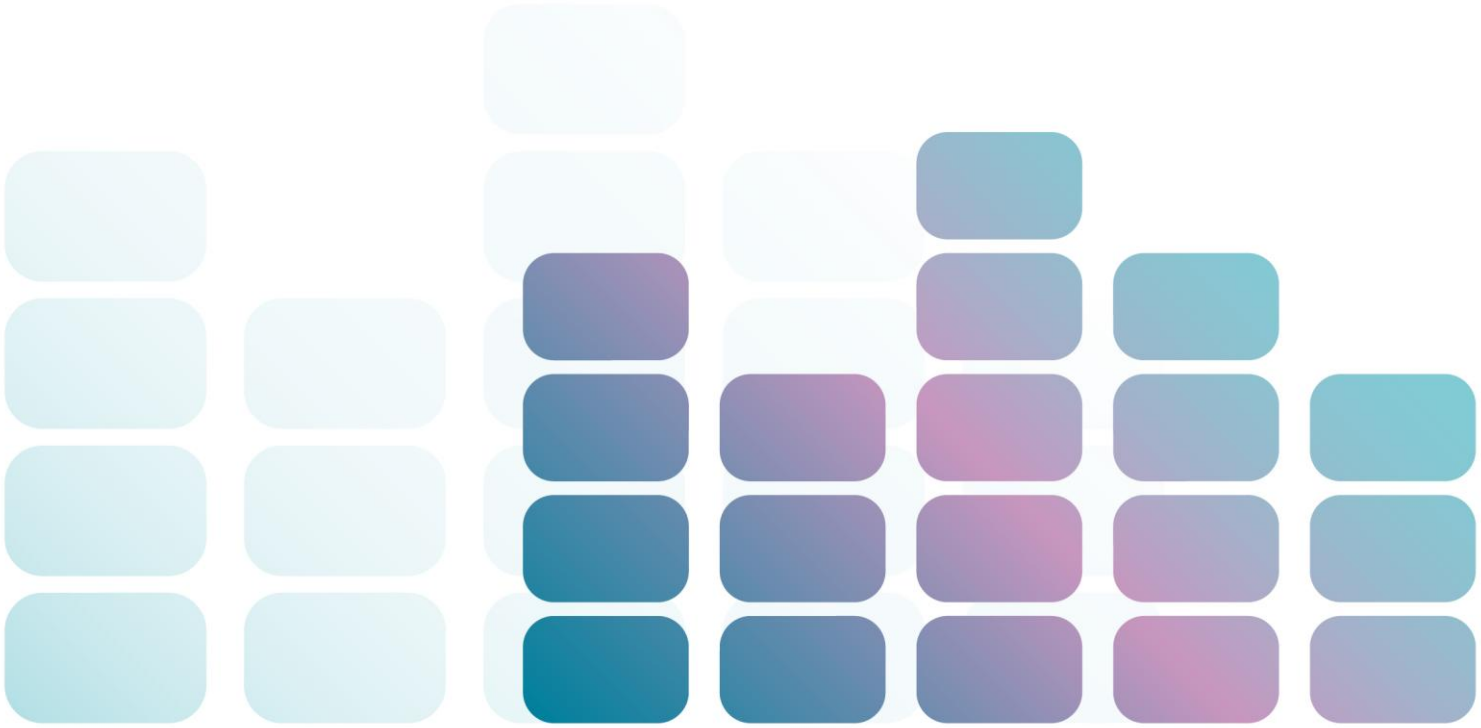
Scottish Parliamentary Corporate Body

2025/26 Annual Audit Report



AUDIT SCOTLAND

Prepared for the Scottish Parliamentary Corporate Body and the Auditor General for Scotland

September 2026

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Summary of audit 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 was one key audit matter in relation to the pension asset position. No issues were identified in relation to the associated accounting entries.

3 One audit adjustment was required to correct the financial statements. There were also required changes to the Remuneration and Staff Report, and the Performance Report.

Wider scope audit

4 The Scottish Parliamentary Corporate Body has effective and appropriate arrangements in place for financial management, financial sustainability and vision, leadership and governance.

Financial management

The Scottish Parliamentary Corporate Body has sound financial management arrangements in place. It operated within its 2025/26 budget of £152.236 million, reporting a resource underspend of £3.416 million and a capital overspend of £0.918 million.

Financial sustainability

The Scottish Parliamentary Corporate Body's arrangements for securing financial sustainability are effective and appropriate. There are plans in place to support the delivery of services in the medium term. Development of the Session 7 Strategic Plan is currently underway.

Vision, leadership and governance

The Scottish Parliamentary Corporate Body has clear plans in place to implement its vision, strategy and priorities. Governance arrangements operate effectively. We recommend that a register of interests is completed and maintained for members of the Advisory Audit Board.

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 Scottish Parliamentary Corporate Body's annual report and accounts and the wider scope areas specified in the Code of Audit Practice (2021). The Public Finance and Accountability (Scotland) Act 2000 makes separate provision for appointment of an Accountable Officer for the Scottish Parliamentary Corporate Body and as such, the Scottish Public Finance Manual (SPFM) has no application to the Scottish Parliamentary Corporate Body in respect of Best Value.

2. The Annual Audit Report is addressed to the Scottish Parliamentary Corporate Body and the Auditor General for Scotland and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Stephen Boyle, Auditor General for Scotland, is the auditor of the Scottish Parliamentary Corporate Body and Carole Grant, Audit Director, is the engagement lead responsible for the delivery of the audit. As reported in the Annual Audit Plan, all members of the audit team are independent of the Scottish Parliamentary Corporate Body 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, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Scottish Parliamentary Corporate Body 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 final year of our 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 arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; and Vision, Leadership and Governance detailed within this Annual Audit Report.

Responsibilities and reporting

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

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts and concluding on the arrangements in place for the relevant wider scope areas.

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 Scottish Parliamentary Corporate Body from its responsibilities outlined below.

9. This report includes an agreed action plan at Appendix 1 setting out recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Scottish Parliamentary Corporate Body's responsibilities

10. The Scottish Parliamentary Corporate Body 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 and other specified information that gives a true and fair view;
- 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; and
- establishing an internal audit function.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £86,310. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National and performance audit reporting

12. 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 Scottish Parliamentary Corporate Body and the Advisory Audit Board. Details of national and performance audit reports published over the last year can be seen in Appendix 2.

Audit of the annual report and accounts

Main judgements

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

There was one key audit matter in relation to the pension asset position. No issues were identified in relation to the accounting for it.

One audit adjustment was required to correct the financial statements. There were also required changes to the Remuneration and Staff Report, and the Performance Report.

Audit opinions on the annual report and accounts are unmodified

13. The annual report and accounts were approved by the Scottish Parliamentary Corporate Body on 24 September 2026, signed by the Accountable Officer on 29 September 2026 and signed by the Auditor General on 30 September 2026. The Independent Auditor's Report is included in the annual report and accounts, and this reports that, in the auditor's opinion, these were free from material misstatement.



The audit has been delivered in accordance with the agreed timetable

14. The unaudited annual report and accounts and all working papers were received on 6 July 2026 in accordance with the agreed audit timetable.

Materiality was reviewed on receipt of the unaudited annual report and accounts and remains at the levels set at planning

15. 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.

16. 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.

17. Materiality levels for the audit of the Scottish Parliamentary Corporate Body 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 for the Scottish Parliamentary Corporate Body

Materiality	Amount
Materiality – set at 1.75 per cent of gross expenditure	£2.4 million
Performance materiality – set at 75 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, further audit procedures are considered.	£1.8 million
Reporting threshold – set at 5 per cent of materiality.	£120,000

Source: Audit Scotland

The audit has identified a key audit matter

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance. For the Scottish Parliamentary Corporate Body this is deemed to be the Advisory Audit Board who provide independent advice to the Accountable Officer.

19. 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.

20. 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.

21. The key audit matter to report is outlined in Exhibit 2.

Exhibit 2
Key audit matters

Key audit matter	Outcome
Pension Asset The unaudited financial statements included a pension asset of £22.770 million for the Scottish Parliamentary Pension Scheme as at 31 March 2026 (£18.090 million as at 31 March 2025). IAS 19, *Employee Benefits*, requires that bodies only recognise a pension asset where they can access the future economic benefit in terms of reduced contributions or a refund. The pension asset should be assessed and adjusted to reflect any asset ceiling. This is the fourth year a pension asset has been included in the financial statements. We agreed with the planned approach to request confirmation for the 2025/26 position from the actuary that the recognition of the asset did not require to be capped by an asset ceiling.	The Scottish Parliamentary Corporate Body consulted the actuary who confirmed that the present value of the savings exceeds the full accounting surplus recognised in the 2025/26 accounts. We assessed the calculations and concluded that the total pension surplus should be recognised as an asset. No change was required to the financial statements.

Source: Audit Scotland

22. The Scottish Parliamentary Corporate Body is currently subject to an audit by His Majesty's Revenue and Customs (HMRC). This has resulted in the recognition of a new provision in the 2025/26 financial year for potential over-recoveries of Value Added Tax (VAT) in prior years, amounting to £951,000.

23. The provision represents management's best estimate of the liability, based on advice received and an assessment of the likelihood of amounts becoming payable. Discussions with HMRC are ongoing, with a view to reaching an agreed settlement in 2026/27. We are satisfied that the provision recognised by the Scottish Parliamentary Corporate Body is reasonable and supported by appropriate documentation.

24. In relation to MSP expenses we placed reliance on the work of internal audit, including re-performance of a sample of claims, and substantively checked an additional sample. Further, we performed a proof in total check and concluded that the variance was consistent with our expectations. Our audit testing confirmed that MSP expenses are appropriately disclosed in the financial statements.

Qualitative aspects of accounting practices

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

Accounting policies

26. The appropriateness of accounting policies adopted by the Scottish Parliamentary Corporate Body was assessed as part of the audit and considered to be appropriate. One change was made to the accounting policies as part of the 2025/26 audit. 'Artwork and Donated Assets' are now accounted for as heritage assets and this has resulted in a separate Heritage Assets note in the annual accounts. 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 several areas in the Scottish Parliamentary Corporate Body's financial statements, including the valuation of land and building assets and the valuation of the pension asset. 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 4. Exhibit 4. In relation to the estimation in the valuation of pensions, we used an auditor's expert to inform our review of the assumptions. We tested the appropriateness of the controls in place over the provision of information to the actuary.

28. 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 reasonable
- there was no evidence of management bias in making the accounting estimates.

29. Our audit revealed that the review of the residual value and useful lives for non-current assets, not subject to an independent valuation, are not formally reviewed. IAS 16, *Property, Plant and Equipment*, requires entities to review the residual value and the useful lives of property, plant and equipment at least annually. The useful lives of land, buildings and fixed plant are reviewed as part of the formal annual valuation process, however, the useful lives of the remaining material non-current asset

categories are not subject to a formal annual review. Our audit identified several assets with nil net book values that remained in use.

30. Without a formal review, there is a risk that depreciation charges and asset carrying values do not reflect the remaining period over which the assets are expected to provide economic benefit or service potential.

31. We tested a sample of non-current assets with a nil net book value and found that these assets remained in use. The Scottish Parliamentary Corporate Body should review non-current assets with a nil net book value to confirm whether they remain operational and whether the useful lives applied were appropriate.

Recommendation 1 – Non-current assets' useful lives and nil net book values

To comply with IAS 16, the Scottish Parliamentary Corporate Body should formally review the residual value and useful lives of non-current assets that are not subject to formal valuation. This should include assets with a nil net book value, to confirm whether they remain in use and whether the useful lives applied were appropriate.

Disclosures in the financial statements

32. The adequacy of disclosures in the financial statements was assessed as part of the audit and found to be of good quality. We identified some changes relating to the Performance Report, to ensure compliance with the FReM, and Fair Pay disclosures in the Remuneration and Staff Report.

All audit matters were discussed with management

33. All relevant matters identified during the audit and discussed with the Scottish Parliamentary Corporate Body's management have been reported in the Annual Audit Report.

One audit adjustment was required to correct the financial statements

34. One audit adjustment was required to the financial statements to correct a misstatement relating to an accrual. On the 31 March 2026, an accrual totalling £276,000 was processed relating to goods receipted not yet invoiced (GRNI). The Scottish Parliamentary Corporate Body was unable to provide sufficient evidence to support the amount being accrued in the 2025/26 financial statements and agreed to correct this misstatement. Details of the audit adjustment, which was greater than the reporting threshold of £120,000, is outlined in Exhibit 3.

Exhibit 3
Audit adjustment

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
An adjustment was required to remove an accrual that should not have been recognised in 2025/26.					
	Trade and other payables			276	
	Property, plant and equipment				276
Net impact on financial statements				**0**	**0**

Source: Audit Scotland

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

35. 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 4.

Exhibit 4
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 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.	The audit team will: • 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.	Audit work performed found: • The design and implementation of controls were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.

Risk of material misstatement	Planned audit response	Outcome of audit work
This is presumed to be a significant risk in all audits.	• Test journals 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. • 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.	• No significant issues were identified from audit testing of journal entries. • No issues were identified from transactions outside the normal course of business. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. • No issues with income and expenditure cut-off testing. • No issues identified with accruals and prepayments testing. **Conclusion:** no evidence of fraud caused by management override of controls.
Estimation in the valuation of land and buildings 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. 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	The audit team will: • 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.	Audit work performed found: • The design and implementation of controls over the valuation process were appropriate. • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Indices applied are reasonable and have been correctly applied. **Conclusion**: the valuation of land and buildings is not materially misstated.

Risk of material misstatement	Planned audit response	Outcome of audit work
changes in the assumptions can have a material impact on the valuation.		

Source: Audit Scotland

Prior year recommendations

36. The Scottish Parliamentary Corporate Body has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed and are outlined in Appendix 1.

Wider scope audit

Conclusion

The Scottish Parliamentary Corporate Body has effective and appropriate arrangements in place for financial management; financial sustainability, and vision, leadership and governance.

Financial management

The Scottish Parliamentary Corporate Body has sound financial management arrangements in place. It operated within its 2025/26 budget of £152.236 million, reporting a resource underspend of £3.416 million and a capital overspend of £0.918 million.

Financial sustainability

The Scottish Parliamentary Corporate Body's arrangements for securing financial sustainability are effective and appropriate. There are plans in place to support the delivery of services in the medium term. Development of the Session 7 Strategic Plan is currently underway.

Vision, leadership and governance

The Scottish Parliamentary Corporate Body has clear plans in place to implement its vision, strategy and priorities. Governance arrangements operate effectively. We recommend that a register of interests is completed and maintained for members of the Advisory Audit Board.

Audit approach to wider scope

Wider scope

37. As reported in the Annual Audit Plan, the wider scope audit areas for Scottish Parliamentary Corporate Body are financial management; financial sustainability; and vision, leadership and governance.

38. Audit work is performed on these three areas and a conclusion on the effectiveness and appropriateness of arrangements the Scottish Parliamentary Corporate Body has in place is reported in this chapter.

Conclusions on wider scope audit

Financial management

The Scottish Parliamentary Corporate Body has sound financial management arrangements in place

39. The audit work performed on the arrangements the Scottish Parliamentary Corporate Body has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the Scottish Parliamentary Corporate Body:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies;
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management;
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI);
- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role; and
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, including scrutiny and challenge by the Advisory Audit Board.

The Scottish Parliamentary Corporate Body operated within its 2025/26 budget and has a strong financial management culture

40. The main financial objective for the Scottish Parliamentary Corporate Body is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. The Scottish Parliamentary Corporate Body operated within its overall resource and cash budget allocated for 2025/26. It reported an outturn of £149.738 million against a total budget of £152.236 million. The financial performance against fiscal resource is shown in Exhibit 5.

Exhibit 5
Performance against limits in 2025/26

	Initial Budget £m	Final Budget £m	Outturn £m	Over / (under) spend £m
Resource	152.111	151.236	147.820	(3.416)
Capital	1.000	1.000	1.918	0.918
Total budget	**153.111**	**152.236**	**149.738**	**(2.498)**
Cash budget	136.500	136.536	135.166	(1.370)

Source: Scottish Budget 2025/26; Spring Budget Revision 2025/26; and SPCB Annual Report and Accounts 2025/26

41. The initial 2025/26 budget was set at £153.1 million and reduced to £152.2 million as part of the Spring Budget Revision. The budget reduction mainly related to non-cash items such as movements in actuarial assumptions. The resource underspend of £3.4 million relates to underspends against the members' expenses budget, Commissioner funding, Scottish Parliamentary Service funding and non-cash items, including forecasted depreciation and pension finance costs.

42. The capital budget overspend of £0.918 million was due to the Scottish Parliamentary Corporate Body bringing forward planned capital expenditure into 2025/26, earlier than originally forecast. The expenditure related to IT equipment for new MSPs following the May 2026 Scottish election.

Appropriate internal control arrangements operated throughout 2025/26, including those associated with the prevention and detection of fraud and standards of conduct

43. In the public sector there are specific fraud risks and bodies are required to implement effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

44. We did not identify any significant internal control weaknesses which could affect the Scottish Parliamentary Corporate Body's ability to record, process and report financial and other relevant data to result in a material misstatement in the financial statements. Our work included a review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach.

No issues were identified in relation to the use of Oracle Cloud

45. The Scottish Parliamentary Corporate Body uses the finance platform Oracle Cloud, as part of a shared service provided by the Scottish Government. The Scottish Government issued an International Standard on Assurance Engagements (ISAE) 3402 Type 2 Report to Oracle service users. This report concluded on the suitability of the design and operating effectiveness of Service Organisation controls. The Type 2 Report did not identify any issues that would impact on the audit of the Scottish Parliamentary Corporate Body.

46. Audit Scotland undertook an assessment of the assurance arrangements relating to the Oracle Cloud third-party hosting services.

47. Part of this assessment involved reviewing the System and Organisation Controls (SOC) 1 Type II and SOC 2 Type II reports that were obtained by the Scottish Government. These reports covered the Oracle Cloud Infrastructure for 2025/26, which were prepared by EY on behalf of Oracle.

48. A SOC 1 review is designed to provide assurance over a service organisation's controls that are relevant to its customers' internal control over financial reporting. A SOC 2 review is designed for technology and cloud service providers and provides assurance over controls relating to the security, availability, processing integrity, confidentiality and privacy of customer data.

49. Overall, the assessment did not identify any issues that would impact on the Scottish Parliamentary Corporate Body.

The Scottish Parliamentary Corporate Body was assessed as Green-Amber in relation to the 2024/25 National Fraud Initiative (NFI) exercise

50. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Scottish Parliamentary Corporate Body participates in this biennial exercise. The National Fraud Initiative in Scotland 2026 report was published by Audit Scotland in August 2026.

51. The rating for the Scottish Parliamentary Corporate Body, in relation to the 2024/25 NFI exercise, was Green-Amber. This assessment found that the Scottish Parliamentary Corporate Body approach was generally satisfactory, with some scope for improvement. The scope for improvement related to having a clear approach to assessing matches.

52. The Scottish Parliamentary Corporate Body actively engages in the NFI and regularly reports on progress to the Advisory Audit Board. Planning for the 2026/27 exercise is currently underway.

Financial sustainability

The Scottish Parliamentary Corporate Body's arrangements for securing financial sustainability are effective and appropriate

53. The audit work performed on the arrangements the Scottish Parliamentary Corporate Body has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the Scottish Parliamentary Corporate Body:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Strategic Plan and priorities, and
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.

The Scottish Parliamentary Corporate Body has robust medium term financial planning arrangements, with the strategic plan for Session 7 currently in progress

54. The 2026/27 Scottish Budget was accompanied by the Scottish Spending Review. This sets out the Scottish Government's multi-year spending plans from 2026/27 to 2028/29 (2029/30 for capital funding) and notes the uncertain fiscal context, including identifying £1.5 billion in public sector efficiencies and reforms to help address the gap between demand and available resources.

55. Over the spending review period total resource funding is projected to grow steadily, from £54.1 billion in 2026/27 to £57 billion in 2028/29, representing a 5.3 per cent cash terms increase, or a 1.4 per cent real terms increase. Over the period to 2029/30, capital expenditure is expected to fall by 1 per cent in cash terms, from £7.32 billion in 2026/27 to £7.25 billion in 2029/30. This amounts to a 6 per cent real terms reduction.

56. The Finance and Public Administration Committee approved the Scottish Parliamentary Corporate Body's 2026/27 budget in January 2026. The total budget requirement, including capital charges and non-cash items, totalled £167 million which is an increase of £13.9 million (10.2 per cent) on the prior year. The significant increase in the 2026/27 budget reflects one -off election costs in May 2026, amounting to £8.5 million. The remaining budget increase mainly relates to staff costs and MSP salaries and their staff cost provision.

57. As a result of the election, the Scottish Parliamentary Corporate Body will incur additional costs in 2026/27, including compensation payments to MSPs for loss of office. The onboarding of new MSPs will also impact on resource capacity.

58. Due to capacity pressures as a result of the Scottish election in May 2026, the detailed quarter 1 finance report for the 2026/27 financial year was not prepared and presented to the Senior Executive Team. A period 4 report is expected, and it remains important that robust financial processes are maintained.

59. Planning and budgeting for 2026/27 is based on the Session 6 strategy and delivery plan which will include the transition to Session 7. The Session 7 strategic plan is currently in progress and is expected to be in place by the end of 2026.

60. We reported in 2024/25 that the growth in the number of Parliamentary Officeholders and their associated costs and impact on resources is a challenge for the Scottish Parliamentary Corporate Body. The Patient Safety Commissioner was appointed in 2025/26, and a Victims and Witnesses Commissioner is due to be appointed in 2026/27. In June 2025 the Scottish Parliamentary Corporate Body Supported Bodies Landscape Review Committee published its report containing a number of conclusions and recommendations. Work is ongoing to address the findings in this report. We note that a review of Officeholders Governance by the Head of Internal Audit was undertaken in 2025/26 and findings will be considered by the Senior Executive Team.

61. The Scottish Parliamentary Corporate Body implemented its Interim Workforce Plan in 2025/26. The Plan covers the period from April 2025 to March 2027 and recognises that workforce planning is at an early stage. It sets out the actions required to address the impact of new technologies and major demographic changes, in order meet future demand for services. Monthly workforce dashboards are prepared and issued to management to assist with the monitoring of their staff, including flexi balances and sickness absence.

Vision, leadership and governance

The Scottish Parliamentary Corporate Body has stable leadership and strong governance arrangements to support the delivery of the Strategic Plan

62. The audit work performed on the arrangements the Scottish Parliamentary Corporate Body has in place around its vision, leadership and governance found that these were effective and appropriate. This judgement is evidenced by the Scottish Parliamentary Corporate Body:

- having a Strategic Plan in place, supported by annual Delivery Plans, that clearly set out its vision, strategy, and priorities;
- involving Scottish Parliamentary Service staff in developing the Session 7 Strategic Plan, drawing on their experience of engaging with MSPs, their staff and the public;

- having clear financial and performance reporting in place, and effective scrutiny and challenge of performance provided by the Scottish Parliamentary Corporate Body and the Advisory Audit Board; and

- having effective governance arrangements in place in general, as reflected in the Governance Statement included in the annual report and accounts.

63. The Session 6 Strategic Plan set out the vision of "making a positive difference to the lives of the people in Scotland". The Plan is on the website and sets out the strategic priorities for how the Scottish Parliamentary Corporate Body will achieve successful delivery of its purpose, vision and mission. This is supported by an annual Delivery Plan. The Scottish Parliamentary Corporate Body's 2026/27 Delivery Plan and Session 7 Strategic Plan are currently in development.

64. Performance against the strategic objectives is reported to the Senior Executive Team and the Scottish Parliamentary Corporate Body on a quarterly basis.

Governance arrangements operate effectively and the role of the Head of Internal Audit has been kept under review to mitigate any potential conflicts of interest

65. The Head of Internal Audit was appointed as interim Chief Financial Officer from May to October 2025. Additional support from Grant Thornton helped deliver the 2025/26 internal audit work programme to avoid conflicts of interest and ensure compliance with internal audit standards. The year-end internal audit assurance statement was co-signed by the Head of Internal Audit and Grant Thornton.

66. An external review of the Scottish Parliamentary Corporate Body's internal audit arrangements was carried out during the summer recess by the Head of Internal Audit of the House of Lords. The results will be reported to the next Advisory Audit Board scheduled for December 2026 / January 2027. The review meets the Global Internal Audit Standards requirement for an external compliance assessment at least every five years.

67. MSPs and the Senior Executive Team complete a register of interests, however this is not a requirement for the independent Advisory Audit Board members. We recommend introducing the same requirement for independent members to identify and manage any related party conflicts.

Recommendation 2 - Register of interests

A register of interests should be completed and maintained for the independent members of the Advisory Audit Board.

Appendix 1

Action plan 2025/26

2025/26 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Non-current assets' useful lives and nil net book values IAS 16, Property, Plant and Equipment, requires entities to review the residual value and useful lives of property, plant and equipment at least annually. The useful lives and residual value of land, buildings and fixed plant are reviewed as part of the formal valuation process, however, the residual value and useful lives of other material non-current asset categories are not subject to a formal annual review. Non-current assets with a nil net book value should also be reviewed to assess whether these are still operational. Without a formal review, there is a risk that depreciation charges and asset carrying values do not reflect the remaining period over which the assets are expected to provide economic benefit or service potential.	To comply with IAS 16, the Scottish Parliamentary Corporate Body should formally review the residual value and useful lives of non-current assets not subject to a formal valuation. A review should also include assets with a nil net book value, to confirm whether they remain in use and whether the useful lives applied were appropriate.	**Accepted** From 2026/27 Finance will undertake a review of the useful lives and residual values of non-current assets not subject to formal valuation. This will be documented in the annual Estimates and Judgements paper. Senior Financial Accountant, Anne Hamilton 31 March 2027

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Register of Interests Independent members of the Advisory Audit Board do not currently complete a register of interests. The Ethical Standards in Public Life etc. (Scotland) Act 2000 (Register of Interests) Regulations require local authorities and devolved public bodies to maintain a public register of interests. Although the Scottish Parliamentary Corporate Body is not a devolved public body, it is considered good practice for all Advisory Audit Board members to complete a register of interests. There is a risk that actual, potential or perceived conflicts of interest are not identified or appropriately managed.	A register of interests should be completed and maintained for the independent members of the Advisory Audit Board.	**Accepted** A Register of Interests will be completed and maintained for the independent members of the Advisory Audit Board. Head of Finance, Beki Stark December 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. External review of internal audit arrangements There has been no external assessment of internal audit arrangements in the past five years. There is a risk that arrangements do not comply with Global Internal Audit Standards.	Arrangements should be put in place for an external appropriate review now the new Global Internal Audit Standards have been implemented. **Accepted:** This review will be undertaken in the 2025/26 audit year Head of Internal Audit, Andy Munro 30 June 2026	**Implemented** The Head of Internal Audit at the House of Lords has completed the external review of internal audit arrangements. The final report was presented to the September meeting of the Advisory Audit Board.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Impairment review of non-current assets There has been no formal impairment review of the assets that were not subject to a full revaluation. For broadcasting equipment with a valuation in excess of £10,000, no impairment is required in 2024/25. Formalisation of impairment procedures, capturing all asset categories, will ensure the valuation of non-current assets is appropriate.	We recommend that the annual impairment review is formally documented. **Partially accepted:** Impairment enquiries were carried out on £380,231 of broadcasting equipment which covered 29% of the carrying value of assets on the sub-ledger not covered by the revaluation in this financial year. Going forward, we have incorporated bi-annual asset verification and impairment checks into our 2025/26 month-end tasks. Senior Financial Accountant, Anne Hamilton 31 December 2025	**Not implemented** The review has not been formally documented, and there is no tracker in place to record responses and decision on whether an impairment review is required. A formal tracker will be implemented to document impairment enquiries, responses received and conclusions reached, providing a clear audit trail to support future impairment assessments. Senior Financial Accountant, Anne Hamilton 31 March 2027
3. Median Pay Calculation The Scottish Parliamentary Corporate Body's systems did not capture the required information for the 2024/25 median pay calculation. We have been informed that this will be rectified in 2025/26	The median pay calculation should be in accordance with the guidance which would include all benefits, including overtime. **Accepted:** The required data has been captured since April 2025. We will work with our colleagues in Pay and Pensions to ensure that this information can be reported from the new payroll system for the calculation of ratios in the 2025/26 financial statements. Senior Financial Accountant, Anne Hamilton 31 March 2026	**Implemented** The median pay ratio has been calculated correctly and in accordance with the requirements of the FReM.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
4. Certificates of Assurance The Senior Executive Team have been directed to the requirements of the internal control checklist as part of this year's year end assurance procedures, but the checklists do not require to be completed. It is proposed that internal audit will undertake a review of these documents as part of their 2025/26 audit plan. The Senior Executive Team will be supported with the completion of these documents. The checklist will then only require to be updated as part of the 2025/26 annual assurance procedures.	Certificates of Assurance should be requested earlier, and consideration given to completing Internal Control Checklists, as part of the accounts preparation. **Accepted**: The proposed audit has been included in this year's audit plan and is expected to be carried out by March 2026. Head of Internal Audit, Andy Munro 31 March 2026	**Implemented** Internal control checklists have been completed by members of the Senior Executive Team. This is in line with the requirements of the Scottish Public Finance Manual (SPFM).
5. Property, plant and equipment records Data was transferred to the new Oracle asset module during 2024/25. The module does not fully comply with the requirements of the SPFM i.e. initial capital expenditure (purchase price) relating to revalued assets is the revalued amount in the fixed asset register. The varying ways the assets are recorded across the three registers does not allow for easy management of the assets.	A centralised fixed asset register should be established that complies with SPFM. **Partially accepted:** Detailed historic cost information is held separately and the "original cost" field in the Oracle module can be updated to comply with SPFM requirements. The purpose of the asset sub-ledger is to maintain a record of capitalised assets for depreciation and financial reporting purposes. Detailed asset registers held by business areas are used for day-to-day management. Senior Financial Accountant, Anne Hamilton 31 March 2026	**Implemented** SPCB record assets across three registers. We are content that separate records held by finance support the disclosures in the 2025/26 financial statements.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026
The National Fraud Initiative in Scotland 2026	19 August 2026

Scottish Parliamentary Corporate Body

2025/26 Annual Audit Report

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