

18 June 2024

Colin Beattie MSP  
Chair  
Scottish Commission for Public Audit  
T3.40  
Scottish Parliament  
Edinburgh  
EH99 1SP

Dear Chair

### **Audit Scotland's 2023/24 Annual Report and Accounts**

I am pleased to submit Audit Scotland's Annual Report and Accounts for the year ended 31 March 2024, which I signed along with the external auditor, David Jeffcoat from Alexander Sloan on 18 June 2024.

I have also enclosed our annual report on the Quality of Public Audit in Scotland, as well as our Audit Committee Chair's Annual Review requested in your report earlier this year following the briefing on our Budget.

The operational underspend was £62k (0.2%), broken down as revenue £9k and capital £53k, with the underspend balance of £1,880k relating to the non-cash in-year pension service cost adjustment required under International Accounting Standard 19 (IAS 19).

As you are aware we are not able to publish the Annual Report and Accounts on Audit Scotland's website today due to the General Election, but this will be done as soon as possible afterwards.

This is our first Annual Report to align with our new corporate plan and Public Audit in Scotland.

Together with colleagues, I look forward to briefing the Commission later this month on the Annual Report and Accounts. Please do not hesitate to get in touch if you need anything before then.

Yours sincerely

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

# Annual report and accounts

2023/24



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# Our performance



## 2023/24 in numbers

**228**

Accounts audited

**13**

National and local performance reports

**10**

Briefings, reports and blogs

**17**

Technical guides

**£50.2bn**

Payments under Comptroller function

**Making a difference** - throughout this annual report we illustrate examples of our impact through 'Making a difference' examples.



# Our context

[Public audit in Scotland](#), the shared statement of purpose between the Auditor General, the Accounts Commission and Audit Scotland, sets out our shared vision and mission, and the outcomes where we aim to achieve measurable change by 2028.

Through our [Corporate Plan 2023-28](#), Audit Scotland supports these through our strategic priorities and our values.



## Vision

Public money is well spent to meet the needs of Scotland's people.



## Mission

Provide clear, independent and objective assurance on how effectively public money is being managed and spent.



## Outcomes

- Public services in Scotland work better together to target resources more effectively.
- Financial planning and management are more effective across Scotland's public services.
- Public bodies deliver clearer and more transparent reporting.
- Our recommendations have a positive impact for people in Scotland.



## Strategic priorities

- Timely and impactful annual audit.
- Dynamic performance audit programme.
- Enhanced audit approaches.
- Developing our people and our business.
- Insights driving innovation and improvement.



## Values

Equality | Independence | Innovation | Integrity | Respect

# Chair's welcome



Over recent years, the Auditor General, the Accounts Commission, Audit Scotland and others have repeatedly warned about the financial and operational sustainability of public services.

The pressures on services are clear: demographic change, rising demand, inequalities, staff shortages, recovery from the pandemic, the cost-of-living crisis, and climate change among the most challenging. These strengthen the case for reform and for major change in the way services are structured.

But during 2023/24, it became even more apparent that we face big and urgent issues that require radical thinking and change for Scotland to continue providing the services we all use and rely upon. Business as usual is not an option.

Audit is always as much about improvement as it is about probity. That is more vital than ever.

In 2023/24 we published [Public audit in Scotland](#), setting out our vision and mission, and the concrete outcomes we want to achieve for the people of Scotland. Over 2023/24 and into the following years, our focus will be on supporting and driving improvements in how public bodies spend money, in how clear and transparent they are in that decision-making and spending, and ultimately in delivering services that can meet the diverse needs of Scotland's people and communities.

This is my last annual report as Chair of Audit Scotland's Board before I leave post. The role of the board is to provide good governance, to ensure that Audit Scotland is well managed, looks to the future, and delivers high-quality audit and scrutiny of public services. I speak for the whole board when I say we are assured that Audit Scotland does consistently achieve these outcomes, and I thank my fellow board members for their support, drive and professionalism as we fulfil our oversight duty. They have shown an impressive ability to get the balance right between challenge and support in their scrutiny of management.

I also want to thank everyone who works for Audit Scotland. I have always been struck by their deeply held commitment to delivering a high-quality public audit service and to do what they can to improve public services and people's lives.

**Professor Alan Alexander OBE**  
Chair of the Audit Scotland Board

# Accountable Officer's report



**During 2023/24, it became even more apparent that Scotland's public services face big and urgent issues that require radical thinking and change.**

This was a key message across our audit work during 2023/24. We consistently highlighted that tightening budgets, workforce challenges and rising demand are pushing the public sector's capacity to a point where it may soon be unable to deliver and resource services as is currently done.

Addressing this requires leadership and a fundamental examination of the priorities for public services and the outcomes they intend to achieve.

Public audit plays a vital role in analysing these issues and bringing them to the attention of decision-makers, leaders and the public. We also have our part to play in helping find and drive the solutions and helping achieve sustainable public services.

At the heart of this is the crucial balance between assurance and improvement. We have worked to strengthen and broaden the usefulness and reach of our findings and recommendations, and our stakeholders' engagement with them. We are also working to better understand how public bodies implement our recommendations, what impacts this has, and how we can support public bodies and decision-makers to make more of what we learn and report through our work.

To ensure we can deliver our vision and provide value to the users of public services, we have been consolidating our development of recent years in our skills and capacity, and making sure our work is relevant, reliable and timely. We are undertaking a major programme of audit modernisation. Through this we will make sure that we can ensure quality, efficiency and compliance, and that our audit teams have the right skills, are working in the right ways and can confidently face the future.

We have also embedded new audit appointments for Scotland's public accounts. We are working to recover the timescales of our audits, following the disruptions of the pandemic.

Over the past four years public sector bodies have faced significant disruption, including to those who monitor and report on their own bodies' spending. We appreciate all that they are doing to recover timescales and produce robust accounts that help us deliver audit on the public's behalf.

I want to conclude by thanking my colleagues at Audit Scotland. Their hard work, professionalism and care shine through in all they do.

**Stephen Boyle**

Auditor General for Scotland and Accountable Officer

# Our year

## Public audit in Scotland

In 2023/24 we published [Public audit in Scotland](#), the shared statement of purpose setting out the joint vision and mission between the Auditor General, the Accounts Commission and Audit Scotland.

We support the vision and mission with the following four outcomes where we aim to have a tangible impact:



### Outcomes

- Public services in Scotland work better together to target resources more effectively.
- Financial planning and management are more effective across Scotland's public services.
- Public bodies deliver clearer and more transparent reporting.
- Our recommendations have a positive impact for people in Scotland.

We have committed to reporting on our impact against public audit outcomes at least twice during the five years of [Public audit in Scotland](#).

During 2023/24 we continued to implement our new impact monitoring, evaluation and reporting framework.

Our early impact approach looks at progress against our recommendations, how our work is influencing change, and stakeholder perceptions of our work. We report biannually to the Auditor General, the Accounts Commission and the Scottish Parliament's Public Audit Committee on this.

Our wider evaluation approach will look at the impact of our work on the four outcomes. This recognises that public audit operates in a complex and dynamic system where multiple contributions are needed to drive change. We aim to look at our impact through exploring how our activity contributes alongside other factors to making a difference.

We will commission our first wider evaluation in the second half of 2024 and report the findings in summer 2025.

# Timely and impactful public audit

We ensure that public audit in Scotland applies the highest professional and ethical standards, that it is efficient, proportionate and risk based, and promotes transparency and accountability.

In 2023/24, our in-house audit teams, and the external firms we contract, audited 228 sets of public body accounts under the [Code of audit practice](#), as well as working on the European Agricultural Fund audit and scrutinising the performance of housing benefit claims processing within Scotland's councils. We delivered 109 audits – 48 per cent – to updated guidance and target dates. Of the remainder, 103 have been delivered after our target dates, and at 31 May 2024, 16 were still to be delivered.

We continued to work on recovering audit delivery timeliness, following interruptions due to the Covid-19 pandemic and truncated deadlines in following years. However, this remains challenging, and we have developed a multi-year programme to fully recover our delivery against deadlines by autumn 2027.

We have taken, and will continue to take, a risk-based, focussed approach to prioritising work so that we ensure audit quality while also considering colleagues' workloads, wellbeing, and professional development commitments.

The annual audit of public bodies provides the foundation of public audit in Scotland and goes beyond reviewing accounts to look at matters such as governance and leadership, and how well public bodies use resources to improve outcomes.

## Accounts audited in 2023/24

<b>100</b>	<b>84</b>	<b>23</b>	<b>21</b>
Local government	Central government	NHS	Further education



## Accounts audited in 2023/24

Audits are carried out by Audit Scotland's Audit Services Group and by audit firms appointed by the Auditor General and the Accounts Commission.

Following international standards, auditors report whether they believe the accounts are true and fair, and free from material misstatement, and that money was spent in accordance with legislation and other relevant regulations.

A key feature of public audit in Scotland is that it goes further than the accounts. The [Code of audit practice](#) sets out a wider scope for public audit, recognising that good use of public money directly affects public services and the people who rely on them. Under the wider scope, auditors consider: financial management; financial sustainability; vision, leadership and governance; and the use of resources to improve outcomes.

All accounts we audited were judged to be true and fair, although auditors qualified this opinion for the accounts of Glasgow City Council. Auditors also qualified the accounts of Social Security Scotland for regularity reasons, and modified their opinion on Ferguson Marine Port Glasgow's accounts with an emphasis of matter about the entity as a going concern.

## Raising issues from annual accounts

We highlight matters of concern we find in the annual audits that are of significant public interest. This enables us to ensure clear accountability for the management and use of public money, and also that the wider public sector can learn from the issues we report on. The Auditor General does this through powers in Section 22 of the Public Finance and Accountability (Scotland) Act 2000, and the Controller of Audit through powers under Section 102 of the Local Government (Scotland) Act 1973. These reports are known as 'Section 22' and 'Section 102' reports.

In 2023/24, we issued six Section 22 and two Section 102 reports:

**Section 22s:** NHS Forth Valley, Scottish Government Consolidated Accounts, Scottish Prison Service, South Lanarkshire College, Scottish Canals, and the Water Industry Commission for Scotland.  
[\(Making a difference 1\)](#)

**Section 102s:** Glasgow City Council, and Renfrewshire Council.

More information about these reports can be found in our [Transparency report 2023/24](#) and on [our website](#).

## Reporting on Best Value in local government

During 2023/24 we began rolling out the Accounts Commission's new approach to Best Value auditing. The new BV audit approach is now fully integrated in the local government annual audit. It also involves annual Best Value thematic work identified each year by the Commission based on key risks identified by the Controller of Audit from financial and performance audit reports.

During the year, the Commission and the Controller of Audit published five Best Value reports on individual councils. The Commission's annual report provide further detail about these reports and its plans for future BV reporting.



## During 2023/24 we published five BVs on behalf of the Commission:

### **South Ayrshire Council**

November

### **Dumfries & Galloway Council**

January

### **Dundee City Council**

November

### **Orkney Islands Council**

January

### **Moray Council**

March

## Audit appointments

Under the Scottish model of public audit, audit appointments are rotated every five years, for both our in-house audit teams and the external firms we contract. This helps to safeguard the independence of appointed auditors – and perceptions about that independence – from the public bodies that they audit.

In 2023/24, we commenced the first year of the new round of five-year appointments, with a mix of in-house auditors and the external firms Azets, Deloitte, EY, Grant Thornton, KPMG and Mazars.

On behalf of the Auditor General and the Accounts Commission, we produce performance audits and overview reports on issues of important public interest involving significant amounts of public money. These include overviews of key public services, reviews of major reforms and projects, and exploring how public bodies respond to the key issues facing Scotland.

# 1

## Making a difference Scottish Canals



Over the past two years, the Auditor General reported on significant flaws in financial reporting at Scottish Canals, the body responsible for Scotland's waterways and related land and property. The impact of these issues was that auditors were unable to state whether they thought the organisation's accounts were fair and true for both 2020/21 and 2021/22.

This meant the Auditor General could not assure the public or the Parliament about Scottish Canals' financial position or its performance. The issue also had the potential to affect the organisation's management of assets and its financial planning.

In particular, auditors were concerned about the valuations of Scottish Canals' canal infrastructure. The Auditor General called on Scottish Canals to urgently make sure it had the capacity and expertise to do this and provide evidence that would allow auditors to make a judgement.

Scottish Canals responded by employing more finance staff and working on its process and approaches.

This year the auditors [reported on significant improvements](#) to the quality of accounts and the valuation processes, and auditors were able to issue an unqualified opinion for the first time since 2020.

Scottish Canals still has a lot of work to do. But for the first time in three years, we were able to assure the public about its financial position and performance.

# Dynamic performance audit programme

Over recent years we have introduced a more flexible approach to our programme, so we can react to the circumstances and emerging issues facing Scotland's public services. We communicate our findings and recommendations through a diverse range of products, from detailed performance audit reports to briefing papers and update reports to blogs. We supplement these with supporting products such as social media, videos and animations to reach as wide an audience as possible and get our audit messages across more effectively to the people affected by the issues we review.

## Performance audit

The unsustainability of public services was the central message of both the Accounts Commission's [overview of local government](#) (May) and the Auditor General's [NHS in Scotland overview](#) (February). The Commission stated that Scotland's councils had never faced such a challenging situation as the present, and radical change is needed if they are to maintain services. The Auditor General similarly called for major change, saying the affordability of the NHS was at risk without reform. In January the Commission followed its overview with a local government financial bulletin stating that councils now faced hard choices about service cuts.

In April the Auditor General reported that the Scottish Government needs to improve how it is set up to [deliver the country's climate change goals](#). We returned to climate change in a summary by the UK's four public audit agencies about the different programmes underway in the four nations. Our review of the [criminal courts backlog](#) (May) found that the trial backlog that built up during the pandemic had been significantly reduced but waiting times for the most serious crimes had doubled. In June we followed up our previous audit on [early learning and childcare](#), reporting that the Scottish Government, councils and partners had done well to increase the hours provided to each child but that the sector was fragile. Our review of [adult mental health services](#) (September) found that accessing services remained slow and complicated for many people, and our audit on the Scottish Government's plans to phase out fossil fuel [heating systems in homes](#) needs to expand and accelerate significantly in order to achieve its goals.

Our shorter briefing reports considered subjects and themes we have previously reported on or intend exploring further in our audit work. In April we reported that [Integration Joint Boards](#) face considerable financial and workforce challenges. Our review of [Scotland's colleges](#) (September) found the same issues, and we also reported that the

### NHS in Scotland overview 2023



February



### Criminal courts backlog



May



### Adult mental health



September



Scottish Government no longer expects to have enough money to deliver its planned [public sector infrastructure investment](#) (September). The theme of the unsustainability of public services was again a key message in our analysis of [the Scottish Government's workforce challenges](#) (October), and in February the Auditor General reported that the Scottish Government's [10-year economic strategy](#) lacked leadership and clear targets.

We published [five blogs](#) on: homelessness; 20 years of Best Value; climate change; the Accounts Commission's social care work programme; and the role of the Accounts Commission.

Over the past year we have developed our approach to understanding the impact of our work. In June we reported on the good progress that the agencies involved in [Scotland's City Region and Growth Deals](#) have made in implementing the recommendations we made in our [2020 performance audit](#). See [Making a difference 2 \(page 15\)](#) for a review of the impact of our climate change audit.

## Supporting scrutiny and countering fraud

### Supporting the Scottish Parliament

Public audit helps the Scottish Parliament and policy-makers understand the key issues facing the public sector and how public money is spent.

The Auditor General reports in public to the Scottish Parliament's Public Audit Committee (PAC), and the Accounts Commission engages with the Local Government, Housing and Planning Committee. We also regularly engage formally and informally with other committees and the Scottish Parliament Information Centre (SPICe) to better help parliamentarians scrutinise the public sector's performance. During 2023/24 we met with and gave oral and written evidence and briefings to a wide range of parliamentary committees, with a total of 77 parliamentary engagements over the year as well as meetings with MSPs, and our audits and evidence were cited 138 times in committees' work.

Alongside that formal reporting, we have responded to consultations and calls for evidence by parliamentary committees, providing submissions to 21 Scottish Parliament and Scottish Government policy consultations during 2023/24.

### Scrutiny coordination

We work closely with other scrutiny bodies to make sure the scrutiny of public sector bodies is targeted and proportionate. This includes working on behalf of the Accounts Commission to support the Strategic Scrutiny Group that coordinates scrutiny of local government, and on the shared risk assessment of Scotland's 32 councils. We are also members of the Sharing Intelligence for Health and Social Care Group, which aims to coordinate activity and jointly identify the key risks to health and social care. More information is available on our [Scrutiny improvement webpage](#).

### Investing in Scotland's infrastructure



September



### The Scottish Government's workforce challenges



October



## Countering fraud

Public audit has an important role in raising awareness about fraud as well as helping to prevent and report on fraud. We report on frauds identified during the year, and have responsibility to review how public bodies have discharged their counter-fraud responsibilities.

In July, we published our [Fraud and irregularity update](#) on cases auditors reported on during 2022/23.

Audit Scotland coordinates the National Fraud Initiative, an exercise that matches datasets across the public sector to identify potential fraud and errors such as overpayments. The next biennial NFI report will be published during 2024. More information is available at our [Counter-fraud webpage](#).

# 2

## Making a difference

### Tackling our climate change recommendations



In April 2023, the Auditor General [reported on the Scottish Government's arrangements for tackling climate change](#), and made a range of recommendations to help it improve this. In particular, he called for better alignment and workforce planning to support governance, and a range of actions to improve risk management.

The Scottish Government accepted the recommendations in full and began implementation.

In March 2024, we reported to the Scottish Parliament on the good progress the Scottish Government was making, and the material improvements in governance and risk management it was now seeing. These included:

- more transparent governance arrangements, with distinct roles, remits and clearer reporting lines
- a comprehensive performance monitoring framework and reporting dashboard, providing monthly updates on progress towards climate goals
- and more active monitoring and management of risks, and escalation appropriate forums where necessary.

We will continue to monitor this, and any further improvements made and changes needed.

# Enhanced audit approaches

## Audit quality

High quality is fundamental to our audit work, so that the assurance we provide is reliable and supports our ability to drive improvements and changes in public services.

Our [Audit Quality Framework](#) sets out the framework for reviewing the quality of the financial and performance audit outputs delivered for the Auditor General and Accounts Commission. Central to the Framework are three levels of assurance on audit quality:

- **Level One:** training and support
- **Level Two:** internal quality monitoring, reviews and improvement activity
- **Level Three:** external independent quality reviews.

Our learning and development strategy and people strategy support Level One ([see Developing our people and business, page 20](#)). During 2023/24 we bolstered our Level Two arrangements through the expansion of our dedicated Quality team, as well as our in-house independent Audit Quality and Appointments (AQA) team. At Level Three, the Institute of Chartered Accountants in England and Wales (ICAEW) check that our in-house teams and appointed external firms conduct audits in compliance with auditing standards, and regulatory and professional requirements. More detail is available in [Audit quality in Audit Scotland: Commitment to quality](#).

Internal and external reviews of a sample of audits completed in 2022/23 found:

- 67 per cent of financial audits and all of performance audits achieved our expected standard of no or minor improvements required
- 25 per cent of the reviews of financial audits gave the highest grade
- A third of financial audits required some improvements, and none required significant improvements.

There were no challenges to the validity of audit opinions.

Public bodies gave highly positive feedback on our audit work, rating the overall performance of our teams at 4.3 out of five.

Internally, 92 per cent of colleagues said they were encouraged to deliver high-quality audit work, but only 34 per cent felt they had the time and resources to do so.

The results of this monitoring framework inform our quality improvement activity. More information is available in our [Quality of public audit in Scotland annual report](#) and our [Transparency report](#).

In August 2023, we reviewed our arrangements for meeting our quality objectives. The review concluded that appropriate procedures were in place to address the risks to our quality, and we have also completed a small number of development actions.

In February, ICAEW independently reviewed our system of quality management and concluded that it is appropriate for the size and nature of our organisation.

We continue to represent, and engage with, a wide range of international and UK professional bodies, auditing and accounting standards setters, and audit agencies. This includes consultations on professional and regulatory matters, and discussing audit quality activity to learn from and share good practice.

## Modernising our audit approaches

The world of audit is constantly changing and advancing. The role of our job, the expectations on auditors, the technology and tools we use and the contexts we work in are continuously evolving.

During 2023/24 we developed and launched our Audit Modernisation Project, our wide-ranging and ambitious multi-year approach to improving and future-proofing the work we do and how we do it.

The project will transform both our approaches and the tools, training and mechanisms we use so that we aren't just keeping up with changes but can lead and influence how audit advances.

This means:

- refining and refreshing our approaches
- delivering a learning and support programme so that we are empowered and confident to deliver new ways of working
- agreeing the skills, capacity and grade mix we need for the future
- developing sustainable and efficient ways of updating and future-proofing our approach, software and tools

- and delivering an interoperable system enabling efficient and automated processes, analysis and documentation.

Enhancing our digital audit approach is an important part of audit modernisation. This includes harnessing developments in audit automation and artificial intelligence. During 2023/24 we continued to develop skills in both IT audit and analytics through our digital champions programme. Our Digital Audit Team continues to develop tools and dashboards to support our auditors deliver their work more effectively, and efficiently.

Through our audit modernisation project, in 2023/24 we also introduced new audit and management tools to improve productivity and efficiency. While we are already seeing some benefits, we will realise these more in coming years and report in more detail in future annual reports.

# 3

## Making a difference

Ensuring we meet changing standards



As well as delivering our own development plans, we must respond effectively to changes in auditing standards, and regulatory and professional requirements.

Changes to the international standard around the risks of bodies making material misstatements in their accounts (ISA (UK) 315) have required significant updates to our financial audit approach, and resulted in additional work for auditors to meet the standard. This had been a major project over the past two years, and we fully implemented our new approach during 2023/24. We reviewed this, resulting in:

- a more robust approach to risk assessment, and auditors have a stronger understanding of the entities that they audit
- a learning event for all financial audit staff to provide further support and training
- investment in upskilling our digital champions through attendance at an 'IT bootcamp' and refresher sessions, and guidance on areas where issues were identified or further support was required based on auditors' experiences of the updated audit approach.

# Developing our people and our business

## Our people

### Our workforce in 2023/24

**330.76**

Whole-Time  
Equivalent (WTE)

**0.9%**

increase  
from March 2023

**49**

Trainees

Over the past year we have aimed to consolidate the growth we have made in previous years.

We also worked on improving how we deploy our workforce so that we can better support our strategic priorities while continuing to deliver high-quality, robust financial and performance audit.

In November we published our [People strategy 2023-28](#), setting out our commitment to invest in our people and to ensure we have the skills, capacity and flexibility to deliver [Public audit in Scotland](#) and our [Corporate Plan](#). The strategy takes a 'one organisation' approach, and was developed in consultation with colleagues, the PCS union, and our Board.

## Business planning and resourcing

[Public audit in Scotland](#) and our [Corporate Plan](#) were developed after significant internal and external consultation.

To support the ambitions and strategic priorities in these, we developed and delivered a new integrated and collaborative operational planning process. Through this, we aim to ensure the best use of our resources, and achieve tangible impact in the outcome areas we have agreed. We received strong assurance from our internal auditors ([see page 38](#)) on our new approach.

Like many organisations, the ways we work have changed since the pandemic. During 2023/24 we reviewed our estates strategy to better reflect the impacts of hybrid working and the geographical distribution of our workforce. We are reducing the size of our Edinburgh office, while creating more space in Glasgow. This project will deliver £2.2 million in savings over the next decade.



### Public audit in Scotland 2023-28



June



### Corporate plan 2023-28



June



We continued to focus on digital security and on ensuring colleagues have the equipment and systems they need to do their job effectively, and spent £150,000 on new hardware and software.

## Learning and development

We published a Learning and Development plan in October 2023. The plan focuses on helping our colleagues to develop the right knowledge, skills and behaviours to deliver high-quality audits, equip them for the future and demonstrate Audit Scotland's values.

The plan expands mandatory learning to cover the increased demands within the audit profession, the role of managers and to protect time for learning. This provides the basis for colleagues to meet relevant continuous professional development requirements.

This is complemented by self-directed learning through our personal development process. This empowers colleagues to tailor their learning to meet their individual professional needs and career aspirations.

All planned learning is accessed through our learning management system. We are continuing to explore the functionality of this system to ensure we identify and deliver the knowledge and skills needed for the future. Each staff member received an average of 18.5 days training during 2023/24 (18 in 2022/23).

We run one of the largest public sector accountancy training schemes in Scotland. As at 31 March 2024 we had 49 trainees, 37 of whom were working towards Institute of Chartered Accountants in Scotland qualifications, with the remainder to start training in 2024. In 2023, our trainees passed 152 out of 162 exams (93.8 per cent) on their first sitting, which is an increase on last year's 86 per cent. We also have three Modern Apprentices, and are working on proposals to expand this programme and offer more opportunities for young people to take this approach to joining the workforce.

## Diversity, equality and inclusion

We are committed to using data to understand whether our efforts to promote diversity and equality across our workforce are delivering results. As at 31 March 2023:

- 6.8 per cent declared that they are from an ethnic minority, compared with 4.5 per cent of the total Scottish population
- 3.8 per cent declared they are lesbian, gay, bisexual or other, compared with 3.0 per cent of the Scottish population
- 6.2 per cent declared they have a disability, compared with 32 per cent of adults in Scotland.

The percentage of colleagues with a declared disability has increased in recent years, but we have more work to do to increase the representation of people with disabilities and young people in our workforce. We also have more female (56.6 per cent) than male (43.4 per cent employees) but less female representation in leadership roles ([see pages 46 for more information](#)).

In April 2023, we started working with our new diversity, equality and inclusion (DEI) partner, Business in the Community. The aim of this partnership is to support us to deliver on our equality outcomes around increasing the diversity of people into Audit Scotland and their progression through every level of our organisation, and to broaden our culture of diversity and inclusion, so all employees feel valued, engaged and contribute. Through the partnership we are receiving support to develop a new DEI strategy, which we will publish in April 2025, learning and development support for colleagues and support with benchmarking our progress.

## Ways of working

Our organisational values are equality, integrity, independence, innovation and respect. During the year we delivered a range of activities to embed the values in everything we do. This has included embedding our values within our learning and development, into corporate communications and developing an Audit Scotland values charter [Making a difference 4 \(page 23\)](#).

## Climate change and sustainability

Our most recent information on our sustainability performance is for 2022/23. During the year, the total emissions counted against our target was 94 tCO<sub>2</sub>e. This is almost 50 per cent lower than our 2024/25 target, and more than 30 tCO<sub>2</sub>e lower than our current 2030 target. More information is in our [Environment, sustainability and biodiversity annual report 2022/23](#).

We are currently reviewing our targets to ensure we appropriately capture all emissions associated with our work, particularly the impact of home working.

Our 2023/24 report will be published in late 2024.

# 4

## Making a difference Putting our values into action



As we have developed our vision and mission for the coming years, we also agreed our organisational values. During 2023/24 we focused on what these mean in practice and where and how we live them.

During the past year, our Leadership Group delivered workshops for colleagues to discuss how our values translate to concrete attitudes and behaviours of individuals and teams, considering what they explicitly look like when we are doing them well and when we aren't getting it right. More than 240 colleagues participated in these workshops, nearly 70 per cent of our workforce.

From this we have developed and agreed a values charter to support us to further embed the values into our everyday attitudes and behaviours. Colleagues can use the charter in one-to-one conversations, within their teams and more widely across the organisation to support our values and to challenge each other when we see them not being upheld.

We also began work to review our performance appraisal approach in order to put our values at the heart of this. Further work will include embedding our values in our recruitment and selection processes.

# Insights driving innovation and improvement

## Stakeholder engagement

We engage with a wide range of stakeholders to capture the views, experiences and priorities of decision-makers, the people delivering services and the people using them. This informs decisions about our audit programme and helps make sure our work is relevant. Through effective engagement we can also ensure our findings and recommendations reach the people they affect, and that we can track and understand our work's impact.

During 2023/24, we developed and launched a programme of stakeholder research.

We commissioned our first public opinion survey to help us understand the reach of and engagement with our audit work, our impact against our outcomes, and to inform our future audit programme. It found that the majority of the Scottish adults surveyed were aware of us and our work, but were less clear about the exact roles of the Auditor General and the Accounts Commission. Encouragingly, interviewees' stated priorities for our future work aligned with our strategic objectives of supporting partnership working and collaboration in the public sector, and better long-term financial planning.

Further plans for stakeholder research include engagement with our scrutiny partners and with the third sector and these will be delivered during 2024.

## Assessing our impact

We have developed a new framework for monitoring, evaluating and reporting on the impact of our audit work ([Making a difference 5, page 26](#)), and piloted this during 2023/24.

We delivered our first impact evaluation report to the Scottish Parliament's Public Audit Committee in August 2023 and our second impact report for the Auditor General and Accounts Commission in November 2023.

A key dimension of our framework is continuous improvement. As part of this, we have developed new guidance for performance auditors to create SMART audit recommendations and on following them up. This year we found that most of our recommendations have been accepted, and public bodies are making good progress in implementing them.

Public bodies have also told us that our financial and performance audits make clear recommendations, and that they influence improvement. Similarly, our briefing papers have supported parliamentary scrutiny and contributed to national and local developments in key areas such as planning and reform, climate change and financial sustainability.

## Responding to the public

We dealt with 301 items of correspondence in 2023/24, a three per cent increase on 2022/23. Over the past three years, we have seen increasing numbers of concerns raised with us about public bodies, but fewer enquiries about our work. In 2023/24, 97 per cent of correspondence was acknowledged within five working days and 98 per cent received a final response within 30 working days.

We are receiving higher numbers of enquiries about issues that are outside our remit. We are addressing this by working to give potential correspondents more information about remit at the time they consider corresponding with us.

## International work

Our [International work strategy 2021–24](#) and [International work strategy 2024-28](#) sets out our mission to learn, share our knowledge and expertise, and help support effective public sector governance and accountability in Scotland and overseas. We also commit to ensuring international activity is conducted efficiently, effectively, provides value for money and promotes sustainability.

## Highlights from our 2023/24 international activity include:

**OECD Integrity Week** – This event supports organisations to strengthen integrity, build trust and fight corruption. We used this to develop our good practice note on climate change and to share learning with colleagues on innovation and anti-corruption.

**North Macedonia Parliamentary Budget Office** – We supported the office during 2023/24, including sharing information on our role and how we work with the Scottish Parliament to support scrutiny.

**EURORAI International Seminar** – The seminar looked at performance audit methodologies and how they are changing as we focus more on outcomes, value for money and lived experience. We shared the impact of our audit work on improving outcomes for young people through school education.

**Queensland Audit Office** – We engaged with the QAO on their project to implement new financial audit software, including system demonstrations and lessons learned. This work directly informed our audit modernisation project.

**International panel** – We hosted an online panel of international experts from academia and performance audit to explore the challenges facing public services globally and how public audit is evolving to support and drive changes in services delivery, and to have more impact.

# 5

## Making a difference Better understanding our impact



During 2023/24 we ran pilots within our financial and performance audit teams on our new framework for monitoring, evaluating and reporting on the impact of our audit work.

Our performance audit pilot identified opportunities to improve our audit approach in a number of areas. In particular, we considered our recommendations, which are a key tool in delivering the outcomes we have set out in Public audit in Scotland. We reviewed the quality and clarity of our recommendations and our processes for following up on public bodies implementing them and the subsequent results.

We developed and issued new guidance on the approach for teams developing recommendations, including examples of good and weak practice, and the process for monitoring, evaluating, and reporting progress against recommendations.

# Our finances



## Financial overview

### Expenditure

---

**£22.4**  
million

Expenditure on  
people costs

**£8.1**  
million

Fees and expenses  
paid to firms

**£4.6**  
million

Other operating  
expenditure

**£5.2**  
million

Capital expenditure  
Incl. right-of-use  
leases

### Fees and funding

---

**£23.4**  
million

audit fees and  
other income

**£15.2**  
million

Scottish Parliament  
funding

**£1.7**  
million

Net finance  
expenditure incl.  
Corporation Tax

## Sources of funding

The Public Finance and Accountability (Scotland) Act 2000 allows us to make reasonable charges to audited bodies in respect of the exercise of our functions. We must seek to ensure that, taking one year with another, the charges for certain types of work are broadly equivalent to expenditure. Where we cannot charge directly for the audit work, costs are met from the Scottish Consolidated Fund.

## Review of financial performance

We are required to produce annual accounts detailing the resources acquired, held or disposed of during the financial year and the way in which they were used. The Auditor General for Scotland has been appointed as Accountable Officer and is responsible for the preparation of these accounts. The following sections provide a summary from the accounts. The financial statements are published from [page 62](#).

## Resource outturn

Our year in figures	Note	2023/24			2022/23
		Actual £000	Budget £000	Variance £000	Actual £000
People costs	Staff Report	22,355	23,068	713	24,475
Fees and expenses paid to external firms	4	8,147	7,070	(1,077)	4,679
Other operating expenditure	4	4,564	4,705	141	4,735
<b>Total operating expenditure</b>		35,066	34,843	(223)	33,889
Operating income	5	(23,375)	(22,943)	432	(19,011)
<b>Net operating expenditure</b>		11,691	11,900	209	14,878
Net finance expenditure/ (income)	6	(1,693)	-	1,693	670
Corporation Tax payable		13	-	(13)	-
<b>Net expenditure after tax</b>		10,011	11,900	1,889	15,548
Capital expenditure	7 and 8	247	300	53	203
<b>RoU Leases Capital</b>	15	4,930	6,271	1,341	188
<b>Total resource required from Parliament</b>		<b>15,188</b>	<b>18,471</b>	<b>3,283</b>	<b>15,939</b>

## Net expenditure after tax

In 2023/24, Audit Scotland spent £35.1 million on services for the Auditor General and the Accounts Commission. Of these costs £23.4 million was recovered through charges to audited bodies and other income. The balance of £11.7 million net operating expenditure was met by net finance income of £1.7 million and £10.0 million of direct funding provided by the Scottish Parliament. The Scottish Parliament also directly funded the £0.2 million capital investment programme and the £4.9 million required to meet non-cash capital on leases.

The financial year remained extremely challenging with the ongoing impact of cost-of-living pressures on colleagues and the organisation. It was also the first year of the new audit appointments where public sector bodies have been allocated new auditors under the five-year audit rotation cycle.

There was no requirement for 2023/24 Spring Budget Revision funding to meet IAS 19 pension costs as the actuary projection was for employer contributions to exceed in-year service costs. The actual adjustment in the accounts for pensions in 2023/24 was a credit of £1.9 million. This effectively leads to an operational outturn in the financial year of £0.1 million less than budget.

People costs represent 64 per cent of Audit Scotland's total operating expenditure, with the year-end position £0.7 million less than budget. Staff salaries and on costs were underspent and agency costs were overspent. The combined position for these costs led to an underspend of £0.5 million due to the level of vacancies during the year being higher than planned. This saving was reduced by the cost-of-living pay settlement being higher than budget. The use of agency staff was required to cover for vacant posts as well as to provide expert support in respect of the audit modernisation and resourcing projects. Significant progress was made with staff in relation to outstanding leave balances and the adjustment at the year-end reflects this with a credit of £0.2 million being recognised in the accounts.

Fees and expenses paid to firms was £1.1 million more than budget. This is due to additional work undertaken and the costs of completing prior year audit work. As previously reported the procurement exercise for external audit provision highlighted a significant change in the audit market and the cost of audit. Additional fee income will cover some of the additional costs as the firms experienced a significant number of adjustments, discrepancies in the application of accounting standards and delays in the availability of working papers. As this is the first year of the new appointments it is expected that the position will improve for future audit year work.

Other operating expenditure was £0.1 million less than budget with reduced expenditure on travel and subsistence (£0.2 million), professional fees (£0.2 million) and depreciation (£0.1 million). The savings generated were reduced by expenditure being more than budget on property (£0.3 million) and information technology (£0.1 million). The overspend in property was due to the expansion of the Glasgow office in July 2023 and the impact of inflationary increases on service charges, business rates and energy costs. The information technology overspend was due to the requirement to upgrade software to a cloud based version in order to receive continued support of the application.

Operating income was £0.4 million more than budget. This is due to additional work being undertaken by external firms, recognition of prior audit year income and some in-house recovery in respect of closing work in progress position at 31 March.

In 2023/24, our budget was approved with a target planned efficiency saving of £1.0 million. The final operational outturn, including capital, was £0.1 million less than budget and the actual saving to budget in the year was therefore £1.1 million, 3.1 per cent of our £35.1 million Operating and Direct Capital expenditure budget. Most savings came from people costs and travel and subsistence.

## Capital expenditure

In addition to a net revenue expenditure budget, Audit Scotland receives a capital budget to purchase assets that have a use beyond one year.

The original budget for 2023/24 of £0.2 million was planned to be used to deliver our commitment to invest in office infrastructure and IT hardware and software. In the Spring Budget Revision our capital budget was increased by a further £0.1 million to fund minor building works in the Glasgow office. This increase was funded by a budget reduction of £0.1 million in our revenue funding. Due to project slippage this work did not commence, and the additional capital funding was partially used to accelerate the IT hardware requirement identified in the 2024/25 capital programme. Capital investment in 2023/24 totalled £0.2 million, which was £0.1 million less than revised budget.

The primary focus of the investment was to continue to provide colleagues with the equipment required to work remotely, and in the office, securely and effectively.

The planned minor building work in the Glasgow office will now take place in financial year 2024/25.

## RoU Leases capital

Under the new lease standard IFRS 16 there is a non-cash capital funding requirement on initial recognition of the total obligations under leases. Audit Scotland leases offices in Edinburgh, Glasgow and Inverness and also operates a car lease scheme for eligible employees.

The non-cash capital expenditure in 2023/24 of £4.9 million was £1.3 million less than budget due to the measurement of lease liabilities using the present value of the payments for the remaining lease term. The capital requirement in 2023/24 was significantly higher than the previous year due to the lease extensions required for our offices in Edinburgh and Glasgow.

## Resources required for 2024/25

The 2024/25 budget has been approved by the Scottish Parliament with revenue resources totalling £37.6 million. Of these resources, £24.5 million will be recovered through charges to audited bodies and miscellaneous income. The £13.1 million balance of expenditure will be met from direct funding provided by the Scottish Parliament. A capital resource of £0.2 million will also be provided by the Scottish Parliament.

### Stephen Boyle

Accountable Officer

18 June 2024

# Accountability report

## In this section of the report we set out:

- Our Corporate governance report; including the:
  - Directors' report
  - Statement of Accountable Officer's responsibilities
  - Governance statement
  - Governance framework
- Remuneration and staff report
- Independent auditors' report



# Corporate Governance Report

## Directors' report

### Directors

The directors of Audit Scotland are the Executive Team and non-executive board members whose details are set out in the [Governance statement](#).

### Register of interests

Executive Team and board members must complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their management responsibilities and no member of the board had any other related party interests which conflicted with their responsibilities.

### Auditor of Audit Scotland

Our accounts must, under Section 19 of the Public Finance and Accountability (Scotland) Act 2000, be sent to the Scottish Commission for Public Audit (SCPA) for auditing. The SCPA appointed Alexander Sloan Accountants and Business Advisers as external auditors for a period of four years starting with the year to March 2024.

# Statement of Accountable Officer's responsibilities

Under Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, Audit Scotland is required to prepare resource accounts for each financial year, in conformity with the direction of Scottish ministers, detailing the resources acquired, held, or disposed of during the year and the use of resources by Audit Scotland during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Audit Scotland, the net resource outturn, comprehensive net expenditure, cash flows and movement in taxpayers' equity for the financial year.

The SCPA has appointed the Auditor General for Scotland as Accountable Officer for Audit Scotland, with responsibility for preparing the accounts of Audit Scotland and for submitting them for audit to the SCPA.

In preparing the accounts, the Accountable Officer is required to comply with the Financial Reporting Manual (FReM) and has:

- observed the accounts direction including the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis
- made judgements and estimates on a reasonable basis
- stated whether applicable accounting standards, as set out in the FReM, have been followed; and disclosed and explained any material departures in the accounts
- prepared accounts on a going concern basis.

The Accountable Officer confirms that so far as he is aware there is no relevant audit information of which Audit Scotland's auditors are unaware, and that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that Audit Scotland's auditors are aware of that information.

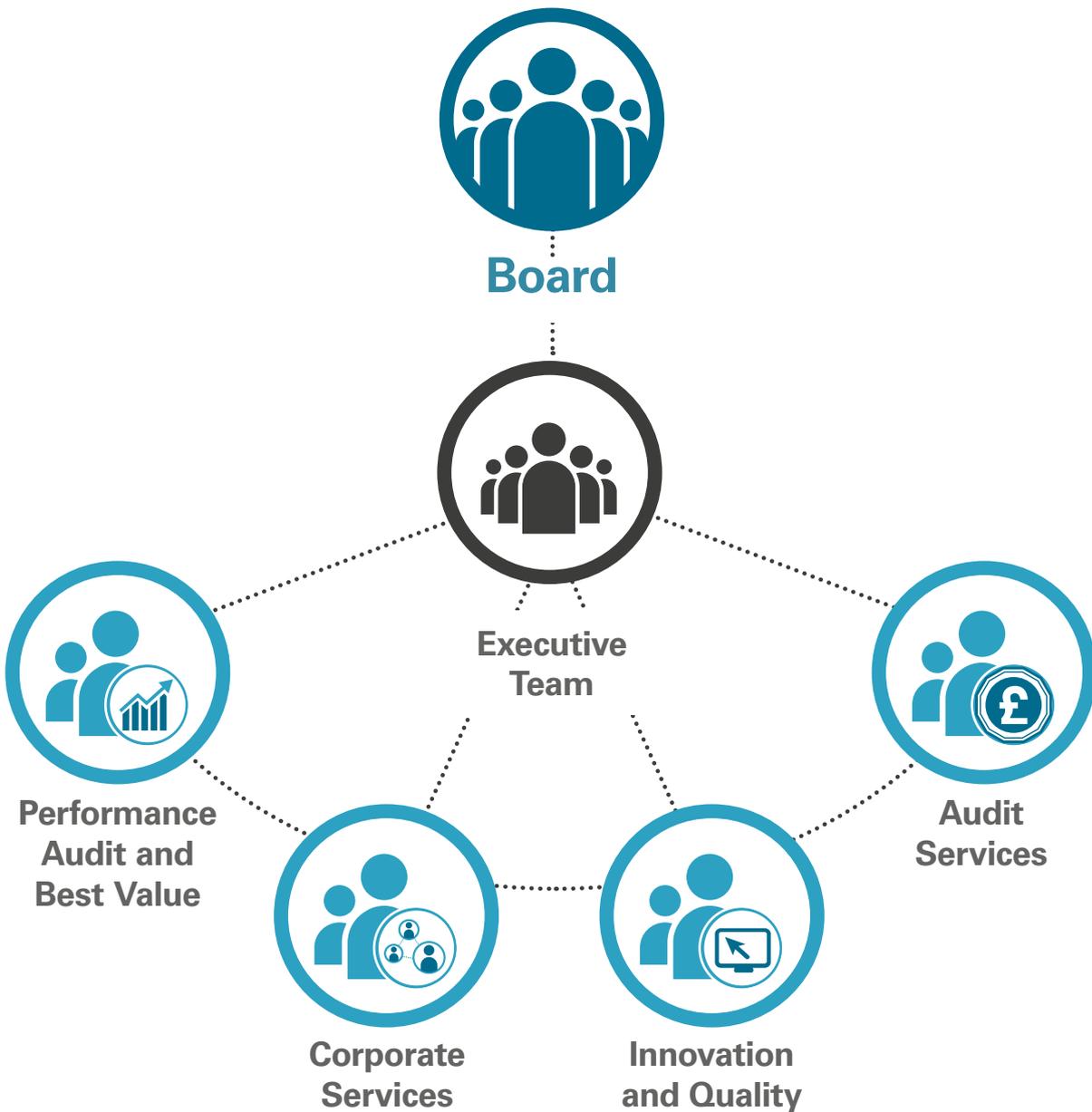
The Accountable Officer confirms that this annual report and accounts taken as a whole is fair, balanced and understandable. The Accountable Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

The responsibilities of the Accountable Officer (including the propriety and regularity of the public finances) for keeping proper records and for safeguarding assets are set out in the [Memorandum to Accountable Officers for Other Public Bodies](#).

# Governance statement

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Audit Scotland's policies, aims and objectives. I am also responsible for safeguarding the public funds and assets assigned to Audit Scotland, in accordance with the responsibilities set out in the [Memorandum to Accountable Officers for Other Public Bodies](#).

## Our governance and management framework



## Board members



**Professor Alan Alexander**

Chair of the board



**Stephen Boyle**

Auditor General for Scotland and Accountable Officer for Audit Scotland



**Jo Armstrong**

Chair of the Accounts Commission

(Ms Armstrong joined the board in February 2024)

- Dr William Moyes was Chair of the Accounts Commission in April and May 2023.
- Tim McKay represented the Accounts Commission in May 2023.
- Ronnie Hinds was Interim Chair of the Accounts Commission between June 2023 and January 2024.



**Colin Crosby**

Independent non-executive member and Chair of the Audit Committee



**Jackie Mann**

Independent non-executive member and Chair of the Human Resources and Remuneration Committee

## The board

The Audit Scotland Board is responsible for the exercise of all functions of Audit Scotland. It exercises its powers and authorities through a Scheme of Delegation, which it determines and approves.

The board is made up of the Auditor General, the chair of the Accounts Commission and three independent non-executive members appointed by the SCPA. The chair of the board and the board's committees are non-executive members.

Our board sets and monitors the strategic direction of Audit Scotland, oversees Audit Scotland's work and sets high standards of governance and management.

- The board meets in public and board papers are available on our [website](#).
- The board reviews the quality of board reports and the effectiveness of its meetings as a standing item at the end of every meeting.

## Board committees

The board has two standing committees:

### Audit committee

This committee oversees the arrangements for corporate governance, internal control, audit quality, risk and financial management and internal and external audit. This includes reviews of the Standing Orders, Scheme of Delegation, the Financial Regulations and the annual accounts. The audit committee submits an Annual Statement of Assurance to the Board.

The audit committee comprises Colin Crosby (chair), Jo Armstrong and Jackie Mann.

The committee appoints the internal auditors and approves the internal audit plan. Internal audit services are provided by an external firm.

Following a procurement process, Wylie & Bisset were appointed in April 2022. Seven of the eight audits in 2023/24 achieved a 'strong' rating (the highest rating available), while the remaining audit received a 'substantial' rating. Across the audits there were six recommendations, of which four were of low priority and two of medium priority.

### Remuneration and human resources committee

This committee sets and reviews the salaries of senior staff (excluding the Auditor General, whose salary is agreed by the Scottish Parliamentary Corporate Body) and the main terms and conditions for all staff. The committee takes advice from external advisors as required.

The committee comprises Jackie Mann (chair), Alan Alexander, Jo Armstrong, Colin Crosby and Stephen Boyle.

### Attendance during 2023/24:<sup>1</sup>

Committee	Alan Alexander	Stephen Boyle	William Moyes <sup>2</sup>	Ronnie Hinds <sup>2</sup>	Jo <sup>2</sup> Armstrong	Jackie Mann	Colin Crosby
Board (7)	6	7	1	2	1	7	7
Audit committee (5)	4	5	-	-	1	5	5
Remuneration and human resources committee (4)	4	4	-	1	1	4	4

Notes:

1. Board members who are not formal members of the Audit committee and the Remuneration and human resources committee attend as observers.
2. Dr Moyes resigned his post on 5 May 2023. Ronnie Hinds was Interim Chair of the Accounts Commission June 2023– January 2024. Ms Armstrong joined the board in February 2024.

## Executive Team

Audit Scotland's Executive Team oversees the day-to-day operations of Audit Scotland's work, with each member taking responsibility for a specific area.

During 2023/24 the Executive Team was made up of the Auditor General for Scotland, who is the Accountable Officer, the Chief Operating Officer, the Controller of Audit and three executive directors. It normally meets on a weekly basis, takes business decisions and considers regular reports from managers on the progress towards meeting the organisation's objectives.

## Parliamentary accountability

Audit Scotland is held to account by the Parliament through statutory arrangements put in place by the Scotland Act 1998 and through the Public Finance and Accountability (Scotland) Act 2000.

Our spending and use of resources are examined by the SCPA, a statutory body comprising five MSPs which meets in public and reports to the Parliament.

The SCPA appoints our non-executive board members and chair, scrutinises our budget, annual report and accounts, and produces reports on these. It appoints our external auditors, currently Alexander Sloan Accountants and Business Advisers.

In considering the 2024/25 [budget proposal](#), the SCPA explored a number of areas including the reasons for the budget increase in the context of public sector settlements, efficiency savings, the estate strategy, audit modernisation, staffing matters, pensions and travel and subsistence costs, audit delivery and the range of bodies covered by public audit and audit fees. The SCPA also requested additional written information on staffing costs, audit modernisation, costs in relation to the Accounts Commission, forecast outturn and the National Fraud Initiative.

The SCPA noted the 2024/25 budget proposal and submitted it to the Finance Committee. The [SCPA's report](#) noted 'While the Commission understands that only 4.7 per cent of this increase is within Audit Scotland's direct control, however, we have concerns at the level of this increase, particularly in the context of significant pressures on Scotland's public finances and the resources of other public bodies and services.' The report said the Commission plans to strengthen its scrutiny of our future budget proposals.

# Governance framework

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control. The systems seek to identify the principal risks to the achievement of Audit Scotland's policies, aims and objectives. They are designed to manage rather than eliminate the risk of failure and they follow the guidance to public bodies as set out in the Scottish Public Finance Manual.

## Risk management and control

The board sets the strategic direction for Audit Scotland in consultation with the Auditor General and the Accounts Commission.

The board's audit committee has responsibilities for risk, control assurance, audit quality and governance. The committee recommends the appointment of our internal auditors and receives our annual accounts and internal and external audit reports.

We have a **Risk Management Framework** which includes a corporate risk register. We use this to identify the key risks facing the organisation, analyse the likelihood and impact of the risk crystallising and capture the active and monitoring controls in place and the way in which the risk is monitored. The register also identifies any actions required to further reduce the risk. The risks are aligned to our strategic objectives and many of the mitigating actions form part of our strategic improvement programme.

The risk register is reviewed regularly by the Executive Team and by the audit committee.

At the operational level, risks are managed by the management team of each business group and information risk is managed by the corporate Knowledge, Information and Technology Governance Group.

The key strategic risks as at March 2024 were in relation to: digital security, audit quality and audit delivery, organisational capacity, health safety and wellbeing, efficiency, innovation and audit modernisation and the public sector audit market.

Many of the risks are interlinked; for example, risks to organisational capacity could have an impact on audit delivery and audit quality.

## Information security

High-quality digital resources are essential to our business. We continue to make important improvements to our core systems, digital hardware, and how we use mobile technology. These are all designed to ensure that we have resilient and high-quality systems to support our audit work.

Our [Digital Services Strategy 2021-24](#) focuses on three core objectives: enhancing our cyber security, providing systems and services for a virtual business and digital transformation.

We have privileged access to data and information to support the discharge of our audit function and ensure that reports to the Parliament and the Accounts Commission are factual, accurate and complete. Audit Scotland has a duty to respect this privileged access and to ensure that the personal information entrusted to it is safeguarded properly. We have information security management and cybersecurity frameworks in place to support this and are ISO 27001 certified.

Training on data protection and information security is included in the induction process for all new staff. All staff receive periodic mandatory refresher training and are provided with data protection updates. Cyber resilience and security feature prominently in our risk registers and form a standing item on the agenda of our Knowledge, Information and Technology Governance Group. We provide updates for the Executive Team and the audit committee every six months.

There have been no incidents of personal data loss in 2023/24 which required to be notified to the Information Commissioner.

## Fraud, corruption and bribery

Audit Scotland has policies and procedures on fraud, corruption and bribery and these are reviewed and updated on a regular basis. They include the counter-fraud policy; the staff and members' codes of conduct; the annual 'fit and proper review' (which covers every member of staff); the terms and conditions for the supply of goods and services; and the broader financial governance arrangements.

Audit Scotland subscribes to the principles outlined in the [Scottish National Fraud Initiative \(NFI\)](#). We include data on our staff as part of the NFI exercise.

We maintain a hospitality and gifts register, which is updated regularly and published on our website.

We produce annual reports on fraud and bribery and hospitality and gifts. These are considered by the audit committee and this forms part of the annual assurance process. The 2023/24 report confirms that there were no instances of fraud or bribery identified or detected in Audit Scotland this year.

## Review of effectiveness of internal control and risk management

The systems of internal control are designed to evaluate the nature and extent of any risks and to manage them efficiently, effectively and economically.

The systems are based on a framework of regular management information, administrative procedures and a system of delegation and accountability. This includes:

- detailed budgeting processes with an annual budget approved by the board
- regular reviews by the board and the management team of financial reports covering progress towards financial targets
- annual reviews and updates to Standing Orders, Scheme of Delegation and Financial Regulations
- quarterly reviews of the corporate risk register
- risk workshops/ 'deep dives' into specific risks
- the programme of internal and external audits.

The systems are designed to manage rather than eliminate the risk of failure to achieve Audit Scotland's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system has been in place for the year ended 31 March 2024 and up to the date of approval of the annual report and accounts.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the systems of internal control and risk management arrangements. My review is informed by:

- an assurance framework established in accordance with the Scottish Public Finance Manual that provides certificates of assurance from executive directors and senior managers who are responsible for developing, implementing and maintaining internal controls across their delegated areas
- the work of the internal auditors, which is directed through an audit plan agreed by the audit committee and focuses on areas of identified risks to our controls. The internal auditors submit regular reports on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement

- quarterly reviews by the audit committee of the organisation's corporate risk register and the work of internal audit in assessing the effectiveness of risk management arrangements
- comments made by the external auditors in their management letters and other reports.

## **Significant issues**

During the financial year to 31 March 2024 and to the date of this statement no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control.

# Remuneration and staff report

The sections marked (Audited) in this Remuneration and staff report are subject to a separate opinion by Alexander Sloan Accountants and Business Advisers. The other sections of the Remuneration and staff report were reviewed by Alexander Sloan Accountants and Business Advisers to ensure they were consistent with the financial statements.

## Remuneration policy

### The Auditor General for Scotland

The Auditor General for Scotland is not an employee of Audit Scotland. He is a Crown appointment following nomination by Parliament. His appointment is for a fixed term of eight years from 1 July 2020 and his salary is determined by the Scottish Parliamentary Corporate Body.

### Audit Scotland Board

Under the provisions of Schedule 2 of the Public Finance and Accountability (Scotland) 2000 Act, the Auditor General and the chair of the Accounts Commission are not entitled to any remuneration in respect of their membership of the Audit Scotland Board.

The Audit Scotland Board has three independent members including the chair of the board. The annual remuneration for independent members of the board is set by the Scottish Commission for Public Audit (SCPA). All independent board member appointments are part-time and non-pensionable. Independent board member remuneration was:

	2023/24	2022/23
<b>Remuneration banding (Audited)</b>	£000	£000
Chair – Alan Alexander	10 - 15	10 - 15
Independent board member – Jackie Mann	5 - 10	5 - 10
Independent board member – Colin Crosby	5 - 10	5 - 10

### Accounts Commission for Scotland

Members of the Accounts Commission are appointed by Scottish ministers who also set their remuneration. Commission members are not employed by Audit Scotland and detail of their remuneration is not

required under the policy outlined in the Financial Reporting Manual (FReM) but we include the following details for information.

All Commission member appointments are part-time and non-pensionable. The average number of members of the Commission throughout the period was 12 (11 in 2022/23). The total amount of remuneration to Commission members in 2023/24 was £175k ([see page 51 for breakdown](#)). They were remunerated in the following bands:

<b>Remuneration banding (Audited)</b>	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Chair – Jo Armstrong (from 01 February 2024)	5 - 10 <sup>1</sup>	-
Interim Chair – Ronnie Hinds (01 June 2023 to 31 January 2024)	30 - 35 <sup>1</sup>	-
Chair – William Moyes (until 05 May 2023)	0 - 5 <sup>1</sup>	45 - 50
Deputy Chair – Tim McKay (until 31 October 2023)	5 - 10 <sup>2</sup>	15 - 20
Commission Members	5 - 10	5 - 10

Notes:

1. The full year equivalent remuneration is £45k - £50k.
2. The full year equivalent remuneration is £15k - £20k.

Audit Scotland also provided dedicated secretarial and administrative support to the Accounts Commission, in addition to delivering broader audit and corporate services.

## Audit Scotland staff remuneration

Audit Scotland has a remuneration and human resources committee that sets the remuneration and terms and conditions of employment of Audit Scotland staff. Levels of remuneration are set at an appropriate level to recruit, retain and motivate suitably able, qualified and high-calibre people within the budget available.

## Executive Team



**Stephen Boyle**

Auditor General for Scotland and Accountable Officer for Audit Scotland



**Vicki Bibby**

Chief Operating Officer



**John Cornett**

Executive Director of Audit Services



**Kenneth Oliver**

Executive Director Innovation and Quality



**Antony Clark**

Executive Director of Performance Audit and Best Value



**Helena Gray**

Controller of Audit (from April 2023)

The salaries (excluding employer's superannuation and national insurance contributions), benefits in kind and pension entitlements of the management team are shown in the following tables. Information is presented for the whole year to 31 March 2024. Further information on the pensions payable to Audit Scotland staff, including senior management, can be found in [Note 3. Pension assets and liabilities \(page 72\)](#).

Single total remuneration (Audited)	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	Salary £000	Salary £000	Benefit in kind £	Benefit in kind £	Pension Benefit <sup>1</sup> £000	Pension Benefit <sup>1</sup> £000	Total £000	Total £000
<b>Stephen Boyle</b> Auditor General for Scotland	160 – 165	150 – 155	-	-	-	59	-	210 – 215
<b>Vicki Bibby</b> Chief Operating Officer <sup>2</sup>	135 – 140	75 – 80	-	-	30	198	165 – 170	275 – 280
<b>Antony Clark</b> Executive Director of Performance Audit and Best Value	125 – 130	120 – 125	-	-	13	9	140 – 145	125 – 130
<b>John Cornett</b> Executive Director of Audit Services <sup>3</sup>	125 – 130	115 – 120	-	-	27	46	155 – 160	160 – 165
<b>Helena Gray</b> Controller of Audit	125 – 130	-	-	-	-	-	125 – 130	-
<b>Kenneth Oliver</b> Executive Director of Innovation and Quality <sup>4</sup>	125 – 130	90 – 95	-	-	-	33	125 – 130	125 – 130
<b>Martin Walker</b> Interim Director of Corporate Services (until 21 August 2022) <sup>5</sup>	-	40 – 45	-	-	-	33	-	75 – 80
<b>Fiona Kordiak</b> Director of Audit Services (until 8 April 2022) <sup>6</sup>	-	0 – 5	-	-	-	-	-	0 – 5

Accrued pension benefits for Stephen Boyle, Auditor General for Scotland, are not included in this table for 2023/24 due to an exceptional delay in the calculation of these figures following the application of the public service pension remedy.

Notes:

1. The value of pension benefits accrued during the year is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20 plus the real increase in any lump sum. The real increases exclude increases due to inflation (6.7 per cent) and are net

of contributions made by the individual. This figure can be significant in year one for new members of the Executive Team with prior service in the scheme.

2. 2022/23 full year equivalent salary £130,000 to £135,000.
3. 2022/23 full year equivalent salary £120,000 to £125,000.
4. 2022/23 full year equivalent salary £115,000 to £120,000.
5. 2022/23 full year equivalent salary £110,000 to £115,000.
6. 2022/23 full year equivalent salary £110,000 to £115,000.

<b>Pensions (Audited)</b>	<b>Accrued pension at 31 March 2024 £000</b>	<b>Accrued lump sum at 31 March 2024 £000</b>	<b>Real increase in annual pension £000</b>	<b>Real increase in lump sum £000</b>	<b>CETV at 31 March 2024<sup>1</sup> £000</b>	<b>CETV at 31 March 2023<sup>1</sup> £000</b>	<b>Real increase in CETV<sup>1</sup> £000</b>
<b>Stephen Boyle</b> Auditor General for Scotland		-		-		106	
<b>Vicki Bibby</b> Chief Operating Officer	30 - 35	20 – 25	0.0 – 2.5	-	508	370	125
<b>Antony Clark</b> Executive Director of Performance Audit	40 - 45	25 – 30	0.0 – 2.5	-	767	645	109
<b>John Cornett</b> Executive Director of Audit Services	10 - 15	-	0.0 – 2.5	-	173	119	41
<b>Helena Gray<sup>2</sup></b> Controller of Audit	-	-	-	-	36	-	23
<b>Kenneth Oliver<sup>2</sup></b> Executive Director of Innovation and Quality	-	-	-	-	57	21	23
<b>Martin Walker</b> Interim Director of Corporate Services (until 21 August 2022)	-	-	-	-	-	834	-

Accrued pension benefits for Stephen Boyle, Auditor General for Scotland, are not included in this table for 2023/24 due to an exceptional delay in the calculation of these figures following the application of the public service pension remedy.

Note: 1. A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued because of their total membership of the scheme including any benefit transferred from another scheme and not just their service in a senior capacity to which the disclosure applies. The real increase in CETV reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension benefits due to inflation, contributions paid by the employee and uses common market valuation factors for the start and end of the period.

Note 2. Less than 2 years' service so no pension benefits payable.

## Fair pay disclosure (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions or the CETV of pensions.

	2023/24	2022/23
Remuneration banding for highest paid individual	£165,000 - £170,000	£150,000 - £155,000
Percentage change from previous financial year for highest paid individual	+8.0%	+6.5%
Average percentage change from previous financial year for employees	+5.0%	+5.5%
Lower quartile remuneration	£37,238	£33,348
Lower quartile ratio	4.5	4.6
Median remuneration	£50,304	£46,226
Median ratio	3.3	3.3
Upper quartile remuneration	£60,877	£58,047

	2023/24	2022/23
Upper quartile ratio	2.8	2.6
Remuneration range	£22,500 - £165,000 to £170,000	£20,500 - £150,000 to £155,000

The percentage increase in the remuneration of the highest paid individual and the average change for employees reflects the impact of incremental progression and the cost-of-living pay award.

The movement in remuneration and ratio for median and upper quartile are not significant and indicates that Audit Scotland has consistent pay, reward and progression policy for its employees. There is a small decrease in the ratio for the lower quartile which is due the increase in the number of new recruits on our modern apprentice scheme.

## Pensions

Employees of the NAO transferring to Audit Scotland on 1 April 2000 and the Auditor General for Scotland have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPS). Audit Scotland makes payments of superannuation contributions to PCSPS at rates set by the Government Actuary.

All other staff are eligible to enter the Local Government Superannuation Scheme in Scotland. Audit Scotland has an agreement with The City of Edinburgh Council under which all staff are eligible to enter the Lothian Pension Fund (the name of the Local Government Superannuation Scheme managed by the council) in accordance with its rules. It is a defined benefit scheme providing pension benefits and life assurance for all permanent staff.

## Employment contracts

Audit Scotland staff hold permanent appointments which are open-ended until they retire. Early termination, other than through misconduct, would result in the individual receiving compensation.

The information in the tables on [pages 50 and 51](#) are covered by the audit opinion.

# Staff report

	2023/24	2022/23	2021/22
People (WTE)	330.76	327.7	314
Gender	Female 57% Male 43%	Female 54% Male 46%	Female 57% Male 43%
Board	Female 40% Male 60%	Female 20% Male 80%	Female 20% Male 80%
Executive Team	Female 33% Male 67%	Female 20% Male 80%	Female 50% Male 50%
Absence	6.01 days	4.66 days	5.75 days
Turnover rate	9.33%	9.02%	9.4%
Trainee auditors	49	48	44

In March 2024, staff headcount was 346 (330.76 WTE), compared with a headcount of 340 (327.73 WTE) in 2023.

We have set up a number of new teams, including to lead on developments regarding EU withdrawal and the new financial powers coming to the Scottish Government, and on quality and professional development.

We implemented a new approach to recruitment and developed a new, simpler and more flexible approach to pay, reward, career progression and how we resource the audit work.

## People costs and numbers

<b>People costs</b>	2023/24 £000	2022/23 £000
Wages and salaries	16,859	15,539
Social Security costs	1,983	1,899
Superannuation	3,271	2,975
Temporary staff <sup>1</sup>	189	88
Movement in early retirement costs	17	(189)
Adjustment for retirement benefit scheme costs (see below)	(139)	4,005
	<b>22,180</b>	<b>24,317</b>
<b>Accounts Commission members</b>		
Salaries	147	140
National Insurance	7	7
Travel and subsistence	21	11
	<b>175</b>	<b>158</b>
	<b>22,355</b>	<b>24,475</b>

1. Equivalent to 3.33 WTE in 2023/24 and 1.68 WTE in 2022/23.

<b>Analysis of local government retirement benefit scheme cost</b>	2023/24 £000	2022/23 £000
Current service costs	4,239	7,970
Past service costs	-	-
	<b>4,239</b>	<b>7,970</b>
Less: Actual employees' contributions	(1,205)	(1,087)
<b>Charge to revenue</b>	<b>3,034</b>	<b>6,883</b>
Employer contributions	(3,173)	(2,878)
<b>Adjustment for retirement benefit scheme costs</b>	<b>(139)</b>	<b>4,005</b>

## Learning and development

In 2023/24, we developed a new People Strategy to help deliver our vision for our people alongside our corporate plan and will help lay the foundations that look further ahead to 2033. Our people strategy will help us to look ahead at the skills that the auditor of the future will need and to consider the development of our target operating model in line with this. Learning and development is one of the five pillars in the strategy alongside workforce planning, performance management, health safety and wellbeing and diversity, equality and inclusion. These pillars are supported by our policies and procedures, organisational culture and communications and engagement.

We are committed to being innovative and creative about how we develop and support our people. In 2023/24, we developed a new Learning and Development plan for which sets out the learning for colleagues based on our strategic priorities, areas identified through quality reviews and engagement with colleagues. The plan aims to ensure that all colleagues are equipped with the skills they need now, and in the future, and facilitates delivery of our corporate values.

Audit Scotland runs one of the largest public financial audit training schemes in Scotland. As at 31 March 2024 we had 49 trainees, 37 trainees of whom were working towards ICAS qualifications.

## Organisational development

We are committed to organisational development and 'Developing our people and our business' and 'Insights driving innovation and improvement' are two of our five strategic objectives set out in our [Corporate Plan 2023-28](#) alongside timely and impactful annual audit, the dynamic performance audit programme and enhanced audit approaches.

We have a strategic improvement plan in place and our development work is led and/or supported by our Innovation and Quality business group. Its mission includes leading organisational transformation and development, providing technical and professional expertise and a constructive quality monitoring process, continually enhancing methodologies and best practice and the effective use of new technologies, delivering professional learning and development, and driving Audit Scotland's role as system leader for public audit in Scotland.

We have an excellent working relationship with the Public and Commercial Services (PCS) union. We work collaboratively with PCS and have successfully concluded negotiations in connection with pay and involve PCS in a range of projects to improve the work experience of colleagues which focus upon how our work gets done.

## Early retiral and severance (Audited)

In the year to March 2024, 1 member of staff left under a voluntary early release arrangement.

Further disclosure on early retirement and severance is set out in [Note 14. Provision for early retirement and severance.](#)

Exit package cost band	2023/24	2022/23
£25,001 - £50,000	-	-
£50,001 - £100,000	1	-
£100,001 - £150,000	-	-
£150,000 +	-	-
<b>Total costs disclosed in financial statements (£000)</b>	<b>75</b>	<b>-</b>

## Staff relations

We recognise the importance of good industrial relations and effective communication with our staff. A partnership forum, which meets regularly, involves members of Audit Scotland management and staff representatives of the Public and Commercial Services union (PCS) and has been in place since 2002.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and the information requirements of the Regulations for 2023/24 are disclosed in the tables below.

### Relevant union officials

Number of employees who were relevant union officials during the relevant period	10
Full-time equivalent employee number	9.68

### Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1% – 50%	10
51% – 99%	-
100%	-

## Percentage of pay bill spent on facility time

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Total cost of facility time	£27,891
Total pay bill	£22,371,199
Percentage of total pay bill spent on facility time	0.1%

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## Paid trade union activities

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Time spent on paid trade union activities as a percentage of total paid facility time	4.6%
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## Diversity, equality and inclusion

We actively strive to improve diversity and equality, not only in Audit Scotland but also across the public sector through our audit work.

Audit Scotland is committed to eliminating discrimination, valuing and promoting equality, diversity and inclusion among our workforce. We are actively working to increase the diversity of our workforce. It is our policy to treat all job applicants and employees equitably regardless of age, disability, sex, gender reassignment status, marriage or civil partnership status, maternity or pregnancy, race, religion or belief or sexual orientation. More information about our commitment can be found in our [Equality Outcomes Report 2021-25](#). This includes clear commitments that we have made to increasing diversity, equality and inclusion, how we will seek to achieve this and the means by which we will measure our success.

Colleagues, including those from minority backgrounds, helped create our refreshed Equality Outcomes for the next few years. We also worked with external advisors, [Business in the Community](#) to obtain outside thinking.

We published our seventh [Audit Scotland: Gender pay gap report](#) in September 2023. The information is based on a snapshot date of 31 March 2023. Audit Scotland's workforce, at the snapshot date of 31 March 2023, comprised of 333 full pay employees, 146 men (43.84 per cent of the workforce) and 187 women (56.16 per cent of the workforce). Included in our overall headcount are 43 graduate trainees within our professional training scheme. The scheme is a key element in support of our talent development and long-term succession planning. Within the scheme, 21 trainees were men and 22 are women.

Human rights and equalities considerations must be central to how we assess the delivery of public services. We can and will do more to integrate these into our thinking from the outset and are committed to ensuring that the experience of service users is reflected in our audit and reporting.

Work to deliver our outcome will involve an emphasis on continuing to build knowledge of inequalities and human rights issues among staff, to support thinking about how these can most consistently and impactfully be integrated into our work. We will also focus on evolving how we assess human rights implications and capture the user voice. Progress will be shaped and overseen by our internal Equality and Human Rights Steering Group (EHRSG), attended by colleagues from across our business.

Ongoing engagement with stakeholders will be invaluable in helping to inform and challenge our approach. This will include dialogue with our external Equalities and Human Rights Advisory Group (EHRAG), which has representation from a range of equality and human rights organisations.

Our [Mainstreaming equality: Progress report 2021-23](#) outlines the progress we have made to date.

## Community, social and human rights

We are committed to conducting our work to the highest standards and building positive relationships with communities across Scotland.

During 2023/24 we had one member of staff undertaking public duties.

In 2024, a new Volunteering policy is being introduced which will support colleagues in taking time to volunteer or participate in fundraising or awareness raising activities.

### Mainstreaming equality: Progress report 2021-23



April



# Independent auditors' report

To the Scottish Commission for Public Audit (under Section 25(3) of Public Finance and Accountability (Scotland) Act 2000).

## Opinion

We have audited the accounts of Audit Scotland for the year ended 31 March 2024 which comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the UK, and as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM) and directions made by Scottish ministers.

In our opinion the accounts:

- give a true and fair view of the state of Audit Scotland as at 31 March 2024 and of its net resource outturn for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the UK as interpreted and adapted by the 2023/24 FReM
- have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish ministers issued thereunder.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of Audit Scotland in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the accountable officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Audit Scotland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the accountable officer with respect to going concern are described in the relevant sections of this report.

## Other information in the annual accounts

The accountable officer is responsible for the other information. The other information comprises the information other than the accounts, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. As auditors we are not required to consider whether the Accountable Officer's Governance statement covers all risks and controls, nor are we required to form an opinion on the effectiveness of the risk and control procedures.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on regularity

In our opinion in all material respects:

- the expenditure has been incurred and the receipts have been applied in accordance with Section 22(1)(a) and (b) of the Public Finance and Accountability (Scotland) Act 2000

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the accounts were applied in accordance with Section 65 of the Scotland Act 1998.

## Opinion on other matters

In our opinion:

- the sections of the Remuneration Report marked as audited have been properly prepared in accordance with the Direction by the Scottish ministers.
- the information given in the Accountability report is consistent with the accounts.

## Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Board and staff remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Accountable Officer's Governance statement contains any apparent misstatements or material inconsistencies with the accounts.

We have nothing to report in respect of these matters.

## Responsibilities of the Accountable Officer

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the accounts in conformity with the Direction by the Scottish ministers and for being satisfied that they give a true and fair view. The Accountable Officer is responsible for the propriety and regularity of the public finances, for keeping proper books and for safeguarding assets, as set out in the Accountable Officer's Memorandum.

In preparing the accounts, the Accountable Officer is responsible for assessing Audit Scotland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Audit Scotland plans to cease operations or has no realistic alternative to do so.

## Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to Audit Scotland through discussions with management, and from our wider knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of Audit Scotland, including The Financial Reporting Manual, Public Finance and Accountability (Scotland) Act 2000, Directions by Scottish Ministers and other laws and regulations applicable to Audit Scotland. We also considered the risks of non-compliance with the other key legislation and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of Audit Scotland's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the Notes were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- attending audit committee meetings during the year and reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- enquiring of management as to whether there has been any legal correspondence.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the accountable officer and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. The description forms part of our audit report.

## **Use of Our Report**

The report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit as a body, for our audit work, for this report, or for the opinions we have formed.

## **Alexander Sloan LLP**

Accountants and Business Advisers  
Edinburgh  
18 June 2024

# Financial statements

## In this section of the report we set out:

- Statement of Comprehensive Net Expenditure
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Changes in Taxpayers' Equity
- Notes to the accounts
- Direction by the Scottish ministers



# Statement of Comprehensive Net Expenditure

## Year ended 31 March 2024

	Note	2024 £000	2023 £000
People costs	Staff Report	22,355	24,475
Fees and expenses paid to external firms	4	8,147	4,679
Other operating expenditure	4	4,564	4,735
<b>Total operating expenditure</b>		<b>35,066</b>	<b>33,889</b>
Operating income	5	(23,375)	(19,011)
<b>Net operating expenditure</b>		<b>11,691</b>	<b>14,878</b>
Net finance expenditure	6	(1,693)	670
<b>Net expenditure before tax</b>		<b>9,998</b>	<b>15,548</b>
Corporation Tax payable		13	-
<b>Net expenditure after tax</b>		<b>10,011</b>	<b>15,548</b>
Other comprehensive net expenditure			
Net losses/(gains) on pension schemes	3	1,880	(27,879)
<b>Comprehensive Net Expenditure/(Income)</b>		<b>11,891</b>	<b>(12,331)</b>

# Statement of Financial Position

## As at 31 March 2024

	Note	2024 £000	2023 £000
<b>Non-current assets</b>			
Property, plant and equipment	7	688	799
Intangible assets	8	86	108
Right-of-use assets	15	5,517	1,176
<b>Total non-current assets</b>		<b>6,291</b>	<b>2,083</b>
<b>Current assets</b>			
Trade and other receivables	9	4,045	3,689
Cash and cash equivalents	10	2,048	2,839
<b>Total current assets</b>		<b>6,093</b>	<b>6,528</b>
<b>Total assets</b>		<b>12,384</b>	<b>8,611</b>
<b>Current liabilities</b>			
Trade and other payables	12	7,150	7,403
Obligations under leases	15	391	598
Provision for early retirement and severance	14	116	105
Other provisions	16	120	543
<b>Total current liabilities</b>		<b>7,777</b>	<b>8,649</b>
<b>Non-current assets plus / less net current assets/ liabilities</b>		<b>4,607</b>	<b>(38)</b>
<b>Non-current liabilities</b>			
Deferred liabilities	13	-	-
Obligations under leases	15	(5,278)	(745)
Provision for early retirement and severance	14	(1,311)	(1,345)

	Note	2024 £000	2023 £000
Other provisions	16	(755)	(661)
Net funded pension asset / (liability)	3	-	-
Total non-current liabilities		(7,344)	(2,751)
Assets less liabilities		(2,737)	(2,789)
Represented by:			
<b>Taxpayers' equity</b>			
Net funded pension asset / (liability)	3	-	-
General fund		(2,737)	(2,789)
		(2,737)	(2,789)

## Stephen Boyle

Auditor General and Accountable Officer  
18 June 2024

# Statement of Cash Flows

As at 31 March 2024

	Note	2024 £000	2023 £000
<b>Cash flows from operating activities</b>			
Net (expenditure) after tax		(10,011)	(15,548)
Adjustment for non-cash items:			
- Depreciation	7, 8	380	415
- Depreciation - right-of-use assets	15	617	683
- Pension scheme - net revenue (credit) / debit		(1,880)	4,684
(Increase) in trade and other receivables		(356)	(866)
Increase in trade / other payables / deferred liabilities		538	1,393
(Decrease) in provisions for early retirement		(23)	(295)
(Decrease) / increase in other provisions		(329)	(776)
Other non-cash items		-	11
<b>Net cash outflow from operating activities</b>		<b>(11,064)</b>	<b>(10,299)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(230)	(201)
Purchase of intangible assets	8	(17)	(2)
		<b>(247)</b>	<b>(203)</b>
<b>Cash flows from financing activities</b>			
Capital payments of lease liabilities	15	(632)	(932)

	Note	2024 £000	2023 £000
From Consolidated Fund (Supply)		11,152	11,172
		10,520	10,240
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>		(791)	(262)
Cash and cash equivalents at the beginning of period		2,839	3,101
Cash and cash equivalents at the end of period	10	2,048	2,839
<b>Net cash requirement</b>			
Cash flows from Consolidated Fund		11,152	11,172
Decrease / (increase) in cash		791	262
		11,943	11,434

# Statement of Changes in Taxpayers' Equity

## Year ended 31 March 2024

	Note	Net funded pension £000	General fund £000	Total £000
<b>Year ended 31 March 2024</b>				
<hr/>				
Changes in Taxpayers' equity				
Balance at 31 March 2022		(23,195)	(3,359)	(26,554)
Transfers between reserves				
Transfer to net funded pension liabilities	Staff Report	(4,005)	4,005	-
Net return on funded pension assets	3	(679)	679	-
Net gains on pension schemes	3	27,879	-	27,879
Net (expenditure) after tax		-	(15,548)	(15,548)
Net funding from the Scottish Parliament	11	-	11,434	11,434
Balance at 31 March 2023		-	(2,789)	(2,789)
<hr/>				
Transfers between reserves				
Transfer to net funded pension liabilities	Staff Report	139	(139)	-
Net return on funded pension assets	3	1,741	(1,741)	-
Net (losses) on pension schemes	3	(1,880)	-	(1,880)
Net (expenditure) after tax		-	(10,011)	(10,011)
Net funding from the Scottish Parliament	11	-	11,943	11,943
Balance at 31 March 2024		-	(2,737)	(2,737)
<hr/>				

# Notes to the accounts

## 1. Statement of accounting policies

The accounts have been prepared in accordance with the accounts direction issued by Scottish ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 and also in accordance with the Financial Reporting Manual (FReM) applicable for the year. The accounting policies contained in the FReM apply UK adopted International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Audit Scotland for the purpose of giving a true and fair view has been selected. The accounting policies adopted by Audit Scotland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### a) Basis of accounting

The accounts have been prepared under the historical cost convention. Figures are presented in pounds sterling and are rounded to the nearest £1,000. In accordance with the principles of resource accounting, the gross funding received from the Scottish Consolidated Fund is recorded directly within the General Fund and is not included in the operating income received in the year in the Statement of Comprehensive Net Expenditure.

In common with similar public bodies, the future financing of Audit Scotland's liabilities will be met by future grants of Supply and the application of future income, both to be approved annually by the Scottish Parliament. The approval of amounts for 2024/25 has already been given and there is no reason to believe that future approvals will not be forthcoming. Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial accounts.

### b) New accounting standards not yet effective

Audit Scotland disclose accounting standards not yet applied and assesses the possible impact that initial application would have on the financial statements. There are no new standards not yet effective that will have an impact on Audit Scotland's accounts.

### c) Non-current assets

The minimum level of capitalisation for a non-current asset is £5,000 for individual or group purchases. Non-current assets are held at fair value. Depreciated historic cost has been used as a proxy for fair value due to the low value and short life of the assets held. All property occupied by Audit Scotland is leasehold.

#### **d) Depreciation**

Depreciation has been provided at a rate calculated to write off cost in equal annual instalments over the estimated useful lives of assets. Asset cost is written off as follows:

<b>Leasehold premises</b>	<b>remaining period of lease (from 1 - 10 years)</b>
<b>Furniture and fittings</b>	5 years
<b>Computer equipment</b>	3 - 5 years
<b>Software</b>	3 - 5 years

#### **e) Operating income**

Operating income relates directly to the audit activities of Audit Scotland and income recognition is consistent with the principles of IFRS 15 Revenue from Contracts with Customers.

Operating income comprises fees for financial audit that are recognised on the basis of work undertaken for the year and charges for other work which are recognised evenly throughout the year.

#### **f) Work in progress**

Work in progress is valued on the basis of a proportion of the agreed auditor remuneration earned by the balance sheet date less an allowance for any foreseen losses. This calculation is based on an assessment of the amount of audit work completed by the balance sheet date as a proportion of the total expected amount of audit work. Payments made or received on account of work in progress in excess of or below the value of carrying out the relevant work are included in debtors or creditors as appropriate.

#### **g) Leases**

IFRS 16 requires Audit Scotland to recognise an asset in the Statement of Financial Position where under the contract it has exclusive right to use the asset (right-of-use assets). A corresponding lease liability is recognised at the same time. Recognition exemptions have been applied for short-term and low-value leases.

The definition of a lease under IFRS 16 has been applied to contracts entered into after the 1 April 2022. Upon lease commencement a right-of-use asset and lease liability are recognised.

At the commencement of a new, or extension of an existing, property lease Audit Scotland recognises a right-of-use asset and a lease liability. The lease liability is measured at the present value of the payments for the remaining lease term, net of irrecoverable VAT, discounted by the rate implicit in the lease, or where this cannot be determined, the rate advised by HM Treasury for the calendar year.

In respect of new car leases the right-of-use asset and lease liability are measured at cost and not discounted as the difference is not material

due to the short nature and annual payment in advance contractual arrangements.

The right-of-use asset is subsequently depreciated, in the same way as other assets of the same type, using a straight-line method from the commencement date over the lease term, which is equal to, or shorter than, the asset's useful life. The right-of-use asset will be periodically reviewed to account for any potential impairment losses and any material remeasurement of the lease liability.

#### **h) Value Added Tax (VAT)**

Input tax in respect of external auditor fees and expenses incurred in the delivery of local authority audits is reclaimed from HMRC on behalf of the Accounts Commission and is used to offset audit fees payable by local authorities. All other input tax is charged to the Statement of Comprehensive Net Expenditure. Audit Scotland is registered for VAT in respect of business activities.

#### **i) Pension arrangements**

Audit Scotland complies with the requirements of International Accounting Standard No 19 (IAS 19) for the year ended 31 March 2024. Audit Scotland makes pension provision for present and former employees through two pension schemes. Employees joining Audit Scotland after 1 April 2000, and those transferring to Audit Scotland from the Accounts Commission, have benefits provided through the Local Government Pension Scheme. Employees transferring to Audit Scotland at 1 April 2000 from the NAO are covered by the provisions of the Principal Civil Service Pension Scheme. The Auditor General for Scotland has benefits provided through the Principal Civil Service Pension Scheme.

#### **j) Key sources of judgement and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a risk of adjustment to the carrying amount of assets and liabilities within the financial statements within the next financial year are:

- Revenue recognition is based on time charged to audits adjusted where applicable to reflect the stage at which completion of work is done. At the year-end an assessment is undertaken to consider the reasonableness of income recognised in the Statement of Comprehensive Net Expenditure. Income recognised in advance of invoices being raised is treated as Work in Progress ([see Note 9 page 86](#)). Invoices raised in advance of work being done is treated as Deferred Income ([see Note 12](#)).
- Provisions have been made where in the opinion of management it is more likely than not that a financial liability exists which cannot be accurately quantified at present ([see Notes 14 and 16](#)).

- Estimation of the net pension liability or asset is based on a number of complex judgements including the discount rate, salary increase rate, retirement ages, mortality rates and expected returns on pension fund assets, following work carried out by our actuaries. Further estimates consider the extent to which the IAS19 and IFRIC14 asset ceiling limits on defined benefits are applied based on the estimated present values of future service costs and minimum funding contributions. If these estimates project that minimum funding contributions will be in excess of future service costs then in accordance with IFRIC14 no pension asset will be recognised and an asset ceiling of Nil will be applied. Note 3 provides more detail on the movement in the net pension position.

## 2. People costs and numbers

	2024 £000	2023 £000
Wages and salaries	17,216	15,778
Social Security and Employment Tax costs	1,990	1,906
Pension and Early Retirement / Severance Costs	3,149	6,791
	<b>22,355</b>	<b>24,475</b>

More details on staff numbers and related costs can be found in the [Staff report \(page 50\)](#).

## 3. Pension assets and liabilities

In accordance with IAS 19, Audit Scotland is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Audit Scotland operates two main pension schemes; the Local Government Pension Scheme, administered by the Lothian Pension Fund, and the Principal Civil Service Pension Scheme (PCSPS). Audit Scotland is not required to record information related to the PCSPS as the scheme does not identify assets and liabilities by employer.

### a) Local Government Pension Scheme

Audit Scotland has an agreement with The City of Edinburgh Council under which all staff are eligible to enter the Lothian Pension Fund (the name of the Local Government Superannuation Scheme managed by the council) in accordance with its rules. It is a defined benefit scheme providing pension benefits and life assurance for all permanent staff.

The following valuations have been provided by Hymans Robertson LLP, the independent actuaries to Lothian Pension Fund. The financial and actuarial assumptions used for the purposes of their IAS 19 calculations as at 31 March 2024 were as follows:

	2024	2023
Salary increases	3.25%	3.45%
Pension increases	2.75%	2.95%
Discount rate	4.85%	4.75%
<b>The assumed average life expectancy for a retiree at age 65 are as follows:</b>	<b>Male years</b>	<b>Female years</b>
Current pensioners	22.0	24.0
Future pensioners	22.7	25.4

As at the date of the most recent valuation, the duration of the Employer's funded obligation is 19 years.

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. The valuations at 31 March 2024 have been prepared by Hymans Robertson LLP.

The movement in the funded part of the net pension position for the year to 31 March 2024 is as follows:

### Period ending 31 March 2024

	Assets £000	Obligation £000	IFRIC 14 Adjustment £000	Net (Liability) /Asset £000
Fair value of employer assets	143,568	-	-	143,568
Present value of funded liabilities	-	107,069	-	(107,069)
Net Asset restriction applied	-	-	(36,499)	(36,499)
Opening position as at 1 April 2023	143,568	107,069	(36,499)	-
Current service cost	-	3,034	-	(3,034)
Past service cost	-	-	-	-
Total service cost	-	3,034	-	(3,034)
Interest income on plan assets	6,856	-	-	6,856

## Period ending 31 March 2024

Interest cost on defined benefit obligation	-	5,115	-	(5,115)
<b>Total net interest</b>	<b>6,856</b>	<b>5,115</b>	<b>-</b>	<b>1,741</b>
Total defined benefit cost recognised in Statement of Comprehensive Net Expenditure	6,856	8,149	-	(1,293)
Employee contributions	1,205	1,205	-	-
Employer contributions	3,173	-	-	3,173
Benefits Paid	(3,450)	(3,450)	-	-
<b>Total cashflows</b>	<b>928</b>	<b>(2,245)</b>	<b>-</b>	<b>3,173</b>
Expected closing position	151,352	112,973	(36,499)	1,880
<b>Change in demographic assumptions</b>	<b>-</b>	<b>(7,575)</b>	<b>-</b>	<b>7,575</b>
Change in financial assumptions	-	(1,095)	-	1,095
Other experience changes	(2,935)	12,719	-	(15,654)
Return on assets excluding amounts included in net interest	6,689	-	-	6,689
Adjustment for IFRIC 14 Net asset reduction			(1,585)	(1,585)
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>3,754</b>	<b>4,049</b>	<b>(1,585)</b>	<b>(1,880)</b>
Fair value of employer assets	155,106	-	-	155,106
Present value of funded liabilities	-	117,022	-	(117,022)
Net Asset restriction applied	-	-	(38,084)	(38,084)
<b>Closing position as at 31 March 2024</b>	<b>155,106</b>	<b>117,022</b>	<b>(38,084)</b>	<b>-</b>

IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As there is no unconditional right to a refund, the actuaries have calculated whether there are economic benefits in the form of reductions in future contributions, in accordance with IFRIC 14. As the estimated present value of minimum funding contributions exceed the estimated present value of future service costs, there is deemed to be no economic benefit and the asset ceiling is Nil. An adjustment to the defined benefit plan asset has been required in accordance with IAS19 and IFRIC 14.

## Information in respect of the defined benefit obligation

	Liability split	
	£000	%
Active members	55,476	47.4%
Deferred members	20,248	17.3%
Pensioner members	41,298	35.3%
<b>Total</b>	<b>117,022</b>	<b>100.0%</b>

**Statement of Comprehensive Net Expenditure (SOCNE):** The net credit to SOCNE of £1,880k is based on the financial conditions at the start of the year (i.e. assumptions as at last year's Accounting Date). The Current Service Cost and net interest cost for this year is broadly in line with the projections made at last year's Accounting Date. The projected charge to SOCNE for next year is likely to be lower than the charge for this year as a result of the higher net discount rate at the Accounting Date.

**Return on assets:** In the period to the Accounting Date, individual LGPS Fund investment performance percentage returns have typically been higher than assumed (compared to last year's accounting discount rate assumption). A higher than assumed investment return has led to a positive adjustment of £6,689k in the "Return on assets excluding amounts included in net interest" line within the Results Schedule.

**Obligations:** The remeasurements in the obligations roll-forward are split into three separate parts to differentiate between "Changes in financial assumptions", "Changes in demographic assumptions" and "Other experience".

- As at the Accounting Date, the net discount rate (discount rate net of CPI inflation) has increased compared to last year, leading to the recognition of a gain of £1,095k in the Statement of financial position as at the Accounting Date. This is shown in the 'Changes in financial assumptions' within the schedule.

- Using a more up-to-date longevity improvement assumption at the Accounting Date leads to a gain on obligations of £7,575k. However, the baseline longevity and all other demographic assumptions are now based on the 2023 funding valuation assumptions and the impact is employer specific. The overall impact of the combined changes (baseline longevity, future longevity improvements and all other demographic assumptions) results in a positive 'Change in demographic assumptions'.
- The "Other experience" item captures a loss of £15,654k by applying the roll-forward approach to allow for actual experience over the period. This adjustment is a combination of 2 factors:
  - The loss (increase in obligations) resulting from applying the actual Pensions Increase Order for April 2024 of 6.7% to the benefits. After subtracting the Pensions Increase Order monetary impact, the remainder of the 'Other experience' item will relate to the funding valuation remeasurement experience and unfunded obligations experience.
- As a result of the 31 March 2024 accounting figures on the 2023 funding valuation results, there is a negative item on the obligations side in 2023/24.

Impact of the 31 March 2023 Scottish formal actuarial valuations:  
 Formal actuarial valuations are carried out every three years, where each employers' assets and liabilities are calculated on a detailed basis, using individual membership data and actual employer level cashflow data, ultimately for cash contribution setting purposes. The 31 March 2023 funding valuations for Scottish LGPS Funds were concluded by 31 March 2024.

The Statement of financial position as at the Accounting Date, and the projected charge to the SOCNE for 2023/24, are therefore based on a new roll-forward from the 2023 funding valuation. This differs to the Statement of financial position as at the previous year-end and the charge to the SOCNE for 2023/24, which were based on a roll-forward from the 2020 funding valuation. This 'step change' can lead to sizeable asset and obligations 'remeasurement experience' items in the reconciliation of the Statement of financial position from the previous year-end Accounting Date. The impact is shown within the 'Other experience' figures of the OCI.

For accounting purposes forward projections are based on the results from the most recently completed funding valuation. Allowance is made for certain elements of experience since the funding valuation date, such as actual quarterly investment returns, contributions paid, estimated benefit outgoings, actual early retirements and actual outsourcing/bulk transfers when advised to do so by the employer. As such the accuracy of the accounting projection declines over time. Typically, projections will be within +/- 2% of the underlying position for each year of projection. However, greater differences are possible, particularly if there have

been volatile financial market movements or significant underlying membership changes.

The asset and obligations 'remeasurement experience' items arise because in the accounting roll-forward it is not possible to recognise all elements of membership and asset experience, but these are fully recognised in the funding valuation calculations for each employer. In effect the accounting figures are "re-calibrated" every three years following each funding valuation to account for items including but not limited to:

- Membership movements (new entrants, withdrawals, ill health retirements, transfers etc) will be different to those assumed at the previous funding valuation. Different accrued past service histories and different member status types change the value placed on the future benefits and contribute to positive or negative 'other experience' on the obligation side.
- Different actual membership movements over the triennial valuation period result in the actual cashflows being different to those assumed at the previous funding valuation (and those cashflows used in prior year accounting valuations). These differences lead to a positive or negative 'other experience' on the assets.
- **Actual level of salary increases** - lower than expected salary growth over the previous inter-valuation period would lead to a positive obligation 'experience' (i.e. lower past service liabilities) and vice versa.
- **Outsourcings/Bulk transfers** - where the employer has chosen, due to materiality or otherwise, not to recognise outsourcings (going out or coming back in) and/or bulk transfers in/out within prior year accounting positions, the impact of these will be included in the asset and obligation 'other experience' figures.

### Period ending 31 March 2023

	Assets	Obligation	IFRIC 14 Adjustment	Net (Liability)/ Asset
	£000	£000		£000
Fair value of employer assets	138,307	-	-	138,307
Present value of funded liabilities	-	161,502	-	(161,502)

## Period ending 31 March 2023

Opening position as at 1 April 2022	138,307	161,502	-	(23,195)
Current service cost	-	6,883	-	(6,883)
Past service cost	-	-	-	-
			IFRIC 14 Adjustment	Net (Liability)/ Asset
<b>Total service cost</b>	<b>-</b>	<b>6,883</b>	<b>-</b>	<b>(6,883)</b>
Interest income on plan assets	3,749	-	-	3,749
Interest cost on defined benefit obligation	-	4,428	-	(4,428)
<b>Total net interest</b>	<b>3,749</b>	<b>4,428</b>	<b>-</b>	<b>(679)</b>
Total defined benefit cost recognised in Statement of Comprehensive Net Expenditure	3,749	11,311	-	(7,562)
Employee contributions	1,087	1,087	-	-
Employer contributions	2,878	-	-	2,878
Benefits Paid	(2,703)	(2,703)	-	-
<b>Total cashflows</b>	<b>1,262</b>	<b>(1,616)</b>	<b>-</b>	<b>2,878</b>
Expected closing position	143,318	171,197	-	(27,879)
Change in demographic assumptions	-	(1,070)	-	1,070
Change in financial assumptions	-	(70,831)	-	70,831
Other experience changes	-	7,773	-	(7,773)

## Period ending 31 March 2023

Return on assets excluding amounts included in net interest	250	-	-	250
Adjustment for IFRIC 14 Net asset reduction	-	-	(36,499)	(36,499)
<b>Total remeasurements recognised in Other Comprehensive Income</b>	<b>250</b>	<b>(64,128)</b>	<b>(36,499)</b>	<b>27,879</b>
			<b>IFRIC 14 Adjustment</b>	<b>Net (Liability)/ Asset</b>
Fair value of employer assets	143,568	-	-	143,568
Present value of funded liabilities	-	107,069	-	(107,069)
Net Asset restriction applied	-	-	(36,499)	(36,499)
<b>Closing position as at 31 March 2023</b>	<b>143,568</b>	<b>107,069</b>	<b>(36,499)</b>	<b>-</b>

The movement in the funded part of the net pension liability for the year to 31 March 2023 was as follows:

Asset Category	At 31 March 2024				At 31 March 2023			
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
<b>Equity Securities:</b>								
Consumer	18,319.6	-	18,319.6	12	17,601.9	-	17,601.9	12
Manufacturing	21,301.2	-	21,301.2	14	19,790.5	-	19,790.5	14
Energy and Utilities	8,426.1	-	8,426.1	5	8,660.4	-	8,660.4	6
Financial Institutions	9,132.1	-	9,132.1	6	8,636.4	-	8,636.4	6
Health and Care	10,023.0	-	10,023.0	6	10,545.7	-	10,545.7	7
Information Technology	7,689.9	-	7,689.9	5	5,962.6	-	5,962.6	4
Other	9,514.0	-	9,514.0	6	9,803.1	-	9,803.1	7
<b>Debt Securities:</b>								

Asset Category	At 31 March 2024				At 31 March 2023			
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	%
Corporate Bonds (investment grade)	2,503.5	-	2,503.5	2	2,239.1	-	2,239.1	2
UK Government	20,851.1	-	20,851.1	13	16,643.9	-	16,643.9	12
Other	2,685.3	-	2,685.3	2	2,998.4	-	2,998.4	2
<b>Private Equity:</b>								
All	793.0	631.5	1,424.5	1	89.8	471.0	560.8	0
<b>Real Estate:</b>								
UK Property	-	7,926.0	7,926.0	5	962.1	5,505.1	6,467.2	5
Overseas Property	525.1	1.4	526.5	0	190.7	39.8	230.5	0
<b>Investment funds and Unit trusts:</b>								
Equities	-	-	-	0	1,911.4	111.3	2,022.7	1
Bonds	-	3,945.3	3,945.3	3	-	4,157.0	4,157.0	3
Commodities	-	1,718.7	1,718.7	1	-	-	-	0
Infrastructure	351.2	23,032.6	23,383.8	15	-	20,461.1	20,461.1	14
<b>Derivatives:</b>								
Foreign exchange	(24.6)	-	(24.6)	0	6.1	-	6.1	0
<b>Cash and cash equivalents:</b>								
All	5,760.0	-	5,760.0	4	6,780.6	-	6,780.6	5
<b>Totals</b>	<b>117,851</b>	<b>37,256</b>	<b>155,106</b>	<b>100</b>	<b>112,823</b>	<b>30,745</b>	<b>143,568</b>	<b>100</b>
Effect of Asset Ceiling			(38,084)				(36,499)	
<b>Adjusted Total</b>			<b>117,022</b>				<b>107,069</b>	

Pension assets are valued at fair value, principally market value for investments, and consist of:

	Approx.% increase to employer obligation	Approx. monetary amount £000
<b>Sensitivity analysis at March 2024</b>		
0.1% decrease in real discount rate	2%	2,335
1 year increase in member life expectancy	4%	4,681
0.1% increase in salary increase rate	0%	361
0.1% increase in pension increase rate	2%	2,015

The sensitivities regarding the principal assumption used to measure the funded scheme liabilities are set out below:

During the year ended 31 March 2024, Audit Scotland's contribution to the pension fund represented 19.4% (2023 – 19.4%) of contributing employees' pensionable pay. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the fund.

The latest triennial valuation undertaken by Hymans Robertson LLP as at 31 March 2023 recommended employers' contributions be set at 17.6% over the next three-year period from 2024/25 to 2026/27. The estimate for employer contributions in 2024/25 based on this rate will be approximately £2,871k.

#### **b) PCSPS scheme**

Employees of the NAO transferring to Audit Scotland on 1 April 2000 and the Auditor General for Scotland from 1 July 2012, have pension benefits provided through the Principal Civil Service Pension Scheme (PCSPPS) and Civil Servant Other Pension Scheme (CSOPS). Audit Scotland makes payments of superannuation contributions at rates set by the Government Actuary.

The PCSPPS and CSOPS - known as "Alpha" - are unfunded multi-employer defined benefit schemes but Audit Scotland is unable to identify its share of the underlying assets and liabilities.

You can find more details of the scheme in the [resource accounts of the Cabinet Office: Civil Superannuation](#).

During the year ended 31 March 2024, Audit Scotland paid an employer's contribution of £96k (2023 – £89k) into the PCSPPS at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2023/24 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Audit Scotland has been advised that employer's contributions in 2024/25 will be revised to one rate of 28.97%.

### c) Early departure costs

Certain costs arising from the early retirement of staff are payable by Audit Scotland. These relate to the early payment of pensions which employers must make to the pension fund and severance costs.

## 4. Other operating expenditure

	£000	2024 £000	2023 £000
<b>Fees and expenses to appointed audit firms:</b>			
Local authorities	4,125		2,006
National Health Service bodies in Scotland	1,862		1,121
Further education colleges	342		485
Scottish Government and sponsored bodies	1,818		1,067
Additional audit costs <a href="#">(see note 16)</a>	-		-
		<b>8,147</b>	<b>4,679</b>
<b>Other:</b>			
Rent and rates	307		293
Other accommodation costs	624		393
Travel and subsistence	82		151
Legal and other professional fees	531		843
Stationery and printing	120		137
Training	597		560
Staff recruitment	159		240
Communications (telephone, postage)	38		41
Insurance	125		92
Information technology	801		751
Internal Audit	25		27
External Audit - financial accounts	37		32
Other	121		77
Non-cash items: Depreciation - tangible assets <a href="#">(see note 7)</a>	341		369
Depreciation - intangible assets <a href="#">(see note 8)</a>	39		46
Depreciation - right-of-use assets <a href="#">(see note 15)</a>	617		683
		<b>4,564</b>	<b>4,735</b>
		<b>12,711</b>	<b>9,414</b>

## 5. Operating income

	2024 £000	2023 £000
<b>Fees and charges payable:</b>		
by Local authorities	14,412	12,062
by National Health Service bodies in Scotland	4,164	3,377
by Further education colleges	797	603
by Scottish Government and sponsored bodies	4,003	3,019
Rebate ( <a href="#">see note 16</a> )	-	(36)
	<b>23,376</b>	<b>19,025</b>
<b>Miscellaneous income</b>	(1)	(14)
	<b>23,375</b>	<b>19,011</b>

Audit Scotland applies the requirements of IFRS 15 to income earned from fees and charges payable. There is no legal contract with audit clients but there is deemed to be a contract in accordance with the FReM adaptation of IFRS 15 that the definition of a contract is expanded to include legislation and regulations enabling an entity to receive income.

The performance obligations are satisfied over time rather than a point in time and Audit Scotland has a right to payment for performance completed to date.

Details on the contract asset (accrued income) calculation can be found in Note 1 f). Payments received in advance of performance under the contract are recognised as a contract liability (payments on account). This is then recognised as revenue as the work is performed.

Fee income in the current period of £2,880k (2022/23 £2,621k) was included in the opening contract liability (payment on account).

At 31 March 2024 forecast future income on audits still in progress is £17,543k (31 March 2023 £17,269k). The typical audit cycle is a year and therefore we expect to recognise this income in 2024/25.

## 6. Net finance expenditure

	2024 £000	2023 £000
Interest income on pension scheme assets	6,856	3,749
Interest cost on pension scheme defined obligations	(5,181)	(4,428)
Interest cost on right-of-use assets	(49)	-
Bank interest	67	9
	<b>1,693</b>	<b>(670)</b>

## 7. Property plant and equipment

	Leasehold premises	Furniture and fittings	Computer equipment	Total
Cost	£000	£000	£000	£000
At 1 April 2023	1,339	308	1,233	2,880
Reclassified in year	-	-	-	-
Additions	-	20	210	230
Disposals	-	-	-	-
<b>At 31 March 2024</b>	<b>1,339</b>	<b>328</b>	<b>1,443</b>	<b>3,110</b>
<b>Depreciation</b>				
At 1 April 2023	1,125	280	676	2,081
Charge for the year (note 4)	107	8	226	341
Depreciation on disposals	-	-	-	-
<b>At 31 March 2024</b>	<b>1,232</b>	<b>288</b>	<b>902</b>	<b>2,422</b>
<b>Net Book Value</b>				
<b>At 31 March 2024</b>	<b>107</b>	<b>40</b>	<b>541</b>	<b>688</b>
<b>Analysis of asset financing</b>				
Owned	107	40	541	688
Prior year				

	Leasehold premises	Furniture and fittings	Computer equipment	Total
<b>Cost</b>	£000	£000	£000	£000
At 1 April 2022	1,339	286	1,092	2,717
Reclassified in year	-	-	-	-
Additions	-	22	179	201
Disposals	-	-	(38)	(38)
<b>At 31 March 2023</b>	<b>1,339</b>	<b>308</b>	<b>1,233</b>	<b>2,880</b>
<b>Depreciation</b>				
At 1 April 2022	994	275	479	1,748
Charge for the year (note 4)	131	5	233	369
Disposals	-	-	(36)	(36)
<b>At 31 March 2023</b>	<b>1,125</b>	<b>280</b>	<b>676</b>	<b>2,081</b>
<b>Net Book Value</b>				
At 31 March 2023	214	28	557	799
<b>Analysis of asset financing</b>				
Owned	214	28	557	799

Non-current assets are held at fair value. Depreciated historic cost has been used as a proxy for fair value due to the low value and short life of the assets held.

## 8. Intangible assets

	<b>Software</b>	
	2024	2023
	£000	£000
<b>Cost</b>		
At 1 April	191	262
Reclassified in year	-	-
Additions	17	2
Disposals for year	-	(73)
<b>At 31 March</b>	<b>208</b>	<b>191</b>
<b>Depreciation</b>		
At 1 April	83	101
Charge for the year (note 4)	39	46
Disposals for year	-	(64)
<b>At 31 March</b>	<b>122</b>	<b>83</b>
<b>Net Book value at 31 March</b>	<b>86</b>	<b>108</b>

## 9. Trade and other receivables

	2024	2023
£000	£000	£000
<b>Amounts falling due within one year:</b>		
<b>Trade receivables:</b>		
- Central Government bodies	102	169
- Local authorities	276	550
- NHS bodies in Scotland	889	488
- Bodies external to government	-	-
	<b>1,267</b>	<b>1,207</b>
Work in progress in advance of billing	1,922	1,972
VAT	440	186
Prepayments	416	324
	<b>4,045</b>	<b>3,689</b>

There are no trade and other receivables due after one year.

## 10. Cash and cash equivalents

	2024 £000	2023 £000
Balance at 1 April	2,839	3,101
Net change in cash and cash equivalents	(791)	(262)
Balance at 31 March	2,048	2,839

The following balances at 31 March were held at:

Commercial banks	2,048	2,839
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## 11. Net funding from the Scottish Parliament

	2024 £000	2023 £000
Opening cash balance payable to the Consolidated Fund	2,839	3,101
Funding received from the Consolidated Fund	11,152	11,172
Closing cash balance payable to the Consolidated Fund	(2,048)	(2,839)
Net funding from the Scottish Parliament	11,943	11,434

## 12. Trade payables and other current liabilities

	2024 £000	2023 £000
Amounts falling due within one year:		
Trade payables:		
- Central Government	-	-
- Local authorities	-	-
- NHS bodies in Scotland	-	-
- Bodies external to government	506	351
	506	351
- Cash balance payable to Consolidated Fund	2,048	2,839
- Deferred income	2,880	2,621

	£000	2024 £000	2023 £000
- VAT		60	68
- Corporation Tax		13	-
- Accruals		744	394
- Staff benefits - untaken holidays		899	1,130
- Rent free period on premises – current liability ( <a href="#">note 13</a> )		-	-
		<b>7,150</b>	<b>7,403</b>

The cash balance payable to the Scottish Consolidated Fund is based on accounting conventions adopted for resource-based accounting.

### 13. Deferred liabilities

Audit Scotland rents premises in various locations in accordance with its operational requirements and various leases were negotiated with rent-free periods. On adoption of the new accounting standard IFRS 16 Leases with effect from 1 April 2022 the deferred liability balance was transferred into the Right-of-use asset to ensure compliance with the international standard. [See note 15](#) for further information.

	2024 £000	2023 £000
<b>Opening balance at 1 April</b>		
Current	-	159
Deferred	-	374
	-	<b>533</b>
<b>Additions</b>	-	-
Released during year	-	(533)
<b>Closing balance at 31 March</b>	-	-
<b>Where of:</b>		
Current	-	-
Deferred	-	-
	-	-

## 14. Provision for early retirement and severance

The provision represents the actuarially computed liabilities for early retirement added years, pension strain (early payment of pension) and severance liabilities. The movement during the year was as follows:

	2024 £000	2023 £000
Opening balance at 1 April	1,450	1,745
Additions	-	-
Utilised in year	(116)	(103)
Revaluation	93	(192)
Closing balance at 31 March	1,427	1,450
Payable within 1 year	116	105
Payable after 1 year	1,311	1,345
	1,427	1,450
Discount rate used	4.85%	4.75%

### Former Local Government Ombudsmen

Prior to establishment of the Public Services Ombudsman's office, Audit Scotland provided support services including payroll and finance for the Scottish Local Government Ombudsman. The related liabilities were assumed to transfer to the new Ombudsman following the enactment of the Scottish Public Services Ombudsman Act 2002. However, following a review of the implementation of the Act it was determined that the liability for pensions of former Local Government Ombudsmen and their staff did not transfer to the new Ombudsman's office. Since 31 March 2007, Audit Scotland has recognised the pension liability for staff previously employed by the Scottish Local Government Ombudsman. The liability as at 31 March 2024 was £220k (31 March 2023 – £223k).

## 15. Leases

### Right-of-use assets

Audit Scotland recognises a right-of-use asset upon lease commencement. For our offices in Edinburgh and Glasgow the right-of-use assets have been measured using the present value of the lease liability, discounted at the incremental borrowing rate promulgated in the PES Treasury papers. Further adjustments have been made in respect of prepayments and rent-free period incentives.

For the Inverness office and car leases the right-of-use assets are measured at cost, being the initial amount of the lease liability adjusted for any lease payments made before the commencement date, less incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date over the term (which is equal to, or shorter than, the asset's useful life). The right-of-use asset will be periodically reviewed for impairment losses and adjustments on remeasurement of the lease liability.

	Premises £000	Vehicles £000	Total £000
<b>Cost</b>			
<b>At 1 April 2023</b>	1,317	542	1,859
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-
Additions	4,622	308	4,930
Remeasurement	-	(164)	(164)
<b>At 31 March 2024</b>	<b>5,939</b>	<b>686</b>	<b>6,625</b>
<b>Depreciation</b>			
<b>At 1 April 2023</b>	468	215	683
Charge for the year	393	224	617
Depreciation on disposals	-	(192)	(192)
<b>At 31 March 2024</b>	<b>861</b>	<b>247</b>	<b>1,108</b>
<b>Net book value</b>			
<b>At 31 March 2024</b>	<b>5,078</b>	<b>439</b>	<b>5,517</b>
<b>Cost</b>			

	Premises £000	Vehicles £000	Total £000
<b>At 1 April 2022</b>	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	1,200	408	1,608
Additions	117	156	273
Disposals	-	(22)	(22)
<b>At 31 March 2023</b>	<b>1,317</b>	<b>542</b>	<b>1,859</b>
<b>Depreciation</b>			
<b>At 1 April 2022</b>	-	-	-
Charge for the year	468	215	683
Depreciation on disposals	-	-	-
<b>At 31 March 2023</b>	<b>468</b>	<b>215</b>	<b>683</b>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<b>849</b>	<b>327</b>	<b>1,176</b>

## Obligations under leases

On transition to IFRS 16 lease liabilities were measured at cost of the remaining lease payments at 1 April 2022.

The present value approach has been adopted to determine the lease obligations for our Edinburgh and Glasgow offices. Upon commencement of new car leases the liability is measured at cost of unpaid lease payments.

Periodic reviews of this approach will be undertaken and any remeasurement adjustments will be made as required.

	2024 £000	2023 £000
<b>Premises</b>		
Within one year	234	494
Later than one year and not later than five years	737	640
Later than five years	4,344	-
	<b>5,315</b>	<b>1,134</b>
<b>Vehicles</b>		
Within one year	157	104
Later than one year and not later than five years	197	105
	<b>354</b>	<b>209</b>
<b>Total lease obligations</b>		
Within one year	391	598
Later than one year and not later than five years	934	745
Later than five years	4,344	-
	<b>5,669</b>	<b>1,343</b>

## 16. Other provisions

Other provisions comprise audit expenses rebate, rent review/contractual costs and property dilapidations.

**Audit expenses rebate:** In financial year 2021/22 a provision was raised for £1,320k to meet a legal obligation to rebate audit fees for an element of our “pooled costs” charges. This arose due to the significant reduction in the cost of in-house and firm’s expenses in relation to travel and subsistence. During 2022/23 and 2023/24 the majority of this provision was released and as at 31 March 2024 there is a balance of £107k being held in respect of the pooled costs savings generated on 2021/22 audits. This legal obligation will be released in 2024/25 as part of the fee instalment invoicing arrangements.

**Rent review/contractual obligation:** In 2022/23 our offices in Glasgow and Inverness were scheduled rent reviews in accordance with their existing lease agreements and we also had a potential contractual obligation that needed to be provided for. Settlement of these obligations occurred in 2023/24 and the provisions were released.

**Dilapidations:** Audit Scotland leases three properties across Scotland. The leases for Edinburgh and Glasgow contain provisions in respect of obligations for property dilapidations, reinstatement and decoration.

Estimates of likely costs in respect of obligations under our property leases for dilapidations, reinstatement and property decorations are charged in accordance with IFRS 16 Leases, which requires dilapidation estimates to be added to the right-of-use asset and depreciated.

The movement in other provisions during the year were as follows:

	2024 £000	2023 £000
<b>Opening balance at 1 April</b>	1,204	1,863
Provided in year	94	279
Released in year	(423)	(938)
<b>Closing balance at 31 March</b>	<b>875</b>	<b>1,204</b>
Payable within 1 year	120	543
Payable after 1 year	755	661
	<b>875</b>	<b>1,204</b>

## 17. Related party transactions

Audit Scotland is a statutory body funded by the Scottish Parliament. The latter is regarded as a related party. Audit Scotland's income arises principally from audit fees and charges levied on public sector bodies. During the period, none of Audit Scotland's directors and board members has undertaken any material transactions with related parties.

## 18. Events after the reporting period

There have been no significant events after 31 March 2024 that require adjustment to, or disclosure in, the financial statements.

The financial statements were authorised for issue by the Auditor General for Scotland on 18 June 2024.

## 19. Contingent liabilities

At 31 March 2024, there were no contingent liabilities.

## 20. Capital commitments

At 31 March 2024, there were no capital commitments.

## 21. Segmental reporting

Audit Scotland is considered to have just one operating segment and therefore no segmental information is produced.

# Direction by the Scottish ministers

## **In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000**

The statement of accounts for the financial year ended 31 March 2006 and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

The accounts shall be prepared so as to give a true and fair view of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 25 April 2001 is hereby revoked.

**Signed by the authority of the Scottish ministers**  
17 January 2006

# Annual report and accounts 2023/24



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