

A decorative graphic on the left side of the page consists of a large blue triangle pointing right, and a cluster of smaller triangles pointing right in shades of grey, green, and blue. The green triangle is the most prominent in the cluster.

# Scotland Excel

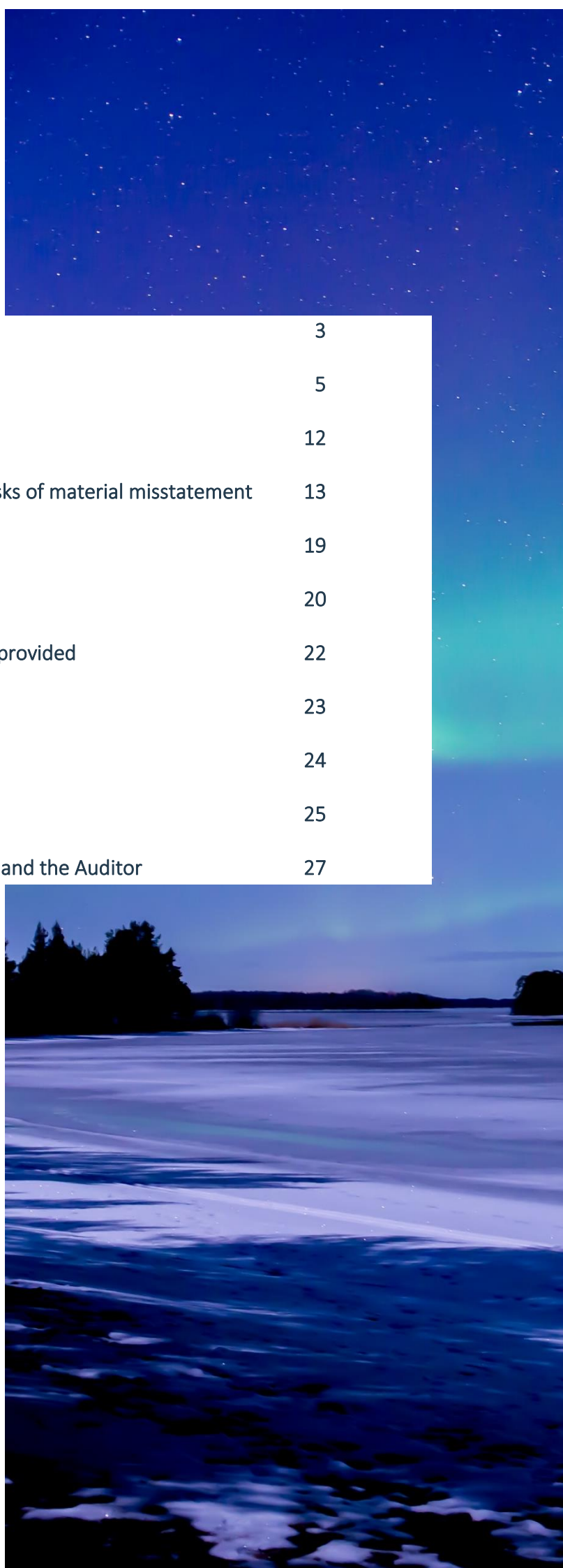
External Audit Annual Plan

Year ended 31 March 2026

March 2026

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# Introduction

## Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Scotland Excel for the year ended 31 March 2026 for those charged with governance.

The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement;
- an audit opinion on regularity and other statutory information published with the financial statements in the annual accounts, including the Management Commentary, Annual Governance Statement, and the Remuneration Report;
- consideration of arrangements in relation to wider scope areas: financial sustainability; and
- provision of an Independent Auditor's Report expressing our opinions on the different elements of the annual accounts and an Annual Audit Report setting out conclusions on the wider scope area.

## Responsibilities of the auditor and Scotland Excel

The [Code of Audit Practice](#) outlines the responsibilities of external auditors appointed by the Accounts Commission for Scotland and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

Scotland Excel has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing a set of accounts and annual report that are in accordance with proper accounting practices. Scotland Excel is also responsible for complying with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

[Appendix 2](#) provides further details of our respective responsibilities.

## Adding Value through the Audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending

and encouraging good practice. In this way, we aim to help promote improved standards of governance, better management and decision making and more effective use of resources.

## **Feedback**

Any comments you may have on the service we provide, the quality of our work, and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

This plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

## **Openness and transparency**

This report will be published on Audit Scotland's website <http://www.audit-scotland.gov.uk/>

## Audit scope and general approach

### Risk-based audit approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of Scotland Excel, including its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

## Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Scotland Excel Executive Sub-committee.

## Partnership working

We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Our Audit Scotland appointment includes Renfrewshire Council. Where practicable and appropriate we will share knowledge between our teams to generate efficiencies in the delivery of our audits.

## Audit Scotland

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may also be required to provide information to Audit Scotland to support the national performance audits and we may review Scotland Excel's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which Scotland Excel uses the national performance reports as a means to help improve performance at the local level.

During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

## Internal Audit

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to Scotland Excel is used as efficiently and effectively as possible.

## Shared systems and functions

Renfrewshire Council ("the Council") is the lead administrative authority for Scotland Excel, providing Treasurer and Committee Clerk roles, as well as other service support, such as

payroll, ICT, legal and HR. Where those services (and associated systems) have a material impact on the annual accounts we will work with the Council to understand the controls in place over the systems used in delivering these services.

## **Delivering the audit**

### **Hybrid audit approach**

We adopt a hybrid approach to our audit which combines on-site visits with remote working.

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information. All of our staff are fully contactable by email, phone call and video-conferencing. Meetings can be held over Microsoft Teams or by telephone.

We employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

### **Secure sharing of information**

We use a cloud-based file sharing service 'Inflo' that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

### **Regular contact**

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

## **Materiality**

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

Our determination of materiality:

- Informs the scope of our audit and audit procedures
- Informs the sample sizes required for substantive testing
- Informs our consideration in evaluation the effect of actual and projected misstatements in the financial statements

Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

**Planning Materiality:** We have set our materiality at 2% of Scotland Excel's gross expenditure based on the audited annual accounts for 2024/25, resulting in £151,500.

**Performance Materiality:** Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £113,500 (rounded down).

**Reporting threshold:** We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £7,500.

**Specific Materiality:** We also consider whether any specific items of account require a separate, lower materiality. We have determined that no specific materiality levels needed to be set for this audit.

## Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.

## Going Concern

### Management responsibility

Management is required to make and document an assessment of whether Scotland Excel is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

### Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about Scotland Excel's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the Code of Practice on Local Authority Accounting in the UK 2025/26 and Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

## Prevention and detection of fraud or error

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- Involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control and;
- Are over £5,000.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

## Anti-money laundering

We require Scotland Excel to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

## Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 2](#) provides detail of the wider scope areas of public sector audit work.

The Code of Audit Practice addresses a more limited audit of wider-scope areas for any public bodies that are less complex owing to their size and limited financial activity (referred to as Less Complex Bodies).

We have concluded, based on an assessment of the nature and circumstances of Scotland Excel, that a limited wider scope audit is appropriate. As such our audit of wider scope areas is restricted to an evaluation of financial sustainability.

Our initial risk assessment and scope of work planned for 2025/26 is outlined in the “Wider scope of public audit” section of this plan.

## National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General and the Accounts Commission, they will request auditors to consider and report on those risks as they apply at a local level. For 2025/26 no such risks have been specified.

## Best Value

Appointed auditors have a duty to be satisfied that bodies have made proper arrangements to secure best value. We undertake this duty in a way that is proportionate to the size and type of body. We give due regard to:

- How Scotland Excel demonstrates that it is meeting its Best Value responsibilities
- How our work on the wider-scope areas meets the Best Value responsibilities

We will report on Scotland Excel's arrangements for meeting its Best Value responsibilities in our Annual Audit Report.

## Reporting our findings

At the conclusion of the audit we will issue:

- an independent auditor's report setting out our formal audit opinions within the annual report and accounts, and;
- an annual audit report describing our audit findings, conclusions on key audit risks, judgements on the pace and depth of improvement on the wider scope areas, and any recommendations.

## Definitions

We will use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



## IT Audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those walkthrough key controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

We will consult internally with our Technology Risk team for them to support the audit team by assessing the information technology general controls (ITGC) of the following systems:

| IT Application                  | Audit area          | Planned level of IT audit assessment                            |
|---------------------------------|---------------------|---|
| Finance System (Business World) | Financial Reporting | ITGC assessment (design and implementation effectiveness only). |
| Active Directory                | Network Access      | ITGC assessment (design and implementation effectiveness only)  |

## Financial statements - significant and other risks of material misstatement

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement, or are required to be treated as significant risks due to requirements of auditing standards.

The table below summarises each significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

| Significant risk                            | Financial Statement/Assertion Level Risk | Fraud Risk | Approach to controls             | Level of judgement / estimation uncertainty |
|---|--|------------|----------------------------------|---|
| Management override of controls             | Financial Statement Level                | Yes        | Assess design and implementation | Low   |
| Fraud in revenue recognition (Rebutted)     | Assertion Level                          | No         | Assess design and implementation | Low   |
| Fraud in expenditure recognition (Rebutted) | Assertion Level                          | No         | Assess design and implementation | Low   |
| Valuation of Pension Liability              | Assertion Level                          | No         | Assess design and implementation | High  |

## Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

| Management override of controls   | Planned audit procedures  |
|---|---|
| <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk. Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p> | <p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design and implementation effectiveness of management controls over journals;</li> <li>• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals;</li> <li>• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with Scotland Excel’s journals policy;</li> <li>• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and</li> <li>• Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> |

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

| Fraud in revenue recognition<br>- Rebutted  | Audit approach   |
|---|--|
| <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240.</p> <p>Having considered the nature of the income streams at Scotland Excel, we consider that the risk of fraud in revenue recognition can be rebutted on all income streams because:</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition;</li> <li>• Opportunities to manipulate revenue recognition are limited due to the majority of revenue received being requisitions received from constituent local authorities; and</li> <li>• There is a low opportunity to manipulate other income since it is non-complex and there are sufficient controls in place to prevent and detect fraud from other income streams, we therefore believe that the risk of material fraud is low.</li> </ul> | <p>We have rebutted this risk as we have assessed there is low incentive or opportunity to manipulate revenue streams of Scotland Excel.</p> |

| Fraud in expenditure recognition-<br>Rebutted  | Audit approach   |
|--|--|
| <p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have</p> | <p>Having considered the risk factors set out in ISA 240 and the nature of the expenditure streams at Scotland Excel, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> |

| Fraud in expenditure recognition-<br>Rebutted  | Audit approach   |
|--|--|
| <p>therefore also considered the risk of fraud in expenditure at Scotland Excel. Practice Note 10: audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: <i>“As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition”</i>.</p> | <ul style="list-style-type: none"> <li>• There is little incentive to manipulate expenditure recognition; and</li> <li>• Opportunities to manipulate expenditure recognition are very limited.</li> </ul> <p>A large proportion of Scotland Excel’s expenditure relates to employee costs, property costs, supplies and services and support costs. These expenditure streams and processes are largely automated. Controls have also been designed and implemented to mitigate fraud within these expenditure streams and therefore the risk of fraud in expenditure recognition is deemed low.</p> |

| Valuation of Pension Liability<br>(key accounting estimate)  | Planned audit procedures  |
|--|---|
| <p>An actuarial estimate of the net defined pension liability is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions [and the calculation of any asset ceiling when determining the value of a pension asset.]</p> <p>ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability as a significant risk.</p> | <p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work;</li> <li>• Evaluating the competence, capabilities and objectivity of the actuary;</li> <li>• Assessing the controls in place to ensure that the data provided to the actuary by Scotland Excel and their pension fund was accurate and complete;</li> <li>• Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert;</li> <li>• Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements;</li> <li>• Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and Scotland Excel's share of the investment valuations in the audited pension fund accounts'; and</li> <li>• Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.</li> </ul> |

| Valuation of Pension Liability<br>(key accounting estimate)   | Planned audit procedures |
|---|--------------------------|
| Inherent risk of material misstatement: <ul style="list-style-type: none"><li data-bbox="252 405 671 479">• Pension Liability (Valuation):<br/>High</li></ul> |                          |

## Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

## Wider scope of public audit

### Introduction

As described previously, the Code of Audit Practice frames a significant part of our audit responsibilities. Following consideration of the size, nature and risks of Scotland Excel, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work will therefore be restricted to an evaluation of financial sustainability.

Our planned audit work is risk based and proportionate. Our initial assessment builds upon our understanding of Scotland Excel's key priorities and risks along with discussions with management and review of Committee minutes and key strategy documents.

### Our audit approach to the wider scope audit areas

Appointed auditors are required to consider the wider scope areas when:

- identifying significant audit risks at the planning stage of the audit
- reaching conclusions on those risks
- making recommendations for improvement
- where appropriate, setting out conclusions on the audited body's performance.

[Appendix 2](#) provides further detail on the definition, scope and audit considerations under each wider scope area.

At this stage, we have not identified any significant risks in relation to the wider scope area.

Audit planning is a continuous process and we will report all identified significant risks, as they relate to our wider scope audit, in our annual audit report.

## Audit team, logistics and requirements

### Your core audit team

#### Director

##### Rebecca Lister

[Rebecca.Lister@azets.co.uk](mailto:Rebecca.Lister@azets.co.uk)

Rebecca is the key contact for senior management and has overall responsibility for the audit quality and the audit opinion.

#### Assistant Manager

##### Shahadot Khan

[Shahadot.Khan@azets.co.uk](mailto:Shahadot.Khan@azets.co.uk)

Shahadot is responsible for the overall management of the audit and quality assurance of audit work. He is the key contract for the finance team management.

## Audit Timetable

The following timetable indicates the key milestones of the audit.

| Event  | Date              |
|--|-------------------|
| Planning and Risk Assessment   | February 2026     |
| Reporting of plan to the Executive Sub-committee                     | 20 March 2026     |
| Receipt of draft accounts and commencement of audit fieldwork        | 26 June 2026      |
| Executive Sub-committee meeting to approve accounts for signing      | 18 September 2026 |
| Target date for submission of signed accounts to Scottish Government | 30 September 2026 |

## Our expectations and requirements

For us to be able to complete our work in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines agreed with us. These should be complete including all notes, the management commentary, annual governance statement and the remuneration report;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit; and
- Prompt and sufficient responses to audit queries to minimise delays.

The audit process is underpinned by effective project management to co-ordinate and apply our resources efficiently to meet your deadlines. It is essential that the audit team and Scotland Excel's finance team work closely together to achieve the above timetable.

## Independence, objectivity and other services provided

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

- Non-audit services: No non audit services were provided by Azets to Scotland Excel.
- Contingent fees: No contingent fee arrangements are in place for any services provided.
- Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of Scotland Excel, senior management or staff.
- Relationships: We have no other relationships with Scotland Excel, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

## Audit Fees

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit. Audit Scotland sets an expected audit fee that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate unaudited accounts and meets the agreed timetable for audit.

The expected fee is reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2025/26 audits) have been developed in the context of a challenging economic financial environment and the challenges facing public services.

As auditors we negotiate a fee with Scotland Excel during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.

The expected fee set for the 2025/26 audit of Scotland Excel is £24,340. We propose setting the 2025/26 audit fee at £29,208 which equates to a 20% increase. This increase reflects the additional audit work required in response to heightened scrutiny over significant risk areas and the need to meet increasing audit quality and regulatory standards.

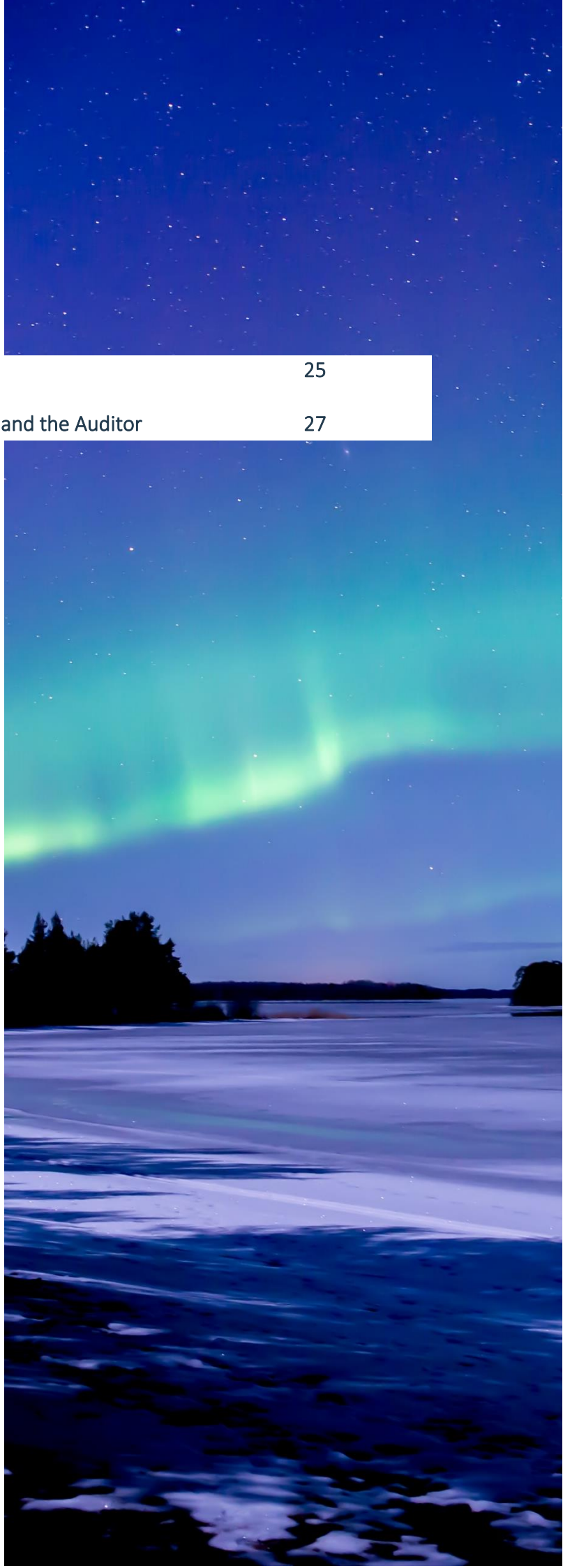
It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

| Fee element             | 2025/26 (£s) | 2024/25 (£s) |
|-------------------------|--------------|--------------|
| Auditor remuneration    | 29,208       | 28,140       |
| Pooled costs            | 840          | 590          |
| Sectoral cap adjustment | (17,170)     | (16,360)     |
| Total fee               | 12,878       | 12,370       |

We will take account of the risk exposure of Scotland Excel and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

## Appendices

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## Appendix 1: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of Scotland Excel and the needs of the users.

When planning, we make professional judgements about the size of misstatements which we consider to be material, based on our knowledge of Scotland Excel, considering factors such as financial stability, expectations of readers and stakeholders, sector developments and financial reporting requirements. In determining materiality we consider the level of misstatement that could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2026 was calculated as follows.

|   | £   |
|---|---|
| <b>Overall materiality for the financial statements</b> | 151,500   |
| <b>Performance materiality (75% of materiality)</b>     | 113,500   |
| <b>Trivial threshold</b>                                | 7,500   |
| <b>Materiality</b>                                      | Our initial assessment is based on approximately 2% of Scotland Excel's gross expenditure as disclosed in the 2024/25 audited annual accounts. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of Scotland Excel.<br>The financial statements are considered to be materially misstated where total errors exceed this value. |
| <b>Performance materiality</b>                          | 75% of materiality<br>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform  |

|                          |   |
|--------------------------|---|
|                          | <p>audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p> |
| <b>Trivial threshold</b> | <p>5% of overall materiality</p> <p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>Individual errors above this threshold are communicated to those charged with governance.</p>   |

We also consider whether any specific items of account require a separate, lower materiality. We have determined that no specific materiality levels needed to be set for this audit.

## Appendix 2: Responsibilities of Scotland Excel and the Auditor

### Scotland Excel's responsibilities

Scotland Excel has primary responsibility for ensuring the 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 the following:

| Area  | Scotland Excel's responsibilities  |
|---|--|
| <b>Corporate governance</b>                     | <p>Scotland Excel is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>  |
| <b>Financial statements and related reports</b> | <p>Scotland Excel has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures;</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and</li> <li>• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.</li> </ul> <p>Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial</p> |

| Area  | Scotland Excel's responsibilities  |
|---|--|
|   | <p>reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>Scotland Excel is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. Scotland Excel is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>  |
| <b>Standards of conduct for prevention and detection of fraud and error</b> | <p>Scotland Excel is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>   |
| <b>Financial position</b>   | <p>Scotland Excel is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• Plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>  |
| <b>Best value</b>   | <p>Scotland Excel has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:</p> <ul style="list-style-type: none"> <li>• The quality of its performance of its functions</li> <li>• The cost to the body of that performance</li> <li>• The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.</li> </ul> <p>In maintaining that balance, Scotland Excel shall have regard to:</p> <ul style="list-style-type: none"> <li>• Efficiency</li> </ul> |

| Area | Scotland Excel's responsibilities  |
|------|--|
|      | <ul style="list-style-type: none"><li>• Effectiveness</li><li>• Economy</li><li>• The need to meet the equal opportunity requirements.</li></ul> <p>Scotland Excel should discharge its duties in a way which contributes to the achievement of sustainable development.</p> |

## Auditor responsibilities

### Code of Audit Practice

The Code of Audit Practice ([the Code](#)) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

### Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to Scotland Excel and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

### Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

### Limited wider scope audit work

The Code of Audit Practice provides for the Accounts Commission to specify an alternative audit approach where an audited body might be considered less complex due to its size and its limited financial activity. We have concluded, based on an assessment of the nature and circumstances of Scotland Excel, that a limited wider scope audit is appropriate. As such our audit of wider scope areas is restricted to an evaluation of financial sustainability.

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## Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.



### Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

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## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2024/25 | Audit Scotland](#)



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