

10 April 2024

Coin Beattie MSP  
Chair  
Scottish Commission for Public Audit  
Scottish Parliament  
Edinburgh

Dear Chair

### **2024/25 budget position**

At our 2024/25 budget evidence session, we highlighted some uncertainties and risks in our budget. One of these being the 2024/25 pay award. At this stage in April, we have had our offer of a 4% budgeted pay offer formally rejected. Whilst disappointing, we are continuing to engage with our union partners, and I would like to reassure you that we feel confident of managing the outcome within our budget.

In addition to this we highlighted the potential for a reduction in employers' pension contributions following a triennial revaluation of Lothian Pension Fund, to which we are an admitted body. The pension fund formally informed us in March that our employers' contributions will reduce by 2% resulting in an annual saving of £287,000 for three years.

The Board asked us to inform you of this budget change as soon as we knew the position. In doing so we wanted to set out potential options for how this reduction could be used. Two options are set out below for the SCPA's consideration. We would of course be happy to discuss these further or alternatives, as appropriate.

### **Option 1 – return money to the consolidated fund**

We could return the funding as part of the autumn budget revision. This would have no impact on our planned activity for 2024/25 as the expenditure is no longer required. We would advise Scottish Government of this as soon as possible so that the funds can be allocated to alternative purposes.

### **Option 2 – recruit five additional auditors, for a fixed two-year period, to accelerate recovery program**

The overall key performance indicator for audit delivery is to complete 95% of audits by the target dates set out in the Annual Planning Guidance agreed with the Auditor General for Scotland and the Accounts Commission. Our ability to achieve this target was severely impacted by Covid-19 and consequently the recovery of audit delivery is a key strategic priority and operational target for Audit Scotland.

We have a recovery plan in place, agreed by the Board, the Auditor General and the Accounts Commission, to deliver 65% of audits by the target date for the current audit year (2023/24) and to increase this incrementally to achieve at least 95% delivery against target date with the

completion of the 2026/27 audits (i.e. by Autumn 2027), which is also the last audit year of the current appointments.

Repurposing the £287,000 to support the recovery of audit delivery could fully fund the appointment of five additional members of staff at Auditor or Audit Officer grade to increase our staffing levels short term. Recognising the time limited nature of this reduction in contributions we would propose to appoint the additional staff on fixed term contracts for no more than two years, or, if necessary but less desirable, we would appoint short term contract staff.

Our delivery of the 2023/24 audits is already well advanced and allowing for time to recruit, appoint and onboard new staff the appointment of five additional employees at this stage is unlikely to have a significant impact on the delivery of the audits currently under way. However, there are twelve smaller local government bodies and eight central government Non-Departmental Public Bodies (NDPBs) where the current planned completion date is after the target completion date and where the deployment of additional staff could accelerate delivery of some of these audits.

The significant gain from recruiting an additional five members of staff now will be realised in the delivery of the 2024/25 audits and beyond. Our resource modelling indicates that the impact will result in us achieving close to the 95% delivery target in the completion of the 2025/26 audits – i.e. 12 months in advance of current plan.

We ask the SCPA to note that recovering audit delivery with the completion of the 2026/27 audits (our current plan) is not dependent on the additional resourcing, but, if we repurpose the reduction, we believe we will be able to significantly advance delivery of our recovery plan. As a result, this is our preferred option.

### **Audit modernisation**

In addition to the two options, we have considered whether there is any element of the audit modernisation project that we could accelerate. Whilst we will be presenting fuller information on audit modernisation at our session on 24 June, we do not believe that additional resource is required for this project within 2024/25.

To utilise the funding within 2024/25, the earliest indication of how you would like us to proceed would be very much welcomed.

Yours sincerely

**Stephen Boyle**  
**Accountable Officer and**  
**Auditor General for Scotland**

**Alan Alexander**  
**Board Chair**