provided to audit were not in a consistent format to previous years. Consequently, the reports did not provide the same level of detail but did allow us to confirm the figures regarding the primary statements. There was no information however regarding counter party transactions and balances.

36. The provision of counter party information was an audit recommendation from last year. Management confirmed that this information had not been input into the WGA platform (OSCAR II) for 2023/24. We raised a recommendation in our interim report and also present that here in Appendix 1 for completeness (see b/f 8).

37. The agency has informed us that related party information has been included within the 2024/25 exercise. The audit of the 2024/25 WGA returns will commence after the completion of the 2024/25 financial statements audit. This is likely to take place in early 2026 (after the issue of this report).

Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

38. 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 . In addition to the significant risks of material misstatement identified in the Annual Audit Plan, a further significant risk of material misstatement was subsequently identified, and this is also included in Exhibit .

Exhibit 6
Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Significant risks of material misstatement		

Risk of material misstatement	Planned audit response	Outcome of audit work
1) Risk of material misstatement due to fraud caused by management override of controls As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively. This is presumed to be a significant risk in every audit. (SPPA, NHSPSS and STPS)	• Assess 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 and other adjustments. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Consider the need to test journal entries and other adjustments during the year. • Evaluate significant transactions outside the normal course of business. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focused testing of accounting accruals and prepayments.	Our testing found: • The design and implementation of controls over journal processing were appropriate. • 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. **Conclusion:** no evidence of fraud caused by management override of controls.

<table>
<tr><th>Risk of material misstatement</th><th>Planned audit response</th><th>Outcome of audit work</th></tr>
<tr><td>2) Oracle Fusion implementation

SPPA, NHSPSS and STPS use the Scottish Government’s financial system to prepare the respective annual report and accounts.

In October 2024, the Scottish Government changed from its previous system (SEAS) to a new system (Oracle Fusion). This means that the financial records used to prepare the 2024/25 annual report and accounts will come from two different systems.

SPPA were unable to use the updated version of Paygate with Oracle Fusion and have had to develop an alternative payment process until the new system (ScotPayments) is available.

There is risk that there are errors or omissions in the information caused by the change to a new system, which could lead to a material misstatement.

(SPPA, NHSPSS and STPS)</td><td>• Review the governance arrangements in place for overseeing the implementation of the new system, and the testing carried out in advance of the implementation date.
• Complete a walkthrough of the key controls in both financial systems which operated during 2024/25.
• Carry out a review of the process to migrate data from the previous system (SEAS) to the new system (Oracle Fusion) to ensure that transactions and amounts have been appropriately transferred.
• Ensure that the coding structure within the new system is comparable to the previous system and appropriate to allow for the annual report and accounts to be prepared.
• Ensure that transactions are properly recorded in Oracle Fusion for the second half of the year through ledger analysis and sample testing.
• Review the work performed by the Scottish Government audit team in this area and seek to take assurance where at all possible.</td><td>Our testing found:
• The agency did make appropriate governance arrangements to allow for the new system which ensured that pension payments were able to continue during the period.
• Control issues were identified in both walkthrough and final accounts testing. These are covered in paragraphs 51 and 52.
• We tested the opening balances in the new system (Oracle Fusion) and confirmed they were consistent to the closing balance in SEAS.
• The coding structure was found to be comparable to the old system, however our testing found that the templates used for scheme accounts were not updated to allow for the new structure (see Exhibit 4 item 5).
• The Scottish Government team did not carry out detailed tests of control in 2024/25. This meant that no controls assurance was available.

Conclusion: While there have been some issues found in the adoption of Oracle Fusion, this has not resulted in a material misstatement.</td></tr>
</table>

Risk of material misstatement	Planned audit response	Outcome of audit work
3) Police and Fire year-end balances SPPA has material year-end receivables (£31.3 million at 31 March 2024) and payables (£15.4 million at 31 March 2024) balances relating to the payment of pensions on behalf of the Police Service of Scotland and Scottish Fire and Rescue Service. The accuracy of these balances depends on SPPA's calculations, which use data provided by the Scottish Police Authority and Scottish Fire and Rescue Service. (SPPA only)	• Assess the design and implementation of key controls over the processing of the police and fire pension schemes. • Review the year end process for the agreement of police and fire pension scheme balances. • Focused substantive testing of receipts and payments for the police and fire pension schemes.	Our testing found: • The controls over the processing of police and fire pension schemes were found to be satisfactory. • The year-end processes were found to be unsatisfactory and required further audit work and adjustments. • Focused testing of receipts and payments resulted in audit adjustments. **Conclusion:** While issues were found during our audit, these were rectified to prevent a material misstatement. A prior-year recommendation in this area has been carried forward to 2025/26 (see Appendix 1, b/f 3).

Risk of material misstatement	Planned audit response	Outcome of audit work
4) Information supporting scheme valuations Decisions taken by SPPA for NHSPSS and STPS are reliant on the work of the Government Actuary Department (GAD). The actuarial valuation methodology relies on significant judgements and assumptions in relation to financial, mortality and demographic factors. (NHSPSS and STPS only)	• Review of the work of GAD, focusing on reliability, professional competence and capability. • Meet with GAD to discuss work practices, validation processes and quality review arrangements to establish whether reliance can be placed on GAD's internal processes. • Review reports to GAD supporting valuation data. • Commission review of GAD by independent expert.	Our testing found: • GAD are appropriately qualified and experienced to provide information on pension scheme liabilities. • GAD were open about their work with the agency and highlighted areas of future potential risk impacting on 2025/26 accounts. • Reports produced by GAD were clearly written and fully supported the preparation of the annual report and accounts. • The review by an independent expert did not find any significant issues with the work of GAD. **Conclusion:** no material misstatements arising from the scheme liabilities for either NHSPSS or STPS.

Source: Audit Scotland

Prior year recommendations are being progressed

39. While the agency has implemented four brought forward actions in 2024/25, it has made limited progress in implementing a further four recommendations that were due to be completed this year. For actions not yet implemented, revised responses and timescales have been agreed with the agency and are outlined in Appendix 1.

Financial management and sustainability

Conclusion

SPPA operated within its 2024/25 budget after it received additional funds during the year following a successful request to the Scottish Government.

The agency did not fully prepare for the move to Oracle Fusion, but did proactively manage an issue with the pension platform.

The agency has developed its first medium-term financial strategy which is based on reasonable assumptions.

SPPA operated within its 2024/25 budget after it received additional funds during the year

40. The main financial objective for the agency is to ensure that the financial outturn for the year for SPPA and the schemes is within the budget allocated by Scottish Ministers.

41. The initial 2024/25 SPPA budget was set at £31. 600 million, with £22.900 million for resource. In our 2023/24 report we highlighted that the resource budget had decreased from the previous year and at that time the agency was forecasting an overspend of £4.6 million.

42. During 2024/25, in-year revisions resulted in the resource budget increasing by £5.460 million while the non-cash budget decreased by £5 million. SPPA ultimately reported an outturn of £31.616 million which resulted in an underspend of £0.444 million. The financial performance against fiscal resource is shown in Exhibit .

43. The agency was able to successfully demonstrate its need for additional resource and to secure this during the year. This ensured that the agency was able to remain within budget. The agency also recognised a need to adjust the baseline budget position, and this is covered in the financial sustainability section of this report (see paragraph 58).

Exhibit 7
Performance against resource limits in 2024/25

	Initial Budget £m	Final Budget £m	Outturn £m	Over / (under) spend £m
Resource	22.900	28.360	28.344	(0.016)
Capital	2.700	2.700	2.401	(0.299)
Non-cash	6.000	1.000	0.871	(0.129)
TOTAL	31.600	32.060	31.616	(0.444)

Source: SPPA annual report and accounts 2024/25

NHSPSS and STPS operated within their 2024/25 combined budget limit

44. NHSPSS and STPS are funded by Scottish Government annual managed expenditure (AME) to cover the cost of pension payments to retired members. The main financial objective of NHSPSS and STPS is to ensure that financial outturn for the year is within the budget allocated by Scottish Ministers.

45. As set out in Exhibit 8, total spend in 2024/25 was £2,749.5 million which was £778.2 million less than budget. The spend figure for both schemes is based on advice provided by the Government Actuary's Department (GAD).

Exhibit 8
Performance against AME in 2024/25

	Initial budget £m	Final budget £m	Outturn £m	Overspend/ (underspend) £m
NHSPSS	2,186.7	2,100.9	1,738.0	(362.9)
STPS	1,235.7	1,426.8	1,011.5	(415.3)
Total	**3,422.4**	**3,527.7**	**2,749.5**	**(778.2)**

Source: Scottish Budget: 2024/25, NHSPSS and STPS Annual Report and Accounts 2024/25

The agency has ongoing financial control issues but has made some progress in 2024/25

46. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

47. From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach, we continue to find issues within the agency's control environment. Most of these issues relate to the Epicor system which is used to manage contributions from member employers. While we can see evidence of some progress, further work is required. The bullet points below provide a progress update, with an overall conclusion:

- **Epicor monthly bank account reconciliation**: the agency informed us that they are looking to make this a monthly process but did not have it in place until near the end of the financial year (in February 2025). We tested and confirmed this control as part of our final accounts testing. Implemented

- **Epicor management/ exception reports**: the agency informed us of steps which are being taken such as monthly TPR (the pension regulator) compliance checks in respect of contributions collection with non-compliant employers being identified, contacted, and reported to the regulator. We have seen the output from this regularly reported to the ARC during 2024/25. Implemented

- **Epicor management/ exception reports**: we were informed that monthly management information demonstrating this control is supplied to the Executive Team/Pension Boards etc. via a finance monthly reporting pack. We have seen regular reports provided to the ARC during 2024/25. Implemented

- **Epicor missing SCANS**: the agency told us that new methods of reporting have been trialled during 2024/25, but these were not in place in time for monthly checks. As part of our final accounts work we confirmed that a year-end check was completed. Ongoing

- **Reconciliations of suspense accounts**: our financial statements work confirmed that further work is still required in this area. Ongoing

- **Reconciliation between contributions as per Epicor and Altair**: the agency reintroduced this control in 2024/25, based on annual returns provided by employers, and have used it in place of ratio analysis as it believes it is more useful. The current approach is to ensure both systems reconcile at a macro-level, with further enhancement to the process expected with the implementation of the iConnect system. This will see the potential to move this to a monthly process. There is currently no firm timescale for the implementation of iConnect for NHSPSS and STPS. Implemented

48. In previous years, we have raised a recommendation to improve these controls. Given the update above, this recommendation will be carried forward to 2025/26 (see Appendix 1).

The agency did not fully prepare for the move to Oracle Fusion, but did manage an issue with pension payments following recommendations from internal audit

49. In October 2024, the Scottish Government implemented a new HR and Finance platform (Oracle Fusion) as a shared service to the core Scottish Government and 32 public bodies. The systems are now being embedded to support a stronger overall control environment, but this is taking time to be fully established, with specific weaknesses remaining in payroll and in the process for ensuring appropriate access rights. Oracle Fusion has in-built controls which prevents users from approving journals that they have created. This removes the previously identified control weakness.

50. Internal audit carried out a review of Oracle Fusion Organisational Readiness and issued a report in October 2024. The report raised two high-priority risks in respect of arrangements for scheme pension payments which had been impacted by a change in the supporting system. The agency put in place alternative arrangements to ensure that pension payments continued during this period.

51. During 2024/25, we carried out a review of the new arrangements and found issues in respect of the payables module. These issues related to access controls and reconciliations. Management have agreed to develop controls considering this and we have incorporated these points as part of our carried forward recommendation on management controls.

52. Our final accounts audit also identified some issues related to the new system. This included issues relating to the introduction of new bank accounts, a change in how income receipts are processed, the introduction of a new fixed asset register and failure to update scheme accounts templates to reflect the new Oracle Fusion ledger structure. These points are reflected in Exhibit 4.

53. The payments system issue (highlighted by internal audit) is an example where the agency managed the change to ensure payments continued to be made. However, the other examples listed above indicate a lack of appropriate preparation by the agency which will require further intervention to fully address.

Fraud and conduct arrangements at the agency are appropriate and areas for improvement have been identified from ongoing investigations

54. Last year, we confirmed that the agency had updated its counter fraud policy and was looking to develop a counter fraud strategy. We are also aware that the agency is currently carrying out some fraud investigations (as reflected in the SPPA annual report and accounts). As part of this work, the agency has identified some control improvements.

55. As reflected in our interim progress report, the agency provided all required datasets to support the current National Fraud Initiative (NFI) exercise. However, it remains unclear whether the matches to DWP deceased records have been properly processed with limited activity and no outcomes recorded on the NFI web-app. The agency accepts that there have been issues with delivery of the 2024/25 exercise and is looking to address these as part of further work following a voluntary submission of additional data in 2025/26. The agency will consider further its follow-up approach to reports matching pensions to payroll and injury benefits as part of this work.

56. We also reviewed the agency's arrangements concerning standards of conduct and found these to be appropriate. These arrangements include the requirement to comply with the Civil Service Code, and the Board Members Code of Conduct.

A balanced budget has been set for 2025/26

57. Last year, we reported that the 2024/25 SPPA budget had reduced by £10.4 million (31.2%) from 2023/24 and was £5.3 million (18.8%) less than actual outturn. As reflected in paragraph 42, the agency received additional funds in 2024/25 which allowed it to operate within budget.

58. Looking ahead to 2025/26, the SPPA resource budget has increased by £7.7 million (33.6%) to £30.6 million. This allowed the agency to set a balanced budget for 2025/26, which also incorporated £0.492 million of contingency funding. This represents an improved position from last year and provides some financial stability in the short-term.

The agency has developed its first medium-term financial strategy which is based on reasonable assumptions

59. In June 2025, the Scottish Government published a new Public Service Reform Strategy (PSRS), its seventh Medium-Term Financial Strategy (MTFS) and the first Fiscal Sustainability Delivery Plan (FSDP). These documents aim to provide a framework for the future of Scottish public sector finance and public service reform.

60. The 2025 MTFS presents a stark picture with gaps in resource projected to grow from a balanced budget in 2025/26, to a gap of £2.6 billion in 2029/30. Similarly, capital spending is forecast to exceed the

available budget by £1.1 billion in 2026/27, rising to a gap of £2.1 billion in 2029/30.

61. In previous years, we have recommended that SPPA develop a medium-term financial plan or strategy. In September 2025, the agency's CEO wrote to the Scottish Government with a budget progress update and forward look. This sets out a 3-year financial forecast, outlining three possible scenarios.

62. Following this, in October 2025, the executive team (ET) agreed to share a draft financial strategy covering the period from 2025-2030 with the ARC. The strategy builds upon the 3-year financial forecasts provided to the Scottish Government and extends this out over a 5-year period to 2030. The agency plans to share the strategy with the MAB in February 2026.

63. The strategy is based on reasonable factors as it sets out the main assumptions which are based on the Scottish Government's MTFS and public sector reform (PSR) programme. It also factors in the agency's more immediate pressures around issues such as Remedy and the pensions dashboard which is due in 2026.

64. The ET will oversee delivery of the strategy supported by the chief financial officer (CFO) and the MAB. Progress will be monitored on a quarterly basis by both the ET and MAB, with annual reviews of medium-term financial forecasts. These arrangements appear appropriate to ensure that the strategy remains meaningful and supports key decision-making over the medium-term period.

Discussions with GAD have indicated concerns with the 2024 valuations for two of the national schemes

65. As part of our audit, we meet regularly with the Government Actuary's Department (GAD). During these discussions, GAD indicated concerns with underlying data which might delay the issuing of the 2024 valuation for NHSPSS and STPS. GAD confirmed that data has been received for police and fire schemes and these exercises are currently on schedule.

66. Data from the 2020 valuation was rolled forward by GAD to prepare the 2024/25 accounts for both NHSPSS and STPS. There is precedent for rolling data forward for a fifth year, however not for a sixth year as would be the case if the 2024 valuation is not in place in time for the 2025/26 accounts.

67. Audit Scotland commissions a review of GAD by a firm of expert advisors. This review also highlighted concerns with the potential roll-forward of data for a sixth year. GAD has indicated that while the 2024 valuation will not be complete in time for the 2025/26 accounts, data could be brought forward from the exercise to compensate for this. We shall monitor developments in this area in 2025/26.

Vision, leadership and governance

Conclusion

The agency needs to ensure stability within its leadership following a period of significant change.

The agency revised its governance arrangements in 2024/25 but there is a risk that scrutiny is being reduced.

The Audit and Risk Committee's effectiveness has been constrained by limitations on information and support provided.

The agency needs to ensure stability within its leadership following a period of significant change

68. Last year, we reported that the agency appointed a new Chief Executive in 2024. Since then, there have been further changes to its executive team. Firstly, a new post of Chief Transformation Officer was created which was filled by the previous Chief Operating Officer, with the latter filled on an interim basis initially but which has now been made permanent.

69. Another new post (Deputy Chief Executive) was created and filled in September 2025. These appointments have resulted in changes to the executive team which now consists of the Chief Executive, Deputy Chief Executive, Interim Chief Operating Officer, Chief Transformation Officer and Head of People and Place.

70. It is understandable and reasonable for a new Chief Executive to make such changes to the executive team although it is early to comment on the effectiveness. The changes build on those in previous years meaning the agency has not had a consistent senior management team for any reasonable length of time. It will be important for the agency to enter a period of stability given all the service delivery demands and risks facing the organisation. If not, there is a risk that changes will create uncertainty over the strategic direction of the agency and risk eroding staff and stakeholder confidence in its ability to deliver on its objectives.

The agency revised its governance arrangements in 2024/25 but there is a risk that scrutiny is being reduced

71. Last year, we reported that the Chief Executive planned to carry out a review of the agency's governance arrangements with a view to bringing them in line with the Scottish Government's own model. This was completed during 2025 and resulted in several changes. Supporting these changes, a new framework document was also agreed with the Scottish Government in July 2025. The framework sets out the purpose and functions of the agency and the main roles and responsibilities of the Chief Executive, the SG Portfolio Accountable Officer (formerly referred to as the 'Fraser figure') and Scottish Ministers.

72. The agency also changed how frequent some of its supporting boards meet. Under its revised Terms of Reference, the MAB will now meet at least three times a year, instead of four. During 2025, the MAB only met formally twice (in February and August), and met formally three times during 2024. In each of the preceding three years (2021 to 2023), the MAB met formally on five occasions. The agency has introduced monthly updates from the Chief Executive to MAB members and there is a new one-to-one pairing arrangement where MAB members and senior leadership team members can meet to discuss specific issues, however these meetings are not minuted. Reducing the number of formal MAB meetings limits transparency and the impact the Board can have in providing support and advice to the agency on critical matters such as finance, risk and challenges in delivering Remedy.

73. The role of the scheme pension boards was also reviewed in 2025. Scheme pension boards will now incorporate an annual seminar and annual training day in place of two of the previous four annual meetings. Changes have also removed their scrutiny role from terms of reference, with the role now fully described as 'advisory' in nature. While this is compliant with relevant legislation, removing the scrutiny role of boards potentially limits their effectiveness at a time when the agency requires significant levels of support from its various governance groups.

The ARC's effectiveness has been constrained by limitations on information and support provided

74. In June 2025, the ARC published its annual report which included its consideration of its own effectiveness. The report concluded that the ARC was able to provide assurance to the Accountable Officer that the governance, risk management and control policies and processes are relevant, and in many areas, sufficient. However, the report outlined a series of areas where the committee felt improvements were required in the information and support provided. This included:

- Quality and consistency of high-level risk and control management information
- Assurance mapping to facilitate planning internal audits

- Reporting of fraud risk management
- Reporting on projects
- Induction process for new members
- Capturing of recommendations and actions from meetings and tracking progress
- Individual/named secretary for the committee to improve communications and ensure accountability

75. During 2025, as part of the governance review, it was proposed that the frequency of ARC meetings would also reduce from four to three. However, following discussions with both internal and external audit, the agency agreed that the ARC should continue to meet four times a year. This ensures compliance with the Scottish Government's Audit and Assurance Committee Handbook. The Chair of the ARC announced her resignation shortly before the annual report was approved by the Committee, and ahead of her agreed term. The agency's Chief Executive has committed to improvements to increase the effectiveness of the ARC.

Recommendation

The agency needs to provide better information and support to its Audit and Risk Committee allowing it to fully discharge its responsibilities. This should address all the matters of concern raised by the Committee within its own annual report.

The agency has still to finalise and agree its Environmental Strategy which will set out how it will work towards achieving net zero

76. Last year we reported on efforts the agency had made to support the Scottish Parliament's legally binding target for Scotland to become net zero by 2045. We reported that the Environmental Strategy was completed in March 2024 and was expected to be signed off by the executive team in March 2025.

77. Through discussion with officers, we confirmed that this did not take place. The agency now intends to produce a broader strategy alongside a project plan for a heat pump at its Tweedbank office.

Recommendation

The agency has still to produce and agree an Environmental Strategy which will set out how it will work towards achieving net zero by 2045. The agency should finalise and agree this strategy.

The agency has still to develop an organisation-wide IT strategy, but has developed an options paper for modernising its pension platform

78. Last year, we reflected on vacancies within the IT team and how that had impacted on the development of an IT strategy. While the agency has still to develop this, it has developed an options appraisal for modernising its pension platform. This was discussed by the MAB in August 2025. This represents a large component of any future IT strategy, which the agency must now look to finalise and agree.

Recommendation

The agency needs to build on the options appraisal for modernising its pension platform and move to finalising and agreeing a future IT strategy.

Use of resources to improve outcomes and Best Value

Conclusion

The agency did not meet the statutory deadline of 1 April 2025 for issuing pension statements in respect of Remedy. The agency underestimated the scale and complexity of the work involved in calculating the options for members across each of its four schemes. The agency has informed The Pensions Regulator of a series of extensions and is now working towards revised deadlines through to 31 July 2028, over three years late, to fulfil its obligations.

The agency has reported several reasons for Remedy delays both internal and external to the organisation. The agency is prioritising Remedy work but, as many of these issues are ongoing, it remains unclear whether the agency will meet its revised timescales for delivering its Remedy obligations.

The agency has not demonstrated sufficient transparency regarding its progress on Remedy.

The agency uses benchmarking to demonstrate Best Value but is currently considering the appropriateness of these arrangements.

The agency did not meet initial statutory timescales for issuing pension statements in respect of Remedy.

79. In April 2015 the UK Government introduced changes to pension regulations which replaced final salary schemes with career average (CARE) pension schemes. In 2018 the UK Court of Appeal ruled that protections given to older scheme members were discriminatory to younger scheme members (known as “the McCloud Sargeant Judgement”).

80. Following public consultation, in 2020 HM Treasury confirmed that the majority of responders favoured the option to wait until retirement before making a choice on pension benefits. This is referred to as the Deferred Choice Underpin (DCU).

81. Under the DCU, members who joined a scheme prior to 31 March 2012 have their benefits for the period from 1 April 2015 to 31 March 2022 (known as the Remedy Period) moved back to the legacy scheme, i.e. final salary. Members should then be given the choice at retirement which scheme benefits they wish to receive for the Remedy Period. The choice is between legacy and reformed pension benefits, i.e. CARE.

82. In October 2020, the agency set up the McCloud 2015 Remedy programme in response to the judgement in respect of national Scottish pension schemes for police, firefighters, NHS and teachers. Progress updates on the project were subsequently presented to the ARC.

83. Retrospective remedy provisions under the Public Services Pensions and Judicial Offices Act 2022 commenced on 1 October 2023. Under this Act, pension administrating bodies including the agency were required to provide remedial service statements (RSS) 18 months after the commencement date of the Act, i.e., by 1 April 2025.

Summary of the agency's progress with Remedy

84. The agency did not meet its 1 April 2025 legislative deadline for providing all affected members with RSS in each of its four schemes.

85. In the same month, the agency notified The Pensions Regulator (TPR), in line with TPR guidance, of a revised timescale for all RSS to be issued by 31 October 2025. The agency did this under Section 29(10)(b) of the Act which states that the relevant date can be “such later day as the scheme manager considers reasonable in all the circumstances in the case of a particular member or a particular class of member”. This included some cohorts with revised timescales of 30 April (NHS) and 31 May (Police and Teachers) that were not subsequently met. Following guidance from TPR, the agency provided ‘breach of law’ reports for the affected cohorts in May and June 2025.

86. In July 2025, the agency approached TPR to advise that it was further extending the timescales for the police scheme to 31 December 2025 and that it was reviewing the timescales for the other schemes. In correspondence with TPR it was accepted that the previous extended dates were *"ambitious"*. The agency confirmed that it sought legal advice prior to taking this action but stated that it could not share this with the audit team due to Scottish Government policy.

87. In September 2025, the various pension boards were informed of the further delay. Also, that month, the agency's CEO wrote to the Scottish Government with a progress update and a request for additional funds over the medium-term period to deliver Remedy. This noted that:

- In failing to meet Remedy timescales there was an acceptance that there was a lack of preparedness at the agency, challenges around data and systems as well as delays in clarifying guidance from the UK Government.

- Under the best-case scenario, where the agency receives the full amount of additional funds requested, it will still take until at least June 2027 to complete ‘core’ Remedy work which involves issuing RSS to all those currently in receipt of a pension.
- Under the worst-case scenario, where the agency receives no additional funding, Remedy deadlines will extend out to 2030.

88. In October 2025, the agency wrote to TPR advising of further delays. This informed the regulator that those cohorts under the STPS, NHSPSS and fire schemes which had previously had a 31 October 2025 timescale, would now be moved to 31 December 2026 (for STPS and fire) and 31 July 2028 (for NHSPSS). At the time of our audit, TPR had not provided a view on the agency’s actions or deadline extensions. We have opted to contact TPR directly to verify its position on the agency's progress on Remedy and we are currently in discussion regarding the background to this request.

89. The agency is prioritising work to fulfil its statutory obligations for Remedy calculations, but progress remains slow. The agency has produced monthly progress dashboard since April 2025. The dashboard from November 2025 is summarised in Exhibit 9 below. This shows that a total of 108,506 (55%) active, immediate choice (members in receipt of a pension) and deferred members had received their RSS. Of that total, 16,437 (24%) members already in receipt of a pension, had received their RSS.

90. For those currently in receipt of a pension, the agency had made most progress with Police scheme members (85%), followed by NHS scheme members (25%) and Teachers’ scheme members (9%) but it had not yet commenced issuing RSS to Fire scheme members (0%).

91. Delays in implementing the 2015 Remedy could have significant implications for retired scheme members. Until recalculations are completed and RSS issued, members continue to receive payments based on their original scheme allocation, which may not be the most beneficial. This creates uncertainty in financial planning and can result in underpayments or overpayments that require retrospective adjustment, including interest on arrears. Furthermore, corrections may trigger complex tax implications for previous years, adding administrative burden and potential stress for affected members. Any delays to these calculations could further complicate the tax implications. An 8% interest charge, funded by the UK Government, is applied to all Remedy pension benefit payments accrued since 2015.

Exhibit 9

Remedy progress as of November 2025 – issued remedial pension statements (population figures in brackets)

The agency had issued RSS to 55 per cent of scheme members. Of those currently in receipt of a pension (immediate choice), the agency had made most progress with police scheme members (85 per cent) but had not yet commenced issuing RSS to fire scheme members (0 per cent)

	Police	Fire	NHSPSS	STPS	TOTAL
Immediate choice	4,601 (5,395)	0 (1,835)	9,918 (39,587)	1,918 (21,422)	**16,437** **(68,239)**
Active	7,477 (7,654)	1,487 (2,214)	55,909 (67,828)	27,196 (30,848)	**92,069** **(108,544)**
Deferred	0 (1,846)	0 (1,072)	0 (12,188)	0 (4,427)	**0** **(19,533)**
TOTAL	**12,078** **(14,895)**	**1,487** **(5,121)**	**65,827** **(119,603)**	**29,114** **(56,697)**	**108,506** **(196,316)**

Source: Scottish Public Pensions Agency

Progress with Remedy has been hampered by several issues

92. The agency reported that progress with the 2015 Remedy has been impacted by several issues both internal and external to the organisation. Reasons include:

- **Lack of preparedness within the agency to cope with the volume and complexity of cases –** The agency has struggled to cope with the volume and complexity of cases as well as the demands of delivering business-as-usual activities such as paying pensions, maintaining pension records and issuing annual benefit statements. The agency reported that implementing Remedy has increased its annual workload five-fold. Cases can become complex where there are different legacy benefits or 'life events' impacting on the calculation of pension benefits, such as changes in marital status, job changes and changes to working patterns, work absences and ill-health.

- **Delays in guidance and clarification from HMRC and additional time required to get assurance from Government Actuary's Department (GAD)** – For example, the agency reported it did not receive guidance on the application of tax on Remedy interest payments from

HMRC until September 2024. It then required clarification on technical aspects before it could update its systems to process calculations. Similarly, the agency reported that additional time was then required to engage with GAD to provide assurance on how Remedy guidance was being interpreted and applied.

- **Significant amount of reliance on manual processes for complex cases** – In March 2025, the agency was able to fully automate the issuing of RSS for some straight-forward cases. This was only after significant time was spent ensuring that the correct guidance, policy and algorithms were applied to each calculation and involved input from GAD in providing this assurance. Automation provides significant efficiencies for the agency, however manual processing and interventions are required on many of the remaining cases due to their complexity.

- **Delays in obtaining reliable data from third parties** – The agency relies on scheme employers providing up-to-date and accurate data such as information relating to ill-health retirements or changes in pay information and pay definitions.

- **Historic backlog of issues requiring remedial action** – As part of its work on Remedy, the agency identified historic errors in some of its pension calculations that required remedial action. Although errors identified are reported to be small, it remains the responsibility of the agency to correct these. The agency is aware that ongoing work with Remedy may identify further cases requiring corrective action.

93. Many of these issues are ongoing so it remains unclear whether the agency will meet its revised timescales for delivering its Remedy obligations.

The agency has not demonstrated sufficient transparency regarding its progress on Remedy

94. By setting overly ambitious revised targets, the agency created an impression of progress to scheme members that did not fully account for the potential challenges and complexities involved. The agency has provided several updates to scheme members via letters, newsletters and website updates, but these are limited to high-level information about delays rather than a more informed assessment of progress. In addition, the agency formally notified TPR only a few days before the revised 31 October 2025 deadline that this date would not be met with timescales moving significantly by over a year for Teachers’ and Fire schemes (31 December 2026) and just under three years for the NHS scheme (31 July 2028).

95. The agency also did not respond fully to information requested on Remedy performance by the Parliament’s Finance and Public Administration Committee during 2025. In November 2025, the Committee noted that the lack of information made it “difficult to establish exactly what progress has been made to date and what progress is anticipated by

when". The Committee requested the agency to provide evidence in person at its meeting on 2 December 2025. The agency needs to provide greater transparency over Remedy progress to scheme members and the Parliament by providing detailed and regular updates between now and the end of the programme.

Recommendation

The agency needs to provide greater transparency over Remedy progress to scheme members and the Parliament by providing detailed and regular updates between now and the end of the programme

The agency uses benchmarking to demonstrate Best Value but is considering the appropriateness of the current peer group arrangements

96. 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.

97. In previous years, we reported that the agency takes part in a benchmarking exercise as part of its approach to demonstrating Best Value. This has continued in 2024/25 with the most recent results received in November 2025. It continues to report that the agency provides a high-cost basic service. The agency is currently considering whether the current peer group remains the most appropriate going forward.

98. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic was carried out as part of the 2024/25 audit. As per our interim progress report, this concluded that:

- there is evidence that the agency demonstrates that it meets the requirements of equality legislation, in the form of its HR policies, discussions at the People Committee, the diversity network and via the Scottish Government's mainstreaming reporting cycle (among others).

- the agency engages with its staff on equalities through a variety of means including the diversity network, people and pulse surveys and staff training and workshops.

- while the agency demonstrates that equality considerations are mainstreamed into some decision-making processes through equality impact assessments, such as regarding flexible working. Management accepts that these assessments have still to be applied more widely.

- the current corporate plan for 2022-2027 and the 2024/25 business plan do not include explicit references to equality and diversity although it is noted that this has been partially addressed in the 2025/26 business plan.

- the agency applies a range of mechanisms to allow for feedback to collect information on the impact of policies. This includes the people and pulse surveys. The agency previously informed us that it intended to resume Investors in People in 2025, which we reflected in our 2024/25 External Audit Progress Report. The agency has now informed us that this is not the case and that it now plans to develop its own fair work framework within the organisation.

- The agency report equality outcomes as part of the Scottish Government's mainstreaming reporting cycle and also via the annual report and accounts.

99. We raised a recommendation regarding the inclusion of equalities in the future corporate plan and to further advance impact assessments in our interim progress report. This has been added to Appendix 1 (see b/f 11) of this report for completeness.

Appendix 1 – Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Capitalised internal staff costs During 2024/25 the agency capitalised internal staff costs for the first time. This work related to ongoing IT projects. In doing so, the agency did not initially allow for time not spent on appropriate tasks which are listed as attributable with the accounting standard (IAS 38). During the course of the 2024/25 audit, the agency estimated the amount of non-attributable time and made an appropriate adjustment. Risk: the value disclosed as a capital addition is misstated.	The agency should continue to monitor and review the estimated amount of non-attributable time regarding the capitalisation of internal staff costs in relation to IT projects.	Accepted - As part of the 2024/25 audit process, an adjustment was required to reflect internal staff costs that met the criteria for capitalisation under IAS 38. Working with Audit Scotland, SPPA refined and formalised its approach and now has an agreed methodology for identifying, evidencing, and capitalising directly attributable internal staff costs in line with Scottish Government guidance. The application of this methodology in the 2024/25 Annual Report and Accounts provides a clear precedent for future years. SPPA will maintain and periodically review this framework to ensure it remains compliant with IAS 38 and SG capital accounting guidance, and that internal assurance processes continue to support accurate and consistent treatment of capitalisable staff time. Chief Financial Officer, 31 March 2026

2. SPPA payables and receivables During the 2024/25 audit of SPPA's annual report and accounts, a number of issues were found in relation to payables and receivables. These were found in balances not related to police and fire schemes (covered under a separate recommendation). Risk: payables and receivables balances could be materially misstated.	The agency should ensure there are management checks in place to provide assurance over the appropriateness and accuracy of payables and receivables balances.	Accepted - The issues identified during the 2024/25 audit largely arose from the transition to Oracle and the associated learning curve around new processes, including the auto-accrue functionality. In addition, capacity constraints at year-end reduced the ability to perform secondary checks on journals, and incomplete data from other parts of the organisation contributed to some accrual estimation challenges. While the net impact of these items was immaterial in the context of the overall accounts, we recognise the importance of ensuring completeness and accuracy in all balance sheet lines. SPPA has already implemented monthly balance sheet reconciliations covering payables and receivables, and our understanding of Oracle processes has significantly improved over the year. These reconciliations strengthen early identification of anomalies and reduce reliance on year-end corrections. Additional review steps have also been incorporated into the year-end timetable to ensure all journals and supporting evidence are subject to appropriate scrutiny. We will continue to work with colleagues across the agency to ensure Finance receives timely and accurate information to support reliable year-end reporting. These actions collectively reduce the risk of recurrence and

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		support continued improvement in financial control and reporting quality. Chief Financial Officer, 31 March 2026

3. Scheme accounts template The agency has developed templates which help to prepare the annual report and accounts. These bring together information from GAD together with balances from the ledger. While our testing in 2024/25 confirmed the use of these templates, we found that they had not been suitably updated for the new Oracle Fusion system. This required manual intervention by finance staff which resulted in errors. Risk: The scheme accounts are misstated due to errors with the functionality of the supporting templates.	The agency should update its templates to ensure that the functionality within it is compliant with the coding structure in the new Oracle Fusion system.	Accepted - The use of the historic SEAS chart of accounts (CoA) for the 2024/25 scheme accounts was a deliberate and pragmatic decision. Because comparative information in the accounts requires prior-year figures to be presented on a consistent basis, and given that both the 2023/24 outturn and six months of 2024/25 (April–September) were recorded using the SEAS CoA, SPPA determined that preparing the 2024/25 scheme accounts using the SEAS structure was the most coherent approach. The remaining six months of 2024/25 recorded in Oracle were therefore mapped back to SEAS to ensure comparability across the full 18-month period of underlying data. This approach was always intended as a transitional step for 2024/25 only. SPPA has already planned to adopt the Oracle CoA as the basis for scheme accounts templates from 2025/26 onwards. Given that, for the 2025/26 accounts, 18 months of underlying financial data (six months of 2024/25 and all of 2025/26) will be held within Oracle, the use of the Oracle CoA will ensure consistency, improve reporting efficiency, and reduce the need for manual mapping. The Finance team will work with Audit Scotland to agree the revised templates ahead of the 2025/26 year-end process.

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		Chief Financial Officer, 31 March 2026

4. Support to the Audit and Risk Committee The Audit and Risk Committee's effectiveness has been constrained by limitations on information and support provided. Risk: The ARC is unable to discharge its responsibilities to provide independent support and assurance to the Accountable Officer.	The agency needs to provide better information and support to its Audit and Risk Committee allowing it to fully discharge its responsibilities. This should address all the matters of concern raised by the Committee within its own annual report.	Accepted During 2023/24 and into 2024/25, SPPA experienced resourcing pressures within a number of governance support roles, resulting from wider organisational recruitment constraints necessary due to budgetary pressures and uncertainties at that time. As noted, the Audit and Risk Committee's annual report for 2024/25 concluded that it was able to provide assurance to the Accountable Officer that the governance, risk management and control policies and processes are relevant, and in many areas, sufficient and identified a number of areas for improvement. The resourcing challenges have now been fully addressed, and a Deputy CEO was appointed in September 2025 to provide more oversight and support for governance within the agency. In addition, a new ARC Chair has also been appointed and has worked constructively with management to reset expectations and strengthen the Committee's effectiveness. Feedback from the Committee during 2025/26 has been positive, and the improvements are being embedded within SPPA's governance arrangements. SPPA will continue to monitor the operation of ARC support arrangements to ensure they remain robust and meet the Committee's needs. Deputy CEO, 31 March 2026

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
5. Development of the Environmental Strategy The agency has still to produce and agree an Environmental Strategy which will set out how it will work towards achieving net zero by 2045. Risk: the agency fails to progress towards meeting net zero targets.	The agency should finalise and agree its Environmental Strategy.	Accepted - SPPA is currently developing its earlier draft of an Environmental Strategy into a targeted Decarbonisation Project Plan, which will set out the actions the agency intends to take to support Scottish Government carbon reduction ambitions and to reduce the environmental impact of our operations. This plan will provide a clear and proportionate framework for carrying out infrastructure improvements, monitoring progress, and identifying future opportunities for improvement. We consider this approach to be proportionate to our size, operational footprint and statutory responsibilities. Once finalised, SPPA will be happy to share the Decarbonisation Project Plan with Audit Scotland. Head of People and Place, 30 April 2026

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
6. Development of a future IT strategy The agency has developed an options paper for modernising its pension platform but has still to develop an organisation-wide IT strategy. Risk: The agency fails to align IT decisions with its overall corporate objectives, fails to secure efficiencies through IT, or fails to identify potential cyber security issues.	The agency needs to build on the options appraisal for modernising its pension platform and move to finalising and agreeing a future IT strategy.	Accepted - SPPA accepts this recommendation. The agency recognises the need for a clear, forward-looking IT strategy that aligns technology, digital capability and infrastructure investment with SPPA's corporate objectives. Work on an updated IT strategy had previously been constrained by capacity pressures within the Technology & Digital function. A new Head of IT Service Management has now been appointed, bringing enhanced leadership capacity and the ability to drive the development of a coherent multi-year strategy. Under this strengthened structure, SPPA will progress the creation of an updated IT strategy that sets out planned improvements to systems, architecture, security, resilience and digital services, and ensures alignment with wider Scottish Government digital standards. This strategy will be drafted during 2026, for formal review/approval in early 2027, and embedded within SPPA's corporate planning framework, with clear governance and monitoring arrangements to support delivery. Head of IT Service Management, 30 April 2027

7. Remedy transparency The agency has not demonstrated sufficient transparency regarding its progress on Remedy. Risk: The agency risks further reputational damage and lack of confidence amongst scheme members and stakeholders about its ability to deliver Remedy obligations to members.	The agency needs to provide greater transparency over Remedy progress to scheme members and the Parliament by providing detailed and regular updates between now and the end of the programme	Partially Accepted - The SPPA recognise the importance of providing clear, accessible and balanced information to members, stakeholders, and the wider public on the progress of Remedy delivery. The scale and complexity of the McCloud Remedy across all four Scottish schemes, the volume of members affected, and the evolving UK-wide policy and data environment have been communicated to the scheme pension boards, direct to members, and to the Scottish Parliament throughout. To date, SPPA has: • **issued letters to all eligible members** advising them about the remedy and that they would have a choice to make. All active members were sent letters in 2022 and retired or deferred members were sent letters in 2023, once the detail of the remedy was known. • **established online remedy hubs** for each scheme to provide members with a 'one stop shop' for information and guidance. The hubs are updated regularly and follow the pensions journey, making it as easy as possible for members to find information relevant to them. • **established communications sub-groups** across all four schemes involving employer, member and union representatives to assist with our communications delivery.

- **introduced member newsletters** (active and retired versions). We have issued 24 member newsletters over a two-year period across the four schemes.
- **delivered a series of member webinars** from April 2024 to March 2025. A total of 12 webinars were delivered with high customer satisfaction ratings: total positive satisfaction rate of 91%
- **produced a range of resources** to help members with making a remedy choice, these include: comprehensive guides to explain RSS and ABS-RSS; videos taking a step-by-step approach to understanding your RSS; and FAQs; guides and a video for Police and Firefighter scheme members to explain why contributions have been impacted and how to make contribution adjustments.
- engaged an external supplier to provide **specialist tax support via webinars** for members that may have tax implications as a result of remedy.
- **increased our direct to member communications in recognition of the need to extend the delivery timelines** by contacting members awaiting their RSS directly with an email or letter update. The first batch of these were issued in March 2025 to police members and in October we started issuing direct to member updates across all 4 schemes. Direct

communications are also being sent to active members still awaiting an ABS-RSS. This is being done only after all efforts have been completed to provide an ABS-RSS and by the end of the year at the latest so that the 2025 ABS exercise can be concluded.

· **worked with the Scottish Government to keep the Scottish Parliament updated,** supporting the Minister for Public Finance to write to Parliament on 27 February 2025 about extending the Remedy deadlines. The CEO has consistently offered to update the Finance and Public Administration Committee in person or in writing on progress since, including responding to the Committee's requests for further information on 02 April and 01 October and appearing at the Committee on 02 December 2025. SPPA also continue to respond fully to any request for information from MSPs and will continue to keep the Parliament updated as Remedy progresses. The CEO looks forward to providing a further update on progress in response to the invitation to attend the Committee again on 17 March 2026.

SPPA continues to seek and respond to feedback on ways to improve our communications. We will continue to enhance the clarity of published information, scheme-specific updates, and progress

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		reporting on Remedy delivery. Deputy CEO, 31 March 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 1. SPPA performance and accountability reports The front end of an annual report and accounts comprises the performance report and the accountability report. The FReM and SPFM set out the requirements for each of these areas, including the governance statement and the remuneration and staff report. The front-end sections of the unaudited SPPA annual report and accounts were long and contained inconsistencies and timing differences. Risk – the performance report and/or the accountability report does not meet requirements as set out by the FReM and the SPFM.	The agency should revise its approach to the preparation of the performance report and accountability report to ensure that it is succinct, accurate and meets with FReM and SPFM requirements. Accepted A full lessons learned activity will take place in respect of the preparation of the 23/24 accounts with internal actions agreed on the approach to be taken for 24/25. Additionally, the Head of Strategy & Governance is reviewing capacity and capability in the team with a view to recruiting new resource with responsibility for managing the agency approach. An assessment will be made against the FReM and SPFM requirements to ensure we are compliant in our approach to 2024/25. Responsible officer: Stuart MacArthur Agreed date June 2025	Implemented – following the lessons-learned exercise the agency took on board the comments and redesigned the SPPA performance and accountability reports in the draft annual report and accounts for 2024/25. Our audit found that these were more succinct and generally met with FReM and SPFM, with some more minor areas of improvement noted.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 2. Pension schemes accounts preparations The unaudited annual report and accounts for both NHSPSS and STPS were found to be internally inconsistent. In addition, the working papers provided to support differed in format from prior years and were of poor quality. Risk – the NHSPSS and STPS annual report and accounts receive modified opinions.	The agency should ensure that the NHSPSS and STPS accounts are prepared using established processes and that a good standard of working paper is available to aid the audit process. Accepted As previously reported to ARC, key person risk crystallised with the resignation of the Financial Accountant (Schemes) and Financial Controller. Agency contractor proved unable to deliver to expected standards and timescales. A new Financial Controller (temporary appointment) commenced with the SPPA in mid-October 2024, with recruitment to a new post of Senior Financial Accountant having been approved in November 2024. A full review of relevant procedures will also be undertaken, in tandem with a “lessons learned” review with Audit Scotland. Responsible officer: Chief Finance Officer Agreed date: 31 July 2025	Superseded – while the agency did apply the established process in preparing the accounts in 2024/25, some issues were noted from this. The most notable of which was the fact that the working papers had not been updated to reflect the new ledger structure following the introduction of Oracle. A new recommendation has been raised (see number 3) which supersedes this.

b/f 3. Police and fire balances (2022/23 annual audit report)	SPPA should ensure that appropriate management checks are carried out on year-end balances regarding the police and fire pension schemes. In addition, SPPA should confirm these yearend balances with SPA and SFRS. SPPA should also consider whether the provision of a service auditor would provide greater assurance to all relevant parties. 2024/25: Not implemented Management update: During the year, staff turnover impacted the provision of accurate reconciliation, this requiring correction by the Transactions Manager prior to the year-end. In order to enhance future assurance, a structural review of Finance function (in October 2024) has aligned direct managerial responsibility of the reconciliation process to the Accounting and Reporting team from the Transactions team. Responsible officer: John Burns (SPPA Chief Financial Officer) Agreed date: 30 June 2025	Not implemented – as described in Exhibit 4, item 1, we continued to find issues in the supporting papers for the police and fire balances. The recommendation from last year remains appropriate. Accepted - The improvements identified in the 2023/24 audit could not be fully implemented during 2024/25 due to the very short interval between the conclusion of the prior-year audit and commencement of work on the current-year accounts. This was compounded by the exceptional complexity of Remedy reporting across the Police and Fire schemes, which required a more measured handover and careful sequencing of work to ensure accuracy and completeness. The transition to Oracle also introduced additional challenges, particularly around the configuration of new bank accounts and uncertainty in the early stages regarding the most appropriate treatment and disclosure. Guidance in these areas evolved during the audit, and SPPA anticipated that further refinements might be required once Audit Scotland had completed their detailed review. Resource pressures in the accounting and reporting team at key points in the year-end process further constrained the ability to embed all the intended process improvements in time for the 2024/25 accounts.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		SPPA now has a more fully resourced finance structure in place though some vacancies still remain and the team is better positioned to apply enhanced rigour to the year-end process for 2025/26. The underlying issues are well understood, and the move to Oracle is now more mature, reducing the level of uncertainty faced during 2024/25. SPPA will ensure that the required improvements are implemented in full for the next reporting cycle. Chief Financial Officer, 31 March 2026

b/f 4. Asset accounting (2022/23 annual audit report)	SPPA should ensure that there are appropriate management checks on year-end revaluation adjustments. SPPA should also ensure that assets are appropriately classified and that the fixed asset register is updated appropriately (including post-dating any adjustments relating to prior-years' correctly). SPPA should also ensure that the fixed asset register reconciles to the general ledger (SEAS). 2024/25: Work in progress Management response: While reconciliations were performed as best as possible, there were challenges with the fixed asset system in preparation for the move to Oracle resulting in loss of functionality and limited access to the FAR. This caused reconciling differences in the 2nd half of the year. The move to Oracle will resolve the historical issues which were driven by lack of integration between the FAR and SEAS and the manual update of assets in the asset register. Responsible Officer: John Burns (SPPA Chief Finance Officer) Agreed date: 30 June 2025	Not implemented - Audit testing in 2024/25 again found issues as reflected in Exhibit 4, item 2 and 3. This has seen differences between the fixed asset register and the ledger and no consideration or inclusion of in year indexation changes. In addition, there was no impairment review carried out which is also a requirement. Revised recommendation: The agency should ensure that there are appropriate management checks on year-end revaluation adjustments. This should include reviewing any information provided by the Scottish Government on potential indexation adjustments. The agency should also ensure that assets are appropriately classified and that the fixed asset register is updated appropriately (including post-dating any adjustments relating to prior-years' correctly). The agency should ensure that the fixed asset register reconciles to the general ledger (Oracle Fusion). The agency should carry out an annual impairment review to support the preparation of the annual report and accounts, as required by IAS 36. Accepted - The most significant challenge during 2024/25 related to reconciling historic differences in the non-current assets register. By the time the audit commenced, substantial work had already been undertaken to resolve discrepancies within the asset

book, many of which originated prior to the migration from SEAS to Oracle. Because Oracle restricts adjustments to opening balances, some historic corrections required a more complex series of entries to ensure compliance with system rules. This increased the reconciliation effort and meant that certain adjustments - particularly those correcting legacy mis-categorisation - were required to be actioned in 2025/26.

A further factor was the historic mis-categorisation of assets in the legacy system, which migrated into Oracle and became more apparent during detailed audit testing. These issues have now been understood, and the corrective entries required have been scheduled and processed appropriately within the 2025/26 financial year in line with system constraints.

SPPA also followed Scottish Government guidance in relation to asset indexation. We acknowledge that a greater degree of professional judgement is required in future to assess whether this approach is the most appropriate and proportionate for the agency's asset base.

Importantly, the opening non-current asset position for 2025/26 is now fully reconciled and balanced. This represents a significant improvement and provides a stable foundation for a smoother, more efficient year-end process. With strengthened controls and

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		enhanced understanding of Oracle asset functionality, SPPA is confident that asset accounting will be more robust going forward. Chief Financial Officer, 31 March 2026

b/f 5. SPPA management controls (2022/23 annual audit report)	SPPA should ensure that financial management controls are routinely carried out during the year and that appropriate evidence of management review is retained. 2024/25: Not implemented Management response: This work was postponed owing to staffing resource pressures, but will be rescheduled. SPPA will also raise this with Scottish Government Internal Audit for potential coverage within the Internal Audit Plan 2025/6. Responsible officer: John Burns (SPPA Chief Finance Officer) Agreed date: 30 June 2025	Not implemented – while some progress has been made to address the control issues in relation to the Epicor system. More work is required to ensure they are fully implemented on a regular basis (see paragraph 47). In addition, our testing also identified new control issues which need to be addressed following the introduction of Oracle Fusion. These relate to access controls and the lack of monthly reconciliations for scheme bank accounts and some creditor accounts in the ledger (see paragraphs 51 and 52). Revised recommendation: The agency should ensure that financial management controls are routinely carried out during the year and that appropriate evidence of management review is retained. This is particularly the case regarding the Epicor and Oracle fusion systems and extends to closedown procedures too. Partially Accepted - Since the 2022/23 audit, SPPA has made sustained progress in strengthening management controls, particularly in relation to Epicor processes. The issues raised in prior years have, in most cases, now been mitigated or embedded into routine monthly control activity, and the overall control environment is more stable and resilient than the wording in the original finding may suggest.

The Epicor monthly bank account reconciliation process, which had been affected by resource pressures and the transition to Oracle during 2024/25, has now been fully reinstated and is operating monthly. This control is up to date and functioning effectively.

The agency continues to run TPR compliance checks for contributions collection each month, and these are regularly reported to the ARC. Similarly, Epicor management and exception reporting is routinely provided to the Executive Team, Pension Boards, and ARC as part of the monthly finance reporting pack. These areas are not indicative of control weaknesses but reflect ongoing monitoring activity.

With regard to missing SCANS, while the formal monthly reporting process is still being refined, the underlying data is available and used as part of monthly ET reporting. Furthermore, missing or unmatched receipts are identified and followed up throughout the year as part of established banking processes. It is, therefore, not accurate to suggest that no in-year action is taken; rather, this is an area where SPPA intends to formalise KPI-based monitoring to move to best practice.

The reconciliation between Epicor and Altair was fully reintroduced in 2024/25 using employer annual returns, and this approach has proved more informative than prior

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		ratio analysis. SPPA expects further enhancements through the implementation of iConnect, but recognises that timescales vary across schemes. The one area where further work is required relates to the reconciliation of suspense accounts, and SPPA acknowledges that this remains outstanding. This work will be taken forward in early 2026 as part of planned improvements to the financial control framework. With a strengthened finance structure in place, and with most Epicor-related controls now operating consistently, SPPA considers the overall control environment to be significantly improved. The agency remains committed to continuous enhancement of controls and will ensure that the remaining actions—particularly around suspense account reconciliations and KPI-based monitoring—are completed during 2025. Chief Financial Officer, 31 March 2026

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 6. Counter fraud policy (2022/23 annual audit report)	SPPA should ensure that it reviews its counter-fraud policy so that it is appropriately up to date and complies with best practice. 2024/24: Work in progress Management response: This policy was refreshed as updated to ARC in March 2024. Overall counter fraud strategy is a work in progress. Plans outlined in March 2024 ARC meeting with different activities to enhance and embed relevant practices. The policy is due for review at the end of these steps. There have been delays due to conflicting resource demands. Activities planned to outline further work in this area: reviewing and adapting plans as outlined in March 2024 – we will update and re-evaluate support and awareness for agency. Responsible Officer: Hannah Grout Revised date: June 2025	Implemented - Upon further review, given a new counter-fraud policy was developed in 2024, this recommendation is now considered fully implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 7. Financial Strategy (2022/23 annual audit report)	SPPA should prioritise developing a financial strategy to identify how it will meet future challenges and pressures. 2024/25: Work in progress Management response: The forecast financial position for the three years 2024-5 to 2026-7, was reported by SPPA CEO to DG Corporate and to Minister for Public Finance in August 2024. Additionally, SPPA CEO submitted a written proposal to the Minister to change the funding model of the organisation, funding it through employer contributions. This would move the organisation to a 4 year planning cycle, and remove the need for it to be funded through SG grant. SG Internal Audit is currently undertaking a review of Financial Governance and Sustainability, the report for which is anticipated shortly. Responsible officer: SPPA CEO/ CFO Agreed date: 30 June 2025	Implemented – the agency has developed a 5-year financial strategy which it presented to the ARC in November 2025. The strategy is based on reasonable assumptions and there are appropriate plans in place to monitor and review (see paragraphs 61 to 64).

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 8. 2022/23 Whole of Government (2023/24 interim management letter) Whole of Government Accounts (WGA) returns are required for NHSPSS and STPS. We identified that no counter party information was provided for either scheme in 2022/23. The provision of counter party information is an important part of the consolidation process as it allows the elimination of intra group transactions.	Counter party information should be provided for the 2023/24 WGA returns. Recommendation is accepted. Responsible Officer: Phil McKibben, Financial Controller. Target Date (Revised): 31 December 2024	Followed up and reported on in 2024/25 interim report (note the 2024/25 audit of WGA shall take place after the completion of this report): The information provided by SPPA in support of whole of Government Accounts (WGA) was not in the format required and did not provide details of counter party transactions and balances. SPPA also confirmed that counter party information was not input to the WGA platform as required. Recommendation: SPPA should identify how to better facilitate the audit of whole of government accounts in future years to ensure that it provides details of counter party transactions and balances. Recommendation is accepted. Chief Finance Officer 31 October 2025

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 9. 2022/23 National Fraud Initiative (NFI) (2023/24 interim management letter) NFI matches were received for investigation in spring 2023. Matches should have been investigated by end September 2023 with results recorded on the NFI system. Issues identified: • Late submission of some data sets and failure to submit data for Police and Fire pension schemes. • The online application had not been updated appropriately. Work in relation to matches to death records had been carried out (which identified 160 errors) but had not been uploaded at the time of our audit. There is a risk that frauds are not identified and investigated. There is also a risk that matches which have been investigated are not properly recorded which impacts on the reporting of fraud investigations at a national level.	Data sets for all applicable pension schemes and work carried out in relation to matches should be submitted / updated timeously. All historical NFI matches have been investigated, matched, and uploaded. For 2024 we can confirm that the data sets covered all relevant schemes, including Police and Fire. All new matches for 2024 have been investigated and uploaded, with a project, annualised saving of £500k. This is now part of our annual event activities and subject to project governance within the confines of SPPA Change Management frameworks, with appropriate ownership and resource management.	Not implemented - As per of our interim report 2024/25, we have been informed that all datasets were correctly entered for the current exercise. As reflected in paragraph 55 while all datasets have been provided, progress on reviewing matches has been limited. This recommendation has therefore been carried forward to 2025/26.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 10. 2023/24 testing of new awards and lump sums (2023/24 interim management letter) Our 2023/24 testing of a sample of 15 new awards and lump sum calculations for STPS identified three errors. One error was due to the wrong salary being input and two were due to the wrong date being used. All of the errors were due to manual inputs. SPPA have confirmed that these errors have now been rectified and further guidance has been issued. By extrapolating the results from this sample test, we are content that this does not materially impact on the annual report and accounts. Our testing of NHSPSS new awards and lumps sums is ongoing, however, we have not identified any errors to date.	Manual input for the calculation of new awards and lump sums increases the risk of error. SPPA should implement additional checks / controls to provide assurance on the manual input. We believe that all relevant risks are mitigated appropriately. There is also a longer-term plan to reduce and avoid manual input, with a rolling program of standalone, systems-based calculators commencing launch in selected NHS schemes in August 2024, working through other schemes from 2025 onward. Responsible Officer: Christopher Nairns Target Date: Completed in July 2023	Implemented - Audit testing in 2024/25 did not find similar issues to that found in 2023/24. In light of this, this recommendation is considered to be implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
b/f 11. Equalities **(2024/25 interim progress report)** SPPA can demonstrate that it complies with equality legislation, but further work is required to fully embed it within the corporate plan and to ensure impact assessments are carried out for all major policy decisions.	SPPA should commit to ensuring that equality and diversity is incorporated within its future corporate plans and to further advance the use of impact assessments in major policy decisions. Management response: While Equality, Diversity and Inclusion (ED&I) is already a strategic priority for 2025/26 - evidenced by Executive Team activity, the establishment of a new diversity network, and the ongoing delivery of all colleague awareness workshops - the need to further embed and mainstream ED&I across the organisation, and to ensuring that ED&I is fully reflected in future business plans and the next Corporate Plan, is recognised. Head of People and Place As the relevant plans are developed SPPA also fully supports the recommendation to advance the use of Equality Impact Assessments (EQIAs) in major policy decisions. To that end, we will work to reinforce the consistent and proactive use of EQIAs across the agency, and will engage with senior leaders to normalise their use as a standard part of our decision-making processes. Head of People and Place 31 December 2025	This recommendation is not due for implementation at the time of this report and will therefore be carried forward to future years.

Appendix 2a – SPPA Misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Adjusted misstatements		**Dr**	**Cr**	**Dr**	**Cr**
		£000	**£000**	**£000**	**£000**
1) Police and fire balances (Exhibit 4, item 1)					
	Cash and cash equivalents/ Receivables			20,187	
	General Fund				(20,187)
2) Police and fire balances (Exhibit 4, item 1)					
	Payables				(100)
	Receivables			2,000	
	General Fund				(1,900)
3) Non-current assets (Exhibit 4, item 2)					
	PPE			14	
	Intangible assets			44	
	General Fund				(58)
4) Intangible asset additions (Exhibit 4, item 3)					
	Intangible assets			261	
	Expenditure		(261)		
	Intangible assets				(46)
	Expenditure	46			

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)	Statement of Financial Position (SoFP)
	Intangible assets		(125)
	Expenditure	125	
5) Over accrual actuarial services and Remedy costs (Exhibit 4, item 4a)			
	Payables		145
	Expenditure	(145)	
6) Over-accrual consultancy services (Exhibit 4, item 4b)			
	Payables		77
	Expenditure	(77)	
7) Omitted accruals relating to IT projects (Exhibit 4, item 4c)			
	Expenditure	185	
	Intangible assets		111
	Payables		(296)
8) Annual leave accrual omitting NI and pension (Exhibit 4, item 4d)			
	Expenditure	180	
	Payables		(180)
9) Late journals posted after draft accounts prepared (Exhibit 4, item 4e)			
	Payables		77
	Expenditure		(77)
10) Historic negative receivables balance (Exhibit 4, item 4f)			
	General Fund		73
	Receivables		(73)
11) Invoice incorrectly classed as prepayment (Exhibit 4, item 4g)			
	Expenditure		34
	Receivables		(34)
12) Apprenticeship levy overstatement			

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
	Payables			58	
	Expenditure		(58)		
Net impact on financial statements		**536**	**(541)**	**23,081**	**(23,076)**
General Fund				**73**	**(22,145)**
Net Assets/(liabilities)				**23,154**	**(931)**

Appendix 2b – NHSPSS Misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Changes in Taxpayers Equity (SoCTE)	
Adjusted misstatements		**Dr**	**Cr**	**Dr**	**Cr**
		£000	**£000**	**£000**	**£000**
1) Pension Finance Costs (Exhibit 4, item 5)					
	Pension finance cost		(25,100)		
	Actuarial (Gains)/Losses	21,200			
	Funding to SCF			3,900	
Net impact on financial statements		**21,200**	(25,100)	3,900	
General Fund				0	0
Net Assets/(liabilities)				**0**	0

Appendix 2c – STPS Misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Adjusted misstatements		**Dr**	**Cr**	**Dr**	**Cr**
		£000	**£000**	**£000**	**£000**
1) Income (Exhibit 4, item 5)					
	Contributions receivable	911			
	General fund				(911)
	Capitalised receipts		(911)		
	General fund			911	
2) Expenditure (Exhibit 4, item 5)					
	Service costs	2,709			
	Enhancements		(907)		
	Pension finance cost	1,970			
	Pension liability				(3,772)
	Capitalised receipts	911			
	Premature retirement provision				(911)
Net impact on financial statements		**6,501**	**(1,818)**	**911**	**(5,594)**
General Fund				**911**	**(1,822)**
Net Assets/(liabilities)				**0**	**(3,772)**

Appendix 3 – National 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 Teachers' Pension SchemeNHSPSS and STPS

2024/25 Annual Audit Report

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