

# Agenda

## Audit Scotland Board

9 June 2026 12.45 – 15.00

Audit Scotland offices, West Port, Edinburgh

1. Private meeting of members
2. Welcome and apologies
3. Declarations of interest
4. Items to be taken in private

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### Standing items

- |  |              |
|--|--------------|
| 5. RemCo Chair: Board Vote                 | For approval |
| 6. Minutes of Board meeting: 31 March 2026 | For approval |

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### Business planning, performance and governance

- |  |               |
|--|---------------|
| 7. 2025-26 Quarter 4 corporate performance report  | For assurance |
| 8. 2025-26 Quarter 4 financial performance report<br>[Considered by the Audit Committee at its meeting on 9 June 2026] | For assurance |

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### Items to be taken in private

- |   |               |
|---|---------------|
| 9. Strategic Improvement Portfolio overview report<br>[Item to be taken in private due to commercial sensitivity]   | For assurance |
| 10. Draft Annual report and accounts<br>[Item to be taken in private to support the effective conduct of business, intended for future publication]   | For approval  |
| 11. Auditor Procurement: Significant contract amendments<br>[Item to be taken in private due to commercial sensitivity]   | For assurance |
| 12. 2025-26 Annual report from the Chair of the Audit Committee to the Board<br>[Item to be taken in private to support the effective conduct of business]<br>[Considered by the Audit Committee at its meeting on 9 June 2026] | For assurance |

<p><b>13. 2025-26 Review of Remuneration and Human Resources Committee</b></p> <p>[Item to be taken in private to support the effective conduct of business]</p> <p>[Considered by RemCo at its meeting on 5 May 2026]</p>	<p>For assurance</p>
<p><b>14. Letter of representation and audit summary report for the year ended 31 March 2026</b></p> <p>[Item to be taken in private to support the effective conduct of business]</p> <p>[Considered by the Audit Committee at its meeting on 9 June 2026]</p>	<p>For assurance</p>
<p><b>15. Governance statement and certificate of assurance report</b></p> <p>[Item to be taken in private to support the effective conduct of business]</p> <p>[Considered by the Audit Committee at its meeting on 9 June 2026]</p>	<p>For approval</p>
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<p><b>Conclusion 14.50</b></p>	
<p><b>16. Any other business</b></p>	<p>For discussion</p>
<p><b>17. Review of meeting</b></p>	<p>For discussion</p>
<p><b>18. Date of next meeting: 25 August 2026</b></p>	<p>For information</p>
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**Close of meeting 15.00**

# Minutes

## Audit Scotland Board

Tuesday 31 March 2026, 10.00-13.00  
Audit Scotland, Glasgow

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### Present:

Colin Crosby (Chair)  
Stephen Boyle  
Jackie Mann  
Jo Armstrong  
Patrick Bartlett  
Catherine MacLean

### Apologies:

No apologies

### In attendance:

Vicki Bibby, Chief Operating Officer  
Kenny Oliver, Executive Director of Innovation and Quality  
Alison Cumming, Executive Director of Performance Audit & Best Value  
Helena Gray, Controller of Audit  
John Cornett, Executive Director Audit Services  
Fiona McKie, Director of Corporate Services  
Michelle Borland, Head of Organisational Improvement  
Nicola Paton, Digital Project Manager (*Item 11*)  
Waqas Sanawar, Head of Finance (*Items 12,15*)  
Susan Burgess, Head of Human Resources (*Item 12*)  
Mark MacPherson, Audit Director Performance and Best Value (*Item 13*)  
Bobby Alikhani, Project Manager (*Item 17*)  
Morag Campsie, Head of Digital Audit (*Item 17*)  
Simon Ebbett, Head of Communications (*Item 18*)  
Owen Smith, Director of Audit, Quality and Appointments (*Items 19,20*)  
Parminder Singh, Manager Audit Quality and Appointments (*Item 19*)  
John Gilchrist, Senior Manager Audit Quality and Appointments (*Items 20*)  
Jonny Steen, Head of Quality (*Item 20*)

Niki Ross, Forum Support Coordinator (Minutes)

## 1. Private meeting of Board members

The Board met privately and there were no matters arising.

## 2. Welcome and apologies

Vicki Bibby, John Cornett, Alison Cumming, Kenny Oliver, Helena Gray and Fiona McKie joined the meeting.

The Chair welcomed attendees to the meeting. The Chair also congratulated Catherine MacLean on her successful appointment as a non-executive member. She will take up the role in July 2026.

### **3. Declarations of interest**

There were no declarations of interest noted.

### **4. Items to be taken in private**

The Chair invited members to agree that items 17 to 20 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

### **5. Chair's report – verbal update**

The Chair advised of routine meetings with Stephen Boyle, Auditor General for Scotland, and Vicki Bibby, Chief Operating Officer. The Chair also met with the AGS, COO and Accounts Commission Chair to discuss the Medium-Term Financial Strategy, workforce planning and the Future of Public Audit Model (FPAM).

In terms of Parliament business, the Chair responded to the SCPA on Board arrangements. The Chair also attended Inside Holyrood's election countdown.

External engagement included the Chair attending the UK&I Chairs meeting, with discussion focussing on updates from each agency regarding pay review, audit delivery timelines and external procurement of appointments.

The Chair also had an introductory discussion with the incoming Board Chair.

Following discussion, the Board welcomed the update.

### **6. Accountable Officer's report – verbal update**

Stephen Boyle advised of routine meetings with the Board Chair, COO and Accounts Commission Chair. There have also been ongoing discussions on FPAM and the next Audit Appointment round.

Stephen advised that the parliamentary session has concluded, with the PAC paying special thanks for the work and commitment of colleagues.

Publications have concluded on Best Value in Policing in Scotland and the final statutory report on Scottish Public Pensions. The PAC has also concluded its scrutiny of financial sustainability and delayed discharges.

Stephen also participated in the Finance and Public Administration Committee's Legacy Roundtable, focusing on the work of the Finance Committee and issues for consideration in the next parliamentary session.

The SCPA has also concluded its legacy reports across all parliamentary committees, providing a strong platform to reflect on the future direction of our work in the next parliamentary session.

Stephen undertook a range of external engagements, including meetings with the Chief Executive of the Institute of Chartered Accountants in England and Wales, Gareth Davies on the Code of Audit Practice, Sir John Elvidge, and an introductory meeting with Miriam Craven, Director General Corporate at the Scottish Government.

Following discussion, the Board welcomed the update.

## **7. Accounts Commission Chair's report**

Jo Armstrong advised on meetings with the AGS and COO.

Jo advised on governance work underway with Sarah Watters, Director of the Accounts Commission. Three new appointments are expected by year end, with the Scottish Government enabling the Commission to lead the process.

There is an opportunity for Jo to meet with the Local Government Convener and a SPICe official to discuss how the Commission's work is used and how it supports scrutiny of local government.

Discussions with COSLA are increasing to better understand any concerns around self-evaluation and the Response Framework. Jo confirmed that the framework is being aligned with the NHS Response Framework.

A document is being prepared to set out the Accounts Commission's reporting framework on local government budgeting for new MSPs.

Following discussion, the Board welcomed the update.

## **8. Chief Operating Officer – verbal update**

Vicki Bibby acknowledged her regular meetings with the Board Chair/AGS/Accounts Commission Chair to reflect on Audit Scotland/Commission matters.

Vicki informed the Board of the ICAS gold award winner Przemyslaw Lipa.

There have also been several business group development days which have been receiving positive feedback from colleagues.

Vicki, as SRO, continues to have discussions on FPAM Phase 3 including Procurement Strategy discussions and a training session with Board members.

Vicki, along with John Cornet and Kenny Oliver, met James Baird to discuss potential joint work and will keep Board informed of this.

Procurement is complete for Internal Auditors with a paper coming to Board by correspondence for endorsement. Procurement for External Auditors will commence in March with the contract being awarded by 30 October once the new SCPA is formed.

Regular engagement is taking place between the COO and PCS on pay negotiations.

Following discussion, the Board welcomed the update.

## **9. Review of minutes**

### **Audit Scotland Board: 29 January 2026**

The Board considered the minutes of the Board meeting of 29 January 2026, copies of which had been previously circulated.

The Board approved the minutes as an accurate record of the meeting.

#### **Extraordinary Remuneration and Human Resources Committee: 29 January 2026**

The Board noted the minutes of the Extraordinary Remuneration and Human Resources Committee meeting of 29 January 2026, copies of which had been previously circulated, as an accurate record of the meeting.

#### **Remuneration and Human Resources Committee: 11 November 2025**

The Board noted the minutes of the Remuneration and Human Resources Committee of 11 November 2025, copies of which had been previously circulated, as an accurate record of the meeting.

#### **Audit Committee: 11 November 2025**

The Board noted the minutes of the Audit Committee of 11 November 2025, copies of which had been previously circulated, as an accurate record of the meeting.

Patrick Barlett reported that the Audit Committee met on the 5 March 2026 and that there are no matters to bring to the attention of the Board. Patrick did highlight that the projected underspend prompted significant discussion at the meeting as part of the Quarter 3 Financial Performance report.

### **10. Review of action tracker**

The Board noted and approved the updated action tracker.

### **11. Strategic Improvement Portfolio**

#### **Portfolio Overview Report**

Kenny Oliver provided an update on progress with the Strategic Improvement Portfolio, copies of which had been previously circulated.

The Board was invited to note:

- Note the overall status of projects, as reported to SIP Board in March 2026, with latest project progress included in project-specific reports.
- Note the financial, resource and risk position of the portfolio as at the end of Q3 2025/26.
- Note the progress with the SIP organisational change workstream plan and developments to the SIP composition.

During discussion, the Board queried the absence of a defined red-status threshold for internal resource utilisation and asked that this be revisited for clarification.

The Board discussed the process for removing projects as they transition into business as usual and agreed that, for Board reporting purposes, these projects may be omitted from the SIP update.

Following discussion, the Board was content to note the update on progress.

**Action:** Kenny to provide clarification to Board members on the absence of a defined red-status threshold for internal resource utilisation.

**Action:** John /Nicola to provide a post implementation review and benefits realisation update on the R&MI project in nine months.

### **Resource and Management Information (R&MI)**

Nicola Paton joined the meeting.

John Cornett provided an update on progress on the R&MI project, copies of which had been previously circulated.

The Board was invited to note:

- Progress of the Hub Planner system implementation project and plans to launch the system.

The Board noted that Hub Planner would go live on 7 April, with the current system being switched off and all necessary data uploaded.

Following discussion, the Board was content to note the update on progress.

Nicola Paton left the meeting.

### **Future Public Audit Model (FPAM)**

Kenny Oliver provided a progress update on FPAM, copies of which had been previously circulated.

The Board was invited to:

- Note progress to date
- Ask questions and / or offer any comments.

During discussion, the Board noted that formal consultation on the Code is complete with over 30 responses received. Analysis is ongoing and early indications show a high level of agreement with the proposals. The next steps are consideration through internal governance forums ahead of finalisation and publication of the Code on 18 June.

The Board was content to note the report.

## **12. Integrated Business, Workforce and Financial Plan 2026-2031**

Michelle Borland, Waqas Sanawar and Susan Burgess joined the meeting.

Michelle Borland provided an update on the progress made on developing the Integrated Business, Workforce and Financial Plan, copies of which had been previously circulated.

The Board was invited to:

- Note the progress made developing Audit Scotland’s integrated business, workforce and financial plan, including the FOM blueprint (Appendix one.)
- Agree the FOM to set out our ambition for the next five years (Chapter 3, Appendix one), noting this will flex accordingly as we become more sophisticated with our workforce planning, reflecting business group visions and significant changes in our operating environment.

The Board noted that a draft Medium Term Financial Plan will be available for review in September and discussed the importance of timely decisions on workforce planning and financial assumptions. The Board noted that Executive Directors are focussing on workforce planning as a priority, setting out their visions, assumptions, targets and associated timelines for future service delivery which will inform the financial planning assumptions. Members recognised that some decisions would need to be based on best estimates and reviewed as circumstances evolve and emphasised the need for business groups and budget holders to provide timely information.

The Board emphasised the importance of integrating impact narrative into the report and that this will be taken forward following presentation of the new Corporate Performance and KPI Frameworks to Board in June.

Following discussion, the Board was content to note the report.

Waqas Sanawar and Susan Burgess left the meeting.

### **13. Diversity, Equality and Inclusion Strategy and Mainstreaming Equalities Annual Progress Report**

Mark MacPherson joined the meeting.

Mark MacPherson introduced the first annual report on our Diversity, Equality and Inclusion Strategy 2025-29, copies of which had been previously circulated.

The Board was invited to:

- Note the progress we have made in the first year of our strategy, as set out in the DEI strategy annual report (Appendix one).
- Note the developments to the performance measurement framework for the strategy (Chapter 2 of Appendix one), including the focus on establishing baselines, so we are in a strong position to report progress in year two in line with our statutory responsibilities.

During discussion, the Board reflected on survey results on engagement with senior leadership and noted plans for further analysis and engagement with staff network groups to address areas of concern.

Further discussion highlighted gaps in external reporting on inclusion, particularly in relation to recruitment from disadvantaged backgrounds and alternative entry routes. The Board agreed that future reporting in this area should be strengthened and that entry points into the organisation and

training would be included in the detailed workforce planning referred to in the previous report.

Following discussion, the Board was content to note the report, subject to minor amendments.

Mark MacPherson left the meeting.

## **14. 2025-26 Quarter 3 Corporate Performance Report**

Waqas Sanawar joined the meeting.

Michelle Borland introduced the Quarter 3 Corporate Performance Report, copies of which had been previously circulated.

The Board was invited to:

- Review the performance year to date for Q3 2025/26 as set out below and in Appendix 1.
- Consider the issues affecting performance, the actions identified and whether any additional management action is required.
- Note the work being done to review our corporate performance framework.

During discussion, members queried delivery performance, including delays in central government audits, and noted that while sign-off was delayed to protect audit quality, this had no impact on the Scottish Government's consolidated accounts.

The Board reflected on challenges affecting some councils, recognising these as capacity and capability issues. It was noted that the Response Framework is being applied and will be reviewed once outstanding audits are concluded. Members emphasised the importance of clear and transparent messaging on delivery performance in external reporting.

Further discussion was on performance metrics and targets with the Board agreeing that some may need to be revised including more sophisticated utilisation targets and clearer definitions.

Following discussion, the Board was content to note the progress made, subject to minor amendments.

## **15. 2025-26 Quarter 3 Financial Performance Report**

Waqas Sanawar introduced the Quarter 3 Corporate Performance Report, copies of which had been previously circulated.

The Board was invited to:

- Note the financial results for the nine months to 31 December 2025.
- Note the revised forecast following the actions taken to reduce the projected year-end underspend.

The Board discussed the underspend and noted that it continues to reflect timing-related underspends across non-pay and staff costs, which will be monitored closely for the remainder of the year. Members emphasised the importance of being able to clearly explain the organisation's financial position.

Following discussion, the Board was content to note the report.

Waqas Sanawar left the meeting.

## **16. Annual Policy Review**

Michelle Borland provided a brief update on the review of Audit Scotland's Freedom of Information and Environmental Information Policy and the Data Protection Policy, copies of which had been previously circulated.

The Audit Scotland Board was invited to:

- Consider the draft Freedom of Information and Environmental Information Policy and the draft Data Protection Policy.
- Consider changing the review frequency from annual to every three years.
- Note the requirement to have a Data Protection Complaints procedure.

The Board was content to note the reports, agreeing to move to a three-year cycle with the understanding that major legislative changes would prompt earlier review if necessary.

Michelle Borland left the meeting.

## **Items taken in private**

### **17. Audit Modernisation Programme**

[Item taken in private due to commercial sensitivity]

### **18. Audit Scotland Annual Report**

[Item to be taken in private to support the effective conduct of business, intended for future publication]

### **19. Funding Scottish Public Sector Audit**

[Item to be taken in private to support the effective conduct of business, intended for future publication]

### **20. Draft Procurement Strategy**

[Item taken in private due to commercial sensitivity]

### **21. Any other business**

There was no other business for discussion.

## **22. Review of meeting**

The Chair invited members to comment on the papers and the conduct of the meeting.

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion.

The Chair thanked everyone for their contributions.

## **23. Date of next meeting**

The members noted the next meeting of the Audit Scotland Board is scheduled for 26 May 2026 in Edinburgh.

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# Q4 2025/26 Corporate Performance Report

Item 7.

Meeting date:  
09 June 2026

Head of Performance and Corporate Governance

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## Purpose

1. This report provides the Audit Scotland Board with a review of organisational performance as at quarter four (Q4) 2025/26.

## Recommendations

2. The Board is invited to:

- Review the performance in 2025/26 as set out below and in Appendix 1.
- Consider the issues affecting performance, the actions identified and whether there are any areas where it requires further assurance.
- Note the ongoing and iterative developments to our corporate performance framework and that a verbal update on progress and next steps will be provided at the meeting.

## Background

3. The current performance framework and the quarterly report are aligned to the Audit Scotland Corporate Plan 2023-2028 published in June 2023. Work is ongoing to review our corporate performance framework and this is explained in more detail in paragraphs six to eight.

## Performance overview

4. The infographic below provides a summary of performance as at Q4, with supporting data included in Appendix 1.



- **Time on audit** – There has been an increase over time, with the amount of time spent on audit delivery with ASG and PABV combined total of 70% (Appendix slide 10).
- **Audit quality** - The Institute of Chartered Accountants in England and Wales (ICAEW) found that six of eight (75 per cent) cold file reviews (CFRs) overall (ASG and PABV combined) required no more than limited improvements (Appendix slide 11).

## Resources

- **Spend against budget** – The final year-end financial position for 2025/26 was a net operational under spend of £74k, indicating performance broadly in line with budget. (Appendix slides 16-17).
- **Establishment** - The number of FTE at end of March 2025 was 336.2, against an establishment level 360.6 FTE. This equates to 93.2% of establishment (Appendix slide 18).
- **Sickness absence** - The annual sickness absence rate for 2025/26 was 7.98 days compared to 6.54 days in 2024/25. This remains below the average benchmarking figures for UK workplaces, both public and private sector (Appendix slide 20).
- **Turnover** - Year-to-date voluntary (resignation) was 7.58% for 2025/25. This compares to 5.04 in 2024/25. Audit Scotland's voluntary (resignation) turnover over the past five years has been lower than the current median voluntary turnover for the UK labour market, which is 11.7% (Appendix slide 20).
- **Flexi time balances** – Flexi time balances higher than the maximum allowed of 14 hours reduced from 13 per cent of colleagues in Q4 2023/24 to 7.8 percent in Q4 2025/26. (Appendix slide 21).
- **Mandatory training** - The percentage of mandatory training completed was 92%, which is slightly below the target of 95%. (Appendix slide 22).

## Developments to our corporate performance framework

**6.** During 2025/26, we have been progressing work to strengthen our corporate performance framework and enhance the quality and strategic value of quarterly performance reporting. This reflects a recognised need to: ensure clearer alignment to our Corporate Plan; provide focused, insight-driven information that supports effective oversight and decision-making, and; provide the Board with assurance that effective actions are being taken where necessary.

**7.** This work has included a discovery phase to identify key improvement opportunities, followed by initial design of a refreshed KPI framework aligned to our strategic objectives. We have also simplified the structure of

the quarterly report, adopting a more concise, balanced scorecard approach and strengthening data governance to improve consistency and reliability of reporting over time.

**8.** Development will continue on an iterative basis through 2026/27, with further refinement of the framework, reporting approach and supporting processes. Board members will receive a verbal update on this work at the 9 June meeting and a revised quarterly corporate performance report is planned from Q1 2026/27, with the first iteration presented to the Board at its September meeting.

## **Conclusion**

**9.** This report invites the Audit Scotland Board to review organisational performance as at Q4 2025/26 and updates on ongoing developments to our corporate performance framework. The Board is invited to consider the issues affecting performance, the actions identified and whether there are any areas where it requires further assurance.

# Q4 2025/26 Corporate Performance Report

## Appendix 1

# Summary | Key Measures

## Audit Scotland Corporate Plan 2023-28: Strategic Priorities

Timely and impactful audit work

Enhanced audit approaches

Developing our people and our business

Insights driving innovation and improvement

### Delivery

Objective	Status	
Audits delivered on time	Amber	→
Audits delivered on budget	Amber	→
Audits delivered on time and on budget - Audit focus	Green	→
Audit quality assurance results	Green	→
Impact through our work	Green	→
Progress towards net zero and climate resilience targets	Green	→
Progress against our equality outcomes	Green	→

### Resources

Objective	Status	
Our finances: Spend against budget	Green	→
Our people: capacity to delivery - Establishment	Amber	→
Our people: capacity to delivery - Cost	Green	→
Our people: capacity to delivery - Wellbeing	Amber	→
Our people: right skills - Learning & Development	Green	→

### Innovation & Learning

Objective	Status	
Innovation driving audit transformation	Amber	→
Application of insights to decision-making, audit delivery & organisational change	Green	→

Notes:

- That not all objectives are reported quarterly.
- Upward arrow indicates improving performance.
- Horizontal arrow = maintaining performance.
- Downward arrow = declining performance.

Not progressing/ significant additional management action required

Progressing and additional management action planned

On target/ no need for additional management action

Measures under development

# Summary | Highlights, challenges and actions

## Highlights

### Delivery of Audits due by 31 March 2026

- 55% of audits delivered on time compared to 55% last year

### Resources

- Both ASG and PABV show improving audit time v. non-audit time.
- ASG colleagues recorded 73% audit time, and PABV at 65% audit time. The combined percentage audit time for ASG and PABV is 70%.
- Considering 'audit delivery' colleagues only, ASG remain at 73% audit time, but PABV show 68%.
- Total staff resignations for YTD to Q4 leavers is 4.26% compared to 5.04% in 2024/25.
- The average sickness absence YTD was 7.98 days, compared to 6.52 YTD in 2024/25.
- Colleagues with flexi greater than 14 hours is 7.8 which is down from 13.06 in Q4 last year.
- Colleagues with flexi greater than minus 7 hours is 2.26 which is down from 3.08 in Q4 last year.

### Other

- Exam Pass rates – year to date is 92% pass rate, exceeding the three-year.

## Challenges

### Delivery

- One firm's local government 2022/23 audit remains outstanding.
- Four firm's local government 2023/24 audits remain outstanding
- 14 local government 2024/25 audits remain outstanding
- One firm's further education 2024/25 audit remains outstanding.

## Actions

### Delivery

- AQA and the Controller of Audit engage with auditors and audited bodies in accordance with our escalation procedure.
- The Controller of Audit has received joint letters from Clackmannanshire Council and East Dunbartonshire Council and their respective auditors setting out their plans to recover timetables.

### Resources

- Recruitment to vacant posts is considered by the Recruitment Board.

# Delivery

## Objective

Audits delivered on time and on budget

## KPQ

Are audits delivered on **time**?

## Target

95% of audits delivered on time

## OVERVIEW **Amber**

### Financial audit

#### Financial Accounts:

253 Accounts were due by the 31 March 2026. This includes 23 NHS, 22 Central Government (Aug), 63 Central Government (Sept), 125 Local Government and 20 Further Education.

We have delivered 239 (94%) of the 2024/25 accounts. ASG has delivered 155 (99%) of their 157 accounts, of which 64% were on time.

Firms have delivered 84 (84%) of their 96 accounts, of which 40% were on time.

The number of Annual Audit plans delivered on time has improved from last year's 67%, with 171 of 215 (80%) of 2025/26 Annual Audit Plans due by 31 March 2026 submitted on time. ASG have submitted 122 (88%) on time and the firms 49 (65%) on time.

Eighteen of the outstanding Annual Audit Plans relate to organisations where the 23/24 audit is either not completed or was completed late.

#### For the Auditor General for Scotland Year to date:

##### Accounts

- 130 of 130 (100%) of the NHS, CG and FE accounts due have been delivered 83 (64%) on time. ASG delivered 55 (66%) on time. Firms delivered 28 (60%) on time.

#### For the Accounts Commission Year to date:

##### Accounts

- 100 of 123 (89%) of the Local Government accounts have been delivered, of which 55 (45%) were delivered on time: ASG delivered 45 (61%) on time. Firms delivered 10 (20%) on time.

### Performance and statutory reports

In 2025/26 we delivered 35 Performance and statutory reports with 100% on time compared to 38 reports last year with 89% on time.

In Q4 we delivered:

#### Accounts Commission:

[Briefing: Integration authorities performance data bulletin 2025](#)

[BV: Shetland Islands Council](#)

[BV: Aberdeenshire Council](#)

[BV: North Lanarkshire Council](#)

[S102: Clackmannanshire and Stirling Annual Assurance and Risk Reports](#)

#### Auditor General for Scotland:

[Administration of Scottish Income Tax](#)  
[Best Value in policing](#)

#### Joint reports

[PA: Delayed discharges](#)

[Scottish Public Pensions Agency s22](#)

#### Audit Scotland

[Climate change: Lessons learned](#)

## Objective

Audits delivered on time and on budget

## KPQ

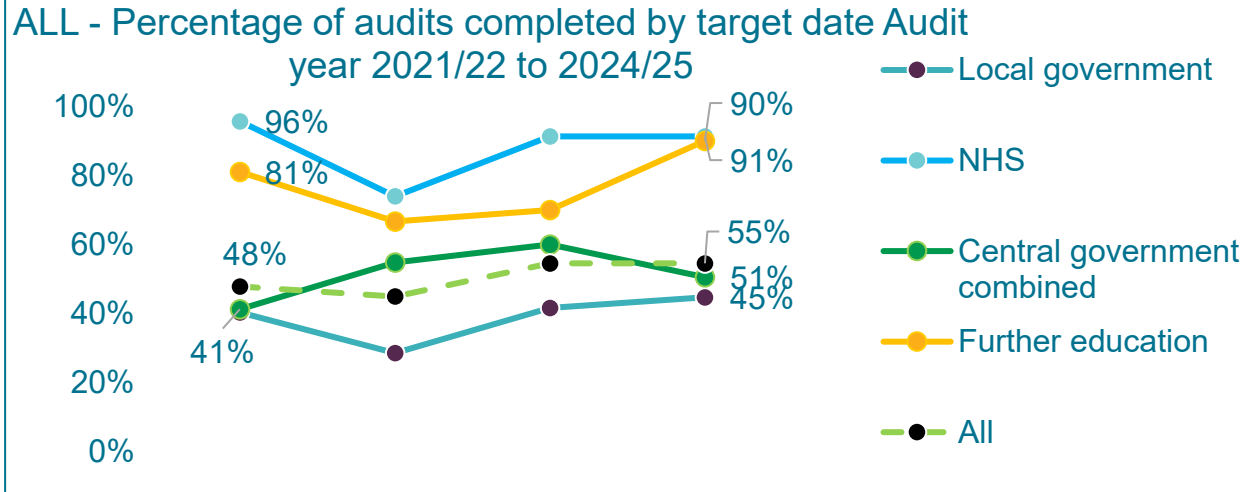
Are audits delivered on **time**?

## Target

95% of audits delivered on time



### OVERVIEW **Amber** - ASG and Firms Audits completed on time: percentage for each sector



Auditors delivered 55% of audits on time compared to 55% last year. There were improvements in Further Education and local government, NHS maintained its level and central government dropped compared to last year.

#### Reasons for late audits (outwith ASG and Firms)

- 29 percent - audited body setting board date after deadline,
- 26 percent - late providing evidence, audit amendments, and finance staff availability.
- 24 percent – Finance staff availability
- 21 percent – Audit amendments

#### For the Auditor General for Scotland Year to date:

##### Accounts

- 129 of 130 (99%) of the NHS, CG and FE accounts due have been delivered year to date
- 83 (64%) on time - ASG delivered 55 (66%) and Firms delivered 28 (60%) on time.

#### For the Accounts Commission Year to date :

##### Accounts

- 109 of 123 (89%) of the Local Government accounts have been delivered year to date, of which 55 (45%) were delivered on time: ASG delivered 45 (61%) and Firms delivered 10 (20%) on time.



**Objective**

Audits delivered on time and on budget

**KPQ**

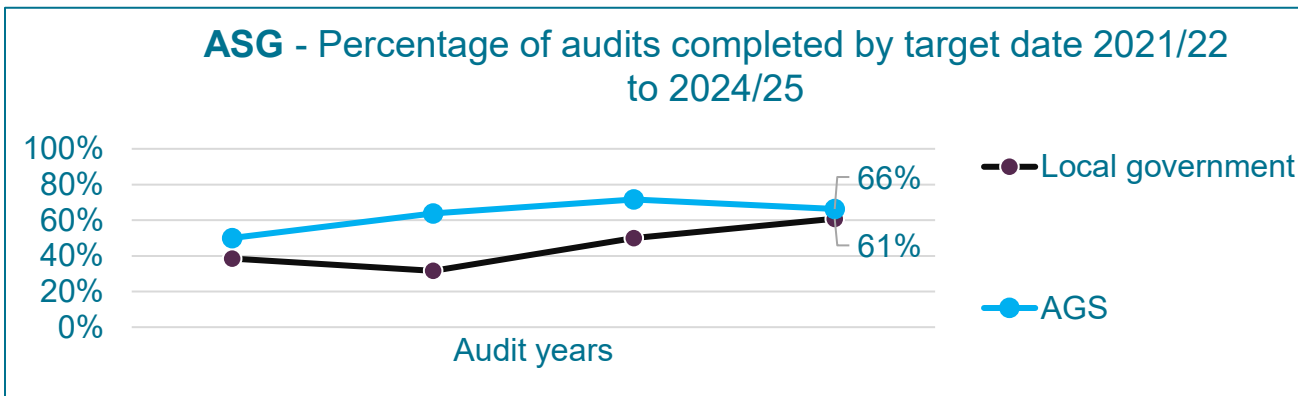
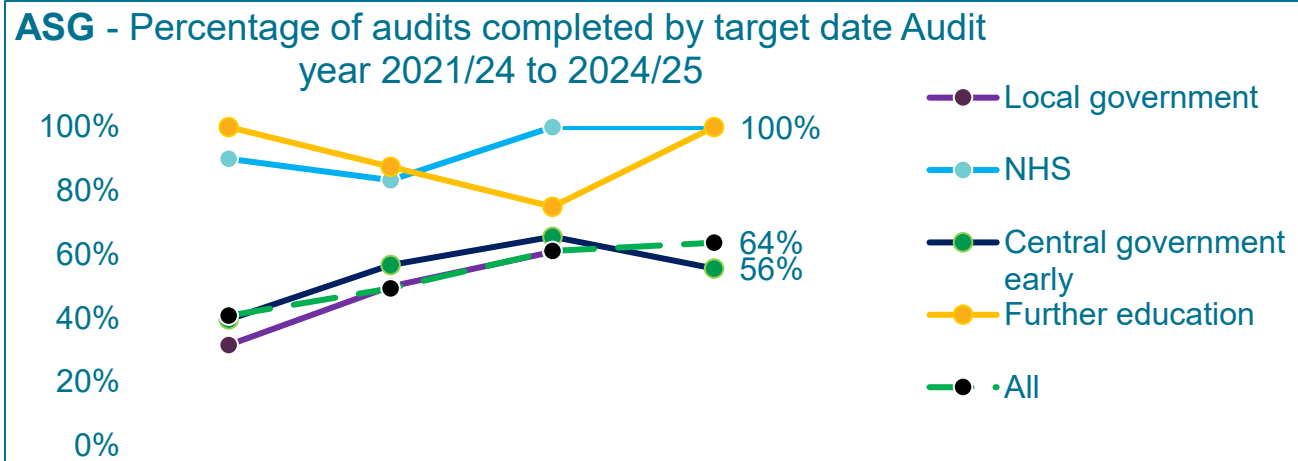
Are audits delivered on **time**?

**Target**

95% of audits delivered on time



**OVERVIEW** **Amber** Audit Services Group financial audits completed on time: percentage for each sector



The following audits are outstanding

- 2024/25 two ASG Local Government Audits

Auditors continue to improve the proportion of audits delivered on time.

Delivery of audit was 64% on time, compared to 61% last year.

Delivery of audits on time are improving for both the Accounts Commission and the Auditor General for Scotland.

NB: these figures now include Dumfries and Galloway Council Trusts, a late entry for 2023/24. No audit will be required for 2024/25, but unfortunately, the Council alerted us in February 2025 that they had not closed off this body by the OSCR deadline, so a late audit was conducted and is now signed-off.

**For the Auditor General for Scotland Year to date:**

*Accounts*

- 83 of 83 (100%) of the NHS, CG and FE accounts due have been delivered year to date with 66% on time

**For the Accounts Commission Year to date :**

*Accounts*

- 72 of 74 (97%) of the Local Government accounts have been delivered year to date, with 61% on time.

## Objective

Audits delivered on time and on budget

## KPQ

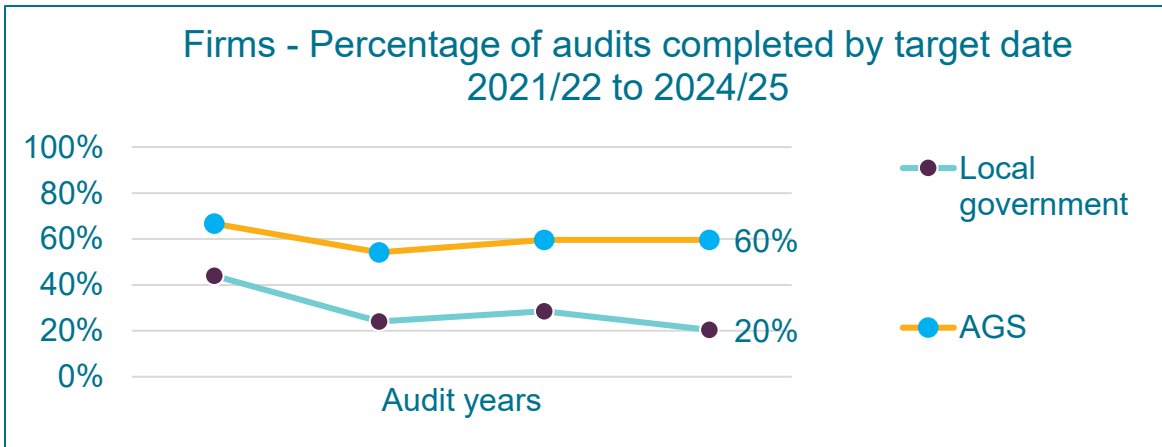
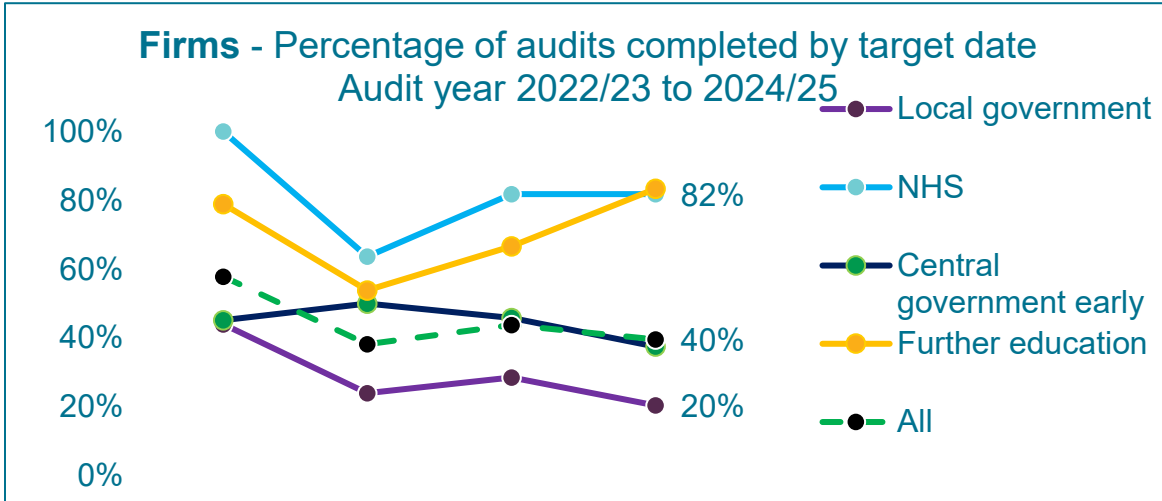
Are audits delivered on **time**?

## Target

95% of audits delivered on time



### OVERVIEW **Amber** Firms financial audits completed on time: percentage for each sector



The following audits are outstanding

- 2022/23 one firm local government audit.
- 2023/24 four firm local government audits.
- 2024/25 12 firm local government audits and one firm further education audit.

Delivery of audit was 40% on time compared to 44% last year.

#### For the Auditor General for Scotland Year to date:

##### Accounts

- 46 of 47 (98%) of the NHS, CG and FE accounts due have been delivered to date, with 60% delivered on time.

#### For the Accounts Commission Year to date :

##### Accounts

- 37 of 49 (76%) of the Local Government accounts have been delivered year to date, with 20% delivered on time:

## Objective

Audits delivered on time and on budget

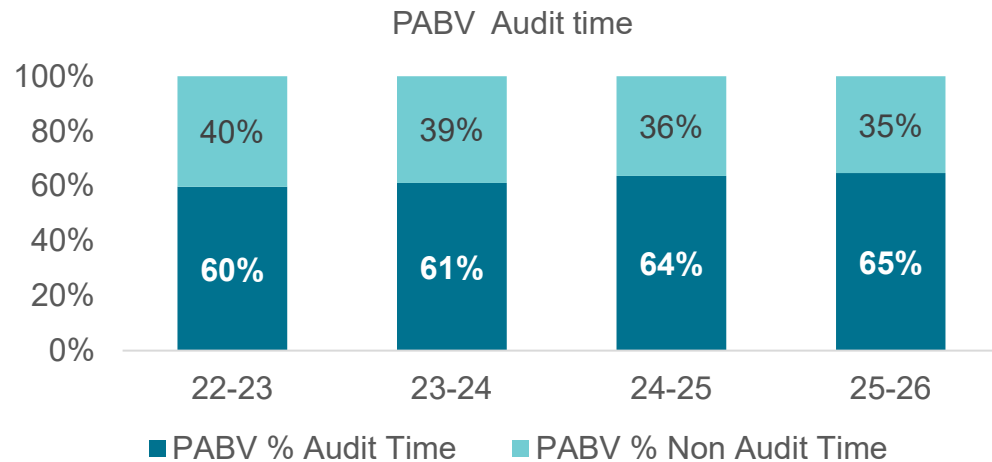
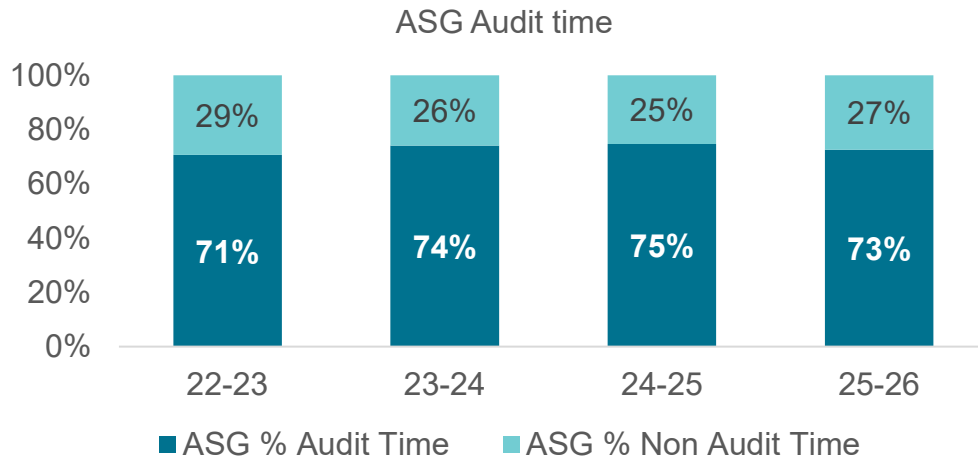
## KPQ

Are colleagues **audit focused**?

## Target

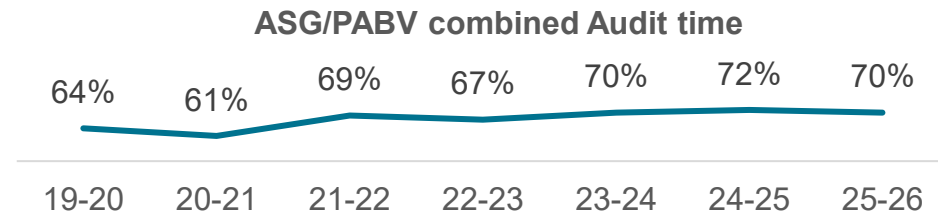
70% of available time on audit

### OVERVIEW **Green**



### Colleagues are audit focused.

The graphs show that the proportion of time recorded as 'audit time' has improved, that it is now consistently above target for ASG, and that PABV continues to improve. The **combined percentage** audit time for ASG and PABV is **70%**.



This analysis includes non-auditor colleagues, such as the business management team, which disproportionately impacts on PABV. When these colleagues are excluded the total for ASG remains the same at 73% but PABV increases to 68%.

Non audit time includes time codes for: Learning & development, improvement projects, business group management, meetings, travel and other (including general admin)

### Risk

Not enough resource is available to deliver Audits on time or to sufficient quality.

### Risk register

The performance affects the following risk in the corporate risk register.

A03a – Audit delivery – ASG ●

A03b – Audit delivery - PABV ●

## Objective

Audit quality assurance results

## KPQ

Are we assured about the **quality** of our work?

## Target

80% of reviews achieve grade 1 or 2 (annually)



## OVERVIEW **Green**

### AQA

#### Financial audits

The Institute of Chartered Accountants in England and Wales (ICAEW) found that 6 of 8 (75 %) external reviews required no more than limited improvements. This is just below the target of 80 % but has significantly improved since last year (62.5 %) and are the best results in the current 5-year audit period which began in 2022/23.

#### Performance audits

Both performance audit output reviews required no more than limited improvements, meeting the target.

#### Internal quality monitoring (I&Q)

We have made good progress with the following activities:

- Internal and external cold reviews have been substantially completed with positive results for the 2024/25 programme. A quality bulletin will be issued in April which will be complemented by sessions which are being arranged with ASGMT and SAMs to discuss findings, areas for improvement, good practice and how we are responding to these.
- For performance audit, we completed internal quality reviews more quickly than in previous years and with fewer challenges. For performance audit, we completed internal quality reviews more quickly than in previous years and with fewer challenges. External quality reviews have been completed with positive results, and the results will be shared with the PABV team on 3rd June. We are engaging with PABV colleagues to determine the most appropriate way to disseminate the quality results.

#### Internal quality monitoring (I&Q) cont.

- Draft review from ICAEW on our overall System of Quality Management has been positive with some recommendations which the team will take on board as appropriate to help strengthen our approach.

We have experienced challenges in the following areas:

- A number of ASG audit teams have mentioned they've felt engagement from ICAEW as part of external cold reviews has been slower this year and their grades have been received later than in previous years, which has impacted on the timeliness of internal reporting.
- Some resource challenges due to leave and changing roles
- ASG's annual portfolio risk assessment has been delayed this year due to turnover at the senior level which impacts on the quality teams ability to select hot file review and engagement quality reviews for 2025/26.

#### Risk

Not enough resource is available to deliver Audits on time or to sufficient quality.

#### Risk register

The performance affects the following risk in the corporate risk register.

A05a –audit quality ASG ●

A05b - audit quality Firms ●

## Objective

### We engage with stakeholders

## KPQ

How are we **engaging** with stakeholders

## Target

Engagement - time series comparison

## OVERVIEW **Green**

- In Q4 we continued to get our messages out effectively through a variety of means.
- The strong performance of the joint reports on the joint audit on delayed discharges from hospital generated the highest level of media coverage across the quarter. The level of media interest reflects how the performance of NHS and social care services regularly tops public polls of the most important issues facing Scotland.
- The greater volume of Accounts Commission work across the quarter led to nearly double the amount of media coverage for report-specific Commission work compared to the Auditor General.

### Media / broadcast:

- Top **AGS** reports: PA: Best Value in policing, s22: Scottish Public Pensions Agency
- Top **Accounts Commission** reports:
- LGO:BV: Aberdeenshire Council, Financial bulletin 2024/25: Supplement, Briefing: IJB finances and data output
- Top **Joint** reports: PA: Delayed discharges + data output,

### Social media:

- Auditor General posts = 1,757
- Accounts Commission posts = 3,614
- Audit Scotland posts = 26,909

### Parliament committee attendance:

- We attended **15** parliament committees including the Public Audit Committee and Finance and Public Administration committee, the Local Government, Housing and Planning committee, Equalities, Human Rights and Civil Justice Committee, Social Justice and Social Security committee, the Standards, Procedures and Public Appointments, Economy and Fair Work Committee.
- **Consultations:** There were no Consultations responded to in Q4.

## Risk

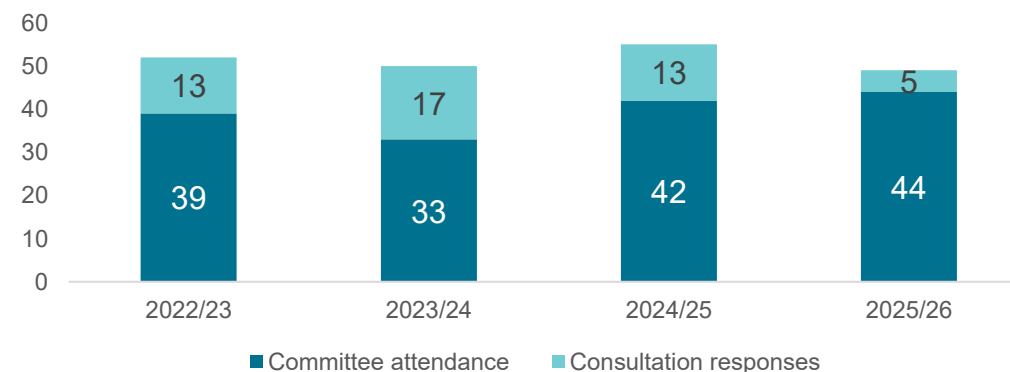
The risk is to Audit Scotland's reputation if we do not engage with key stakeholders.

## Risk register

Performance is part of the Monitoring controls for the following risk in the corporate risk register.

AO9 – Audit procurement ●

### Consultation and Committee Engagement



## Objective

### We engage with stakeholders

## KPQ

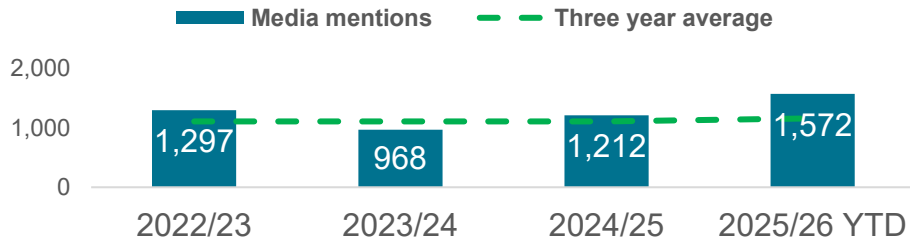
How are we **engaging** with stakeholders

## Target

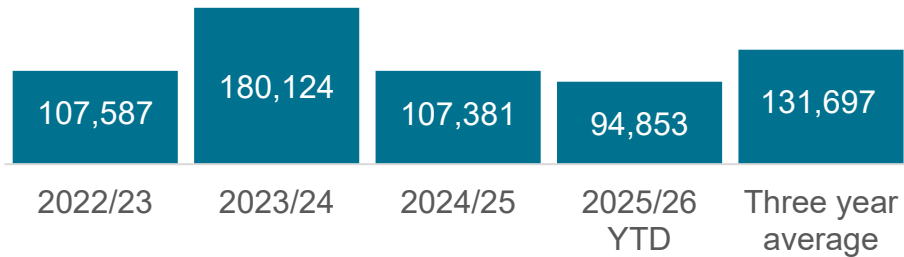
Engagement - time series comparison



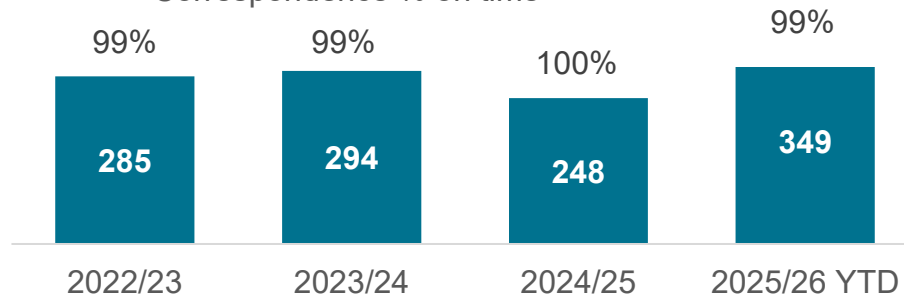
### OVERVIEW **Green**



### Social media engagements



### Correspondence % on time



During the year we continued to get our messages out effectively. Media mentions are higher than the previous three-year average.

Correspondence responded to on time for all correspondence in 2025/26. Breakdown of correspondence by body included in table below.

Year	Accounts Commission	Auditor general for Scotland	Audit Scotland
2025/26 YTD	149	136	64
2024/25	104	62	82
2023/24	122	103	69
2022/23	101	121	63

# Objective

We communicate with stakeholders

# KPQ

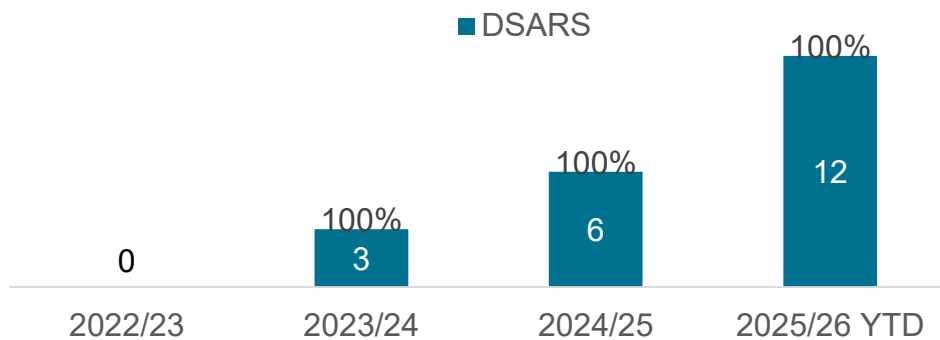
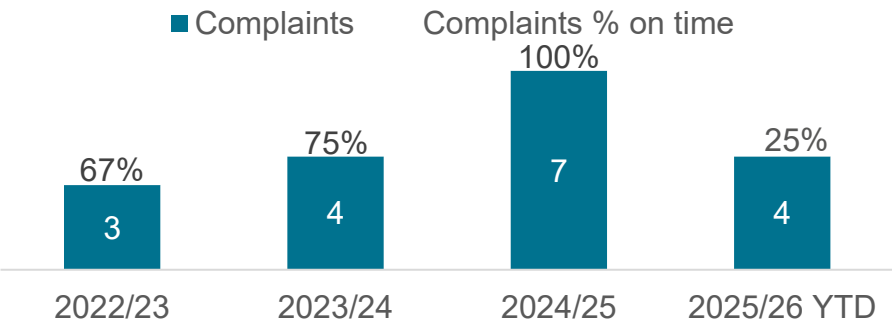
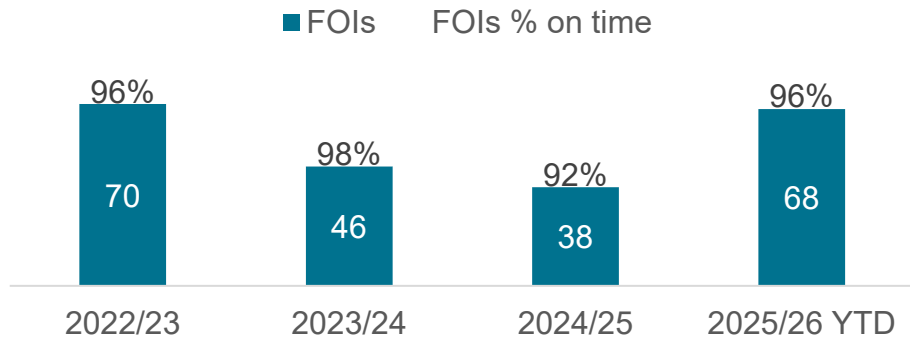
How are we responding to enquiries from the public

# Target

Communication - Better than 95% on time



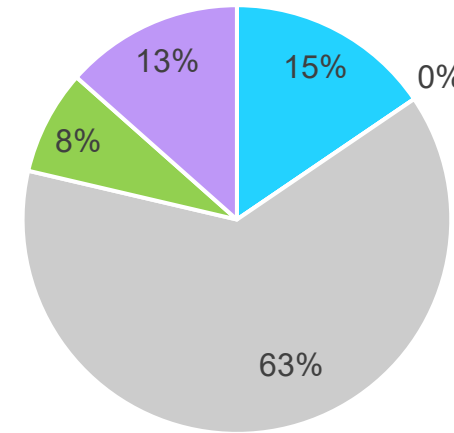
## OVERVIEW Green



Graphs on left show the number of cases handled and the percentage on time for statutory responses and graphs on right shows categories of information being requested under FOI and Correspondence.

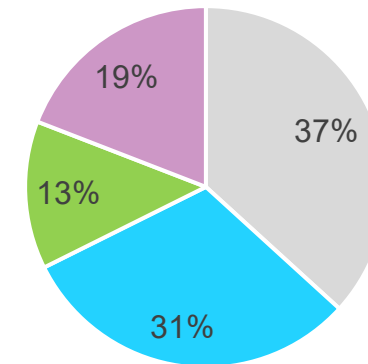
Corporate Governance Team publish a Freedom of Information [dashboard](#) in SharePoint. The dashboard is updated weekly and is available to all colleagues.

Correspondence categories 2025/26 YTD



- Financial Management
- Financial Sustainability
- Governance and Transparency
- Value for Money
- Enquiry/Not an Issue of Concern

FOI Categories 2025/26 YTD



- Other organisations Data
- Audit Scotland's governance
- Contract information:
- Reports, draft reports and correspondence

# Resources

## Objective

Our finances: Spend against budget

## KPQ

Spend against budget - Organisation

## Target

Break even

## OVERVIEW **Green**

The target for Audit Scotland is to break even as required by the Public Finance and Accountability (Scotland) Act 2000. At the end of March 2026, revenue was £696k ahead of budget; however, the associated expenditure was also higher than planned, resulting in non-pay expenditure closing £1,340k over budget. The main pressure relates to firm fees (£1,551k), reflecting increased audit activity, including within the non-chargeable sector. This was partially offset by underspends across travel, legal and professional services, training, depreciation and recruitment, contributing to a net operational underspend of £74k (0.5%).

Staff pay underspent by £741k, primarily due to a higher than planned vacancy factor of 7.9% compared to the 5% budget. This includes a £243k reduction in the holiday pay provision following the final review of flexi-time and annual leave balances. Excluding this year-end adjustment, the underlying vacancy factor would have been approximately 6.9%, equating to an underspend of £498k.

IAS 19 pension adjustments of approximately £3.9m have now been received from our actuaries and processed. The draft outturn position, including these adjustments, is currently under external audit review. Subject to audit sign off, the overall underspend is anticipated to be between £3.9m and £4.0m, driven predominantly by IAS.

**Fee income** – In-house chargeable audit income closed £430k behind budget, reflecting slower progress across all audit sectors. This was more than offset by income generated through audit firms, which finished £1,199k ahead of budget, driven by increased audit activity across Health, Central Government and Local Government bodies.

**Other income** – Bank interest income closed £6k ahead of plan.

**Pay** – Overall pay costs finished £741k favourable to budget. Agency cost pressures (£143k) were fully offset by savings on substantive staff costs (£884k). The final position also reflects a £243k reduction in the holiday pay provision identified at year end.

**Non-pay** - Non-pay expenditure closed £1,340k over budget. The main pressure relates to firm fees (£1,551k), linked to higher audit activity, including the non-chargeable sector. This was partially offset by underspends across travel, legal and professional services, training, depreciation and recruitment.

**Capital** – Capital spend (£199k) relates to the laptop replacement programme, mobile phone purchases and meeting room sound upgrades.

**Cash flow** - The year closed with a bank balance of £697k. Total receivables were £1,993k, with £108k (5.4%) overdue by more than 90 days.

## Objective

Our finances: Spend against budget

## KPQ

Spend against budget - Organisation

## Target

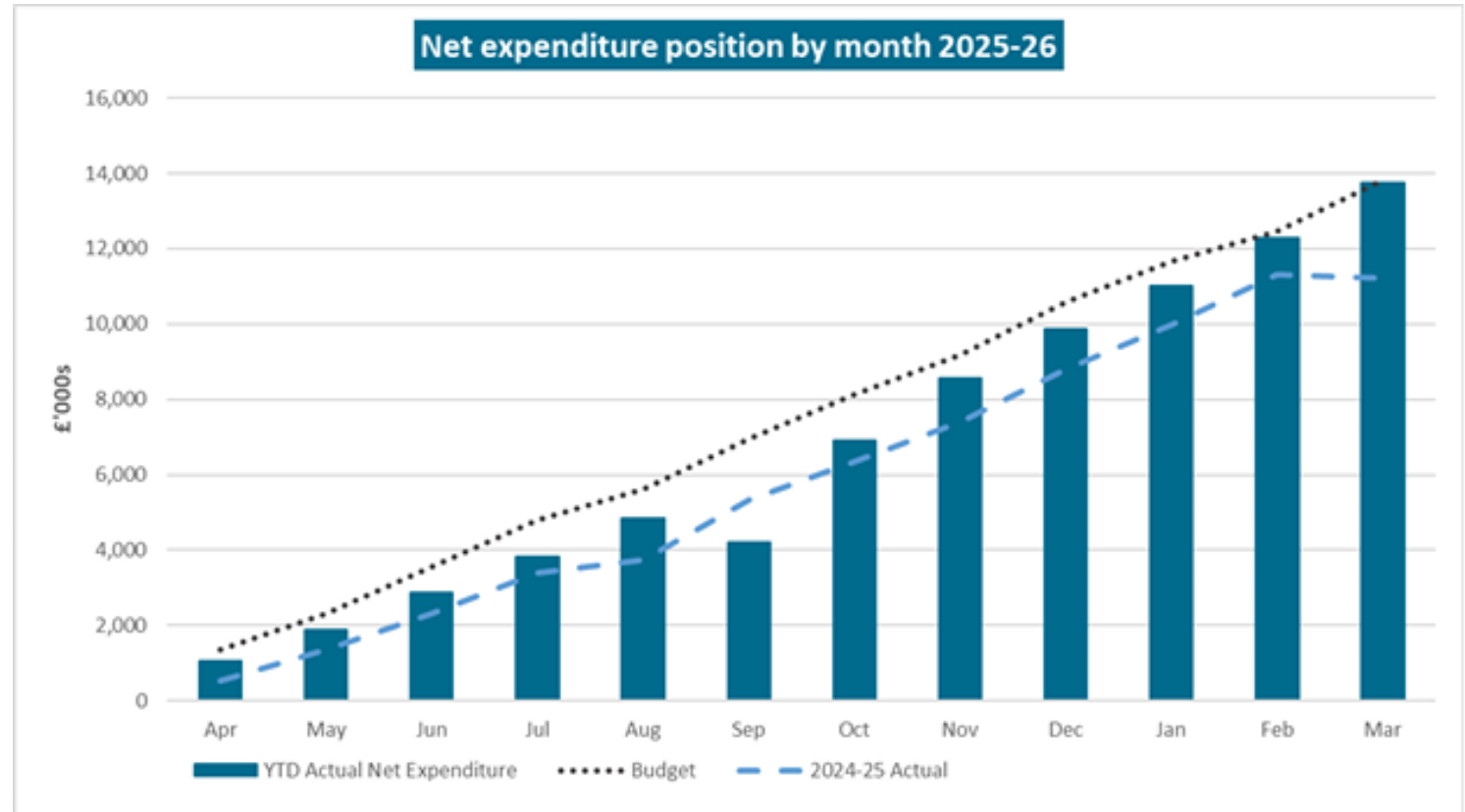
Break even

## OVERVIEW **Green**

### The current financial risks are:

The financial risks for 2025/26 include:

- Closing work in progress position for 2025/26 audit work at 31 March 2026.
- Managing 5% vacancy factor.
- Cash flow management and ensuring prompt payment of fee invoices.
- Impact of reduced working week on audit delivery.
- Audit modernisation project (potential carry forward of underspend).
- Future public sector audit model/procurement



## Objective

Our people: Right skills and capacity to deliver

## KPQ

**Capacity** to deliver - people establishment

## Target

- 5% of establishment

### OVERVIEW **Amber**

Current staffing level vs **establishment**

- The number of FTE at the end of March 2026 was 336.2 (workforce plan establishment level 360.60 FTE.)
- This equates to **93.2%** of establishment.
- At the end of March 2025, the business group establishments were as follows:
  - Audit Services = 93.2% of establishment.
  - Performance Audit and Best Value = 92.3% of establishment
  - Corporate services = 92.2% of establishment
  - Innovation and Quality = 95.0% of establishment.
  - Audit Quality and Appointments = 100% of establishment
  - Accounts Commission Support = 100% of establishment.

### Risk

If Audit delivery business groups are under establishment this increases the risk of failure to deliver audits and to meet deadlines, and risk to quality of audit .

### Risk register

The performance affects the following risk in the corporate risk register.

A04 - Capacity 

M7 – Financial position 

### Vacancy Rate % - People

The vacancy rate is defined as 'Vacancy Rate (%) = (Number of Vacant Positions / Total Positions) x 100'. This represents the percentage of unfilled positions within Audit Scotland at a given time

The Vacancy Rate in Q4 is 6.8 %, compared to 5.03% in Q3.

The Vacancy rate is measured against the organisation establishment identified in the workforce plan.

### Vacancy Factor % - Finance

The vacancy factor is defined as 'Vacancy factor (%) = (Cost of Vacant Positions / Budget for Positions) x 100'. This represents the percentage cost of unfilled positions within Audit Scotland at a given time

The Vacancy Factor in Q4 is 7.9% less than establishment. This represents an increase from the February projection of 6.6%, primarily due to a £243k reduction in the holiday pay provision confirmed following the final review of flexi-time and annual leave balances. Excluding the impact of this year-end accounting adjustment, the vacancy factor would have closed at approximately 6.9%.

## Objective

Our people: Right skills and capacity to deliver

## KPQ

People spend against budget.

## Target

- %5 of budget

### OVERVIEW **Green**

The underspend of £741k on staff pay is mainly due to:

- a higher than planned vacancy factor, which closed at 7.9% compared to the budgeted 5%. This includes a £243k reduction in the holiday pay provision confirmed following the final review of flexi time and annual leave balances. Excluding this year end accounting adjustment, the vacancy factor would have closed at approximately 6.9%, equating to £498k.

### Risk register

The performance affects the following risk in the corporate risk register.

AO4 - Workforce Capacity, Health, Safety and Wellbeing



AO6 - Business management information



## Objective

Our people: Right skills and capacity to deliver

## KPQ

Capacity to deliver - **Wellbeing**

### OVERVIEW **Amber**

#### Average Sickness days by Business group

	Q1	Q2	Q3	Q4	YTD
ASG	1.8	2.76	2.43	1.97	<b>8.96</b>
PABV	1.45	2.08	1.86	0.82	<b>6.21</b>
I&Q	2.48	0.34	0.66	2.19	<b>5.67</b>
CSG	0.77	2.13	2.00	1.95	<b>6.85</b>
Average	1.55	2.24	2.03	2.16	<b>7.98</b>

Year-to-date voluntary (resignation) was 7.58% for 2025/25. This compares to 5.04 in 2024/25.

Audit Scotland's voluntary (resignation) turnover over the past five years has been lower than the current median voluntary turnover for the UK labour market, which is 11.7%

**Sickness absence in Q4** was 2.16 days, compared to 1.82 in Q4 2024/25.

**Annual sickness absence** for 2025/26 was 7.98 days, compared to 6.54 days in 2024/25.

Audit Scotland is below the reported public sector average of 13.3 days, private sector 9.1 days\* and the UK Civil Service average of 8.2 days sickness per employee at 31 March 2025

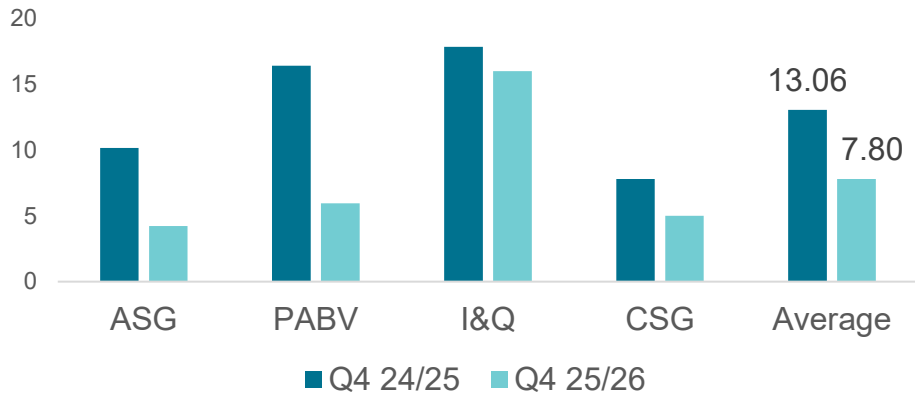
\*Source: CIPD September 2025 report: Health and wellbeing at work

\*\*Source: Civil Service sickness absence, 2025: report – GOV.UK

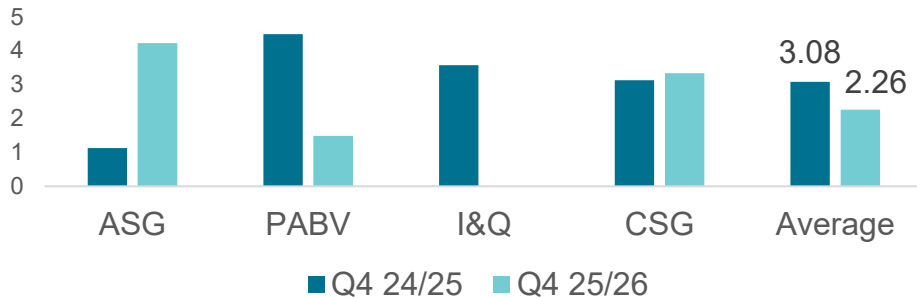
The 2025/26 **breakdown by business group** is shown in the table.

**OVERVIEW** Amber

% of colleagues with greater than 14 hours flexi



% of colleagues with a flexi balance in excess of Minus 7 hours



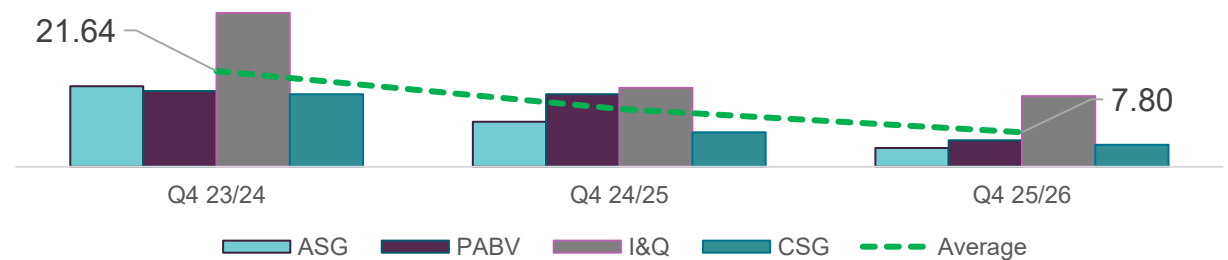
**Flexi Balances**

The percentage of colleagues with greater than 14 hours flexi continues to trend downwards, from 13% in Q4 2024/25 to 7.8% in Q4 2025/26.

The percentage of colleagues with a flexi balance in excess of minus 7 hours reduced from 3% in Q4 24/25 to 2% in Q4 25/26.

No member of staff, at any grade, is reported to have worked more than 48 hours in a week.

% of colleagues with greater than 14 hours flexi



**Risk**

Wellbeing of colleagues is key to capacity to deliver

**Risk register**

The performance affects the following risk in the corporate risk register.

The performance affects the following risk in the corporate risk register.

A04 - Workforce Capacity, Health, Safety and Wellbeing ●

## Objective

Our people: right skills - Learning & Development

## KPQ

Learning (L&D)

## Target

95% for mandatory training

### OVERVIEW Green

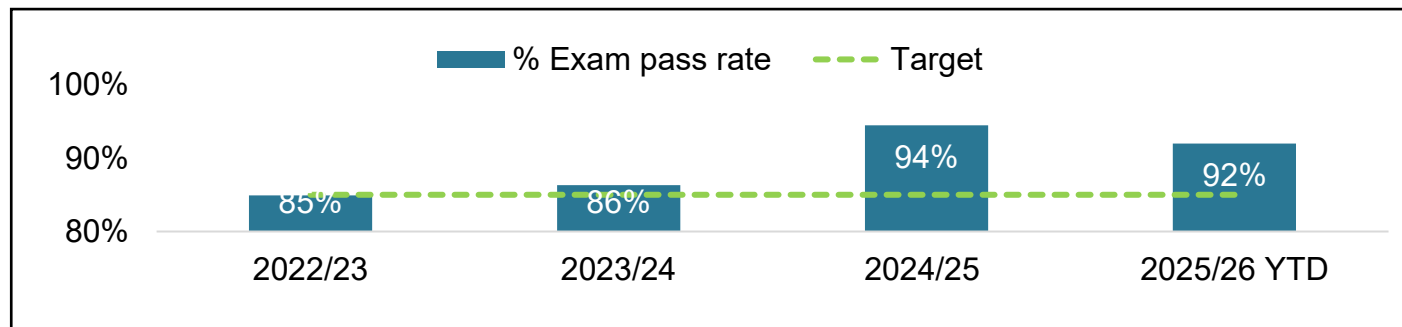
#### Learning & Development In Q4 :

The YTD (31 March 2026) pass rate for all exams is 92 percent, exceeding the target of 85%, and also exceeding the three-year average for 2021-2024 which was 88%. There were 236 exams sat with 217 passes.

- Delivery of the business group Development Days. Feedback so far has been very positive. Completion of in-house Ethics training was due by 31 March - the completion rate was below target, although further review of the data is being undertaken. Hub Planner 24 events delivered
- Supporting change - The Managing Change in Teams sessions have now been completed. This represented a major programme in the L&D Plan. Evaluation of the sessions and key messages are being developed to allow consideration of further steps.
- The first Leading Change session was delivered to Leadership Group and the second session will take place at the end of April

We have experienced challenges in the following area:

- Work to begin development of 26/27 L&D Plan - focus on AMP and developing PABV training to support the introduction of PAG
- Some resource challenges have meant there has been limited focus on the development of skills matrix



Mandatory training	Completed
Data Protection including GDPR	92%
Digital Services Cybersecurity Training (not available on LMS)	91%
Emotional Intelligence (ILT Report)	84%
Hybrid working DSE	88%
Freedom of Information	81%
Information Security: A Practical Overview for our Business	93%
<b>Inclusion Essentials</b>	100%
Trust and Ethics (materials)	93%
<b>Total Mandatory training</b>	<b>92%</b>

# Innovation & Learning

## Objective

Innovation driving audit transformation

## KPQ

Target per KPI

## Target

Prior year performance

## OVERVIEW **Amber**

### Performance

#### In Q4

#### Audit Management Project (AMP) update

Finalisation of the FBC is progressing with the draft due to be presented to the April AMPB at the end of April in the run up to being approved by the Board at the end of May 2026.

Legal and procurement are finalising the contract schedules with the preferred supplier, which will form part of the FBC. Implementation plans and timescales are being finalised as part of this. An initial price estimate was provided in February and updated in March. This was later than anticipated and is now putting pressure on the deliver of the FBC.

#### Successes and work in Q4 included:

- A number of clarifications workshops were held with the supplier during Q3 to confirm our requirements.
- - There have been a number of successes in relation to agreeing deliverables with the AMPB for PABV and ASG.
- - We completed the processing of two AS audits through Apex in q3. This has allowed us to better understand the similarities and differences between the NAO and our approach and to identify where we may need to focus training and guidance.
- - We worked with external consultants throughout Jan-March to review several areas of the performance audit approach. Initial feedback sessions have been very positive.

#### Ongoing challenges include:

It has been challenging getting timely information from the supplier, but also getting consensus internally on some of the contractual schedules.

Resources continue to be stretched due to leave, sickness, and trying to deliver other I&Q commitments alongside AMP which also has a number of concurrent activities. This is starting to take its toll.

It was challenging setting up the workshops for our consultants CCS to deliver their process improvement evaluation work (as above). Delays in getting dates has meant the final report will be a week late.

## Objective

Innovation & Learning - Insights

## KPQ

Application of **insights** to decision making, audit delivery and organisational change

## Target

TBC



## OVERVIEW **Green**

### In Q4:

To help support colleagues in delivering and managing the changes arising from the SIP, we have appointed consultants (Tack TMI) to lead on a programme of learning tailored to specific bands. The programme is being delivered to Bands 2 and 3 colleagues and Leadership Group during final quarter of 2025/26. Plans for programme evaluation are underway. Data gathering and report drafting underway for the 2026 annual impact monitoring and evaluation report.

### Highlights from specific SIP projects include:

**Future Public Audit Model:** The draft new Code of Audit Practice has been out for consultation and closed on 27 March. Timescales for delivering the project's next stages are tight but the project is on track. We are due to publish the new Code in mid-June.

**Hub Planner (formerly R&MI):** The project is on track and on schedule for go live date in April. Training has been held across Audit Scotland. Plans being developed for project closure, including lessons learned, post project action follow up and benefits.

**Workforce planning and AI strategy:** The SIP Board agreed to add two new projects to the SIP. The first is a Strategic Workforce Planning project, looking at the capacity and skills we will need in future. The second is the creation of an overarching Artificial Intelligence strategy for Audit Scotland so that we have a safe, responsible, and effective governance system for AI tools and approaches.

# Q4 Financial Performance Report

**Item 8.**

Meeting date:  
09 June 2026

Head of Finance

## Purpose

1. This report presents the financial results for the twelve months to 31 March 2026.

## Recommendation

2. The Board is invited to:

- Note the financial results for the twelve months to 31 March 2026.
- Note that this report will be presented to the Audit Committee on 09 June 2026.

## Background

3. A Financial Performance Executive Summary is provided in the appendix to support this report.

## Summary financial position

Financial Position as at end of March 2026			
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s
<b>Income</b>	<b>(25,615)</b>	<b>(24,941)</b>	<b>673</b>
<b>Pay</b>	<b>25,181</b>	<b>25,922</b>	<b>741</b>
<b>Non-pay</b>	<b>14,203</b>	<b>12,863</b>	<b>(1,340)</b>
<b>IAS 19 Pension Scheme Adjustments</b>	<b>(3,907)</b>	<b>0</b>	<b>3,907</b>
<b>Capital Expenditure</b>	<b>199</b>	<b>200</b>	<b>1</b>
<b>Funded by Scottish Consolidated Fund</b>	<b>10,061</b>	<b>14,043</b>	<b>3,982</b>

**4.** At the end of March 2026, the financial outturn position reflects a net underspend of £3,981k.

**5.** This position largely relates to IAS 19 pension accounting adjustments, with £3,907k of the underspend arising from year-end adjustments based on the actuarial reports received. These are non-cash accounting movements required under financial reporting standards and do not reflect underlying operational performance.

**6.** Excluding the impact of IAS 19 adjustments, the underlying operational position is an underspend of £74k, following final year-end adjustments.

**7.** Performance across the year has been driven by:

- Stronger than planned firm income, offsetting lower in-house audit delivery
- A favourable pay position, reflecting vacancy levels and year-end adjustments
- Higher than planned non-pay expenditure, particularly firm fee costs

**8.** All figures presented remain subject to the ongoing external audit. At the time of writing, no material differences or adjustments have been identified through audit testing. However, these figures should be considered draft until the audit is complete and the annual accounts are formally signed off.

## Income

**9.** Income performance for the year reflects a mixed position between in-house delivery and firm activity.

**10.** In-house chargeable audit income closed £430k behind budget, reflecting slower progress across all audit sectors. This was more than offset by income generated through audit firms, which finished £1,199k ahead of budget, driven by increased audit activity across Health, Central Government and Local Government bodies.

**11.** Overall, the increased firm activity has resulted in a net favourable position on audit income for the financial year.

**12.** Other income was broadly in line with expectations, with bank interest income £6k ahead of plan.

## Pay expenditure

**13.** Expenditure on pay, pensions and agency costs closed £741k below budget.

**14.** This favourable position is primarily due to:

- £884k underspend on substantive staff costs, reflecting vacancy levels across the year
- A £243k reduction in the holiday pay provision following year-end review
- These savings were partially offset by agency cost pressures of £143k, reflecting additional resourcing requirements to support audit delivery

**15.** Overall, vacancy driven savings have more than offset additional resource pressures, contributing positively to the year-end outturn.

### **Non-pay expenditure**

**16.** Non-pay expenditure closed £1,340k above budget.

**17.** The main driver of the overspend relates to firm fee costs, which were £1,551k above budget, reflecting:

- Increased audit activity across sectors
- Additional costs associated with non-chargeable audit work
- Prior year audit work and associated expense claims

**18.** This pressure was partially offset by underspends across a number of areas, including:

- Travel and subsistence
- Legal and professional services
- Training
- Depreciation and recruitment

**19.** These savings reflect ongoing cost control and lower than planned activity in supporting areas.

### **Contingency and future financial risks**

**20.** The 2025/26 budget initially included a contingency allocation of £250k to meet any unexpected financial pressures that may arise in the year. In the year to date none of this budget was spent, and was returned to the SCF through the Spring Budget Revision in November 2025.

**21.** There continues to be many outside influences that will impact on longer-term financial planning and future budget proposals. Factors being considered include:

- Managing the impact of a 5% vacancy factor.

- Meeting the closing work in progress projections at 31 March 2027.
- Managing cash flow and ensuring prompt payment of invoices.
- Managing the audit modernisation project and ensuring any underspends are carried forward into future budgets.
- Potential impact of reduced working week on audit delivery.
- The Scottish Government budget and SCF funding pressures.
- Fees and funding strategy.
- Future pay award settlements from April 2027.
- Public sector audit model and impact on future procurement.
- Public sector reform agenda: Increased focus on public sector reform may impact the future audit landscape, including potential changes to the number and structure of audited bodies. This could result in either reduced audit coverage or additional audit complexity and demand, with associated implications for fee income, resourcing requirements and the overall delivery model.

## Capital expenditure

**22.** Capital expenditure remained mainly focused on the laptop replacement programme, with £155k spent on this, alongside £29k and £15k spent on mobile phone and meeting room sound upgrades, respectively.

## Cash Flow

**23.** The year closed with a cash balance of £697k and receivables of £1,993k of which £108k (5.4%) was overdue by more than 90 days.

**24.** Drawdown from the Scottish Consolidated Fund totalled £13,264k, supporting operational cash requirements across the year.

## Vacancy Factor

**25.** The vacancy factor closed at 7.9% at the end of March 2026. This represents an increase from the February projection of 6.6%, primarily due to a £243k reduction in the holiday pay provision confirmed following the final review of flexi-time and annual leave balances. Excluding the impact of this year-end accounting adjustment, the vacancy factor would have closed at approximately 6.9% (£498k).

## Conclusion

**26.** The financial position at March 2026 demonstrates a reported underspend of £3,981k, largely driven by IAS 19 pension accounting

adjustments of £3,907k recognised at year end. Excluding these non operational movements, the underlying financial performance is broadly breakeven, with a modest underspend of £74k.

**27.** The figures remain subject to completion of the external audit, and while no material issues have been identified to date, the final position will be confirmed upon completion of the audit and formal approval of the annual accounts.

### **Virement**

**28.** There were no instances of budget virements to 31 March 2026.

## Financial Position

**Fee income** – In-house chargeable audit income closed £430k behind budget due to slower progress across all audit sectors. This was more than offset by firm income, which finished £1,199k ahead of budget, reflecting increased progress across Health, Central Government (Chargeable) and Local Government audited bodies.

**Other income** – Bank interest income closed £6k ahead of plan.

**Pay** – Overall pay costs finished £741k favourable to budget. Agency cost pressures (£143k) were fully offset by savings on substantive staff costs (£884k). The final position also reflects a £243k reduction in the holiday pay provision identified at year end.

**Non-pay** – Non-pay expenditure closed £1,340k over budget. The main pressure relates to firm fees (£1,551k), linked to higher audit activity, including the non-chargeable sector. This was partially offset by underspends across travel, legal and professional services, training, depreciation and recruitment.

**Capital** – Capital spend relates to the laptop replacement programme, mobile phone purchases and meeting room sound upgrades.

**Cash flow** – The year closed with a bank balance of £697k. Total receivables were £1,993k, with £108k (5.4%) overdue by more than 90 days.

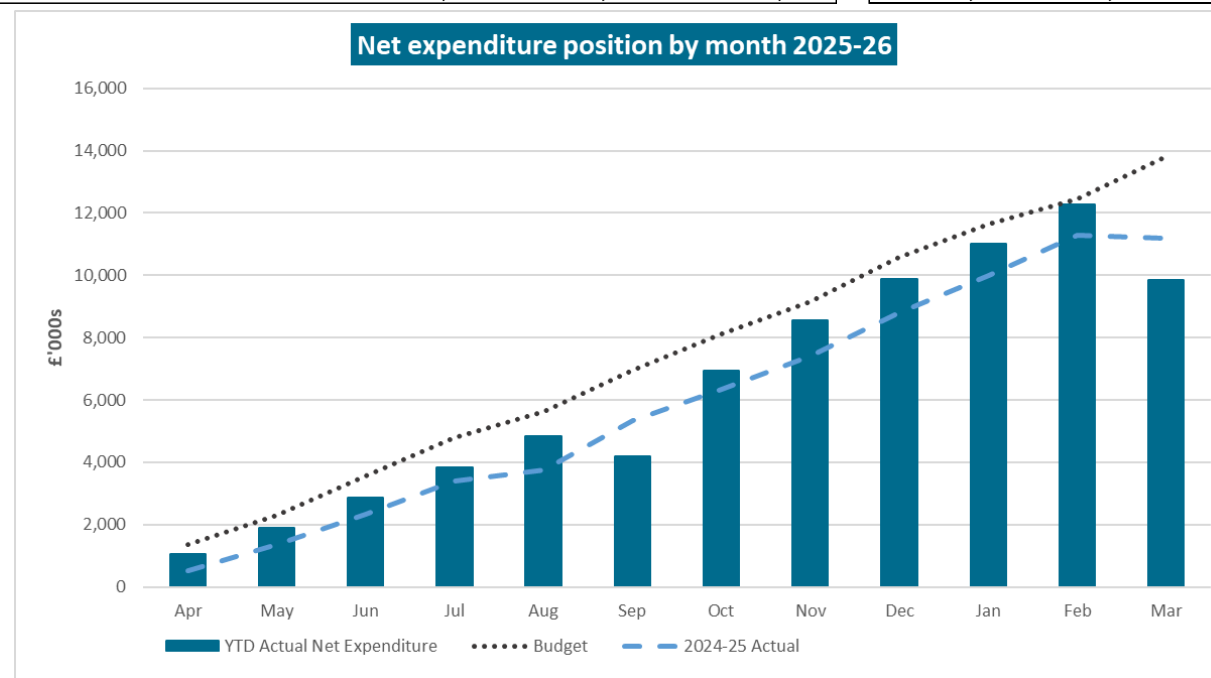
**Forecast** – Following final year-end adjustments, the 2025/26 financial year closed with a net underspend of £74k. A separate paper has been issued to ET providing further detail on the movement from the February forecast to the final outturn.

Financial Position as at end of March 2026						
	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
<b>Income</b>	(25,615)	(24,941)	673	(25,615)	(24,941)	673
<b>Pay</b>	25,181	25,922	741	25,181	25,922	741
<b>Non-pay</b>	14,203	12,863	(1,340)	14,203	12,863	(1,340)
<b>IAS 19 Pension Scheme Adjustments</b>	(3,907)	0	3,907	(3,907)	0	3,907
<b>Capital Expenditure</b>	199	200	1	199	200	1
<b>Funded by Scottish Consolidated Fund</b>	<b>10,061</b>	<b>14,043</b>	<b>3,982</b>	<b>10,061</b>	<b>14,043</b>	<b>3,982</b>

## Financial Risks

- Closing work in progress position for 2025/26 audit work at 31 March 2026.
- Managing 5% vacancy factor.
- Cash flow management and ensuring prompt payment of fee invoices.
- Impact of reduced working week on audit delivery.
- Audit modernisation project (potential carry forward of underspend).
- Future public sector audit model/procurement.

Net expenditure position by month 2025-26



Summary Balance Sheet £'000s			Summary Cash Flow £'000s		Capital Expenditure £'000s	
	31/03/2025	31/03/2026				
Total Non Current Assets	5,697	5,075	Net cash outflow from operating activities	(8,827)	<b>Total Funding</b>	<b>200</b>
Total Current Assets	5,727	5,687	Cashflows from investing activities	199	Laptop replacement programme	144
Total Current Liabilities	(7,055)	(6,232)	Drawdown from Consolidated Funds	13,264	Laptop replacement programme (for AC)	11
Total Non Current Liabilities	(7,112)	(6,767)	Obligations under leases	(261)	Mobile phones	29
<b>Assets Less Liabilities</b>	<b>(2,743)</b>	<b>(2,237)</b>	Net (decrease) in cash/cash equivalents	4,375	Sound upgrade	15
<b>Taxpayers Equity</b>	<b>2,743</b>	<b>2,237</b>	<b>Net Cash requirement</b>	<b>8,889</b>	<b>Balance</b>	<b>1</b>

- Drawdown from the Scottish Consolidated Fund totalled £13.26m, resulting in a net increase in cash and cash equivalents of £4.38m at year end.

- Capital investment included laptop replacements, mobile phone purchases and meeting room sound upgrades.

**Non-current assets** – reduced as depreciation exceeded capital investment, with no new car lease additions during the year.

**Current assets** – decreased, mainly due to a lower cash balance compared to 31 March 2025.

**Current liabilities** – reduced primarily due to movements in the Scottish Consolidated Fund balance and year-end deferred income accruals (WIP).

**Non-current liabilities** – movements reflect changes in lease liabilities and provisions for early retirement.

# Appendix | Financial Performance by Business Group – March 2026

## YTD financial position for each business group

The financial position for each business group is broken down as follows:

- **Audit Services Group** – Chargeable audit income closed £430k behind budget due to slower progress across all sectors. This was largely mitigated by pay underspends of £338k, along with non-pay underspends on travel (£60k), training (£20k) and professional services (£15k), partially offset by agency cost pressures (£48k).
- **Performance Audit and Best Value** – Net position reflects unbudgeted secondment income of £110k, offset by agency costs (£58k), alongside staff (£130k) and professional services (£77k) underspends.
- **Innovation and Quality** – Overall underspend driven by lower IT (£55k), training (£35k) and agency (£15k) costs, partially offset by higher staff costs (£20k).
- **Audit Quality and Appointments** - Small underspend, mainly due to staff mix (£10k), with minor travel cost pressures.
- **Corporate Services Group and Corporate Costs** – Income was £90k lower than budget due to the timing of central charges, partially offset by higher interest income (£6k). Staff cost underspends (£372k), including a reduction in the holiday pay provision (£243k), were partly offset by higher non-pay costs (£120k), mainly IT and property related. In addition to this, the current position includes the impact of IAS 19 Pension Adjustments.
- **Approved Auditors** – Audit work progressed ahead of plan, generating additional income (£1,199k) alongside increased expenditure, including £1,551k in firm fee costs, partly relating to additional fees for the non-chargeable sector, as well as expense claims relating to prior year audit work.
- **Accounts Commission and Support** – Underspend of £17k, largely relating to lower travel and subsistence costs.
- **Board, AGS and Exec Team** – Minor underspend (£11k) across professional services, training and travel.

Business Group	Cost type	Actual YTD £'000s	Budget YTD £'000s	Variance YTD £'000s	FY Forecast £'000s	FY Budget £'000s	Variance YTD £'000s
<b>Audit Services Group</b> 44 & 45	Income	(12,571)	(13,002)	(430)	(12,571)	(13,002)	(430)
	Pay	11,928	12,218	290	11,928	12,218	290
	Non-pay	721	830	109	721	830	109
	<b>Total</b>	<b>78</b>	<b>47</b>	<b>(32)</b>	<b>78</b>	<b>47</b>	<b>(32)</b>
<b>Performance Audit and Best Value</b> 57	Income	(110)	(100)	10	(110)	(100)	10
	Pay	5,218	5,290	71	5,218	5,290	71
	Non-pay	57	145	88	57	145	88
	<b>Total</b>	<b>5,165</b>	<b>5,335</b>	<b>170</b>	<b>5,165</b>	<b>5,335</b>	<b>170</b>
<b>Innovation and Quality</b> 46 & 47	Income	0	0	0	0	0	0
	Pay	2,395	2,389	(5)	2,395	2,389	(5)
	Non-pay	498	609	111	498	609	111
	<b>Total</b>	<b>2,893</b>	<b>2,999</b>	<b>106</b>	<b>2,893</b>	<b>2,999</b>	<b>106</b>
<b>Audit Quality and Appointments</b> 69	Income	0	0	0	0	0	0
	Pay	371	381	10	371	381	10
	Non-pay	150	148	(3)	150	148	(3)
	<b>Total</b>	<b>521</b>	<b>528</b>	<b>8</b>	<b>521</b>	<b>528</b>	<b>8</b>
<b>Corporate Services Group and Corporate costs</b> 00, 61..68, 71..78	Income	(6,216)	(3,381)	2,835	(6,216)	(3,381)	2,835
	Pay	2,635	3,973	1,338	2,635	3,973	1,338
	Non-pay	3,151	3,031	(120)	3,151	3,031	(120)
	<b>Total</b>	<b>(430)</b>	<b>3,623</b>	<b>4,053</b>	<b>(430)</b>	<b>3,623</b>	<b>4,053</b>
<b>Approved Auditors</b> 35	Income	(9,658)	(8,459)	1,199	(9,658)	(8,459)	1,199
	Pay	0	0	0	0	0	0
	Non-pay	9,584	8,034	(1,551)	9,584	8,034	(1,551)
	<b>Total</b>	<b>(74)</b>	<b>(425)</b>	<b>(351)</b>	<b>(74)</b>	<b>(425)</b>	<b>(351)</b>
<b>Accounts Commission and Support</b> 20 & 23	Income	0	0	0	0	0	0
	Pay	599	602	3	599	602	3
	Non-pay	24	38	14	24	38	14
	<b>Total</b>	<b>623</b>	<b>640</b>	<b>17</b>	<b>623</b>	<b>640</b>	<b>17</b>
<b>Board, AGS and Exec Team</b> 21..22, 26	Income	0	0	0	0	0	0
	Pay	1,069	1,068	(1)	1,069	1,068	(1)
	Non-pay	16	28	12	16	28	12
	<b>Total</b>	<b>1,085</b>	<b>1,096</b>	<b>11</b>	<b>1,085</b>	<b>1,096</b>	<b>11</b>
<b>Funded by Scottish Consolidated Fund</b>		<b>9,862</b>	<b>13,843</b>	<b>3,981</b>	<b>9,862</b>	<b>13,843</b>	<b>3,981</b>

Staff Cost Savings as at end of March 2026

	Actual Pay YTD £'000s	Budget Pay YTD £'000s	Variance YTD %	FY Forecast Pay £'000s	FY Budget Pay £'000s	Variance YTD %
ASG	11,930	12,218	2.36%	11,930	12,218	2.36%
PABV	5,218	5,290	1.35%	5,218	5,290	1.35%
CSG	3,601	3,973	9.36%	3,601	3,973	9.36%
I&Q	2,395	2,389	-0.22%	2,395	2,389	-0.22%
AQA	371	381	2.67%	371	381	2.67%
Commission Support	422	427	1.17%	422	427	1.17%
<b>Total Pay</b>	<b>23,937</b>	<b>24,678</b>	<b>3.00%</b>	<b>23,937</b>	<b>24,678</b>	<b>3.00%</b>

Actual Saving YTD £'000	Budgeted Saving YTD £'000	Variance/Shortfall YTD £'000
2,040	1,299	(741) 7.9%

Forecast Saving FY £'000	Budgeted Saving FY £'000	Forecast Variance/Shortfall FY £'000
2,040	1,299	(741) 7.9%

The vacancy factor closed at 7.9% at the end of March 2026. This represents an increase from the February projection of 6.6%, primarily due to a £243k reduction in the holiday pay provision confirmed following the final review of flexi-time and annual leave balances. Excluding the impact of this year-end accounting adjustment, the vacancy factor would have closed at approximately 6.9% (£498k).

Item	Owner	Budgeted Spend	Actual Spend	Variance
Business Analyst	CSG - Fiona McKie	£52,800	£46,728	£6,072
HR Maternity	CSG - Fiona McKie	£13,000	£12,247	£753
Procurement Contractor	CSG - Fiona McKie	£25,000	£26,547	-£1,547
Board Room	CSG - Fiona McKie	£16,557	£16,435	£122
Business Managers Extension	CSG - Fiona McKie	£19,200	£24,653	-£5,453
Estates Maintenance	CSG - Fiona McKie	£51,193	£53,213	-£2,020
Co Pilot Pro	I&Q - Kenny Oliver	£1,200	£728	£472
LED Lighting in WP & NMP	CSG - Fiona McKie	£17,952	£17,952	£0
Aberdeen Office Upgrade	CSG - Fiona McKie	£10,782	£10,782	£0
<b>Total</b>		<b>£207,684</b>	<b>£209,285</b>	<b>-£1,601</b>

Shovel ready expenditure progressed broadly as planned during the year, with all projects completed or accrued at year end. No material delays or risks were identified.