

Scottish Parliamentary Corporate Body

Annual Audit Plan 2025/26



Prepared for the Scottish Parliamentary Corporate Body
March 2026

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Introduction

Purpose of the Annual Audit Plan

1. The Annual Audit Plan provides an overview of the planned scope and timing of the 2025/26 audit of the Scottish Parliamentary Corporate Body's (SPCB's) annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. Stephen Boyle, the Auditor General for Scotland, is the auditor of the SPCB. Carole Grant is the engagement lead responsible for the delivery of the audit. The 2025/26 financial year is the fourth of the five-year audit appointment.

3. All members of the audit team are independent of the SPCB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors and Audit Scotland has robust arrangements in place to ensure compliance. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships, pertaining to the audit of the SPCB, that we would be required to communicate.

Communication of fraud or suspected fraud

5. In line with ISA 240, in presenting this plan to the Advisory Audit Board we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud that should be brought to our attention. Should members of the committee have any such knowledge or concerns relating to the risk of fraud, we invite them to communicate this to the engagement lead for consideration. Similar assurances will also be sought as part of the audit completion process

Audit scope and responsibilities

Scope of the audit

6. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- Evaluation of the key controls within the main accounting systems.
- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- Providing audit opinions on regularity, and on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report, Governance Statement, and the audited part of the Remuneration and Staff Report.
- Conclusions on the SPCB's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, and Vision, Leadership, and Governance..
- Provision of an Annual Audit Report setting out significant matters identified from the audit.

Responsibilities

7. The Code of Audit Practice sets out the respective responsibilities of the auditor and the SPCB. A summary of the key responsibilities is outlined below.

Auditor responsibilities

8. 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.

SPCB responsibilities

9. The SPCB has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements that give a true and fair view and other 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.
- Establishing an internal audit function.

10. The audit of the annual report and accounts does not relieve management or the Advisory Audit Board, as those charged with governance, of their responsibilities.

Audit of the annual report and accounts

Materiality

11. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This section outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

12. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

13. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. 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.

14. The materiality levels determined for the audit of the SPCB are outlined in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for SPCB

| Materiality | Value |
|---|--------------|
| Materiality – Based on an assessment of the needs of users of the financial statements and the nature of the SPCB's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2024/25 financial statements. Materiality has been set at 1.75 per cent of the benchmark. | £2.4 million |
| Performance materiality – This acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75 per cent of materiality. | £1.8 million |

| Materiality | Value |
|---|----------|
| Reporting threshold – We are required to report to those charged with governance on all misstatements greater than the reporting threshold amount. | £120,000 |

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. The risk assessment process draws on the audit team's cumulative knowledge of the SPCB, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

16. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified. These are the risks which have the greatest impact on the planned audit approach. [Exhibit 2](#) summarises these risks and the audit procedures we plan to perform to gain assurance over them.

Exhibit 2

Significant risks of material misstatement to the financial statements

| Risk of material misstatement | Planned audit response |
|---|--|
| <p>1. Fraud caused by management override of controls</p> <p>As set out in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to override controls that otherwise appear to be operating effectively.</p> <p>This is presumed to be a significant risk in all audits.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. |

| Risk of material misstatement | Planned audit response |
|---|---|
| <p>2. Estimation in the valuation of land and buildings</p> <p>The SPCB held £402.1 million of property, plant, and equipment at 31 March 2025, of which £398.5 million related to land and building assets.</p> <p>Land and building assets are valued on a depreciated replacement cost (DRC) basis for specialised buildings. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions. Any changes in the assumptions can have a material impact on the valuation.</p> | <ul style="list-style-type: none"> • Substantively test income and expenditure transactions around the year end to confirm they are accounted for in the correct financial year. • Undertake focused testing of accounting accruals and prepayments. <hr/> <p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Review the indices applied to land and building assets in 2025/26 and assess if these are reasonable and have been correctly applied. |

Source: Audit Scotland

17. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the SPCB and those charged with governance, where relevant.

Key audit matters

18. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit. The matters determined to be key audit matters will be communicated in the Annual Audit Report.

Wider scope

Introduction

19. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in the following wider scope areas:

- **Financial Management** – having sound budgetary processes. Factors that can impact on the SPCB being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – looking forward over the medium and longer term in planning the effective delivery of services. This is assessed by considering the SPCB's medium to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.

20. Due to the nature of SPCB, and the specific provisions in the Public Finance and Accountability (Scotland) Act 2000, we will not be completing any specific audit work on the wider scope area of 'Use of resources to improve outcomes'.

21. A conclusion on the effectiveness and appropriateness of arrangements the SPCB has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Significant wider scope risks

22. Our planned work on our wider scope responsibilities is risk based and proportionate. No significant risks in the wider scope areas were identified from the 2025/26 risk assessment process.

Reporting arrangements, timetable and audit fee

Audit outputs

23. The outputs from the 2025/26 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the SPCB setting out opinions on the annual report and accounts.
- An Annual Audit Report to Principal Accountable Officer and the Auditor General for Scotland, setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope audit, recommendations, where required, and any good practice identified.

24. The matters to be reported in the outputs will be discussed with the SPCB to confirm factual accuracy before they are issued. All outputs from the audit will be published on [Audit Scotland's website](#), apart from the Independent Auditor's Report, which will be included in the audited annual report and accounts.

25. Target dates for the audit outputs are set by the Auditor General for Scotland. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 31 October 2026.

Audit timetable

26. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to the delivery of the audit to agreed target dates. [Exhibit](#) includes a timetable for the audit. These dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the SPCB and reported to those charged with governance, where required.

Exhibit 3

Audit timetable

| Key stage | Target Date |
|---|-------------------|
| Consideration of unaudited annual report and accounts by those charged with governance | 17 June 2026 |
| Submission of unaudited annual report and accounts and all working papers to audit team | 6 July 2026 |
| Issue draft annual audit report for clearance discussion | 26 August 2026 |
| Latest date for audit clearance meeting | 3 September 2026 |
| Agreement of audited and unsigned annual report and accounts | 7 September 2026 |
| Issue of annual audit report, letter of representation and proposed independent auditor's report to those charged with governance | 9 September 2026 |
| Consideration of audited annual report and accounts and audit reporting by those charged with governance | 16 September 2026 |
| Independent Auditor's Report signed | 23 September 2026 |

Source: Audit Scotland

Audit fee

27. The SPCB's audit fee is determined in line with Audit Scotland's fee setting arrangements. The audit fee for the 2025/26 audit has been set at the baseline level of £86,310 (2024/25: £82,730).

28. In setting the audit fee, it is assumed that SPCB has effective governance arrangements in place and that complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

29. The SPCB is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

30. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate.

31. A review of internal audit's 2025/26 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team will rely on internal audit's work in relation to the testing of MSP expenses for our financial statements' responsibilities. Due to the claims driven nature of the expenses system there is a risk to the accuracy of the amounts disclosed in the financial statements. This is also an area that draws significant public interest. In addition to relying on the work of internal audit, we will undertake our own substantive work to obtain the necessary assurances.

Audit quality

32. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

33. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2025/26 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.

- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

34. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

35. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

36. Audit Scotland may periodically seek the views of the SPCB on the quality of audit services provided. The audit team would also welcome feedback at any time, and this should be directed to Carole Grant as the Engagement Lead.

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