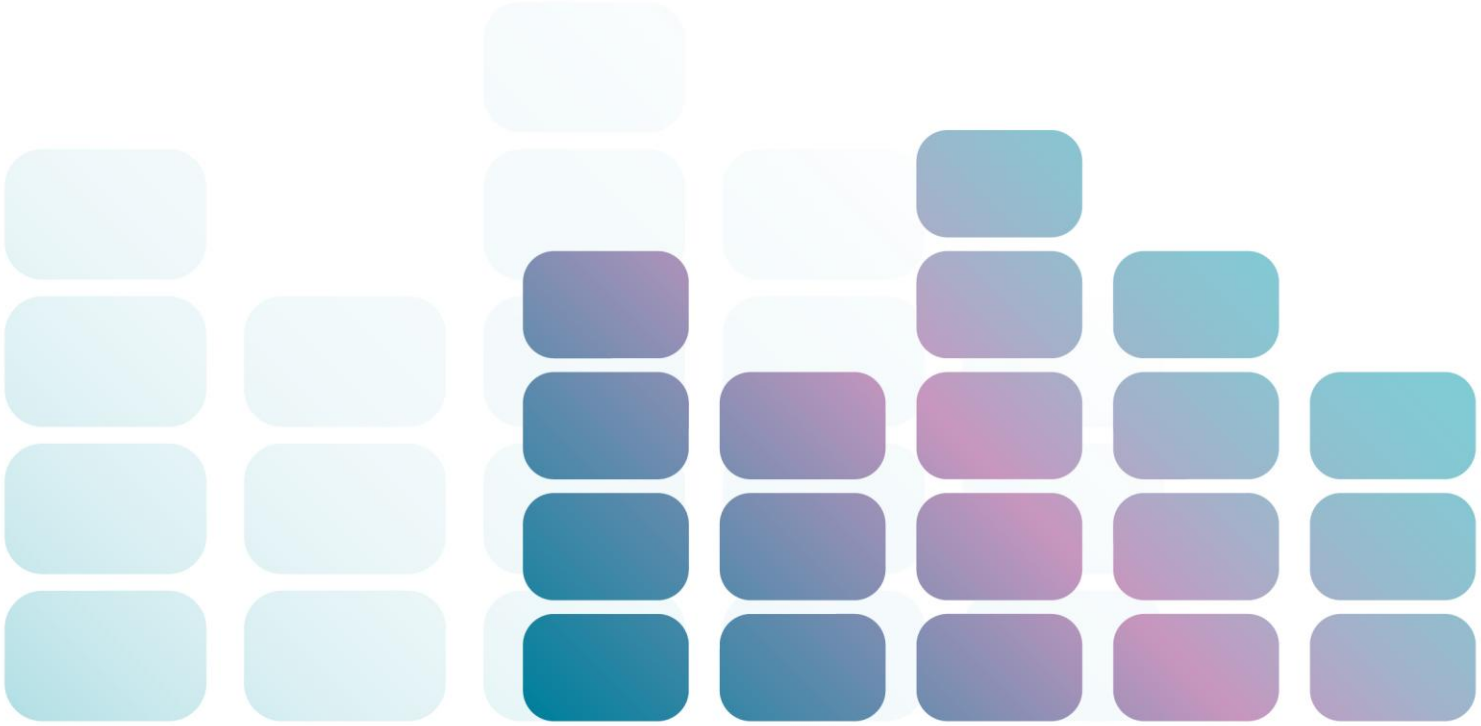
Commissioner for Ethical Standards in Public Life in Scotland

2025/26 Annual Audit Report



AUDIT SCOTLAND

Prepared for Commissioner for Ethical Standards in Public Life in Scotland and the Auditor General for Scotland

September 2026

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Summary of audit opinions and conclusions

Audit of the annual report and accounts

1 All audit opinions stated that the annual report and accounts were free from material misstatement.

2 There were no significant findings or key audit matters to report.

Wider scope and Best Value audit

3 The Commissioner for Ethical Standards in Public Life in Scotland has effective and appropriate arrangements in place for securing financial sustainability and Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of the Commissioner for Ethical Standards in Public Life in Scotland's annual report and accounts and the wider scope areas specified in the Code of Audit Practice (2021).

2. The Annual Audit Report is addressed to the Commissioner for Ethical Standards in Public Life in Scotland, hereafter referred to as 'the Commissioner' or 'the body' and the Auditor General for Scotland, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. We have been appointed as the Commissioner's external auditors for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, we are independent of the Commissioner 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 our continued independence from the Commissioner, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Commissioner and his 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 during the final year of the five-year audit appointment.

Audit scope, responsibilities, and fee

Scope of the audit

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

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on the Commissioner's arrangements in relation to the wider scope areas: financial sustainability and a review of the Governance Statement.
- Reporting on the Commissioner's arrangements for securing Best Value.

Responsibilities and reporting

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

Auditors' 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 Commissioner's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the body from its responsibilities outlined below.

The Commissioner's responsibilities

9. The Commissioner has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to

successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements that give a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit Fee

10. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £20,090. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

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 no significant findings or key audit matters to report.

Audit opinions on the annual report and accounts

11. The annual report and accounts were considered by the Advisory Audit Board on 23 September 2026, approved for issue by the Commissioner, and subsequently signed by the appointed auditor. 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.

Audit timetable

12. The unaudited annual report and accounts and all working papers were received in accordance with the agreed audit timetable.

Materiality

13. 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.

14. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

15. Materiality levels for the audit were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. No changes were required to the materiality levels, which are outlined in Exhibit 1

Exhibit 1
2025/26 Materiality levels

Materiality	Amount
Materiality – based on an assessment of the needs of users of the financial statements and the nature of the Commissioner's operations, the benchmark used to determine materiality is gross expenditure. Materiality has been set at 2% of the benchmark.	£34,000
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% of overall materiality.	£25,500
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£1,700

Source: Audit Scotland

Significant findings and key audit matters

16. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance.

17. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

18. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

19. There are no significant findings or key audit matters to report from the audit of the annual report and accounts.

Qualitative aspects of accounting practices

20. 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

21. The appropriateness of accounting policies adopted by the Commissioner was assessed as part of the audit and considered to be appropriate. There were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

22. Accounting estimates are used in number of areas in the Commissioner's financial statements. Audit work considered the process management of the body has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

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

Disclosures in the financial statements

23. Some closing 2024/25 pension benefit estimates were restated following updated calculations undertaken by the pension scheme administrator. The Cabinet Office transferred administration of the Civil Service Pension Scheme from MyCSP to Capita on 1 December 2025. Capita has confirmed that, since its appointment, pension benefit calculations for all scheme members have been reviewed and checked and, in some cases, this identified differences with calculations previously performed by the former scheme administrator. This matter has been disclosed in the Commissioner's Remuneration and Staff Report.

24. The adequacy of disclosures in the financial statements was assessed as part of the audit and were found to be appropriate and in line with accounting requirements.

Significant matters discussed with management

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

Significant risks of material misstatement identified in the Annual Audit Plan

26. 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 2, (page 10).

Prior year recommendations

27. In 2024/25, two recommendations were agreed for improvement to the annual report and accounts. One related to a change in the method for calculating the accrual for untaken leave and the other to the removal of assets no longer in operational use. The agreed recommendations have been implemented in the 2025/26 annual report and accounts.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team: • Evaluated the design and implementation of controls over journal entry processing. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity. • Tested journal entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluated significant transactions outside the normal course of business. • Assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assessed changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Based on audit work undertaken, there was no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Wider scope and Best Value

Conclusion

The Commissioner has appropriate arrangements in place for securing financial sustainability and Best Value.

Audit approach to wider scope and Best Value

28. As reported in the Annual Audit Plan, the Commissioner's office is considered to be a less complex body and therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of the Commissioner's office and a review of the governance statement.

29. 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.

30. Consideration of the arrangements the Commissioner has in place to secure Best Value has been carried out alongside the wider scope audit. Conclusions on the effectiveness and appropriateness of the arrangements in place is reported in this chapter.

Conclusion on financial sustainability

31. The audit work performed on the arrangements the Commissioner has in place for securing financial sustainability found that these were appropriate. This judgement is evidenced by the Commissioner:

- developing a medium-term financial plan that is aligned to the Strategic Plan and organisational priorities.
- maintaining effective risk management arrangements to identify and assess financial and non-financial risks over the medium term, including those that could affect the availability of resources.
- submitting a budget bid to the Scottish Parliamentary Corporate Body that includes indicative funding requirements for the following three financial years, supported by engagement with the Corporate Body to discuss resource requirements in the context of the Strategic Plan and Workforce Plan.
- undertaking regular monitoring of expenditure against budget and reviewing forecast outturn positions throughout the year.

- regularly attending Scottish Parliamentary Corporate Body officeholders' finance meetings, providing opportunities to discuss financial performance and emerging pressures.

Conclusion on duty of Best Value

32. Audit work on the arrangements the Commissioner has in place to secure Best Value found these to be appropriate and operating effectively. This judgement is evidenced by:

- effective governance arrangements, with Best Value embedded within the organisation's governance framework. A recent internal audit review provided strong assurance over governance arrangements and identified the register of interests and the public availability of corporate documents on the Commissioner's website as areas of good practice.
- arrangements to support financial sustainability which help ensure the effective and efficient use of available resources.
- effective engagement with the Advisory Audit Board (AAB), the Scottish Parliamentary Corporate Body and a range of parliamentary committees. During the year, a new Chair was appointed to the AAB and the Board's terms of reference were refreshed to reflect new arrangements and priorities.
- the Commissioner's expertise in diversity, civility and public service reform being recognised by a range of stakeholders, resulting in opportunities to influence and inform developments across the public sector.
- regular engagement with public bodies and other stakeholders to discuss matters of mutual interest. This provides opportunities for joint working, sharing learning and good practice, obtaining feedback on services, and identifying areas for further improvement.
- a culture of continuous improvement, demonstrated through regular monitoring of performance against the business plan and a focus on achieving objectives while supporting employee wellbeing following the introduction of a 35-hour working week.

33. During 2025/26, the office experienced a significant increase in complaint cases (70%), freedom of information requests (100%) and other correspondence. While this has created additional pressures for a relatively small team, the office has continued to identify opportunities to streamline processes through the regular review of templates and policies. These improvements have contributed to improved response times.

34. The average time taken to complete councillor and board member stage one investigations reduced significantly from 133 days in 2024/25 to 48 days in 2025/26. This improvement reflects a range of measures introduced during the year, including the appointment of a Duty Investigations Officer to triage cases on receipt. Average Stage two completion times remained broadly stable at around 160 days.

35. In recent years, the office has developed and refined its Investigations Manual to reflect operational experience and evolving good practice. Quality assurance arrangements have also continued to mature. Internal peer review processes have been enhanced through the introduction of external peer review by the Welsh Public Services Ombudsman's Office, and plans are being developed to introduce a cold review process for completed cases.

Commissioner for Ethical Standards in Public Life in Scotland

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