The 2025/26 audit of

Historic Environment Scotland



AUDITOR GENERAL

Prepared for the Public Audit Committee by the Auditor General for Scotland
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Key messages

1. Historic Environment Scotland has continued to experience change and instability in leadership. Interim appointments have been made to the positions of Chair of the Board and Chief Executive Officer and Accountable Officer.
2. The culture of the organisation has been subject to independent review and this provides a significant opportunity to address the leadership and governance challenges, and strengthen the overall control environment. It is important that the recommendations are now implemented at pace.
3. Action has been taken to investigate and address previously reported financial management and governance weaknesses. However, more work is needed to fully implement and embed the required improvements.

The 2025/26 audit of Historic Environment Scotland

Introduction

1. I have received the audited annual report and accounts, including the independent auditor's report, for Historic Environment Scotland for 2025/26. I am submitting these accounts and auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.

2. The auditor issued unqualified opinions on the annual report and accounts of Historic Environment Scotland for 2025/26. My report provides an update to the Scottish Parliament on the findings reported in my section 22 report on the 2024/25 audit of Historic Environment Scotland.

3. More information about the 2025/26 audit of Historic Environment Scotland is contained within the Annual Audit Report.

Background

4. Historic Environment Scotland is the lead public body established to investigate, care for and promote Scotland's historic environment. It manages over 300 historic properties of national importance attracting millions of visitors annually. It is also responsible for significant collections including millions of drawings, manuscripts, and images of Scotland.

5. During 2025/26, Historic Environment Scotland employed just over 1,600 staff and incurred expenditure of £156.1 million. It received total income of £151.6 million during the year, comprised of £69.3 million of government grants, £60.1 million from charitable activities and £22.2 million from trading, donations and legacies and other income. This resulted in net expenditure of just over £4.5 million, which after adjusting for a £5.2 million gain on the revaluation of fixed assets, led to a £0.7 million increase to funds.

6. As a non-departmental public body with charitable status, Historic Environment Scotland is supported by a sponsor team in the Scottish Government's Directorate for Culture and External Affairs.

Historic Environment Scotland continues to experience change and instability in leadership and this presents a risk to organisational improvement

7. In 2024/25, the auditor highlighted ongoing change and instability in the leadership of Historic Environment Scotland and the significant risk this presents to the governance and operation of the organisation. Historic Environment Scotland operated for an extended period without an Accountable Officer. The Chief Executive Officer, and designated Accountable Officer, was absent from work from 2 May 2025 and returned to work on 20 October 2025. This was initially in a limited capacity to enable the 2024/25 annual report and accounts to be laid before Parliament in line with the statutory deadline of 31 December 2025.

8. I reported that the Scottish Government should have appointed a substitute Accountable Officer, in accordance with the Scottish Public Finance Manual, to provide the necessary leadership and accountability for financial regularity and propriety and the economic, efficient, and effective use of resources.

9. A temporary Chief Operating Officer was appointed in December 2025 and provided additional leadership support and guidance to the Executive Leadership Team for the remainder of 2025/26.

10. In September 2026, the Chief Executive Officer left Historic Environment Scotland, and the temporary Chief Operating Officer was appointed as the Interim Chief Executive Officer with immediate effect. The Scottish Government formally appointed the Interim Chief Executive Officer as the Accountable Officer from 1 September 2026.

11. A settlement agreement relating to the departure of the former Chief Executive Officer was concluded in September 2026. The associated business case was submitted to the Scottish Government in accordance with the Scottish Public Finance Manual and was approved by the Cabinet Secretary for Education, Culture and Gaelic.

12. The Executive Leadership Team has also experienced a period of transition during the year, with several senior positions filled on an interim or acting up basis. Further changes are expected through the planned organisational restructure (paragraph 21).

13. Changes at board level have created additional uncertainty in the organisation's leadership arrangements. The Chair of the Board stepped down in July 2026 after less than a year in post, and an Interim Chair was subsequently appointed by the Scottish Government for a term of up to one year.

14. A timeline of the changes in board and senior leadership over the last three years is shown in the Appendix.

15. The Scottish Government has taken steps to broaden the skills mix of the board. At the time of reporting, five new non-executive board members have been appointed, with a permanent chair appointment expected imminently.

16. Historic Environment Scotland must ensure that this period of leadership instability does not adversely affect the pace at which the improvements identified through recent independent internal and external reviews are implemented.

The culture of the organisation has been investigated through the independent Organisational and Cultural Review

17. As part of Historic Environment Scotland's response to the issues raised in the 24/25 audit, the Board of Historic Environment Scotland commissioned an independent Organisational and Cultural Review.

18. The Historic Environment Scotland Organisational and Cultural Review, led by David Martin, was published in June 2026 following consideration by the board in May 2026. The review identified 30 recommendations across the seven Best Value thematic areas. The board accepted all findings and recommendations.

19. In my 2024/25 section 22 report, I concluded that Historic Environment Scotland must investigate and address the allegations of a toxic workplace culture and resolve ongoing staff-related concerns. The review examined these concerns and concluded that 'Historic Environment Scotland has public servants working hard to protect and promote Scotland's historic environment'. However, the review does recognise that 'organisational performance and strategic focus have not been well served by a combination of unproductive relationships between the HES Board and senior executives, a lack of joint visible leadership and limited collective accountability'.

20. The review also drew on the significant cultural and organisational challenges highlighted in the independent equality audit undertaken by Diversity Scotland. Both reports highlight that confidence and trust in senior leaders is low. I note that the Organisation and Cultural Review stated that it is essential that senior leaders at Historic Environment Scotland move on from internal tensions and strained working relationships to rebuild confidence and trust, model positive behaviours and provide inspiring leadership for a capable and committed staff team.

21. The review also highlighted the need for the board to set clearer expectations of the Executive Leadership Team, review organisational performance targets, and address a lack of clarity and alignment across directorates. It concluded that the board and Chief Executive Officer should prioritise consideration of whether the current organisational structure remains fit for purpose and is best placed to support delivery of

organisational priorities and outcomes. The need to redefine leadership roles and make effective use of internal audit's Board Effectiveness Review findings to strengthen board and committee performance was also highlighted.

22. I note an implementation plan was presented to the Historic Environment Scotland Board in August 2026, which sets out how Historic Environment Scotland will establish a Transformation Programme to facilitate the required improvements. The Transformation Programme comprises five phases and Historic Environment Scotland expects transition to business-as-usual operations by December 2029. However, the plan prioritises recommendations across the short, medium and longer term, with the key leadership and governance improvements scheduled for completion over the next six to 18 months. The delivery of these core improvements at pace will be critical to establishing stable and effective leadership that will enable Historic Environment Scotland to move forward. The plan proposes the establishment of a Programme Board, comprising the Chief Executive Officer, the Chair and Non-Executive Directors, to oversee programme delivery, risks and progress.

23. The successful delivery of the Transformation Programme will be key to improving governance and decision-making, and ensuring the organisation is set up in the best possible way to achieve its goals. I have asked the auditor to monitor and report on Historic Environment Scotland's progress in the delivery of the agreed actions.

Action has been taken to strengthen financial management and governance arrangements but more work is required to deliver the required improvements

24. Since the publication of my section 22 report on the 2024/25 audit, several actions have been taken to strengthen financial management and governance arrangements. Progress has been reported regularly to the Audit, Risk and Assurance Committee and the Historic Environment Scotland Board.

25. Historic Environment Scotland's internal audit service undertook a review of procurement practices during the year, which covered the use of single source justifications (SSJ). The review provided a limited assurance opinion, reflecting a weakness in the design and operation of key controls. I note that Historic Environment Scotland accepted the recommendations from the review and plan to implement revised guidance, strengthen compliance requirements, introduce clearer sanctions for non-compliance and a formal SSJ conflict of interest process. Successful delivery of these actions should strengthen procurement governance, improve transparency and accountability, and reduce the risk of inappropriate use of single-source procurement arrangements in the future.

26. The eight data breaches reported to the Information Commissioner's Office (ICO) during 2025/26 have been closed. Since 1 April 2026, two breaches have been reported to the ICO, one of which has subsequently been closed.

27. A register of interest is now in place for the Executive Leadership Team. To enhance its commitment to transparency and accountability, Historic Environment Scotland should consider publishing the Executive Leadership Team register in line with the approach adopted for board members. The register should continue to be reviewed and updated regularly, with changes recorded as they arise.

28. A review of the electronic purchasing card and expenses policies has been undertaken. The auditor noted that revised policies were implemented from July 2026. Historic Environment Scotland also reviewed the number of staff in possession of a card, which resulted in an initial removal of around 100 cards, leaving around 300 active cards. A second, more detailed review is planned which will consider card ownership, usage and business need. Other planned actions include a review of increased card limits and salary advances policy, and enhanced monitoring and compliance checks to support implementation of the revised policies. Historic Environment Scotland must now complete the planned actions and ensure consistent application of the revised policies to demonstrate that value for money is being achieved across all areas of expenditure.

29. Historic Environment Scotland's internal audit service also reviewed ticket allocation and gifts and hospitality arrangements. This review provided limited assurance and identified opportunities to strengthen governance and transparency. In response, Historic Environment Scotland is developing new and revised policies and processes. In addition to this, I note that a revised Code of Conduct, Gifts and Hospitality Policy and a new Corporate Hospitality Policy are in development. It is important that these policies are agreed and implemented promptly to ensure that previously identified weaknesses are not repeated.

The governance weaknesses in the Archive House project provide important lessons that should inform the planning, oversight and delivery of future projects

30. As reported in my section 22 report last year, the governance arrangements to support a significant project for archive storage were insufficient. Historic Environment Scotland's internal audit service subsequently undertook a lessons learned review of the project. The review examined the circumstances that led to the decision in June 2024 to halt the project. It concluded that the project was affected by weaknesses in project governance, oversight and decision-making from an early stage. Nine recommendations were made, all of which were

accepted by management to strengthen governance of major projects in the future.

31. The absence of a long-term solution for the storage of archive materials continues to present a significant risk to Historic Environment Scotland. John Sinclair House continues to be used as the primary archive facility under a short-term lease arrangement. The current lease has been extended for one year to 2029 to provide more time to explore a long-term solution.

Conclusion

32. Action has been taken to investigate and begin to address the weaknesses I reported in my 2024/25 section 22 report. Historic Environment Scotland has initiated further independent internal and external scrutiny to identify the organisational improvements required. However, more work is needed to implement and embed those improvements. I agree with the auditor's conclusion that the ongoing leadership instability, alongside other challenges, is likely to have impacted the pace of improvement.

33. I have asked the appointed auditor to monitor developments and report in their report on the audit of the 2026/27 accounts. I will continue to monitor the progress made by Historic Environment Scotland in these areas, with a view to further public reporting in the future if appropriate.

Appendix

Timeline of changes in board and senior leadership of Historic Environment Scotland

Date	Event
23 October 2023	An Interim Director of Finance and Corporate Services is appointed pending the departure of the Director of Finance and Corporate Services in November 2023.
19 November 2023	The Director of Finance and Corporate Services departs after over six years in post. The Interim Director of Finance and Corporate Services assumes responsibility.
31 March 2024	The Chief Executive and Accountable Officer departs after seven years in post.
1 April 2024	The Director of Operations is appointed as Interim Chief Executive and Accountable Officer, and the Head of Technical Resources is appointed as Interim Director of Operations.
16 September 2024	A new Chief Executive and Accountable Officer took up post and the Interim Chief Executive and Head of Technical Resources return to their substantive posts.
2 May 2025	The Chief Executive and Accountable Officer is absent from work from this date. Interim arrangements are put in place; however, the role of Accountable Officer is not filled.
June 2025	The absence of the Chief Executive and Accountable Officer reaches the four-week period set out in the Scottish Public Finance Manual. A substitute Accountable Officer is not appointed by the Scottish Government.
June 2025	The appointment process for a new Chair of the Board begins following a decision by the Cabinet Secretary not to offer the current Chair a second term.
5 September 2025	The Chair of the Board resigns, ahead of the end of the term of appointment in January 2026.
16 September 2025	A member of the board resigns before the end of their term of appointment.
22 September 2025	The Cabinet Secretary for Constitution, External Affairs and Culture appoints a new Chair of the Board.
24 September 2025	Another member of the board resigns before the end of their term of appointment.

Continued

Date	Event
15 October 2025	The board agree to appoint a temporary Chief Operating Officer for a six-month period.
20 October 2025	The Chief Executive and Accountable Officer returns to work to support the conclusion of the Annual Report and Accounts process. The Interim Director of Finance and Corporate Services remains in post.
10 November 2025	The Cabinet Secretary for Constitution, External Affairs and Culture appoints two interim board members for a period of 12 months.
15 December 2025	Interim Chief Operating Officer appointed.
13 July 2026	The Chair of the Board resigns. An Interim Chair of the Board was appointed for up to one year.
31 August 2026	The Chief Executive Officer relinquished all responsibilities. The Interim Chief Operating Officer was appointed Interim Chief Executive Officer.
1 September 2026	The Permanent Secretary appoints the Interim Chief Executive Officer as Accountable Officer.
19 October 2026	Five new non-executive members appointed to the Historic Environment Scotland Board for a period of four years.

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