

21 March 2025

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

Dear Chair

We are writing to you to provide an update on our Audit Modernisation Project as outlined in our [letter](#) dated 10 January 2025.

Our Audit Modernisation Project aims 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'.

The objectives of the project are to:

- Refine and refresh our audit approaches so that they are risk-based, high quality, and can be delivered efficiently
- Replace current audit software, with which we have exhausted its useful life, to deliver an interoperable suite of supporting software that enables efficient and automated processes, analysis and documentation where appropriate
- Develop sustainable and efficient ways of updating our audit approach, software and tools to ensure they remain fit for purpose and future proofed
- Develop and deliver a learning and support programme, underpinned by change management principles to ensure that our staff are confident and are supported and empowered to deliver new ways of working
- Review the skills, capacity and grade mix required to deliver our new approach

## Outline Business Case for the Audit Modernisation Project

In the letter we set out the funding approach for the Audit Modernisation Project and the proposed cost breakdown. We highlighted that we have been following best practice in the development of the Audit Modernisation business case, using the HM Treasury's Green Book business case guidance, to set out a three-step approach to the approval of the business case. This comprises:

- Strategic Outline Case (SOC), through to
- An Outline Business Case (OBC) and then the

- Full Business Case (FBC).

The Strategic Outline Case was approved by the Audit Scotland's Strategic Improvement Programme Board on 6 August 2024.

We also advised that the Audit Scotland Board was to consider the Outline Business Case at its meeting on 28 January 2025. The Outline Business Case set out the preferred option to partner with the National Audit Office to utilise their audit management software. It set out the full rationale for this proposal, including the value for money considerations and the estimated financial implications. This informed the required investment figures included in our budget submission. The external cost over the next three years will be the development and implementation of the software, which will support the project objectives.

To support the project and decision-making we engaged with external assessors to undertake a second Gateway Review of the project. The Gate 2 Independent Assurance Review focuses on the project's delivery strategy. It investigates the assumptions in the Outline Business Case and proposed approach for delivering the project. It also checks that plans for implementation are in place. The review concluded that successful delivery appears feasible but there are issues that require management attention. The review highlighted that these issues appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun. The review included recommendations for the project team to address these issues and the Board was presented with an action plan to give assurance that the issues were being addressed.

At its meeting on 28 January 2025 the Audit Scotland Board approved the Outline Business Case.

## **Current activity**

We are currently progressing at pace towards the Full Business Case. HM Treasury guidance states that the purpose of a Full Business Case is to set out the commercial and contractual arrangements for the preferred option, confirm that this is still affordable and put in place the detailed management arrangements for successful delivery, monitoring and evaluation.

Activities to support this include collaboration with the National Audit Office; fully considering and documenting audit approaches, process improvements and software requirements; undergoing procurement activities to contract with a third-party software supplier and planning for implementation. The Full Business Case will also identify a more accurate cost profile.

Current timescales indicate that the Full Business Case will be considered by the Board in Autumn 2025 and we will provide progress updates to the SCPA as part of its scrutiny of our annual reports and budget proposals.

We hope the above information is helpful. Please contact us if we can be of further assistance.

Yours sincerely

Stephen Boyle  
Auditor General for Scotland