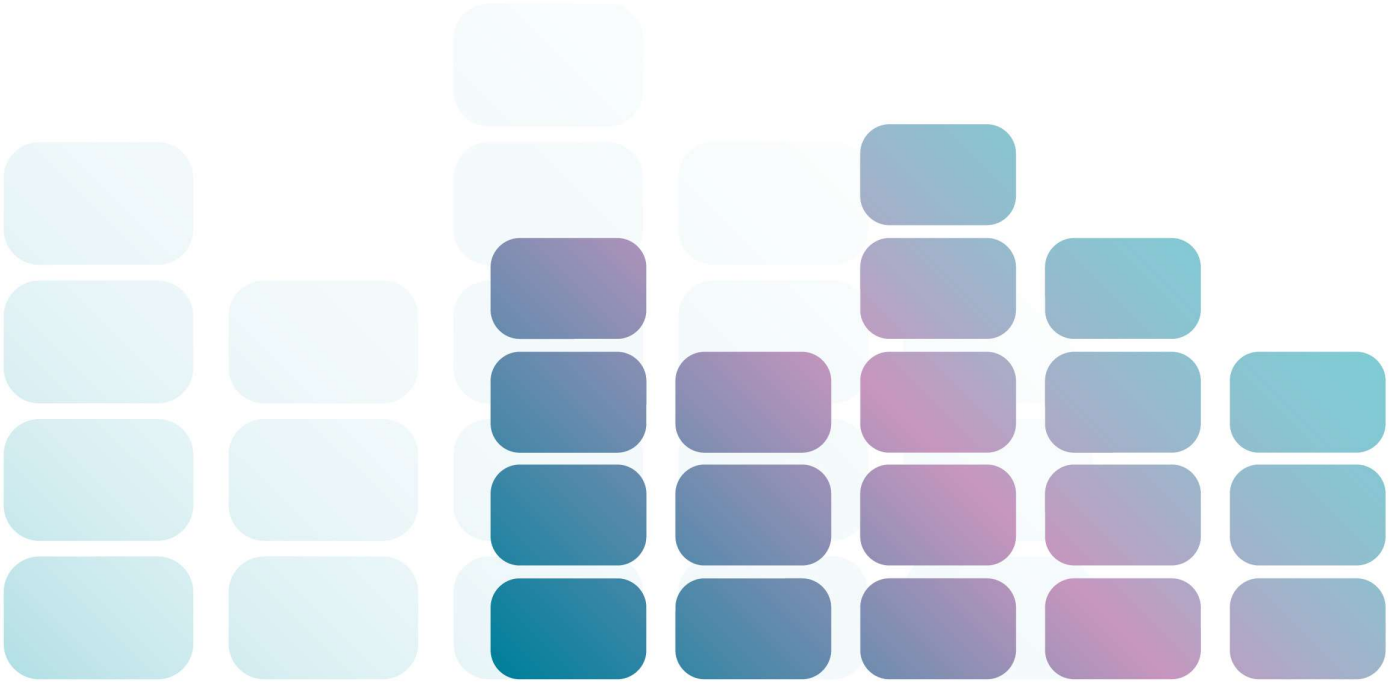
Scottish Prison Service

2025/26 Annual Audit Report



AUDIT SCOTLAND

Prepared for the Scottish Prison Service and the Auditor General for Scotland
July 2026

Contents

Summary of audit opinions and conclusions	3
Introduction	4
Audit scope, responsibilities, and fee	5
Audit of the annual report and accounts	7
Wider scope and Best Value audit	14
Appendix 1	23
Appendix 2	37

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

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 All audit adjustments required to correct the financial statements were processed by the Scottish Prison Service.

3 Good progress has been made on implementing the agreed prior year recommendations.

Wider scope and Best Value audit

4 The SPS has effective and appropriate arrangements in place for Financial Management; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

5 The SPS does not yet have a medium-term financial strategy in place, meaning it is unable to demonstrate effective and appropriate arrangements over its financial sustainability.

6 The prison population has reached record levels, with actions to ease the pressure on the SPS failing to reverse the overall trend.

7 The SPS has effective and appropriate arrangements in place for securing 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 Scottish Prison Service 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 Scottish Prison Service, hereafter referred to as 'the SPS' and the Auditor General for Scotland, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Michael Oliphant, of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Michael and the audit team are independent of the SPS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the body, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the SPS 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 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 SPS's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the SPS's arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the SPS and the auditor. 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 concluding on the SPS'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 SPS from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at Appendix 1 setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The SPS's responsibilities

10. The SPS 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 for SPS that gives 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

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £124,380. 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 SPS and the Risk Monitoring and Audit Committee. 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.

All audit adjustments required to correct the financial statements were processed by the Scottish Prison Service.

Good progress has been made on implementing the agreed prior year recommendations.

Audit opinions on the annual report and accounts are unmodified

13. The SPS annual report and accounts were approved by the Risk Monitoring and Audit Committee (RMAC) on 29 July 2026 and signed by the appointed auditor on 30 July 2026. The Independent Auditor's Report is included in the SPS annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



The audit was delivered in accordance with the agreed timetable

14. The unaudited financial statements and all working papers were received on 21 May 2026. The unaudited annual report was provided on 3 June 2026 in accordance with the agreed audit timetable, with an updated version provided on 16 June 2026 following review by the Chief Executive.

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

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 SPS were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan. These were reassessed on receipt of the unaudited annual report and accounts as detailed in Exhibit 1.

Exhibit 1
2025/26 Materiality levels for the audit of the SPS

Materiality	
Materiality – set at 1.8% of gross expenditure.	£9.6 million
Performance materiality – set at 73% 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, this could indicate further audit procedures are required.	£7.0 million
Reporting threshold – set at 4% of materiality.	£380,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the SPS is the RMAC.

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 significant findings and key audit matters to report are outlined in Exhibit 2.

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
Exit package disclosures Compensation payments are intended to address loss of employment in circumstances where an underlying health condition has impacted attendance but does not meet the threshold for ill-health retirement. These payments are made in accordance with provisions in the Civil Service Compensation Scheme (CSCS). At the time of our audit, Capita, who operate the CSCS, were unable to provide settlement figures for some individuals leaving the organisation. Consequently, the SPS has estimated these costs using a standard rate as opposed to the specific rates which will be applied by Capita. In total £445,000 of £1,013,000 disclosed within the Remuneration Report has been estimated by the SPS. This amount is also included within Trade and Other Payables on the Statement of Financial Position. The SPS has advised that they do not have a timeline for when information will be provided by Capita.	We have reviewed the estimations made by the SPS and concluded that they are reasonable. From the work undertaken we do not believe that the estimations will be materially different to the actual figures once available from Capita.
Non-current asset additions Audit testing considered additions of £9.5 million relating to the future purchase of new vehicles under the Justice Partners Escort and Court Custody Scotland (JPECCS). The JPECCS will commence in January 2027. These vehicles have not yet been purchased by the contractor as part of the service concession arrangement and should not have been included in the unaudited accounts.	The SPS has removed the additions from the non-current assets disclosure. The impact of these changes is shown in Exhibit 3. The removal also impacted the final outturn position as detailed in Exhibit 6.

Significant findings and key audit matters	Outcome
Non-current assets – valuation of HMP Barlinnie In late 2025, Historic Environment Scotland categorised HMP Barlinnie as a category A listed building. The SPS accepts the categorisation for halls A and B, as well as for the prison chapel. It has, however, appealed the assessment as it believes other structures included in the categorisation do not hold sufficient architectural interest. The categorisation of HMP Barlinnie as a category A listed building has increased the overall valuation of the asset in the Statement of Financial Position by £2.7 million based on Depreciated Replacement Cost. The categorisation will restrict the use of the prison if it were to be sold. It is uncertain how this would impact the sale value of the asset.	We are satisfied that the valuation of HMP Barlinnie is appropriate. We do note, however, that the valuation will be revised in 2026/27 if the SPS appeal against the categorisation by Historic Environment Scotland is successful.

Source: Audit Scotland

Qualitative aspects of accounting practices

22. 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

23. The appropriateness of accounting policies adopted by the SPS was assessed as part of the audit. These were appropriate to the circumstances, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

24. Accounting estimates are used in a number of areas in the financial statements, including the valuation of land and buildings and the valuation of provisions. Audit work considered the process management 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.

25. 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 .

Disclosures in the financial statements

26. The quality of disclosures in the financial statements was adequate.

There were misstatements identified during the audit process

27. Adjustments were required to the financial statements to correct misstatements that were identified during the audit. Details of all audit adjustments greater than the reporting threshold of £380,000 are outlined in Exhibit 3.

Exhibit 3

Audit adjustments

Details Financial statements lines impacted		Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Audit adjustments to financial statements		**Dr**	**Cr**	**Dr**	**Cr**
		£000	**£000**	**£000**	**£000**
1. An adjustment was required due to early recognition of capital additions relating to a service concession arrangement contract.					
	Property, plant and equipment				9,535
	Trade and other payables (current liabilities			166	
	Other payables (non-current liabilities)			9,369	
Net impact on financial statements			**0**		**0**

Source: Audit Scotland

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

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

29. 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 , (page 12).

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 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 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. • 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 the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and

Risk of material misstatement	Planned audit response	Outcome of audit work
	accounting estimates and assess these for evidence of management bias.	there was no evidence of management bias. **Conclusion:** no evidence of fraud caused by management override of controls.
Valuation of land and buildings SPS held £1.581 billion of property, plant, and equipment (PPE) at 31 March 2025, of which £1.391 billion was land and building assets. SPS is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.	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. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2025/26 valuation process, and challenge these where required.	Audit work performed found: • The design and implementation of controls over the valuation process were adequate. • The information provided to the external valuer was complete and accurate • We considered the valuer to be competent, capable and objective • We were content with management's involvement in the valuation process and found that appropriate oversight occurred. • The frequency of valuation was appropriate. • All land and buildings were valued in year. • The disclosures, regarding the assumptions in relation to the valuation of land and buildings, were appropriate. **Conclusion**: We did not identify any significant issues in relation to the valuation of land and buildings.

Source: Audit Scotland

Prior year recommendations are being progressed

30. The SPS 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 and Best Value audit

Conclusion

The SPS has effective and appropriate arrangements in place for Financial Management; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

The SPS does not yet have a medium-term financial strategy in place, meaning it is unable to demonstrate effective and appropriate arrangements over its financial sustainability.

The prison population has reached record levels, with actions to ease the pressure on the SPS failing to reverse the overall trend.

The SPS has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

31. As reported in the Annual Audit Plan, the wider scope audit areas are:

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

Duty of Best Value

32. 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.

33. Consideration of the arrangements the SPS has in place to secure Best Value has been carried out alongside the wider scope audit. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic will be carried out during the 2026/27 audit.

Significant wider scope and Best Value risks

34. Audit work has been performed in response to the significant wider scope and Best Value risk identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit .

Exhibit 5
Significant wider scope and Best Value risks

Significant risk	Planned audit response	Outcome of audit work
Financial sustainability SPS faces a challenging financial position, and this is likely to continue for the foreseeable future. Financial pressures arising from issues such as inflationary pressures, large capital projects like the construction of HMP Glasgow, an increasing prison population and pay awards represent a significant challenge for SPS. In addition to this, SPS has yet to develop a medium-term financial plan. This represents a significant risk for SPS in its ability to meet its delivery objectives.	The audit team will: • Review SPS's arrangements in place to manage its financial position. • Review any progress made in developing financially sustainable plans in the short to medium term. • Review any forecasts/budgeting work for future years.	Audit work performed found: • The controls around budget monitoring were well designed and operated effectively, providing a strong environment for managing the financial position. • The creation of a medium-term financial strategy is ongoing. **Conclusion:** The SPS needs to strengthen its arrangements for assessing its financial sustainability by developing a medium-term financial strategy.

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

The SPS did not fully utilise its 2025/26 budget allocation, reporting an underspend of £19.9 million

35. The main financial objective for the SPS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. As demonstrated in Exhibit 6, in 2025/26, the SPS reported an overall underspend of £19.9 million, of which £10.0 million relates to its resource budget.

36. While we recognise the challenges associated with achieving a balanced budget, the failure to fully utilise allocated funding can be symptomatic of a failure to deliver planned services.

37. The SPS management has advised that the resource underspend is attributed to rebates on rates paid by the organisation; recruitment delays and vacancies; and savings on utilities. The capital underspend arose due to the previous inclusion of non-current asset additions as detailed in Exhibit 2.

Exhibit 6
Performance against budget in 2025/26

	Initial Budget £m	Final Budget £m	Outturn £m	Over / (under) spend £m
Resource	526.1	531.0	521.0	(10.0)
Capital	355.0	352.3	342.4	(9.9)
Total budget	**881.1**	**883.3**	**863.4**	**(19.9)**

Source: Scottish Prison Service annual report and accounts 2025/26; Scottish Government budget supporting documentation 2025/26 (including Autumn and Spring Budget Revisions)

38. We reviewed the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach. We did not identify any significant internal control weaknesses which could affect the SPS's ability to record, process and report financial and other relevant data to result in a material misstatement in the financial statements.

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

- 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 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.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Risk Monitoring and Audit Committee.

Financial Sustainability

The SPS is working to implement its medium-term financial strategy, which will be linked to the organisation's Corporate Plan and priorities.

40. 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.

41. Over the spending review period, total resource funding is projected to grow steadily, from £51.1 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 one per cent in cash terms, from £7.32 billion in 2026/27 to £7.25 billion in 2029/30. This amounts to a six per cent real terms reduction.

42. The SPS 2026/27 budget shows that the resource allocation is £553.9 million, an increase of £22.9 million from the final 2025/26 settlement. The capital budget for 2026/27 is £458.5 million, an increase of £106.2 million from 2024/25 due to costs associated with the construction of HMP Glasgow.

43. There is a prior year audit recommendation that the SPS should develop a medium-term financial strategy. As noted in previous years, the SPS has advised us that the development of a financial strategy is a key objective for the organisation.

44. During 2025/26, resource pressures continued to impact the finance function. This led to further delays in developing the medium-term financial strategy. The SPS has, however, advised that they aim to implement the strategy by September 2026. This will help to demonstrate financial sustainability and support decision making across the organisation. Please see Appendix 1, prior year recommendation 11, for an update in relation to this recommendation.

45. The audit work performed on the arrangements in place for securing financial sustainability found that the SPS does not yet have a medium-term financial strategy, meaning it is unable to demonstrate effective and appropriate arrangements over its financial sustainability. This judgement is evidenced by the SPS:

- making progress towards implementing a medium-term financial strategy which will be linked to the organisation's Corporate Plan and priorities, with the SPS advising that the strategy should be in place by September 2026.
- 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.

Vision, Leadership and Governance

The SPS has strong governance arrangements to support the delivery of its 2023-28 Corporate Plan

46. The SPS has published a Corporate Plan for years 2023 to 2028. It highlights the environment SPS is managing in the form of changing prison demand and the challenges this brings. The plan's overview sets out SPS's strategic intent, its objectives and enablers of success. It is supported by the 2024/25 – 2025/26 annual delivery plan.

47. The SPS is governed by its Executive Management Group, supported by the Risk Monitoring and Audit Committee (RMAC) and Advisory Board Minutes for the Advisory Board and RMAC meetings, including financial and performance information and details of decisions made, are available on the SPS website.

48. Since the end of the reporting period, Linda Pollock has been appointed as Chief Executive of the SPS following Teresa Medhurst's departure at the end of April 2026.

49. There were also a number of changes at Executive Management Group level during the year. This included two changes in the Director of Finance and the appointment of the Director of Engagement and Change. Both positions are currently filled on an interim basis.

50. The audit work performed on the arrangements the SPS has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the SPS:

- having a Corporate Plan for years 2023 to 2028 in place, supported by the 2024/25-2025/26 Annual Delivery Plan, that clearly sets out its vision, strategy, and priorities of the organisation.
- having effective governance arrangements in place in general, as reflected in the Governance Statement included in the annual report and accounts.

Use of Resources to Improve Outcomes

The SPS has effective and appropriate arrangements in place for its use of resources to improve outcomes

51. The audit work performed on the arrangements the SPS has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the SPS being able to demonstrate a clear link between the use of resources and delivery of its priorities.

52. The SPS does continue to face a number of significant challenges that impact its ability to deliver prison services in line with its core objectives.

The prison population has reached record levels, with actions to ease the pressure on the SPS failing to reverse the overall trend

53. Scotland's prison population continues to increase, with an average daily population of 8,278 in 2025/26 (2024/25 – 8,214). This is the highest average daily population ever recorded by the SPS.

54. In recent years, the Scottish Government and the SPS has implemented a number of measures aimed at reducing the population:

- **2024 emergency release**: Between 26 June 2024 and 25 July 2024 a total of 477 people on short-term sentences were released under emergency measures. By 11 December 2024, 61 of these individuals (12.8 per cent) had been returned to custody before the earliest date of liberation under their original sentence.

- **Prisoners (Early Release) (Scotland) Act**: In February 2025, this Act changed the release point for some short-term prisoners from 50 per cent to 40 per cent of their sentence, resulting in 312 individuals being released in February and March 2025.

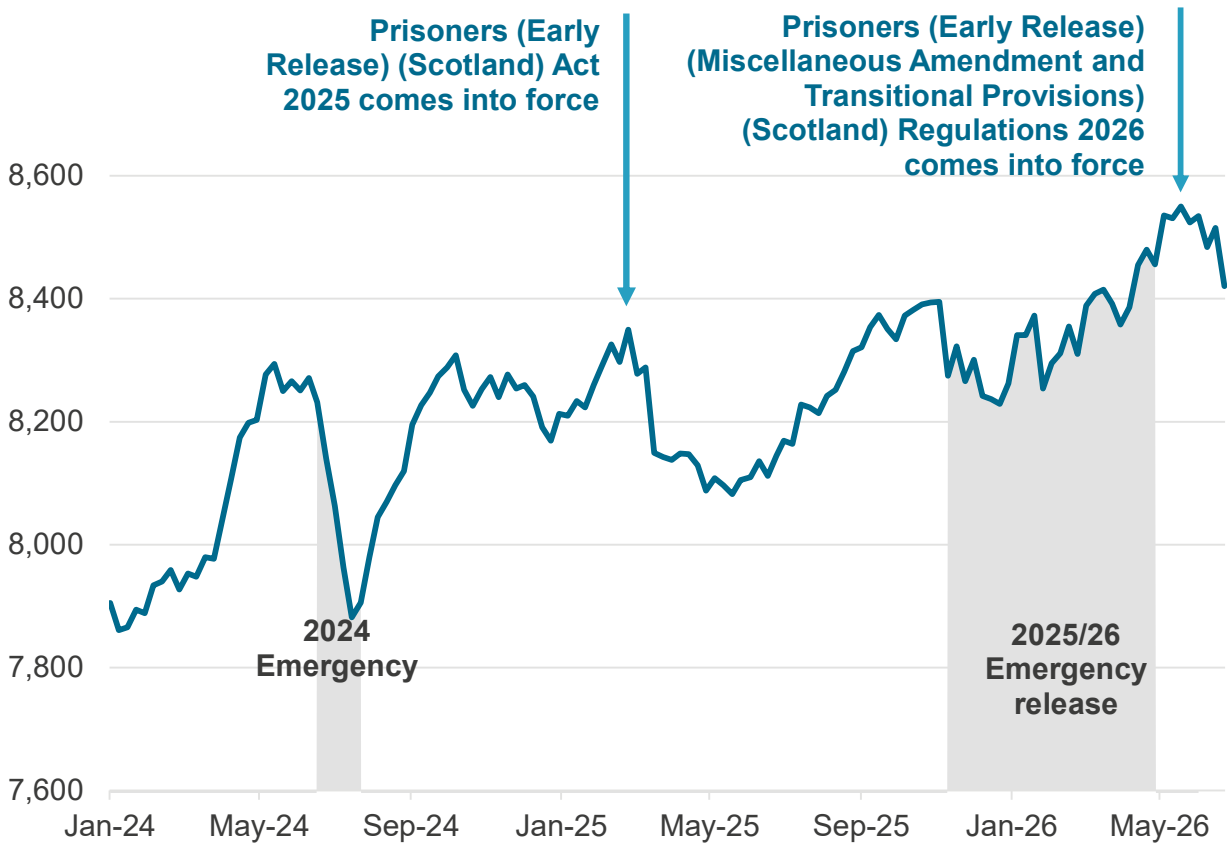
- **2025/26 emergency release**: In November 2025, the Scottish Parliament approved the 'Emergency Release of individuals in our care', with 614 individuals released between 11 November 2025 and 30 April 2026.

- **Prisoners (Early Release) (Miscellaneous Amendment and Transitional Provisions) (Scotland) Regulations 2026**: On 12 May 2026 these Regulations came into force, further reducing the release point for some short-term prisoners to 30 per cent of their sentence. This resulted in 238 individuals being released under the new regulations across May and June 2026.

55. While each of these measures produced short-term reductions in the prison population, Exhibit 7 shows that to date they have failed to address the underlying trend with the population increasing to above pre-intervention levels following each action.

56. As an example, on 7 November 2025, prior to the 2025/26 emergency release, the prison population was 8,395. This fell to 8,229 by 26 December 2025, however by 1 May 2026, following the final tranche of the measure, it had risen to 8,480. By 22 May 2026, the population had increased to 8,550.

Exhibit 7
Scottish prison population



Source: Scottish Prison Service prison population data (January 2024 to June 2026)

57. We will monitor the impact of the most recent Regulations, introduced from 12 May 2026, as part of our 2026/27 audit.

HMP Highland is forecast to be delivered within the agreed project cost, however the completion date has been delayed to spring 2027

58. The construction contract for HMP Highland was awarded in April 2024. HMP Highland has a design capacity of 200, which is more than the 93 spaces at HMP Inverness which it is intended to replace. The completion date for HMP Highland was initially forecast to be Summer 2026 and the total project cost £209 million.

59. During 2025/26, the completion date was extended to November 2026, and in May 2026, the contractor extended this further to spring 2027. The SPS is currently working through this contractor delay, and no opening date has been set. To date, the SPS has reported that delays have not impacted on the forecast cost of the project.

60. The SPS has emphasised that the transition to a new prison is extremely challenging, especially when there are a large number of new staff. There will be a 6-to-8-week period where both prisons will operate during the transition, and this will be the most significant risk for the SPS at that point.

61. We will continue to monitor progress at HMP Highland and HMP Inverness as part of our 2026-27 audit.

Work on HMP Glasgow continues to progress, with the project forecast to be completed in 2028

62. The construction contract for HMP Glasgow was signed on 6 February 2025. HMP Glasgow has been designed to have a capacity of 1,344, adding 357 more places to the overall prison estate.

63. The total project cost of HMP Glasgow was reported as £998.4 million. This is net of the sale of HMP Barlinnie which is estimated to generate around £11 million. The SPS has not confirmed what will happen to HMP Barlinnie once HMP Glasgow is operational. The recent assessment of HMP Barlinnie as a category A listed building (Exhibit 2) will impact on the potential use and resale value of the asset.

64. The cost of HMP Glasgow and the sale of HMP Barlinnie should be treated as separate transactions, with potential income from HMP Barlinnie disclosed separately once the sale is reasonably certain and the value can be evidenced.

65. The SPS has reported that HMP Glasgow construction remains on track to complete in 2028. As previously reported, this means that HMP Barlinnie will continue to be in use for at least another two years despite being considered by His Majesty's Inspectorate of Prisons in Scotland (HMIPS) as 'physically no longer fit for purpose to manage the size and complexity of the population it routinely holds'.

A new prisoner escorting contract has been awarded and will come into effect in January 2027

66. The SPS currently manages the Scottish Courts Custody Prisoner Escorting Services contract on behalf of the Justice Multi Agency Liaison Group (MALG). The MALG includes the SPS, Scottish Courts and Tribunals Service, Crown Office and Procurator Fiscal Service, and Police Scotland.

67. In January 2026, it was announced that the new Justice Partners Escort and Court Custody Scotland (JPECCS) contract had been awarded to Mitie Care & Custody Limited. The new contract will come into effect on 23 January 2027, with the terms having been agreed by key justice partners and the Scottish Government.

68. We will monitor the implementation of the new contract as part of our 2026/27 audit.

Conclusions on duty of Best Value

69. The audit work performed on the arrangements the SPS has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- the SPS having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements.
- the arrangements the SPS has in place around the four wider scope audit areas contribute to it being able to secure Best Value.
- progress the SPS is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Appendix 1

Action plan 2025/26

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Ex-Gratia Payroll Review We identified two errors as part of our ex-gratia testing. This was found to be due to human error. SPS identified other claims which could have been affected by the same issue. **Risk –** Overpayments are made for ex-gratia that are not identified.	**Recommendation** – SPS should investigate all potential errors identified from their review of ex-gratia payments. In addition, SPS should review payroll processes for ex-gratia to ensure they are appropriate. **Agreed Action** – All potential errors from the payroll reports on Ex Gratia payments will be investigated fully with a managerial review to review reasons for errors. As part of the review looking at the SPS policy and Operation of the ex-gratia process, the payroll process for ex gratia will be reviewed for appropriateness with the outcome disseminated to the Payroll Team members. **Director of Organisational Development** **Quarter 4, 2024-25 (revised from Quarter 3, 2024-25)**	**Implemented** The action was noted as 'implemented – to be confirmed by audit' in our 2024-25 Annual Audit Report. Our work on the 2025-26 audit has confirmed that the agreed action has been implemented.
2. Ex-Gratia Process Review The current ex-gratia process is not fit for purpose. There is an ongoing review of the process being carried out by SPS. This review should ensure that a new process is well designed and consistent with any SPS policy.	**Recommendation –** SPS's ongoing review of the ex-gratia process should ensure there is a new and improved process which ensures compliance with working time regulations and SPS policy, and has well-designed and consistent procedures in place for working, claiming and paying ex-gratia. It	**Implemented** The action was noted as 'implemented – to be confirmed by audit' in our 2024-25 Annual Audit Report. Our work on the 2025-26 audit has confirmed that the agreed action has been implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
Risk – Issues with the current ex-gratia process are not addressed as part of the review.	should ensure a strong control environment that allows for efficient and accurate recording, authorisation and payment of ex-gratia. **Agreed Action –** In recognition of a range of challenges with the ex-gratia policy and process, SPS is undertaking a review of ex gratia to inform a project for a new ex-gratia policy, which will ensure compliance with working time regulation and improved consistency of its use, claim, approval and payment of ex-gratia across the estate. The SPS ex-gratia process has two parts, both of which will require change. Namely: Part A - distributing ex-gratia shifts (Operations Directorate); and; Part B - ex-gratia claiming process (Organisational Development Directorate). SPS will ensure the recommendations and conclusions of reviews by internal and external audit on ex-gratia will be used to inform our project for renewing the policy and operation of ex-gratia across the organisation. The project will report into our Major Projects and Management Board, and update to the Risk Management Audit Committee. It is also acknowledged that the future use of ex-gratia will be informed by medium to longer term reform prison	

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	operating models and staff structures. The introduction of a new integrated HR and Payroll system (MHR) in October this year presents an opportunity to make improvements to part B- ensuring consistency in claiming across the estate. SPS will also ensure all establishments are compliant with the working time regulations. and adhere to the correct use of the SPS policy on ex-gratia to ensure there is improved consistency in decision making and processes. **Director of Operations and Director of Organisational Development** **Quarter 4, 2024/25 (revised from Quarter 3, 2024/25)**	
3. Ex-Gratia Claims Review Our audit testing of ex-gratia identified that there are employees who have worked over 48 hours per week. This is in breach of Working Time Regulations and SPS policy. **Risk –** SPS employees are breaching Working Time Regulations and SPS policy.	**Recommendation –** SPS should review all cases where individuals have breached Working Time Regulations and organisational policy, and ensure that effective controls are in place to prevent such cases happening again in the future. **Agreed Action –** Management Action is as Risk 1 noted above. Similar to above, the SPS operational Ex-Gratia Audit highlighted the same concerns about individuals working more than the 48 hours per week breaching the working time regulations. OD and HR will target immediate action to ensure that there is greater understanding and reinforce the implementation of this	**Implemented** The action was noted as 'implemented – to be confirmed by audit' in our 2024-25 Annual Audit Report. Our work on the 2025-26 audit has confirmed that the agreed action has been implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	policy across establishments as we seek to renew the policy, it's understanding and implementation. **Director of Organisational Development** **Quarter 4, 2024-25 (revised from Quarter 3, 2024-25)**	
4. Workforce planning review of ex-gratia Ex-gratia payments have been increasing in recent years. There was an increase of £1.2 million, from 2022/23 to 2023/24. This is a 19% increase. Given the increased reliance on SPS staff working ex-gratia shifts, SPS should review the ex-gratia policy as part of its wider workforce planning. **Risk –** Ex-gratia payments continue to rise with no consideration of wider workforce planning.	**Recommendation –** SPS should review its policy for using ex-gratia payments as part of its wider workforce planning to improve its model of staff deployment where use of ex-gratia is extensive. **Agreed Action –** As identified above, SPS will ensure to review its current policy is in line with wider workforce planning. In addition, further changes to the approval and claiming process will aim to mitigate against any potential future increases in costs. Future use of ex-gratia will be informed by wider reform of SPS operating model and staffing structures. **Director of Organisational Development** **Quarter 4, 2024-25 (revised from Quarter 3, 2024-25)**	**Implemented** The SPS has undertaken a range of measures to review and strengthen its approach to the use of ex-gratia payments. These measures have delivered the intended outcome of reducing reliance on ex-gratia payments, with the SPS reporting a year-on-year reduction in the number of ex-gratia hours worked since 2023/24.
5. National Fraud Initiative (NFI) We rated SPS's NFI arrangements as being Amber (on a Red, Amber and Green (RAG) rating). The reason for this rating was due to the NFI not being an explicit part of SPS's Counter Fraud Strategy, the NFI self-assessment checklist had not	**Recommendation –** SPS should implement the following as part of their NFI arrangements: • Incorporate NFI as an explicit part of SPS's Counter Fraud Strategy. • Complete the NFI self-assessment checklist for each NFI exercise and present it to management and those	**Implemented** The action was noted as 'implemented – to be confirmed by audit' in our 2024-25 Annual Audit Report. Our work on the 2025-26 audit has confirmed that the agreed action has been implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
completed and NFI progress and outcomes are not reported to senior management. **Improvement –** SPS's NFI arrangements can be improved upon.	charged with governance for consideration. • Report NFI progress and outcomes to senior management and the RMAC. **Chair of the Fraud Response Group** **March 2026**	
6. Journal Authorisation The current policy for authorisation of journals in the Finance Policy and Guidance Manual is too limited. **Risk –** Without journal authorisation, there is a risk that inappropriate or incorrect journals are entered into the general ledger.	**Recommendation –** When SPS is updating their Finance Policy and Guidance Manual, the journal authorisation policy should be updated and expanded to ensure that the requirements for authorisation cover a wider range of situations. Agreed Revised **Action –** Due to ongoing resource constraints the finance manual review has not yet taken place. Due to the scale of this task and with limited resources, a process of focusing on specific areas with an ongoing change management process is viewed as the most effective way of targeting this. The new finance structure which is being worked on will provide more senior finance resource which should help address progress with this in 2024-25. The absence of an efficient and effective system for authorising journals has also impacted this- the adoption of an upgraded version of the financial system with cloud functionality should also help this process once it is implemented. **Director of Finance** **Quarter 4 2025-26 (revised from Quarter 4, 2024-25)**	**Implemented** SPS' Finance Policy and Guidance Manual has been updated to reflect an updated journal policy which ensures a second officer authorises journals.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
7. Strengthening of Payroll Controls As part of our testing, we identified a number of improvements that should be made to the payroll control environment. These covered exception report, employee verification and a cumulative ledger to payroll reconciliation. **Improvement –** In making these improvements, SPS will strengthen their payroll controls to better prevent and detect material misstatements.	**Outstanding Recommendation –** SPS should strengthen controls in relation to payroll by: • Implementing an employee verification exercise to provide assurance that the payroll listing is complete and accurate. **Agreed Revised Action –** A report of New Starts and Leavers for each month is produced from the HR system and reconciled against the Pay system each month prior to main run being completed; assurance that the reconciliation has been completed is recorded on the Monthly Payroll check assurance. **Director of Finance** **31 December 2025 (revised from Quarter 4, 2024-25)**	**Implemented** SPS has introduced reconciliations of starters and leavers, and of the HR system against the payroll system.
8. IT Strategic Planning SPS does not have a central Disaster Recovery Plan and Business Continuity Plan. In addition to this, they do not regularly verify and test the back-ups of files. **Risk –** In the face of an event that stops day to day operations, SPS risks data loss, additional expenses and reputational damage due to not having these plans in place.	**Recommendation –** The SPS needs to strengthen its IT strategic planning. This includes: • Creating a corporate Business Continuity Plan and Disaster Recovery Plan that is approved by Senior Management and tested regularly to ensure that they remain fit for purpose. • Undertaking a periodic inventory to verify the maintenance and testing of backup files. Testing of data regeneration should also be carried out on a regular basis. **Agreed Revised Action –** Digital Services have completed a Disaster	**Work in progress** The SPS has acquired and commissioned back-up storage to allow sufficient space to recover appropriate systems. Back-up testing is underway although there remains a technical issue with the pace of recovery which is slower than expected. This is under investigation. There is a testing framework in place and regular recovery of smaller systems has commenced. All recoveries are recorded in our back-up log. The SPS signed a Secure Operations Centre contract in May 2026 and commenced 24hr cyber monitoring on 28

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	Recovery Plan to review scenario and response planning. This includes Incident response support from Resillion for cyber workshop and tabletop exercises. Digital Services undertook a board workshop on 31/1/24 and identified responsibilities for Disaster Recovery planning. Digital Services also identified Business Continuity requirement for wider business departments to complete, which are still in progress. This was reported to SPS RMAC on 28/6/24. **Head of Digital Services** **Quarter 3, 2025-26 (revised from Quarter 4, 2024-25)**	May. Digital Services (DS) is currently reviewing metrics and ingestion logs for further MIS reporting. As part of this contract, DS will incorporate its Cyber Incident Response provision alongside this new contract. DS maintain a tiered critical list for disaster recovery and this is now under review with our SOC partner. **Head of Digital Services** **Quarter 4, 2026/27**
9. Finance Capacity The Finance Policy and Services Department is currently operating under capacity, with an over reliance on key members of staff. The additional work carried out by the Department to keep the Department operating is not maintainable. **Risk –** The Finance Policy and Services Department is under-resourced and cannot operate properly or effectively.	**Recommendation –** SPS should review resourcing within the Financial Policy and Services (FP&S) department to ensure that it can function properly and effectively. Agreed Revised **Action –** Certain key positions within the current finance structure have been filled in the year, however, there remains vacancies and the adoption of a new finance structure will lead to further roles which will help SPS align their finance capacity with requirements and help address capacity issues. **Director of Finance** **March 2026 (Revised from Quarter 4, 2024-25)**	**Work in progress** The SPS has advised that substantial recruitment activity has been undertaken to meet the requirements of the finance function. It is anticipated that a new Director of Finance will be appointed imminently to replace the outgoing interim Director of Finance, and a new Head of Finance will start in August 2026. **Director of Finance** **Quarter 2, 2026/27**

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
10. Improving Transparency RMAC minutes are not published online. In addition to this, no minutes are taken for the EMG meetings. **Risk –** The SPS is not being fully open and transparent.	**Outstanding Recommendation** – SPS should increase their openness and transparency by: • Ensuring that minutes are taken for all meetings of the Executive Management Group. Agreed Revised **Action –** Decisions reached at the Executive Management Group are either discussed at the SPS Advisory Board or RMAC and thereafter the minutes for these meetings are published on SPS' website. It is therefore not intended to change this current practice meantime. **Head of the Office of the Chief Executive** **Quarter 3, 2025-26**	**Implemented** RMAC minutes are now published online and a minute is taken, and distributed, for EMG meetings.
11.Financial Sustainability COVID-19 has continued to have a significant impact on both capital and revenue expenditure of SPS and, as reported in 2020/21, work is still ongoing to quantify the potential impact on medium and long-term financial plans. The most recent Spending Review published by the Scottish Government allocates SPS with a flat cash position of £370 million per annum for the next five years and until 2026/27. This will offer both challenge and opportunity to SPS and will require a good quality medium term financial plan. SPS's ability to address those issues and to be financially sustainable is dependent on additional financial support and efficient use of the	**Recommendation –** SPS should prioritise the development of realistic medium term financial strategy. **Agreed Revised Action –** Resourcing issues severely impacted the development of the MTFS in 2023-24 but a full detailed budget exercise has been carried out and seen as the key input to the MTFS and will detail the current budget and funding pressures facing SPS. A realistic Medium Term Financial Strategy is one of the top priorities for 2024-25 with this planned to be put in place in 2024-25. **Director of Finance** **December 2025 (revised from Quarter 4, 2024-25)**	**Work in progress** A draft MTFS has been created, with planned completion in the Autumn. The SPS has advised that future year projections are considered separately through a range of exercises, such as estates planning, workforce planning and the Scottish Spending Review. **Director of Finance** **Quarter 2, 2026-27**

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
resources. Management continue to liaise with Scottish Government to ensure SPS can respond to these operational challenges in a sustainable way. **Risk –** There is a risk that SPS will not be able to deliver and finance its services		
12.Capital Programme The impact of COVID has contributed to capital underspends in recent years. Improving the efficiency and effectiveness of the current estate remains a strategic priority. However, with limited capacity and restraint of resources requiring prioritisation of projects, including consideration of older facilities repairs value for money aspect, it is not currently clear that the SPS is capable of delivering the capital investment required to adequately maintain the existing estate. **Risk –** There is a risk that the capital investment and maintenance programmes are not delivered impacting negatively on SPS operations.	**Recommendation –** SPS should develop a capital and maintenance plan to address the needs of the estate and assess capability to deliver their capital plan. **Agreed Revised Action –** Through the detailed budget process for 2024-25, capital project spend is broken out across areas and for estates through projects. This is then monitored on a regular basis and reported through our normal reporting. There has been an increased focus on phasing of budget spends in this to ensure more consistent spend profiles throughout the year. This should allow for a more planned and proactive approach to managing capital particularly on the more routine capital projects. Major capital programs have separate project teams to specifically deal with progress. Finance resource has now been secured to help the ongoing budget scrutiny and reporting of the capital programme with the Capital Accountant due to start in Q2 2024-25. **Director of Finance** **Quarter 4, 2024-25**	**Implemented** The action was noted as 'implemented – to be confirmed by audit' in our 2024-25 Annual Audit Report. Our work on the 2025-26 audit has confirmed that the agreed action has been implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
13.Workforce Planning Sickness absence, ageing workforce, the levels of ex gratia payments and compensations for dismissals on ill health grounds are interlinked and should be looked at together to establish an effective workforce strategy going forward. This is going to be done within the latest Resource Spending Review allocating SPS with the flat cash position over the next 5 years and will provide a serious challenge to manage. We would also encourage SPS to review its current policy on Civil Service and other compensation schemes – exit packages to ensure this provides value for money and is supported by appropriate governance arrangements. **Risk –** There is a risk that operations of SPS are adversely impacted by the lack of highly motivated workforce. There is a risk that value for money is not achieved in relation to compensation payments and that the governance arrangements are not appropriate.	**Recommendation –** To produce an effective workforce strategy. To consider value for money of the Civil Service and other compensation schemes – exit packages. To strengthen the governance arrangements around Civil Service and other compensation schemes – exit packages. **Agreed Revised Action –** **Efficiency Compensation** During 2022/23, SPS took forward work to better understand the root cause of the considerable number of dismissals on efficiency grounds and the associated costs. Work was undertaken to review current practice, wider & cultural drivers behind dismissals, and SPS' alignment to applicable civil service and cabinet office guidance. This work produced a number of recommendations that SPS is continuing to implement in consultation with key stakeholders, including trade union partners. Work and changes to date have delivered a substantial reduction in the volume and cost of dismissals during 2023/24. **Workforce Strategy** Throughout 23/24, work to baseline and reconcile the SPS workforce to fully understand the current position from a capacity, skills and financial perspective commenced, and this will	**Implemented** Workforce decisions are now supported by an enhanced people data and MI as a consequence of the implementation of iTrent. This enables for more effective, informed decisions can be made in relation to workforce planning, deployment and recruitment, with consideration for financial impact and value for money, right across the prison estate, including new prisons. Furthermore, an approved 2026/27 Prison Officer Recruitment Plan is in place.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	inform the next stage of SPS' work in developing an effective workforce strategy, taking account of future needs and aspirations. SPS has been progressing, supporting, and aligning various organisational workstreams, including HR Transformation, Leadership Development, Prison Officer Professionalisation, Efficiency Compensation Dismissal Review and budget planning. SPS recognise that we have been restricted in our capacity to progress this work due to the volume of other essential workforce planning activity, such as the transition of HMP Kilmarnock and high-volume prison officer recruitment during 23/24, which has continued into this financial year. **Director of Organisational Development** **March 2025**	
14. IT Controls The following control weaknesses were identified and not addressed at the previous reporting date: • SPS is not fully aware of the personal information held. **Risk –** Risk of non compliance with GDPR; • Unsupported systems are more vulnerable to cyber attacks; and Risk – loss of information if systems were to become corrupt and a viable back up is not available.	**Recommendation –** A data mapping exercise is undertaken and a data register in order to become fully aware of the personal information they hold. **Agreed Revised Action –** SCCMServiceNow have been appointed to manage SPS information assets and the Cloud Backup system is now in place. The wider Information Asset register review and implementation of a quarterly back up review programme are key deliverables and form part of the Digital Services'	**Work in progress** Digital Services have implemented information Asset Owner training across the estate to include HQ departments and establishments. All sites have a dedicated Information Assurance Officer (IAO) and deputy and a local Information Management team. All sites are tasked with reviewing and updating the Information Asset Register as part of the information governance framework.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	Annual Delivery Plan (ADP) for this year. **Head of Digital Services** **Quarter 2, 2026-27 (revised from Quarter 4, 2024-25)**	The Information Governance Forum has reformed with IAO required to be present, reporting to the Senior Information Risk Officer (SIRO). All asset registers are routinely monitored by the Digital Services Information management team and local records officers and IAOs are supported from within the team. Due to extraneous demands on FoI and population tasking in 2025/6, the Information Management Plan has been reset and included in the Digital Services Automatic Digital Processing for 2026/7. **Head of Digital Services** **Quarter 2, 2026-27**
15.Financial Management SPS's 13 Finance Managers are directly accountable to the Operations Directorate of SPS; however the HQ Finance Directorate is accountable to the Chief Executive Office. Limited assurance financial control reviews were identified by internal audit in 2016/17.	**Recommendation –** In conjunction with movement in the governance structure in alignment with the new 2017-2020 SPS Corporate Plan, SPS should consider the suitability of finance professionals along with training and development needs. SPS should also consider if the current accountability structure of the Establishment Finance Managers to the Operations Directorate is most effective. **Agreed Revised Action –** Work is ongoing within the current HQ finance team to restructure the team to more closely align the team with the objectives and goals of the organisation through developing a finance	**Implemented** An improved structure with more balanced reporting lines headed by the Chief Executive and Deputy Chief Executive is now in place.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	business partnering approach, the development of financial reporting and financial governance. **Director of Finance** **December 2025 (revised from Quarter 4, 2024-25)**	
16.Value for Money Scottish Government KPIs reported in the annual performance report do not feed into the strategic priorities of SPS's Corporate Plan. The KPIs are agreed and required by the Scottish Government but have not been revised in several years. These KPIs remain unlinked to the success/outcome indicators within the new 2017-20 Corporate Plan.	**Recommendation –** SPS should conduct an exercise in conjunction with the Scottish Government to refresh the KPI trackers reported, and link appropriately to the 2017 20 Corporate Plan Success Outcomes. **Agreed Revised Action –** SPS will complete its review of organisational KPIs agreeing the initial set of KPIs. **Deputy Chief Executive** **March 2025**	**Implemented** A KPI review has taken place with sign off by the Chief Executive and Cabinet Secretary to improve the up-to-date KPIs.
17. SPS Finance Policy and Manual There is risk that the SPS Finance Manual does not reflect up to date practices, which could result in inconsistent and/or inappropriate procedures and controls being operated.	**Recommendation –** We recommend SPS undertakes a full review of the manual, and continues to review content on a timely basis to ensure it remains appropriate and reflects current practice. **Agreed Revised Action –** Due to ongoing resource constraints the finance manual review has not yet taken place. Due to the scale of this task and with limited resources, a process of focusing on specific areas with an ongoing change management process is viewed as the most effective way of targeting this.	**Work in progress** The amended SPS Finance Policy and Manual has been drafted and circulated to stakeholders for review. User acceptance testing is planned before a target implementation date of quarter 2 of 2026/27. **Director of Finance** **Quarter 2, 2026-27**

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	A working group was established to review the finance manual, with work commencing in June 2025. **Director of Finance** **March 2026 (revised from Q4 2024-25)**	

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

Scottish Prison Service

2025/26 Annual Audit Report

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot

AS.5.0