

23 September 2024

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

Dear Chair

### **2024/25 Budget Position**

We are writing to provide an update following our letter of 10 April 2024 in which we set out the Board's request to inform you of the change to Audit Scotland's 2024/25 budget resulting from a 2% reduction in employers pension fund contributions which gave rise to an annual saving of £287,000. Our letter set out two potential options to either return the money to the Consolidated Fund (option 1) or to use the money to recruit five additional auditors for a period of two years to accelerate the recovery of audit delivery in line with our key strategic priorities (option 2).

With the agreement of the Scottish Commission for Public Audit (SCPA) we pursued option 2 to recruit five additional auditors. However, despite a vigorous recruitment campaign over the summer months we have been successful in recruiting only two additional auditors. We had a creditable number of applicants but unfortunately the suitability of a significant number of applicants did not meet the standards we expect. Our business intelligence suggests that this is typical of the current recruitment market and consequently we are of the view there is little merit in attempting further recruitment at this stage.

As set out in the letter of 10 April the recovery of audit delivery with the completion of the 2026/27 audits (our current plan) is not dependent on the planned additional resourcing. While the fewer than anticipated number of additional auditors curtails our ability to accelerate audit delivery it does not impact on our current plan to complete 95% of audits by the target dates set out in the Annual Planning Guidance by the end of the 2026/27 audits.

The Board asked us to make you aware of this position and in doing so we wanted to set out potential options for how the unused portion (£130,000) of the reduction could be used. Two options are set out below for the SCPA's consideration. We would of course be happy to discuss these further or alternatives, as appropriate.

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

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

## **Option 2 – fund an ‘invest to save’ project to procure and implement a resourcing and management information system.**

We would prefer to repurpose the unused funding to invest in a modern resourcing and management information system to deliver long-term efficiencies in the way we work. In our Business Plan we have identified the need for a unified workforce planning and resourcing system that will allow consistent reporting across the organisation, at various levels through from individual managers, resourcing leads, business group management teams, Leadership Group and Executive Team.

At present, no such system exists in Audit Scotland and resource planning is carried out using excel spreadsheets with no links to data recorded in other corporate IT systems, for example time recording and staff absences. Existing systems are no longer fit for purpose and require substantial manual input from senior members of staff to produce the basic information necessary for strategic and operational decision-making including resource management and deployment. Consequently, the staff involved are taken away from their primary task of front-line operational audit delivery.

The project is specifically identified within the Audit Scotland Business Plan, and it is one of three projects in the Strategic Improvement Programme. The project supports the achievement of key Corporate Plan Objectives:

### **Timely and impactful annual audit**

- Deliver timely annual audits of public bodies

### **Developing our people and our business**

- Base our decisions about delivery and resourcing on our agreed priorities
- Ensure we have the capacity, skills and flexibility to respond to our environment and deliver our planned audit work

The project itself, and specifically the procurement and implementation of the system, requires initial investment before the benefits will be realised and the system becomes self-funding through staffing efficiencies. Our proposal is to repurpose the unused funding from the reduced pensions contributions towards the investment required for the new system in 2024/25 and 2025/26. Our modelling demonstrates that the efficiency gains from the system offset the operational costs from 2026/27 onwards.

In addition to delivering its inherent benefits the proposed new system is a key building block to support the realisation of efficiencies from the Audit Modernisation Project (AMP). As a result, this is our preferred option.

### **Audit modernisation**

In addition to the two options, we have again considered whether there is any element of the audit modernisation project that we could accelerate considering the outcome of our session with you on 24 June. We do not believe that additional resource is required for this project within 2024/25.

To utilise the funding within 2024/25, the earliest indication of how you would like us to proceed would be very much welcomed and we would be happy to discuss further at our session on 30<sup>th</sup> September.

Yours sincerely

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

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