

Scottish Commission for Public Audit
Thursday 11 December 2025
2nd Meeting, 2025 (Session 6)

Audit Scotland Budget Proposal 2026/27

1. Audit Scotland has submitted its Budget Proposal for 2026/27 for the consideration of the Scottish Commission for Public Audit (SCPA). A copy of the Budget Proposal for 2026/27 and a covering letter from the Auditor General for Scotland (AGS), as Accountable Officer, can be found at **Annexe A**.
2. A copy of a letter from the AGS in relation to a proposed return of surplus funds to the Scottish Consolidated Fund can be found at **Annexe B**. A copy of the SCPA's response can be found at **Annexe C**.
3. **The Commission is invited to consider Audit Scotland's Budget Proposal 2026/27 and report its views to Parliament.**

Secretary to the Scottish Commission for Public Audit
December 2025

www.audit.scot

02 December 2025

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

Dear Chair

2026/27 Budget Proposal

On behalf of the Audit Scotland Board, we are pleased to provide you with our 2026/27 budget proposal, which is due for consideration by the Commission on 11 December 2025.

We have welcomed the opportunities to meet with the Commission during this year to discuss our budget development and our progress with the Audit Modernisation Project (AMP). We hope that these discussions have been useful as you prepare to consider our proposal.

We previously wrote to inform you that we intended to return £1.08m to the Scottish Consolidated Fund (SCF) in the Spring Budget Review (SBR). We are grateful for the Commission's supports for that approach.

Our 2026/27 proposal sets out a budget that supports the ongoing delivery of high-quality audit and independent assurance, while enabling us to continue investing in the future of public audit. Through this, it drives our vision as stated in [Public Audit in Scotland](#), of public money being well spent to meet the needs of Scotland's people.

Our proposed total budget for 2026/27 is £41.8m, comprising £16.2m of SCF funding and £25.6m in fee income. This represents 0.07 per cent of the £59.9bn of spending we will audit.

The key features of the 2026/27 proposal include:

- funding for core operating costs, an increase of £55k (0.4 per cent) in SCF funding on a like-for-like basis with 2025/26
- funding of £250k for the biennial, statutory National Fraud Initiative
- identified efficiency savings of £2.1m (5.2 per cent)
- audit fee increases of 4.3 per cent on average

- an assumed pay award of 3.0 per cent
- agreed investment in audit modernisation of £1.55m; this includes £430k repensed from 2025/26 and returned through the SBR
- employer national insurance contributions baselined into core budget (previously fully funded by SCPA in 2025/26 budget).

Through this budget, we will deliver annual audits of circa 230 public sector bodies and accounts, approximately 30 performance audits on key issues and service, independent and objective assurance over public spending, and work that drives improvements in public services.

The budget also supports our programme of transformational change. This includes the agreed investment in modernising public audit, as well as our fundamental review of public audit in Scotland. During 2026/27 we will consult on and deliver a new Code of Audit Practice and begin the procurement of audit services for 2027/28 onwards; both are crucial steps for the future.

Our proposal reflects an operating environment that remains challenging and uncertain, with continuing cost pressures and risks across the public sector. We are proactively managing these so that we can meet our statutory obligation to break even each year.

In that context, this proposal seeks to balance the delivery of high-quality, independent public audit, audit quality and assurance, efficiency, staff wellbeing, and risk management.

As with our 2025/26 budget, we are taking on a higher level of operational and financial risk in the 2026/27 proposal compared with previous years. The most significant risks are:

- our 2026/27 pay award, based on an assumption of 3.0 per cent, and yet to be agreed
- our vacancy factor of five per cent and our reduced management contingency
- the challenging financial environment in the public sector.

In our proposal, we aim to be transparent around these risks, and also demonstrate where we are finding efficiencies and savings.

We look forward to discussing these proposals further with you on 11 December.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Boyle', with a long horizontal flourish extending to the right.

Stephen Boyle
Auditor General for Scotland & Accountable Officer

Budget proposal

2026-27



 AUDIT SCOTLAND

Prepared for the Scottish Commission for Public Audit
December 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key messages

- 1 Through our 2026/27 proposal, we are putting forward a budget for:
 - delivering high-quality, cost-effective, independent public audit
 - continuing our investment in modernising how we will work and the services we will provide in the future
 - and building the foundations for the next phase of public audit in Scotland.
- 2 As with all public bodies, we face financial and operational challenges. This proposal balances delivery, quality, efficiency, wellbeing and risk.
- 3 Our resource budget proposal for 2026/27 totals £41.4 million; this is a 3.6 per cent increase from 2025/26. The revenue request from the Scottish Consolidated Fund is £15.8 million, with the balance funded from fee income.
- 4 Our proposal will deliver:
 - independent and objective assurance over public spending, and help to drive improvement in public services
 - the annual financial audit of circa 230 public sector bodies and accounts
 - circa 30 performance and Best Value audits on behalf of the Auditor General and Accounts Commission on key issues, services and projects
 - continued investment in our transformational change project to modernise audit and our work on the future of public audit
 - support for achieving the vision of public audit in Scotland that public money is well spent to meet the needs of the country's people.
- 5 This proposal has been prepared in the context of significant cost pressures and operational risks, including maintaining a vacancy factor of five per cent, pay award assumptions and the absorption of employer National Insurance increases, fee income pressure and extra audit work, and the creation, merging or closing of public bodies.

Headline figures 2026/27 budget

£41.84m	2026/27 proposed budget
£16.21m	Scottish Consolidated Fund funding
	Resource: £15.8m Capital: £0.4m
£15.81m	SCF resource funding:
	£13,783k core operating costs
	£250k biennial National Fraud Initiative exercise
	£224k non-cash IFRS resource adjustment
	£1,550k audit modernisation, incl. £430k rephased from 2025/26
£2.1m (5%)	Identified efficiency savings
3.0%	Assumed pay award
£520k	Rebasing of Employers National insurance into core budget
£25.63m	Fee income
4.3%	Audit fee rise
3.8%	Uplift to contracted firms
£400k	SCF capital funding, including:
	£150k digital strategy investment
	£250k non-cash IFRS 16 capital adjustment

Movements on 2025/26

£1.998m	Increase in total budget: 5.1%
£1.22m	Increase in total SCF funding: 8.2%
	Resource: £1.18m Capital: £0.04m
	Resource requirement:
	Core SCF funding: £57k (0.4%) increase <u>Note:</u> adding back in Employer's NI to base is an increase of £572k to Core Funding equating to 4.3%, matching the increase in fees)
£1.18m	National Fraud Initiative (biennial) - £250k
	Audit Modernisation Programme - £878k (including £430k rephased from 2025/26)
	Capital requirement:
£0.04m	IT capital budget decrease of £50k
	IFRS16 capital adjustment increase of £90k

Introduction

1. Audit Scotland is a statutory body established under the Public Finance and Accountability (Scotland) Act 2000. We are Scotland's national public sector audit agency, providing the Auditor General and the Accounts Commission with services they need to carry out their duties. Our in-house teams and contracted firms carry out annual external audits of around £60 billion on public spending a year, and performance and Best Value audits across the Scottish public sector.

2. On 20 June 2023 the Auditor General, the Accounts Commission and Audit Scotland published Public Audit in Scotland. This sets out our shared vision and mission, and the outcomes we collectively intend to achieve for Scotland's people through public audit.

3. The key delivery mechanism for Public audit in Scotland is Audit Scotland's [Corporate Plan 2023-28](#), also published on 20 June 2023.

4. Over the course of the [Corporate Plan 2023-28](#) we are committed to increasing our efficiency, bolstering quality and aligning with developments in the audit profession by reviewing, improving and transforming our audit approaches. This includes:

- paving the way for a new audit approach supported by a new audit software solution
- further developing our methodology for auditing climate change and mainstreaming equality and human rights into audit reporting
- transforming our annual audit approach to promote agility and flexibility, and responding to external factors and changes in the audit profession.
- supporting the transformation of our audit approaches by moving to new audit software solutions.

5. This proposal sets out the context for our work, our work plans, our detailed budget requirements for 2026/27, high-level projections of resource requirements for 2027/28 and 2028/29, and information on net expenditure trends.

Context

2026/27 financial risks

6. The budget proposal for 2026/27 has been prepared in the context of several interconnected risks, which include:

- the challenging financial environment and impact on public sector budgets
- the 2026/27 pay deal remains outstanding with an expected pay claim from Public and Commercial Services (PCS) Union in early 2026. The budget contains a 3.0 per cent pay award assumption with every additional 0.5 per cent representing a £134k cost pressure. We would look to our contingency in the first place to absorb any pressures but wish to reserve the opportunity to engage further with the SCPA as required
- our vacancy factor will remain a challenge. We implemented a five per cent factor in 2025/26
- cashflow challenges if audits do not progress to schedule and there is a material delay in the payment of audit fees
- Need to respond to in year demand changes such as additional audit work from either creation of new bodies or additional work in audited bodies to meet audit requirements.
- future audit procurement costs.

7. These risks will be managed through regular monitoring and reporting to both Audit Scotland's executive team and Board.

Corporate Plan 2023-28

8. The budget proposal supports the shared vision of [Public Audit in Scotland](#) that 'Public money is well spent to meet the needs of Scotland's people'.

9. To deliver this vision our [Corporate Plan](#) has identified five 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

10. The successful delivery of the priorities is integral to how we work and the organisational values that we will embed within Audit Scotland. At the heart of everything we do are the core values of:

- Equality
- Independence
- Innovation
- Integrity
- Respect

11. A high-level performance measurement framework sets out our measures for the duration of the plan. Annual business plans ensure our actions and measures are relevant.

12. The Auditor General, Accounts Commission and Audit Scotland Board receive quarterly performance reports on our progress on meeting the strategic priorities.

Our work 2026/27

Annual financial audits

13. This budget proposal focuses on the delivery of audits for 253 public sector bodies and accounts (at December 2025), including the Scottish Government and its public bodies, NHS boards, police and fire services, councils, integration joint boards and colleges.

14. Under current plans, the Scottish public sector will spend £59.9 billion of public money in 2025/26, which we will audit during 2026/27.

15. Using 2023/24 audits as the baseline, we will continue to improve the timeliness of annual audits to the timescales specified by the Auditor General and Accounts Commission. We are on track to reach targets levels over the next two years.

16. The 2025/26 audit year will be the fourth year of the new audit appointments period, with Best Value in local government sector integrated into the annual audit process.

17. We have already worked to make the delivery of audits more efficient, particularly in relation to financial statements audits. Further actions are planned in 2026/27 to embed and build upon the work to date.

18. Statutory reports on significant issues arising from the annual audits will be brought to the Parliament by the Auditor General for Scotland or to the Accounts Commission for Scotland from the Controller of Audit.

19. The budget proposal enables us to provide continued support to the Scottish Parliament to scrutinise the use of public money. This includes the ongoing audit requirements arising from devolution of powers such as social security and income tax and the increased complexity of the Scottish budget.

Performance audits

20. The performance audit and best value work programme is approved by the Auditor General for Scotland and the Accounts Commission. The programme is based on the interconnected themes of:

- Economic recovery and growth
- Inequalities and human rights
- Governance and accountability

- Innovation and transformation
- Policy priorities and commitments

21. We consult widely with stakeholders on the work programme annually. This includes with the Parliament's Public Audit Committee (PAC); in turn, the PAC may consult with other parliamentary committees.

22. The focus of our performance audits continues to be on assessing how public bodies are tackling the challenges of delivering affordable, sustainable and effective services while reforming services.

23. We have continued to develop our approach to auditing Best Value. This year we are working with His Majesty's Inspectorate of Constabulary in Scotland to produce the first BV audit report of policing. In 2026/27 we plan to publish 13 Best Value reports on individual councils and sector-wide subjects.

Making transformational changes

24. This proposal will enable us to continue investing in our programme of transformational changes to our audit approaches and technology, the future shape and scope of public audit in Scotland, and how well we manage, monitor and report on our resources and performance.

25. This programme will enable us to both respond to the challenging external environment and changing demands on audit, make the most of technological advancements, and ensure public audit is fit for the future and that we can recruit and retain high quality people by providing rewarding careers and opportunities for development.

Modernising how we work and what we deliver

26. We have previously set out to the Parliament our ambitions to modernise the approaches, tools and skills of public audit in Scotland through our Audit Modernisation Project (AMP).

27. The vision of the AMP is to 'transform audit approaches that are clearly defined, risk-based and data driven, to ensure compliance, quality and efficiency; delivered through integrated auditing software and tools that automate and standardise processes; and delivered by confident teams and staff with the right skills in the right structure'.

28. The project is supported through agreed SCF funding across three years for investment in a new software system and audit approaches.

29. The approved software option is to partner with the National Audit Office, to use their audit software, with minimal system amendments. Through this, we are managing the risks associated with IT projects, as well as showing leadership to the public sector in taking a shared systems approach with a partner organisation.

30. We also aim to provide an example of managing transformational change through strong governance and independent external scrutiny, in this case from the Parliament.

31. The external costs of AMP over the next two years will be the development and implementation of the software. Contract costs for the software once it is fully operational will be classified as business as usual and therefore funded through core consolidated fund and fees proportionately.

32. The direct SCF investment required in 2026/27 is £1,550k. This includes £430k of spending rephased from 2025/26, which we have returned to the SCF through the Spring Budget Revision.

33. Further direct SCF funding, in relation to the ongoing development and implementation of the software, in the region of £424k will be required in 2027/28. As this is a multi-year project, it is important that there is budget flexibility across financial years to avoid potential situations where the pace of the project is different to in-year budget availability.

The future of public audit

34. A priority for 2026/27 will be moving forward with building the foundations for a new future model of public audit for Scotland.

35. We are doing this through our root-and-branch review of public audit to ensure it remains fit for purpose, proportionate and risk-based. The review aims to future-proof public audit, by shaping a model that meets current needs and anticipates future challenges. It will also aim to balance quality, efficiency and wellbeing with delivering independent assurance that provides value for money and impact.

36. During 2026/27 we will engage widely on proposals for the future model.

37. Central to this is extensive external and internal formal consultation on a new Code of Audit Practice, due to launch in February 2026. The Code is the guidance that sets out the expectations of the Auditor General and the Accounts Commission of auditors, and the scope of audit work, including wider scope work; a fundamental principle of public audit is that it goes wider than looking at the accounts.

38. The Auditor General for Scotland and Accounts Commission will publish a revised Code in June 2026.

39. We will then start procurement for the next audit appointments under the new Code, which will apply from the 2027/28 audits for a five-year term. This will ensure we have the key components of the new model – the shape, scope and delivery partners – in place well ahead of the new appointment round.

40. This project is funded by existing resources within Audit Scotland.

Resource management

41. We are supporting our transformational change agenda with a new resourcing and management information system to support a more efficient and flexible resourcing approach. This will further enable us to ensure we have the right people with the right skills assigned to the right tasks at the right time across Audit Scotland.

42. Our 2026/27 budget allocates £90,000 to it for system license costs. This will be an annually recurring cost.

Value for money

43. Our 2026/27 revenue budget proposal of £41,437k represents 0.07 per cent of the proposed £59.9 billion total spending that will require audit.

44. Most of our expenditure is on staff costs (64.5 per cent), with the balance split between payments to external firms for undertaking audit work (20.2 per cent) and other operating costs (15.3 per cent).

45. This proposal results in 62 per cent funding from audit fees for audited bodies, with the 38 per cent balance funded through the Scottish Consolidated Fund.

46. Legislation requires us to broadly break even each year. Our budget process looks to identify and deliver recurring and non-recurring savings to ensure the fees charged to audited bodies and the funding required from the Scottish Consolidated Fund meet our break-even commitment.

47. The budget also aims to absorb in-year cost pressures and any new demands from within the existing resources, where possible. This is achieved through a one organisation joined up approach to budget development which is informed by our operational business planning process and development of our people strategy.

48. The 2026/27 budget proposal includes identified efficiency savings of £2,135k (5.2 per cent), with further detail as follows:

- Vacancy factor of 5 per cent (£1,293k)
- Reduction in establishment numbers (£294k: see [Table 1](#) on page 15)
- Reduction in property costs in line with the Estates Strategy (£270k), including £50k of newly identified savings at our Edinburgh office
- Absorbing costs in the delivery of the Future of Public Audit Model (£120k)

- Reduction in overall spend and absorbing inflationary pressures (£118k)
- Reduction in training costs (£64k) – additional detail below
- Review of Business Support Services (£40k)

49. The £64k reduction in the training budget is mainly driven by a decrease in our professional trainee establishment by four positions, reflecting workforce planning and efficiency measures. This has lowered both the direct costs of funding their professional qualifications and the associated employment costs compared to the prior year. There will be year to year fluctuations in professional trainee establishments, and we actively manage that through our modernised workforce planning approach.

50. In addition to the efficiency savings listed we have already increased productivity levels in the delivery of our financial statements audit work over the past 12 months and have identified additional opportunities to secure further improvements during 2026/27.

Table 1
Movement in establishment workforce

	2025/26	2026/27	Change	Impact
	WTE	WTE		£k
Band 3	50.90	50.30	-0.60	(62.6)
Band 2B	38.46	37.46	-1.00	(85.0)
Band 2A	91.14	86.78	-4.36	(325.9)
Band 1C	58.80	64.80	6.00	349.3
Professional Trainees	57.00	53.00	-4.00	(170.1)
Total	360.60	356.64	-3.96	(294.3)

National insurance

51. In 2025/26, we received one-off support of £520k from the SCF for additional employer National Insurance contributions. In 2026/27, we will incorporate them into our operating costs and our fee structure.

2026/27 budget and projections

52. [Table 2](#) sets out our 2026/27 budget proposal and projections to 2028/29. These are based on assumptions detailed on pages 15 to 17.

Table 2
Budget Projections for 2026/27 to 2028/29

	Adjusted budget	Proposed budget	Projection	Projection
	2025/26	2026/27	2027/28	2028/29
	£k	£k	£k	£k
Expenditure				
People costs	25,859	26,761	27,564	28,391
Other operating costs	12,879	12,902	13,289	13,938
Total operating expenditure	38,738	39,663	40,853	42,329
Total income	(25,010)	(25,631)	(26,400)	(27,192)
Core revenue requirement	13,728¹	14,033	14,454	15,137
Audit modernisation project	672 ²	1,550	424	0
IFRS 16 adjustment - revenue	223	224	214	214
SCF revenue requirement	14,623	15,807	15,092	15,351
Capital	200	150	150	150
IFRS 16 adjustment - capital	160	250	250	250
Total SCF requirement	14,983	16,207	15,492	15,751
Staff (WTE)	360.60	356.64	352.14	352.14

1 In 2025/26 we received £520k SCF funding to cover additional NI contributions. From 2026/27 onwards, these are absorbed into our core operating costs.

2 This includes £430k that we returned to the SCF in the Spring Budget Revision.

53. Audit Scotland is funded by audit fees and the Scottish Consolidated Fund (SCF), approved by Parliament. The principles of the funding and fee setting arrangements to support the provision of high quality independent public audit in Scotland are available in the report [Our approach to setting audit fees](#).

Scottish Consolidated Fund funding

54. The total SCF requirement in the proposal for 2026/27 is £16,207k. This represents an overall increase of £1,224k on the adjusted budget for 2025/26. This includes a capital requirement of £150k, down from £200k in 2025/26, and capital non-cash adjustment of £250k.

Proposed 2026/27 SCF revenue requirement

55. Revenue support from the Scottish Consolidated Fund provides funding for:

- non-chargeable Central Government audits
- performance audits
- the Auditor General
- the Accounts Commission
- a proportion of Audit Scotland senior management
- management contingency
- assuring the quality of public audit in Scotland
- the National Fraud Initiative
- Audit Modernisation Project.

56. The SCF revenue requirement is £15,807k. This represents an overall increase of £1,184k on the adjusted budget for 2025/26. Excluding the non-cash adjustments, NFI funding and direct audit modernisation funding, the revenue funding request is an increase of £573k compared with 2025/26, or 4.3 per cent. After baselining the one-off Employer NI funding in 2025/26, the net increase is 0.4 per cent in comparison to the prior year.

57. [Table 3](#) overleaf provides an analysis of the movement from the adjusted net expenditure budget in 2025/26 to the proposed 2026/27 net expenditure revenue requirement.

Table 3**Movement of SCF revenue requirement from 2025/26 to 2026/267**

	£k	£k
2025/26 adjusted SCF requirement		14,623
National Fraud Initiative	250	
Audit Modernisation	878	
Corporate Services and Overheads	56	
Increase		1,184
2026/27 SCF revenue requirement		15,807

58. Future projections are based on the proposed 2026/27 budget with specific adjustments made for the biennial NFI exercise and a three per cent inflation assumption. The potential additional requirement in 2027/28 to meet the development and implementation of the audit modernisation system is based on best estimates at this stage of the project and exclude optimism bias. Any additional system functionality requirements could impact on future funding requests though a full options appraisal will be undertaken before any request is made.

59. An analysis of 2026/27 net expenditure by category is attached in Appendix. It also provides information on actual net expenditure in 2024/25, and the approved and adjusted budget for 2025/26.

People costs

60. People costs represent 65 per cent of our expenditure budget proposals and our 2026/27 budget requirement is £660k (3.0 per cent) higher in cash terms than the 2025/26 budget. The main driver of the increase is the assumed three per cent pay award.

61. The outcome of our integrated business planning and people strategy work has led to the 2026/27 proposal setting an establishment level of 356.64 WTE, with a vacancy factor of five per cent applied.

Other operating costs

62. Other operating costs are £1,069k (20.3 per cent) higher in the proposed 2026/27 budget compared to the 2025/26 budget.

63. The main changes relate to the increase of £250k in respect of the biennial National Fraud Initiative (NFI) and an increase of £878k relating to the Audit Modernisation Project.

64. The remaining movement is a budget decrease of £59k, which relates to several increases and decreases across several budget headings.

65. Other notable areas of movement include:

- Increase in IT & Cyber Security Costs (£140k) – due to £90k from resource management system and £50k increase cyber security investment)
- decrease in Depreciation (£102k)
- decrease in Training (£64k) – see paragraph 49 on page 13
- decrease in Travel and Subsistence (£17k)
- decrease in Others (£16k)

66. The majority of the decrease in our training budget results from a reduction of 4.0 WTE in our professional trainee group.

Proposed 2026/27 SCF capital requirement

67. The proposed capital budget of £150k will support our digital strategy. See [Table 4](#). Note this table excludes the £250k required for non-cash IFRS 16 adjustments.

Table 4
Proposed capital budget 2025/26

	£k
IT hardware	75
Printers	50
Software	25
Total	150

Fee income

68. An increase of 4.3 per cent has been applied to the proposed fees budget for financial year 2026/27 in order to break even in each sector. For 2025/26 audits each sector will see a fee increase of 4.3 per cent.

69. The increase in SCF funding is due to the proposed increases to non-chargeable fees, additional audit work for non-chargeable bodies, National Fraud Initiative direct funding and audit modernisation system costs.

70. Income from fees to audited bodies by financial year is provided in [Table 5](#).

Table 5
Income from fees to audited bodies

	Actual	Budget	Proposed Budget
	2024/25	2025/26	2026/27
	£k	£k	£k
Local authorities	16,397	15,700	16,399
NHS bodies	4,293	4,273	4,360
Further education colleges	1,055	1,050	1,032
Scottish Govt depts and sponsored bodies	3,936	3,793	3,840
Rebate	14		
Total fee income from audited bodies	25,695	24,816	25,631

Principal budget assumptions - 2026/27 to 2028/29

71. The principal assumptions underlying the budget proposal for 2026/27 and our cost projections for the two following years are set out below.

Pay and pensions

72. The formal pay award for 2025/26 was agreed as part of the two-year deal concluded in 2024, which provided a 3.8 per cent uplift from 1 April 2025. For 2026/27, negotiations are ongoing with staff representatives (PCS) to agree a pay settlement. The current budget assumption is for an uplift of three per cent in the total pay bill, with progression payments for staff not at the top of their grade. This represents a reduction from the previous year's 3.8 per cent uplift. We recognise that the 3.0 per cent pay

assumption presents a risk in the budget, with every additional 0.5 per cent representing an additional cost of £134k.

73. The workforce plan for 2026/27 establishes a total of 356.64 WTE, compared to 360.60 WTE in 2025/26, reflecting a slight reduction primarily within the Innovation & Quality business group (from 28.34 WTE to 24.88 WTE). Other business groups remain broadly stable.

74. The pay budget continues to incorporate a higher element of risk, with the vacancy factor maintained at five per cent for key groups (ASG, PABV, I&Q, AQA, and CSG). This is unchanged from 2025/26 but remains above the historical level of two per cent prior to 2024/25. The actual average turnover in 2024/25 was just below five per cent, and further options will be explored to manage budget pressures.

75. Most Audit Scotland staff are members of the Local Government Pension Scheme. The employer contribution rate assumption remains at 17.6 per cent, fixed until 31 March 2027 under the stability mechanism following the March 2023 actuarial valuation.

76. The 2026/27 budget proposal has been prepared on the assumption that if the non-cash pension cost adjustment is more than the budgeted employer contributions this will require funding through the Autumn Budget Revision process.

77. Employer National Insurance contributions and the Apprenticeship Levy have been calculated based on the current employer rates in force for 2025/26, with no changes assumed for 2026/27.

Appointed auditors (firms)

78. The uplift to 2025/26 firms' payments was based on the April 2025 pay settlement of 3.8 per cent, applied to the agreed fee payment base for 2024/25 audits. For 2026/27, the budget assumes a further 3 per cent increase to the expected base cost of 2025/26 audit work to cover 2026/27 audit costs, in line with our assumption on the pay award for 2026/27. This approach is fully compliant with the contract terms, which require us to apply the cost-of-living uplift awarded to Audit Scotland staff from April 2026.

Management contingency

79. The 2025/26 budget included a £250k management contingency to provide some reassurance that any unplanned financial challenges that may arise during the year could be met. The 2026/27 budget assumes that the management contingency funding will continue at £250k.

Quality

80. The refreshed Audit Quality Framework 2024, [Audit Quality Framework](#), provides assurance that work is of high standard, meeting international audit standards and the requirements of the Auditor General

and the Accounts Commission as set out in the Code of audit practice 2021. Our 2026/27 budget proposal and projections for 2027/28 and 2028/29 maintain investment to support audit quality inspection and reporting. The 2024/25 audit quality report can be found at [Quality of public audit in Scotland: Annual report 2024/25](#).

Property

81. The budget for 2026/27 assumes continued occupation of offices in Edinburgh, Glasgow, and Inverness, with provision for a north-east base at Aberdeenshire Council continuing. The lease for the Inverness office expires on 31 August 2026, and we will need to either extend the existing lease with the landlord or consider alternative options. Associated budgets for accommodation costs (including rates, service charges, utilities, and cleaning) will be based on current forecasts and known pressures.

82. Compared to the previous year, this update introduces a new consideration regarding the Inverness lease expiry and potential options for extension or relocation. The overall estates strategy remains unchanged, continuing to support operational requirements and cost efficiency.

Innovation and quality

83. The Innovation and Quality business group is responsible for internal quality review and monitoring activities, staff learning and development, professional support and development of audit approaches and guidance, continued development of IT audit, digital auditing and automation tools and organisational improvement across Audit Scotland. The entire audit profession is required to reflect on the way in which audit work is conducted to meet the challenges of an increasingly data-driven environment, the enhanced scrutiny on quality, and the requirement for specialist expertise. The business group ensure that our work addresses these challenges to mitigate the increasing cost of audit and help fulfil the vision and strategic objectives of the Auditor General for Scotland and the Accounts Commission.

84. The budget allocation for training is based on our Learning & Development plan, which is updated each year in collaboration with colleagues and PCS trade union partners to align with our corporate plan and changing external audit landscape. While training delivery methods are changing, our programme continues to ensure that our people have the support and development to meet the challenges in the short, medium, and long-term to deliver relevant, timely and high-quality public audit.

Appendix

Net Expenditure Statement expenditure trends

	Actual 2024/25 £k	Budget 2025/26 £k	Proposed 2026/27 £k	Variance £k	%
Direct costs					
Salaries and temporary staff	18,306	19,615	19,944	384	2.0
Employers' on-costs	5,226	6,265	6,534	269	4.3
Pension adjustments	4	100	100	0	0.0
	23,536	25,980	26,578	653	2.5
Accounts Commission members	164	176	183	7	4.0
Total people costs	23,700	26,156	26,761	660	2.5
Firms' fees and expenses	9,396	8,034	8,357	323	4.0
Other operating expenditure					
Rent and rates	350	260	261	1	0.4
Accommodation costs	719	610	598	(12)	(2.0)
Travel and subsistence	143	246	229	(17)	(6.9)
Legal and professional fees	895	723	1,051	328	45.4
Management contingency	0	250	250	0	0.0
Printing and stationary	72	27	27	0	0.0
Training, including conferences	471	620	556	(64)	(10.3)
Recruitment	205	139	138	(1)	(0.7)
Postage and distribution	35	69	69	0	0.0
Insurance	132	110	114	4	3.6
Information technology	813	1,055	1,984	929	88.1
Audit fees – internal	29	30	30	0	0.0
Audit fees – external	37	36	37	1	2.8
Other	216	214	216	2	0.9
Depreciation	982	886	784	(102)	(11.5)
Total	5,099	5,275	6,344	1,069	20.3
Income					
Fees and charges payable	25,695	24,985	25,854	869	3.5
Bank interest	46	25	25	0	0.0
Miscellaneous income	2	0	0	0	0.0
Other finance income - IAS19/IFRS16	1,777	(223)	(224)	(1)	0.4
Total	27,520	24,787	25,655	868	3.5
Amount to be met from SCF	10,675	14,623	15,807	1,184	8.1

Budget proposal

2026-27



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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:

Item	Amount	Nature	Rationale
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) – Reprofilng 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:

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

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

Annexe C: Letter re proposed return of surplus funds to the Scottish Consolidated Fund from the SCPA to the AGS dated 20 November 2025.



The Scottish Parliament
Pàrlamaid na h-Alba

Scottish Commission for Public Audit

Stephen Boyle
Auditor General for Scotland
Audit Scotland

20 November 2025

Dear Stephen

Spring Budget Revision – Notification of Proposed Return of Surplus Funds

Thank you for your letter of 13 November 2025 regarding Audit Scotland's proposed return of surplus funds to the Scottish Consolidated Fund.

Your letter was considered by correspondence by the Scottish Commission for Public Audit, and I am pleased to report to you that the Commission is content to support your proposal. Should Members have any additional queries on any of the areas set out in your letter, they will raise them with you at our meeting with you on 11 December 2025.

Yours sincerely,

Colin Beattie MSP
Chair

Contact: Scottish Commission for Public Audit, The Scottish Parliament, Edinburgh, EH99 1SP.

Email scpa@parliament.scot. We welcome calls through Relay UK and in BSL through Contact Scotland BSL.