

13 November 2025

Colin Beattie MSP  
 Chair  
 Scottish Commission for Public Audit  
 The Scottish Parliament  
 Edinburgh  
 EH99 1SP

Dear Chair

### **Spring Budget Revision – Notification of Proposed Return of Surplus Funds**

I am writing to formally advise you that, following a comprehensive mid-year review of our 2025/26 budget position, Audit Scotland has proactively identified surplus funds and is taking steps to return £1.08 million to the Scottish Consolidated Fund (SCF) through the Spring Budget Revision (SBR). This action reflects our commitment to prudent financial management, transparency, and responsible stewardship of public resources.

The surplus arises from circumstances that were inherently unpredictable and could not have been anticipated during the original budget-setting process. Each item is exceptional and non-recurring in nature, ensuring that this return does not signal any ongoing trend. This return has been fully scrutinised and approved by the Audit Scotland Board in line with our standing orders.

### **Overview of Proposed Return**

The proposed return comprises four distinct elements, listed below from largest to smallest:

<b>Item</b>	<b>Amount</b>	<b>Nature</b>	<b>Rationale</b>
Audit Modernisation Programme Underspend	£430,000	Non-recurring	Delay in supplier engagement has deferred development costs to 2026/27.
Additional Fee Income	£300,000	Non-recurring	Ethical standards and ISA prevent budgeting for additional audit fee income arising.
Management Contingency	£250,000	One-off	Early pay award and prudent vacancy management freed contingency funds.
Secondments Income	£100,000	Non-recurring	Confirmed post-budget setting; post not backfilled to support vacancy factor delivery.

### **Audit Modernisation Programme (AMP) – Reprofiling of Spend**

The Audit Modernisation Programme (AMP) is a strategic initiative designed to transform our audit approaches through modern, integrated software and tools. It aims to:

- Deliver high-quality, risk-based, and efficient audit work.

- Replace legacy audit software with a future-proof, interoperable suite.
- Establish sustainable mechanisms for updating audit methodologies.
- Support staff through a comprehensive learning and change programme.
- Define the skills and capacity needed to deliver the new approach.

In December 2024, the SCPA approved direct Scottish Consolidated Fund (SCF) investment of £672,000 in 2025/26, with further funding of £1,544,000 anticipated across 2026/27 and 2027/28. However, due to the preferred supplier being unable to provide a fixed-price response within the required timeframe, Audit Scotland will no longer incur the originally planned development and infrastructure costs in 2025/26.

As a result, we propose to return £430,000 of the AMP allocation for 2025/26. These costs will now be incurred in 2026/27. The revised investment profile is:

<b>Year</b>	<b>Prior Profile</b>	<b>Revised Profile</b>
2025/26	£672,000	£242,000
2026/27	£1,120,000	£1,550,000
2027/28	£424,000	£424,000
<b>Total</b>	<b>£2,216,000</b>	<b>£2,216,000</b>

The total cost of the AMP project remains unchanged; only the phasing of expenditure has been revised. This rephasing ensures strategic alignment without compromising delivery. The supplier has agreed to engage in a workshop in Q4 2025/26 to refine requirements, with the aim of returning a fixed-price proposal shortly thereafter. We anticipate approving the Full Business Case and initiating implementation by the end of Q1 2026/27. The SCPA will be provided a full update on this as part of our 2026/27 budget session in December 2025.

### **Additional Fee Income from Annual Audits**

When charging additional audit fees, auditors must adhere to strict professional and ethical standards, ensuring transparency and a clear, evidence-based justification for any extra charges. To date in the current financial year, Audit Scotland's in-house audit delivery teams have agreed approximately £300,000 of additional fees across a broad range of audited bodies in relation to the audit of their 2024/25 financial statements.

Such fee income is inherently unpredictable and typically arises from unforeseen risks or events that require either additional audit work or which adversely affect the efficient delivery of planned audit activity at individual bodies. Because these fees are reactive and linked to emerging issues, Audit Scotland does not budget for additional fee income, nor can we assume any recurring nature in future years. This approach is essential to maintain compliance with ethical standards and uphold the integrity of the audit process.

Over recent years, we have adopted a more deliberate approach to charging additional fees to ensure the true cost of audit is recognised and to encourage improvements at audited bodies.

The work underpinning this additional income has not required recruiting extra staff during 2025/26, meaning there is no associated unbudgeted expenditure to offset the income. Looking ahead, we are reviewing productivity assumptions, and all 2024/25 audits are scheduled for completion by the end of the 2025 calendar year, with only two exceptions. The effort required to achieve this has been significant and should be regarded as exceptional rather than indicative of future trends.

## **Management Contingency – Not Required in-Year**

The £250,000 Management Contingency is a recurring provision designed to provide flexibility for unforeseen staffing or cost pressures. When setting the 2025/26 budget, we included this contingency as part of our standard approach to risk management. However, the pay award for this year was already agreed as part of a two-year settlement with PCS, meaning our pay assumptions were precise and carried no uncertainty. Combined with disciplined vacancy management, this has resulted in an expectation that we will not need to draw on our contingency by the end of 31 March 2026.

This outcome illustrates the strength of our planning and the effectiveness of our workforce management strategy. While the contingency itself is a recurring feature of our budget framework, the ability to release it this year is a one-off result of these specific circumstances. Returning these funds demonstrates our commitment to ensuring resources are only retained when genuinely required and reinforces our proactive approach to financial stewardship.

## **Secondments Income – Timing and Vacancy Factor Management**

The £100,000 secondments income relates to staff secondment opportunities that arose after the budget was finalised. Such arrangements are not planned for, as they depend on external demand and timing. In this case, the secondments were confirmed mid-year, and the posts were not backfilled, aligning with our cautious approach to managing the newly introduced 5% vacancy factor.

This decision avoided both additional recruitment costs and also supported our broader workforce strategy during a period of operational change. The income generated is therefore a direct consequence of agile resource management and collaboration with partner organisations. While secondments provide valuable development opportunities for staff and strengthen relationships across the public sector, the financial impact is exceptional and cannot be assumed in future years.

## **Conclusion**

We believe this proposal reflects a proactive and considered approach to public financial stewardship. Each of the items above is either non-recurring, externally driven, or the result of prudent internal management. By returning these funds, we are ensuring that public money is not held unnecessarily and can be reallocated to support other priorities across the public sector.

We trust that this will be positively received by the Commission and are happy to provide any further detail or clarification as required.

Yours sincerely



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