A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

THE 2010/11 AUDIT OF THE CROWN OFFICE AND PROCURATOR FISCAL SERVICE

1. I have received the audited accounts of the Crown Office and Procurator Fiscal Service (COPFS) for the year ended 31st March 2011. The auditor has given an unqualified audit opinion on the accounts. I have decided to issue this report to bring to the Parliament's attention a £2.3 million reduction in the value of software assets reflected in the accounts.

2. I submit these accounts and the auditor's report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.

3. The statement of the financial position of COPFS on page 28 of the accounts shows that the total value of intangible assets relating to software and software under development was reduced from £5.874 million at 31st March 2010 to £4,892 million at 31st March 2011. Note 6 on page 43 of the accounts sets out the changes leading to the reduced value. The note highlights that an impairment charge of £2.3 million was made in the accounts because a project (Phoenix) to replace COPFS' existing case management software system was brought to an end. An impairment charge is made where an event or change in circumstances reduces the value of an asset below the amount it would generate from its use or sale.

4. COPFS initiated project Phoenix in 2009 because a number of software elements of its existing system were out dated and lacked any readily available technical support. The single Phoenix system was expected to address these weaknesses and provide improved performance and analysis. The project was expected to cost £10 million including £6.9 million of capital costs which would be recorded as an intangible asset.

5. In July 2010 COPFS management identified that system requirements were much greater than expected. Options available to deliver a complete system were likely to add between £5 million and £7 million to estimated costs and to delay the project by between two and four years. At the same time COPFS capital allocation for 2011/12 was reduced by £4.5 million to £2.7 million and indicative future annual capital funding was estimated to be around £2 million. On that basis, COPFS management considered the revised project costs to be unaffordable and brought project Phoenix to an end.

6. COPFS had spent some £2.4 million on project Phoenix between November 2009 and October 2010. In order to consider the value of any impairment, COPFS reviewed the £2.3 million of the expenditure that had been capitalised. The review concluded that it was not possible to quantify any added value the project had provided to the existing case management system. As a result an impairment charge for the full £2.3 million of capital charges linked to the project has been made.

7. COPFS is committed to identify lessons to be learned from the project and is carrying out a formal detailed post project review of the project. The review will include an examination of arrangements for procurement, project management and governance of the project.

8. The impairment charge incurred by COPFS is similar to changes in the value of software assets recorded in other public bodies in their accounts for 2010/11. I will produce reports to be laid with the accounts of each these bodies individually. I have also asked

Audit Scotland to bring forward proposals in the current forward programme of performance audit studies to produce a wider report on outsourced contracts.

RwBlack

Robert W Black
Auditor General for Scotland