



Consumer Scotland

Final report to the Audit and Risk Committee (ARC), the Board and the Auditor General for Scotland for the year ended 31 March 2025

Final report issued on 22nd October 2025

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Partner introduction

The key messages

Introduction

I have pleasure in presenting our report to the Audit and Risk Committee (“ARC”) of Consumer Scotland (“CS”) for the 2024/25 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in March 2025.

Conclusions from our testing

Based on our audit work completed, we have issued an unmodified audit report.

Based on our review of annual report and accounts, we have no significant matters to raise.

The auditable parts of the Remuneration and Staff report have been reviewed and based on our review we have no significant matters to raise.

Based on the audit procedures performed, we have no material uncorrected misstatements or material disclosure deficiencies to report. A summary of the corrected misstatements and disclosure deficiencies is detailed on pages 29 - 30.

Significant risk

In our planning report we identified operating within expenditure resource limits and management override of controls as significant risks, a summary of our work is presented on pages 6 - 8.

Conclusions from our testing (continued)

Areas of audit focus

Change in IT system from SEAS to Oracle Fusion: No issues arose from our data migration testing. Refer to page 9 for further details.

Wider Scope

Overall effective budget setting and monitoring arrangements are in place. This includes budget holders proactively following up on deviation from budgets when variances occur and setting action plans to and processes to control these risks. No significant or material deficiencies have been identified as part of our audit assessment. Refer to page 15-27 for further details.

Added value

Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

Noel Simbarashe Jana
Engagement Leader ³

Quality indicators

Impact on the execution of our audit

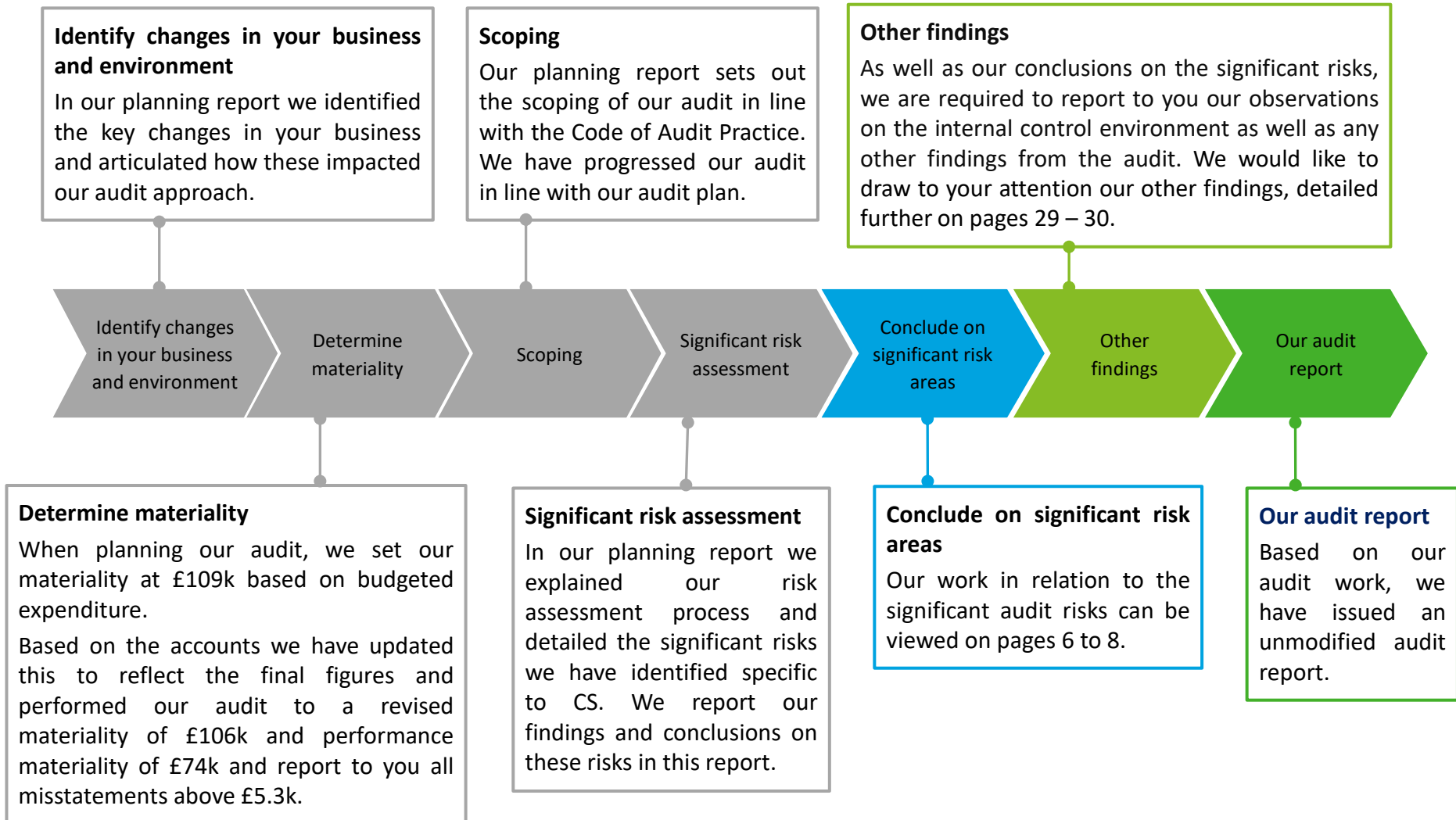
 Lagging
  Developing
  Mature

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		During our year-end testing of IFRS 16 leases, a critical judgement was identified in relation to the determination of lease term. After our communication, management acted promptly on updating the critical judgement disclosure note. Any follow-up requests were actioned quickly.	7
Adherence to deliverables timetable		All deliverables were provided within agreed upon timeframes. All follow up requests and queries were dealt with appropriately.	N/A
Access to finance team and other key personnel		All key members of staff were available throughout the audit. No issues were encountered.	N/A
Quality and accuracy of management accounting papers		N/A - as no accounting papers were applicable in the current year audit.	N/A
Quality of draft Annual Report and Accounts		The initial version of the draft Annual Report and Accounts was of good quality. We recommended some changes which have been corrected by management.	13
Response to control deficiencies identified		We noted one control deficiency as part of audit testing due to identification of misstatements and disclosure errors during the course of our audit. Management has acknowledged the control deficiency and worked with the audit team to update their accounts in respect of the issues noted.	31
Volume and magnitude of identified errors		During the course of our audit, we identified one immaterial error and two disclosures errors in the financial statements. These have been corrected for by management in the updated annual report and accounts.	29 - 30

Our audit explained

We tailor our audit to your business and your strategy



Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Satisfactory	
Operating within the expenditure resource limit			Satisfactory	

Controls approach adopted

 Assess design & implementation

Consistency of judgements with Deloitte's expectations

-  Consistent
-  Improvement required
-  Inconsistent

Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the organisation, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the audit procedures that are set out in our planning report, specifically:

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- We have used our Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Accounting estimates and judgements

During our verification of IFRS 16 leases, we noted that there was a critical management judgement in the determination of lease term given the termination and extension options embedded in the lease agreement and the fact that such judgement could significantly impact the underlying lease computations. We have reviewed the critical judgement disclosure note or the accounting estimate (lease term) for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.

In performing this review, we have evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

Our testing has not identified any exceptions of management override of controls, hence satisfactory conclusion has been drawn in this respect.

Significant risks (continued)

Operating within the expenditure resource limits



Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We consider this fraud risk to be focused on how management operate within the resource budget set by the Scottish Government. The risk is that CS could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the validity and completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around the year end.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area included the following:

- Evaluating the design and implementation of controls around the year-end accruals and prepayments process;
- Obtaining an independent confirmation of the resource limits allocated to CS by the Scottish Government;
- Testing a sample of accruals and prepayments to supporting documentation to check whether they are valid liabilities, that the amount accrued is appropriately supported, and that the liability had been incurred as at 31 March 2025;
- Performing cut-off testing of a sample of invoices received and payments made around the year-end.

Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

Based on our testing, we confirm that CS has performed within the limits set by Scottish Government, achieving a surplus of £135k (approximately 2.5% of the revised budget). It is therefore in compliance with the financial targets for the year.

Area of audit focus

Change in IT system

Risk identified

In October 2024, CS changed its Finance and Procurement systems from SEAS to Oracle Cloud as a result of a Scottish Government wide transformation programme. This has created an increased risk over completeness of data as data was migrated from SEAS to Oracle for the 2024/25 audit. Furthermore, because the transition occurred mid-year, CS operated on two separate systems during this financial year.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the transition to oracle. Our work in this area included the following:

- We performed walkthroughs of key controls and business processes over both systems (SEAS and Oracle), to ensure in the period both were designed appropriately and implemented correctly;
- We engaged our IT team to review the controls over the implementation process at Scottish Government level;
- We inquired from the finance team on the implementation process including challenges experience and related impact on financial reporting; and
- We performed a reconciliation of data transferred, to ensure completeness and accuracy of the data transfer from SEAS to Oracle.

Deloitte view

In terms of procedures performed centrally on the review of controls over the implementation at Scottish Government level this was deemed effective.

As a result of above audit procedures performed, the audit team did not identify any material findings/reconciliation issues when the data was transferred from SEAS to Oracle mid-way during the year. Our IT specialist has also not reported any material findings to us in relation to implementation of new finance system that would otherwise impact our audit strategy/testing.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

CS Annual Report and Accounts have been prepared in accordance with the Government Financial Reporting Manual (the “FReM”). We have provided comments on the draft annual report and accounts and then reviewed the final report noting nothing significant to raise.

Significant matters discussed with management:

There have been no significant matters raised with management to date post our review of the annual report and accounts.

Below are the findings from our audit surrounding your control environment.

Your control environment and findings

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Liaison with internal audit

The audit team has reviewed the findings of the Internal Audit team, which has been used to inform our risk assessment. It should however be noted that we have not placed any reliance on the work of Internal Audit during the year.

Refer to next pages in this report for the control deficiencies identified and the action plan noted.

For corrected misstatements and disclosure deficiencies, refer to pages 29 - 30.

We have obtained written representations from CS on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

Your control environment and findings

Control deficiencies and areas for management focus

- Low priority
- Medium Priority
- High Priority

Observation	Priority	Deloitte recommendation	Management response and remediation plan
IFRS 16 leases i) Classification of lease rentals paid during the year within the statement of cash flows As part of our audit testing, we noted that the portions of lease rentals paid during the year relating to interest and principal repayments were not correctly classified and presented within the cash flow statement. ii) IFRS 16 maturity analysis Our review of lease disclosures in the annual report identified that maturity analysis as required by IFRS 16 was not incorporated in the lease disclosures. Upon our communication, management has updated cash flow statement and lease disclosure notes, resulting in materially correct balances reported in the financial statements. For further details including the values involved, refer to pages 29 – 30 of this report.	●	i) and ii) Management should apply the requirements of relevant technical literature (in this case IFRS 16 leases and IAS 7 statement of cash flows) to ensure that the lease related accounting transactions are accounted and reported accurately in the financial statements.	Please see Action Plan on page 31 for management response.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the Annual Accounts

Our opinion on the financial statements unmodified.



Going concern

We have not identified a material uncertainty related to going concern and have reported that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment than the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in any other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 33.

Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines CS's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by CS.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the final report.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts' direction. No exceptions noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes which management have updated in the final report. We have also audited the quantitative parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the accounts' direction.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Risk Committee discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

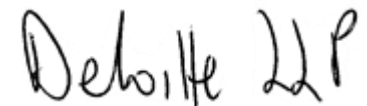
What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP

Aberdeen | 22 October 2025

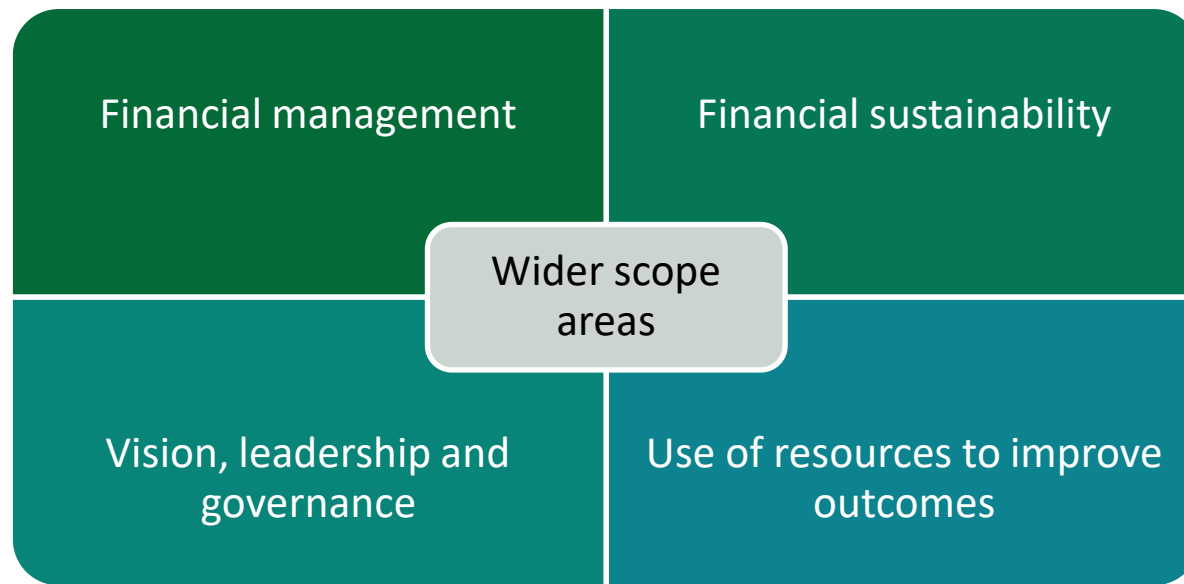
Wider scope audit



Wider scope requirements

Overview

As set out in our audit plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how CS is addressing these, and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ("BV") have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management

Is there sufficient financial capacity?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



Financial Management

Significant risks identified in Audit Plan

In our audit plan, we did not identify any significant risks in relation to financial management.

Current year financial performance

As a Non-Ministerial Office (NMO) of the Scottish Administration, CS's budget is independently allocated within the Annual Scottish Budget Bill and supplementary levy funding, reflecting its distinct operational status separate from, yet alongside, the Scottish Government. The Chief Executive, acting as Accountable Officer, is directly accountable to the Scottish Parliament for CS's financial management. However, the Board, holding ultimate responsibility for CS, must ensure robust procedures are in place to guarantee the propriety and probity of all public expenditure.

Following budget allocation, CS retains flexibility in determining expenditure, broadly categorized as staff and non-staff costs. Quarterly reports to the Board and ARC suggest good communication and responsiveness, which indicates an effective system for communicating accurate and timely financial performance.

Moreover, in the 2024/25 financial year, CS received a budget allocation of £5,484k including £3,424k from Scottish Government, £1,668k from Department of Business and Trade and £392k from Scottish Water. The expenditure during the year resulted in a £135k underspend (approximately 2.5% of the budget). The underspend is attributable to delays in few research projects due to a lack of bidders or project timelines partially impacted by Oracle Fusion Implementation during the year.

Staff and grant to third parties represented the largest expenditure category at £2,720k and £1,669k respectively.

Budgetary process and governance over financial management

The Chief Executive, acting as Accountable Officer, is directly responsible to the Scottish Parliament for the organisation's financial management. However, the Board retains ultimate responsibility and ensures robust procedures are in place to maintain the propriety and probity of public funds. A robust budgetary control system is implemented, showing monthly budget reviews at the operational level, through to the Executive Team. Potential underspends are proactively identified and reallocated as appropriate. Quarterly management accounts and budget reports are submitted to both the Board and the ARC, supplemented by monthly reviews at the Executive level.

Wider scope requirements (continued)

Financial management (continued)

Budgetary process and governance over financial management (continued)

Following the Oracle system implementation, the organisation tailors its reporting frequency to the specific needs of different stakeholders. We note that a detailed forecasting process is in place, encompassing both current and future years, aligning with the public sector budget cycle. The initial budget request is submitted in July/August, undergoing refinement until final confirmation in Feb/Mar.

Additionally, in response to the Scottish Government's 3% efficiency target, CS has identified a few areas for potential savings. These include working closely with other smaller NMO's to try and drive a bottoms approach to ensure they are driving efficiencies and cost savings quickly, exploring collaboration opportunities with Environmental Standards Scotland, and reviewing office space utilisation.

We also note that a robust governance framework underpins CS's financial management, ensuring compliance with the Scottish Public Finance Manual.

Finance capacity

The finance team is led by the Director of Operations and Partnerships, and the Finance, Governance and Corporate Services Manager and the team has grown in the year, bringing in capacity to support the organisation. Due to the training provided and access to a qualified financial resource, we deem the officials leading the body's finance team to be appropriately qualified and experienced. These individuals share responsibility for all aspects of budget management, from preparation and execution to ongoing monitoring. Moreover, the oversight and support by ARC and Board further assists in the overall CS financial capacity.

Implementation of new finance system – Oracle Fusion

CS significantly upgraded its financial and procurement systems in October 2024, transitioning from the outdated SEAS system to the Scottish Government's new Oracle Cloud platform. This formed part of a broader government-wide modernization effort aimed at improving efficiency and transparency across public sector operations. The legacy SEAS system was no longer fit for purpose, and the upgrade to the Oracle Cloud platform offers substantial benefits, including a unified data source, streamlined processes, strengthened internal controls, and enhanced transparency in both financial and operational data. The platform's design is based on best-practice processes, initially derived from UK Government Global Design Principles and now aligned with the NOVA Functional Reference Model.

The in-year nature of this significant systems change required additional resources to be dedicated to data validation and reconciliation to ensure the accuracy and integrity of financial reporting throughout the year. To mitigate the inherent risks associated with such a large-scale system implementation, CS undertook rigorous accounts preparation processes and worked closely with the external audit team to obtain additional assurance. This proactive approach ensured the reliability of financial information despite the complexities of the transition.

To support the ongoing stability and development of the Oracle Cloud platform, the Scottish Government established a dedicated central management team responsible for its maintenance, improvement, and governance. CS continues to collaborate closely with this team, participating in a structured programme of quarterly updates to facilitate further system enhancements and ensure the long-term success of this crucial upgrade.

Wider scope requirements (continued)

Financial management (continued)

Standards of conduct for prevention and detection of fraud and error

CS operates in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Scottish Public Finance Manual, maintaining a clear fraud policy and providing regular staff training and e-learning on fraud prevention, investigation, and whistleblowing procedures.

CS has implemented comprehensive arrangements to prevent and detect fraud, errors, irregularities, bribery, and corruption. These arrangements are designed and implemented appropriately. All staff members have undergone mandatory counter-fraud training, and a formal counter-fraud policy provides clear guidance on actions and responsibilities. The organisation actively participates in regular cybersecurity exercises to enhance its preparedness against cyber threats. Consistent communication keeps staff informed of their responsibilities in preventing and detecting fraudulent activities. Furthermore, a robust system for monitoring staff and Board interests is in place to mitigate potential conflicts of interest. A whistleblowing policy, providing a confidential and independent channel for reporting concerns, further strengthens the organisation's anti-fraud and corruption framework. The combination of these measures ensures a proactive and robust approach to maintaining ethical conduct and financial integrity.

Further, the Counter Fraud policy, outlining key responsibilities for compliance with the Scottish Public Finance Manual, designates the Chief Executive Officer as the Accountable Officer, with oversight from the Audit and Risk Committee and the Board. This robust framework, coupled with a commitment to continuous improvement in conduct and policy, fosters a culture of compliance within the organisation.

Internal controls and internal audit

The organisation also benefits from a well-functioning internal audit function, with management demonstrating a proactive response to their recommendations.

The Scottish Government Directorate for Internal Audit and Assurance (SGDIAA) provides internal audit services to CS under a Memorandum of Understanding. SGDIAA representatives attend all Audit and Risk Committee meetings.

During the reporting period, SGDIAA issued a substantial assurance opinion on CS's overall financial procurement and financial controls. However, SGDIAA has provided limited assurance for the cyber resilience.

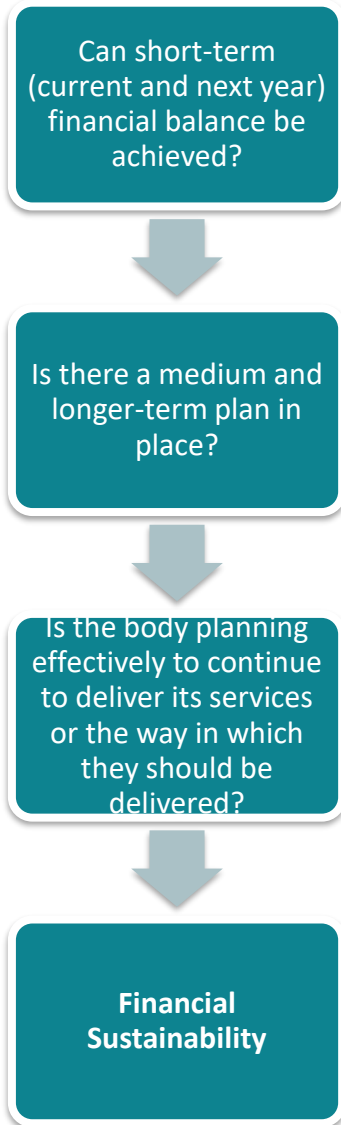
Though we have reviewed the internal audit plans and reports, but we sought no reliance on them for the purpose of our audit strategy and testing except that they helped inform our risk assessment.

Deloitte view – financial management

CS demonstrates effective financial management practices. They maintain strong internal controls, a transparent budgetary process with regular reporting and forecasting, and actively pursue cost savings through collaboration and efficient resource allocation. Despite operating with a relatively small finance team, the organisation's processes ensure accountability and adherence to best practices. The recent implementation of the Oracle system has further strengthened reporting capabilities, enabling improved monitoring and informed decision-making.

Wider scope requirements (continued)

Financial sustainability



Significant risks identified in Audit Plan

In our audit plan we highlighted that there is a risk that medium to long term financial planning arrangements are not adequate to ensure the financial sustainability of the organisation. There is a requirement set out in *Code of Audit Practice 2021, Para 64 Financial Sustainability* for CS to develop a medium to long term financial plan (5 – 10 years).

2025/26 budget setting

The Scottish Government's 2025/26 budget allocated CS a total core budget of £7.36 million. CS has confirmed to the relevant committee that this funding level is sufficient for its operational needs in 2025/26. We note that the primary reason for the yearly increase in grant is due to additional grants to be issued to other bodies by CS for its utilization.

Medium-to-long term financial planning

CS is refreshing its medium-term financial strategy to forecast out to ten years. This will ensure identification of key risks, threats, and opportunities, allowing for proactive mitigation of risks and maximisation of opportunities. The organisation is committed to delivering on its statutory functions and strategic objectives while demonstrating best value and a strong commitment to the Public Service Reform agenda. The Annual Report highlights that core operational funding from the Scottish Government was flat for FY2024-25, presenting challenges such as absorbing a 2.5% pay increase and inhibiting planned progress on statutory functions. However, the organisation successfully managed its budget, re-profiling some spending to allow for additional grants to third parties.

Wider scope requirements (continued)

Financial sustainability (continued)

Medium-to-long term financial planning continued

Further, in response to the Scottish Government's 3% efficiency target, CS is actively pursuing cost savings through several strategies. These include collaborative efforts with other NMOS to share resources and services (e.g., shared accommodation), streamlining corporate functions, and prioritising resource allocation to manage spending within budgetary constraints. CS is also developing a ten-year financial forecast to identify and mitigate long-term financial risks and maximise opportunities for efficiency.

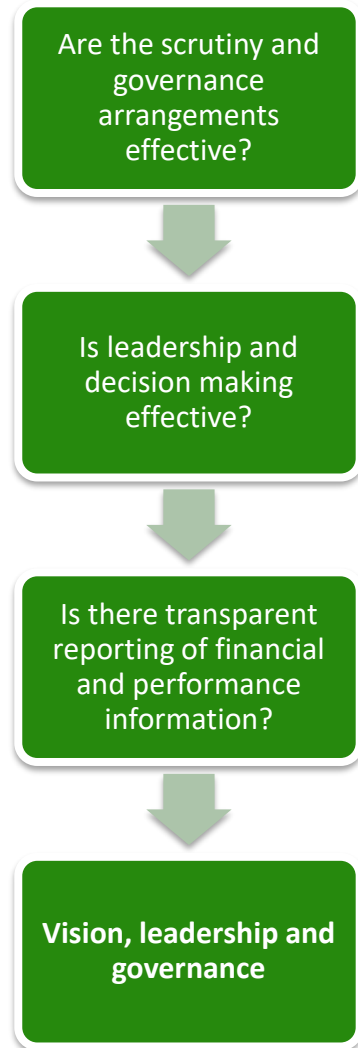
Deloitte view – Financial sustainability

CS's financial management demonstrates a responsible and proactive approach to navigating the challenges of a constrained fiscal environment. The organisation's commitment to transparent communication, strategic planning, and collaborative efforts with other organisations provides assurance that its financial sustainability is being actively addressed. While some areas require further development, particularly in extending long-term financial planning beyond five years, the current arrangements are deemed sufficient and appropriate for 2024/2025. This is included within our recommendations on the action plan.

Area	Important features of a financial strategy
Period	A financial strategy should cover 5-10 years
Cost	A clear understanding of the business model and the cost of individual activities within it
Savings options	Evidence based options for achieving savings
Savings details	Details of one-off and recurring savings
Scenario planning	Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used
Assets/Liabilities and Reserves	Details of assets, liabilities and reserves and how these will change over time
Capital Investment Activity	Details of investment needs and plans and how these will be paid for
Demand	An analysis of levels of service demand and project income
Funding shortfalls	Any income or funding shortfalls and how to deal with these
Strategy links	Clear links to the corporate strategy and other relevant strategies such as workforce and asset management
Risks and timescales	The risks and timescales involved in achieving financial sustainability

Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

In our audit plan, we did not identify any significant risks relating to vision, leadership and governance.

Vision and strategy

CS's vision and strategy, as outlined in its 2023-2027 Strategic Plan, aim to improve outcomes for current and future consumers in Scotland. The plan's overarching objectives are to enhance understanding of consumer issues, serve consumer needs and aspirations, and enable active consumer participation in a fairer economy. CS works collaboratively with government, regulators, businesses, and other consumer organisations to achieve these objectives. The organisation continues to develop and adapt to evolving consumer needs and expectations, including the establishment of a new heat networks advocacy and advice function.

There are 3 main strategic objectives which are outlined in the Strategic Plan, which are as follows:

➤ To enhance understanding and awareness of consumer issues by strengthening the evidence base:

CS strengthens the evidence base through a multi-faceted approach. This includes commissioning and conducting original research projects on key consumer issues, such as consumer attitudes towards net zero, energy debt, and the experiences of disabled consumers. CS also undertakes in-depth analysis of existing data from various sources, including government statistics, regulatory reports, and consumer complaints data. The organisation publishes its findings in a variety of formats, including reports, briefing papers, and policy papers, making this information readily available to policymakers, businesses, and the public. CS actively collaborates with other research organisations and participates in relevant data sharing initiatives to enhance the robustness and impact of its evidence. The establishment of framework contracts with external research partners further enhances CS's capacity to commission timely and robust consumer research.

Wider scope requirements (continued)

Vision, leadership and governance

Vision and strategy (continued)

- **To serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private, and third sectors:**

CS advocates for consumers by influencing policy and practice across sectors. This includes parliamentary submissions, consultation responses, stakeholder engagement, and the publication of guidance and resources. CS plays a leading role in coordinating stakeholder networks and has achieved positive outcomes in various sectors (e.g., digital landline transition).

- **To enable the active participation of consumers in a fairer economy by improving access to information and support:**

CS improves consumer access to information and support through its website, publications, and partnerships with advice organisations. Investigations and research highlight systemic issues and advocate for policy changes benefiting consumers, particularly vulnerable groups. The new heat network's function exemplifies CS's commitment to targeted support.

Leadership

CS's leadership structure comprises a Chief Executive supported by an Executive Team of three Directors and a Senior Leadership Team including an Assistant Director and team heads.

Board		
Chief Executive and Accountable Officer		
Director of Analysis, Research and Investigations	Director of Policy and Advocacy	Director of Operations and Partnerships, and Deputy Accountable Officer
Analysis Research Investigations	Energy Water Post General Markets Heat Networks	Governance Finance Corporate Services Strategic Partnerships Communications

The organisation's Board, consisting of five members as of 31st March 2025, provides strategic oversight and guidance. An Audit and Risk Committee ensures robust scrutiny of governance and financial matters. The organisation actively fosters a collaborative and communicative leadership style, as evidenced by regular meetings at both Executive and Senior Leadership levels. Internal questionnaires show a positive staff assessment of their experience working with managers and teams.

Wider scope requirements (continued)

Vision, leadership and governance

Governance and scrutiny arrangements

CS's governance framework is underpinned by its Framework Agreement with the Scottish Government, defining the relationship and responsibilities between the organisation and the Scottish Ministers. The Board operates under Standing Orders, updated at least every 3 years, providing strategic direction and oversight.

A clear governance structure is in place, with the Board supported by the Audit and Risk Committee (ARC) and both bodies supported by the Executive Team. The ARC provides detailed scrutiny of CS's risk management activities, regularly reviewing the risk register and ensuring mitigation measures are implemented. The ARC also conducts an annual self-assessment of its effectiveness, using the Scottish Government handbook. Board and ARC minutes are publicly available on the CS website, demonstrating transparency and accountability.

Reviewing Board Minutes highlights the effective working relationship between the committees and the Executive Team, facilitating strategy development, decision-making, and governance oversight. We have reviewed meeting minutes and confirmed that the Board and ARC meetings are well-attended and that sufficient scrutiny and challenge are exercised by members.

Transparency of reporting

All Board and ARC minutes are publicly available through the CS website. The Board have considered the option of holding its meetings in public. However, the decision was made that due to the nature of CS's scrutiny work, that this would not go ahead.

CS are still very open and transparent despite this, with publishing draft minutes on their website and publishing regular progress updates on their investigation reports online.

The CS website includes a comprehensive suite of information including links to strategies and plans, thereby demonstrating openness and transparency of decision making and performance information.

Deloitte view – Vision, leadership and governance

CS exhibits strong leadership, vision, and governance. A well-structured Board and active ARC ensure effective oversight and accountability, facilitated by transparent reporting and open communication. Proactive risk management and stakeholder engagement ensure strategic alignment with government priorities. A robust performance framework drives continuous improvement and impact measurement.

Wider scope requirements (continued)

Use of resources to improve outcomes



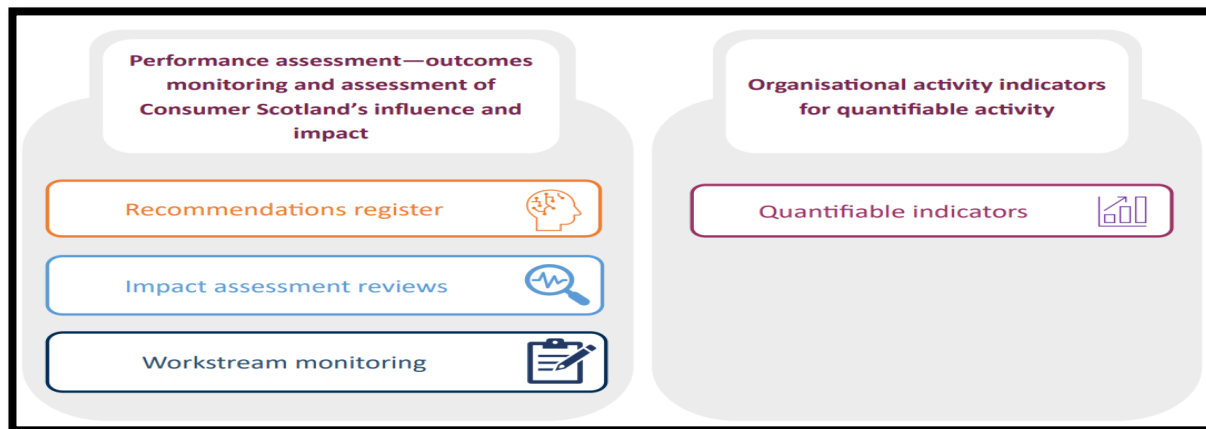
Significant risks identified in Audit Plan

In our audit plan, we identified that CS's Performance Framework was published in December 2023, and that there is a risk that CS does not have sufficiently established performance management arrangements in place to demonstrate that resources are being directed to improving outcomes.

Performance management framework

CS published a performance framework in December 2023 to link spending, outputs, and outcomes. This framework employs key metrics to track progress, with annual reporting integrated into the organisation's annual report and accounts, supplemented by monthly updates to the Executive Team and quarterly updates to the Board and ARC. Organisational indicators within the framework facilitate the monitoring of key performance metrics, providing evidence of the organisation's evolution and progress. While acknowledging the inherent time lag in realising certain policy outcomes, CS considers its approach comparable to that of similar organisations

The framework comprises three core components:



- Recommendation Register - documenting recommendations made across various publications;
- Impact Assessment Reviews, conducting in-depth case studies to evaluate impact; and
- Workstream Monitoring, tracking progress against the 2024-25 work programme.

Wider scope requirements (continued)

Use of resources to improve outcomes

Performance management framework (continued)

During the first full year of performance framework after its publication in December 2023, the Recommendations Register recorded over 200 recommendations, predominantly via consultation responses for regulated markets and a broader range of outputs for consumer markets policy areas. Recurring themes within these recommendations include leveraging consumer expertise, addressing the absence of consumer representation, enhancing consumer information, and promoting fairness. Two impact assessment reviews were undertaken, focusing on landline migration and the impact of climate change on water resources. Workstream monitoring provides a concise overview of activities and progress against the work programme, highlighting both advocacy progress and direct consumer impacts.

CS's measured approach, delaying full framework implementation until its second year, reflects a commitment to establishing a robust and effective performance measurement system. While acknowledging the influence of funding and spending pressures, a more comprehensive analysis of these constraints and their impact on the pace of improvement would strengthen the overall assessment.

We also note that a formal independent review of effectiveness is scheduled after three years, incorporating feedback from key stakeholders. This will further help in identification of more improvements and establishing a more robust mechanism to monitor performance and measure outcomes against resources utilised.

Consumer Scotland Third's Year of Performance

5 Board members	£5.48M budget	Statutory Consumer Duty guidance published
2024-25 Work Programme delivered	£1.62M grants issued	Performance Framework first full year complete
Consumer landscape CEO Group established	11 research projects undertaken	2025-26 Work Programme laid before Parliament & published
35 permanent staff 3 temporary staff	Heat Networks function established	38 consultation responses
Preliminary investigation complete	Smaller NMOs working group established	91 publications

Deloitte view – Use of resources to improve outcomes

CS's proactive development and implementation of a performance framework demonstrates a commitment to transparency and accountability in measuring its impact. While acknowledging the complexities of assessing long-term policy outcomes and the influence of financial constraints, the organisation's structured approach, incorporating regular reporting and stakeholder feedback, provides a strong foundation for evaluating progress and informing future strategic decisions.

Wider scope requirements (continued)

Best value

Requirements

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 (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance;
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve best value:
 - Vision and leadership
 - Governance and accountability
 - Effective use of resources
 - Partnership and collaborative working
 - Working with communities
 - Sustainability
 - Fairness and equality

Conclusions

CS has a number of arrangements in place to secure best value. As noted on pages 22 – 24 within this report, the Strategic Plan provides a clear vision and has specific focus on some of the BV characteristics including partnership and collaboration, sustainability and a focus on continuous improvement. An experienced leadership team have been put in place with oversight and scrutiny provided by Board and ARC

Financial sustainability remains a key risk, as is the case across the public sector.

Deloitte view – Best Value

CS has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk.

Appendices



Audit adjustments

Corrected Misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

	Debit/ (credit) SOCNE £000	Debit/ (credit) in net assets £000	Debit/(credit) prior year reserves £000	Debit/(credit) Equity £000
IFRS 16 leases – incorrect classification of Q4 lease rental in accrued expenses instead of lease liabilities in FY24/25				
Our review identified a misstatement in the FY24/25 accrued expenses in relation to Q4 lease rental for the Thistle House building. The full Q4 invoice of £37,000 was received post year-end. Management incorrectly recorded the lease portion of this invoice being £21,905 as accrued expenses instead of retaining the liability under lease liabilities. This resulted in an overstatement of accrued expenses and an understatement of lease liabilities, both by £21,905 in FY24/25 financial statements. There is £nil impact of this error on the financial statements as this just represents a classification error within the liabilities. Management has processed an adjustment to correct this classification error in the current year financial statements.	-	22 / (22)	-	-

Audit adjustments (continued)

Corrected Disclosure Errors

During the course of our audit, the following disclosure errors were identified which have now been corrected by management in the updated annual report and accounts.

Disclosure Title	Description of corrected disclosure errors	Amount (if applicable)
IFRS 16 Critical Judgement Note	Our review of the IFRS 16 lease arrangements/agreements have determined that there is a critical judgement involved in determination of the lease term given the termination/extension options embedded in the lease agreement. Given the judgement involved in determination of lease term (10 years) can significantly impact the underlying lease computations, therefore management has now included a critical judgement note in notes to the accounts to ensure that the accounting policy notes represent true and fair view of the underlying facts and circumstances involved.	N/A
IFRS 16 Maturity analysis	Our review of lease disclosures in the annual report identified that maturity analysis as required by IFRS 16 was not incorporated in the lease disclosures. Upon communication to management, the maturity analysis showing the lease rental obligations have now been updated and included in the annual report.	N/A
IFRS 16 – cash flow statement	Through our review of the statement of cash flows, we identified that the cash flow relating to lease liability was presented as a singular amount under financing activities - including both the principal paid (£43k) and lease interest paid (£23k). Only the Principal paid should be under financing activities. Interest paid should be presented within the operating activities section of the cash flows statement.	See the description column

Action plan

- Low priority
- Medium Priority
- High Priority

The following recommendations have arisen from our 2024/25 audit work :

Insight and Recommendation	Management Response	Priority	Responsible Person	Target Date
IFRS 16 leases i. Classification of lease rentals paid during the year within the statement of cash flows ii. IFRS 16 maturity analysis	All suggested presentational and classification amendments were accepted and disclosures in the 2025/26 financial statements will take account of these.	Low	Sue Bomphray/Ian Forbes	31 March 2026

Management should apply the requirements of relevant technical literature (in this case IFRS 16 leases and IAS 7 statement of cash flows) to ensure that the lease related accounting transactions are accounted and reported accurately in the financial statements.

For details on the errors noted above, refer to pages 29 & 30 of this report.

Action plan (continued)

● Low priority
● Medium Priority
● High Priority

We have followed up on the recommendations made in 2023/24. We note that one recommendation has been addressed by CS whereas the audit team has dropped another recommendation from prior year after re-assessing it. See below table for further details.

Recommendation	Management Response	Priority	Management Update 24/25	Audit Assessment 24/25
Wider Scope 1) Financial Sustainability While work has continued in developing a medium-term outlook, further work is required to fully develop this to be able to demonstrate that CS is financially sustainable over the medium to longer term – stretching further than 5 years in the future. We have recommended that, as CS develop its Medium-Long Term plan for 5-10 years, reference is made to Audit Scotland’s publication which sets out the important features of a financial strategy.	CS will look to develop a longer-term plan covering the period 5-10 years and to supplement the medium-term financial strategy already in place. We will reference the guidance from Audit Scotland as suggested.	●	Ten-year plan presented to the Board in August 2025. Next iteration will be November 2025.	The audit team notes that management has prepared the 10-years financial plan which has been presented to Board in August 2025. Hence the recommendation has been addressed.
2) Vision, Leadership and Governance We understand that CS have made the decision not to publish all Board papers online, alongside the minutes at this stage, however, we recommend that this should be re-considered moving forward for better transparency.	CS will reconsider the publishing of Board papers or suitable alternatives.	●	Reconsidered and agreed that current approach of publishing relevant outputs and reports on our website rather than all board papers will continue. Will be kept under review.	No further action required as CS had determined that current approach of publishing relevant outputs and reports on website provide public with transparent reporting in addition to the annual report.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Board.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.



Audit work performed:

In our planning we identified the risk of fraud in operating within expenditure resource limits and management override of controls as a key audit risk.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Concerns:

No issues or concerns have been identified in relation to fraud.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of CS and our objectivity is not compromised.	
Fees	The expected fee for 2024/25, as communicated by Audit Scotland in January 2025 is analysed below:	
		£
	Auditor Remuneration	45,720
	Audit Scotland fixed charges:	
	• Pooled costs	(3,770)
	Total expected fee	41,950
	Note additional fees will be requested due to the work performed in relation to Oracle transition which will be communicated separately.	
	There are no non-audit fees.	
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and CS's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise, as necessary.	
Relationships	We have no other relationships with CS, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.	



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