

Private and Confidential

The Directors
Architecture + Design Scotland
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Email edinburgh@tenonaudit.com
Our ref FJM/AC
Your ref
Date 15 September 2009

Dear Sirs

**ARCHITECTURE + DESIGN SCOTLAND
2009 AUDITED ACCOUNTS**

In accordance with the terms of our engagement and International Standard on Auditing (UK and Ireland) 260 'Communication of audit matters with those charged with governance', we are required to advise you of any matters that may come to our attention during the course of our audit. Following our recent audit of your company, we have a number of observations to note in relation to the company's accounting systems and internal control environment. Details are listed in Appendix A. I should be grateful if you could return to me a summary of your opinions and/or proposed actions in relation to the issues raised.

It should be noted that the primary objective of our audit is to express an opinion on the truth and fairness of the company accounts as a whole. An audit does not examine every operating activity and accounting procedure in the company, nor does it substitute for management's responsibility to maintain adequate controls over the company's activities. Our work is not designed therefore to provide a comprehensive statement of all weaknesses or inefficiencies that may exist in the company's systems and working practices, or all improvements that could be made.

Yours faithfully

Fiona Martin
Director of Audit Services

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A list of directors is maintained for inspection at the Registered Office.



Appendix A

ARCHITECTURE + DESIGN SCOTLAND 2009 AUDITED ACCOUNTS

Observation	Implication	Recommendation	Management Response
<p>The format and level of detail for management reporting needs to be agreed upon</p>	<p>Without an agreed format for management reporting the Directors and other management information users within the organisation may not be able to make fully informed decisions concerning A+DS, particularly regarding under/over spend.</p>	<p>The format and level of detail for management reporting should be agreed. The format should be of sufficient detail to highlight and explain areas of under./over spend against budget or re-forecast. Management information should be regularly reviewed by the Directors (at least quarterly) to avoid any rush of expenditure in the last quarter of the year to utilise unspent funds. Each team/division within A+DS should be accountable for under/over spend during the year and have regular input into the management reports so that areas of spend which diverge from budget can be dealt with promptly.</p>	<p>Agreed</p> <p>A standard format is in place and will be augmented by a detailed breakdown of discretionary spend. This will be monitored by the Management Team on a monthly basis; and by the Board on a quarterly basis.</p>
<p>A disaster recovery plan needs to be put in place and tested.</p>	<p>If an agreed and tested disaster recovery plan is not in place business continuity may be impacted.</p>	<p>Business continuity management should involve the systematic identification and review of risk to the normal continuation of an organisation's activity and the effective management of those risks to ensure a basic level of output/service following a disruptive event.</p> <p>The plan should outline who is responsible for making decisions in the event of a disaster and identify where the operations of the business can be temporarily moved to should an event damage the company'</p>	<p>Agreed</p> <p>The Risk Register is being updated and will be monitored by the Management Team on a monthly basis.</p> <p>A specific part of the Register will cover Business Continuity/ Disaster Recovery.</p>