

South East of Scotland Transport Partnership

External Audit Plan
2018/19

March 2019





Table of contents

1. Introduction	1
2. Respective responsibilities of the auditor and the Partnership	3
3. Audit strategy	7
4. Annual accounts	10
5. Wider scope audit	15
6. Audit outputs, timetables and fees	17
7. Appendices	20



1. Introduction



Introduction

1. This document summarises the work plan for our 2018/19 external audit of the South East of Scotland Transport Partnership (“the Partnership”).
2. The core elements of our work include:
 - an audit of the 2018/19 annual accounts;
 - a review, where applicable, of the Partnership’s arrangements for governance and transparency, financial management, financial sustainability and value for money; and
 - any other work requested by Audit Scotland.

Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission’s work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Scott-Moncrieff as external auditor of the Partnership for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2018/19 and summarises:
 - the responsibilities of Scott-Moncrieff as the external auditor;
 - our audit strategy;
 - our planned audit work and how we will approach it;
 - our proposed audit outputs and timetable; and
 - background to Scott-Moncrieff and the audit team.

Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council’s (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.

Adding value through the audit

8. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Partnership through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the Partnership promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: www.surveymonkey.co.uk/r/S2SPZBX.
10. While this plan is addressed to the Partnership, it will be published on Audit Scotland’s website www.audit-scotland.gov.uk.



2. Respective responsibilities of the auditor and the Partnership



Respective responsibilities of the auditor and the Partnership

Auditor responsibilities

Code of Audit Practice

11. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

Our responsibilities

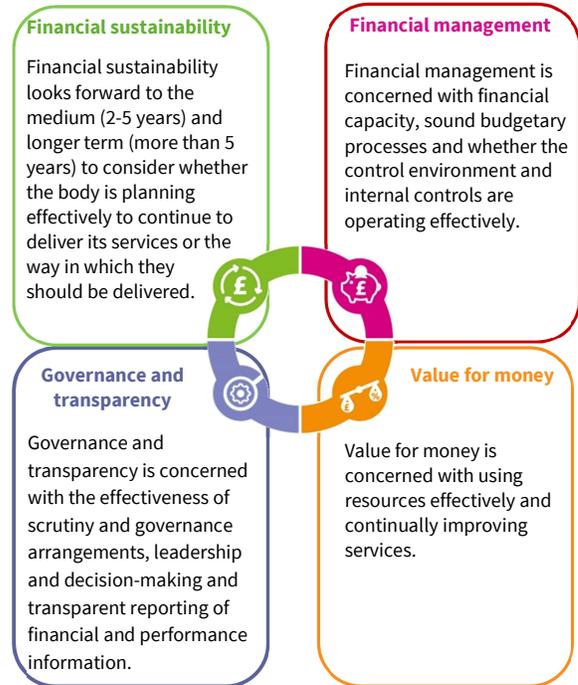
12. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 14). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
 - provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
 - review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
 - notify the Controller of Audit when circumstances indicate that a statutory report may be required
 - demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
 - suitability and effectiveness of corporate governance arrangements
 - financial position and arrangements for securing financial sustainability
13. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Wider scope audit work

14. The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and

Exhibit 1: Audit dimensions of wider scope public audit



undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

15. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
16. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
17. Our assessment takes into account the size, nature and risks of the Partnership. Taking these factors into consideration, we have concluded that application of



the restricted wider scope is appropriate at the Partnership.

Best Value

18. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.
19. Our work in respect of the Partnership's best value arrangements will be integrated into our audit approach, including our work on the wider scope audit dimensions referred to above.

Strategic audit priorities for local government audits

20. The Accounts Commission has set the following five strategic Audit Priorities that it expects auditors to consider in all work across local government:
 - Having clear priorities with a focus on outcomes, supported by effective long term planning.
 - Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities.

- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
 - Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
 - Reporting the organisation's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
21. Our consideration of these priorities will be integrated into our 2018/19 audit work. The extent to which we will report on these will be dependent on the findings of our work as it relates to the four dimensions referred to above.

Partnership responsibilities

22. The Partnership has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Partnership's responsibilities are summarised in Exhibit 2.

Exhibit 2 – Partnership's responsibilities

Area	Partnership's responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Partnership has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures • maintaining proper accounting records • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements



Area	Partnership's responsibilities
<p>Financial sustainability: Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>The Partnership is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with any statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • How the organisation plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>The Partnership is responsible for ensuring that financial affairs are conducted in a proper manner. Management is responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Partnership is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>It is the Partnership's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p>Governance and transparency: Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Partnership is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements.</p> <p>The Partnership is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p>Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Partnership has a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>



3. Audit strategy



Audit strategy

Risk-based audit approach

23. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Partnership. This ensures that our

audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers at the Partnership	Our understanding of the sector and its key priorities and risks	Discussions with Audit Scotland and other auditors
Guidance from Audit Scotland	Discussions with internal audit and reviews of their plans and reports	Review of the Partnership's corporate strategies, plans and risk registers

24. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Communications with those charged with governance

25. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with the Partnership that these communications will be through the Performance and Audit Committee.

29. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the Partnership's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which the Partnership uses the national performance reports as a means to help improve performance at the local level.

Professional standards and guidance

26. We perform our audit of the financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

30. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Partnership working

27. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Internal audit

31. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Partnership's total audit resource. The Partnership's internal audit function is provided by the City of Edinburgh Council's internal audit team. We will consider the findings of the work of internal audit during our audit and look to minimise duplication of effort, to ensure the total audit resource to the Partnership are used efficiently and effectively.

Audit Scotland

28. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues

Service organisations

32. The Partnership utilises a number of the constituent local authorities to provide services including financial



ledger, payroll and human resources services. Where the systems may have a material impact on the financial statements we will work with these authorities to understand the controls in place at the service organisation.



4. Annual accounts



Annual accounts

Introduction

33. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the Partnership's annual accounts.

Approach to audit of the annual accounts

34. Our opinion on the annual accounts will be based on:

Risk-based audit planning

35. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.

An audit of key systems and internal controls

36. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
37. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the Partnership's own policies and procedures.
38. We will take cognisance of any relevant internal audit reviews of systems and controls.
39. We will update the risk assessment following our evaluation of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

A final audit of the annual accounts

40. During our final audit we will test and review the material amounts and disclosures in the annual accounts. The extent of testing will be based on our risk assessment.
41. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

Independent auditor's report

42. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor's report which will be included in the annual accounts.
43. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

Materiality

44. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We will review our assessment of materiality throughout our audit.
45. Our initial assessment of materiality for the Partnership's annual accounts is £16,000. Our assessment of materiality equates to approximately 1% of the Partnership's 2017/18 gross expenditure.
46. As noted above, our initial assessment of materiality is set with reference to gross expenditure. We consider this to be the principal consideration for the users of the accounts when assessing the performance of the Partnership. We will review and update our assessment of materiality following receipt of the unaudited annual accounts.
47. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.
48. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.



Area risk assessment			
	£		
	High	Medium	Low
Performance materiality	6,400	8,000	10,400

- Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks in the annual accounts

49. We will report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;
 - Uncorrected misstatements with a value in excess of 5% of the overall materiality figure; and

50. Auditing standards require that we inform the Performance and Audit Committee of our assessment of the risk of material misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Performance and Audit Committee if our assessment changes significantly during the audit.

Exhibit 3 – Key audit risks in the annual accounts

1. Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor’s responsibilities relating to fraud in an audit of financial statements*.

51. In response to this risk we will review the Partnership’s accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this key audit risk. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation rates and asset valuations.

2. Revenue recognition

Under ISA (UK) 240- *The auditor’s responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Partnership could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

52. As part of our planning process we have considered the nature of the revenue streams at the Partnership against the risk factors set out in ISA (UK) 240. We have identified that for Scottish Government grant funding and council requisitions, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. We have concluded, however, that the risk of fraud in relation to revenue recognition is present in all other income streams.
53. For all other income streams, we will review the controls in place over revenue accounting. We will consider the Partnership’s key revenue transactions and streams and carry out testing to confirm that the Partnership’s revenue recognition policy is appropriate and has been applied consistently throughout the year.



3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

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54. In response to this risk we will evaluate the significant expenditure streams (excluding payroll which is not deemed to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider the Partnership’s key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.
 55. During the 2017/18 audit, it was identified that in the absence of the Partnership Director, appropriate contingency arrangements for the approval of expenditure were not in place. The Chair of the Partnership Board approved invoices from December 2017 until September 2018. During our 2018/19 audit, we will follow up on revised expenditure approval arrangements implemented by the Partnership and ensure that these have been consistently applied.

4. Property, plant and equipment

As at 31 March 2018, the Partnership held £0.422million in property, plant and equipment. This primarily relates to a high volume of low value technology equipment which is held in a variety of locations across the south east of Scotland.

During our 2016/17 audit, we identified a number of control weaknesses with respect of the recording and valuing assets. Improvements were made during 2017/18, but this work is ongoing.

Due to the nature of equipment held by the Partnership there is a risk that asset records maintained may not be accurate and equipment values may not be appropriate if technology becomes obsolete.

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56. We will review the steps taken by officers to improve the maintenance of the fixed asset register. We will consider management’s annual impairment review and verification exercises to ensure that the asset records held are accurate and assets are valued appropriately.



5. Pension assumptions

An actuarial estimate of the pension fund assets and liabilities is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up-to-date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities.

Due to the timing of the publication of unaudited accounts, IAS 19 valuations are typically performed in advance of actual investment returns being available. This results in the valuation also including an assumption regarding the investment returns of assets held by the fund for the final quarter of the financial year. Financial markets have experienced significant volatility in the last year and this trend has continued into 2019 which may result in challenges in estimating expected return on assets.

57. We will review the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will agree the disclosures in the financial statements to information provided by the actuary.

Management commentary, Remuneration report and Annual governance statement

58. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.
59. The Partnership Director resigned from his post in November 2018 with the Head of Programmes taking on the role of interim Partnership Director. The new (interim) Partnership Director will be responsible for signing aspects of the 2018/19 annual accounts. We will, during our audit, consider what arrangements are in place to ensure the interim Partnership Director has the appropriate assurances to allow them to sign the 2018/19 annual accounts.

Management Commentary

60. We are required to review the management commentary and ensure it is consistent with the financial statements and also confirm that it has been prepared in accordance with the statutory guidance issued under the Local Government Scotland Act 2003.

Remuneration report

61. We are required to review the audited part of the remuneration report and confirm that it has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

62. This work will include an assessment of whether appropriate disclosures have been made with respect of the change in Partnership Director during the year as part of our 2018/19 audit.

Annual Governance Statement

63. We will review the annual governance statement and assess whether it is consistent with the annual accounts and whether it has been properly prepared in accordance with the Delivering Good Governance Framework (2016).
64. We will assess whether the new Partnership Director has been given appropriate assurances in order to be able to sign the annual governance statement.



5. Wider scope audit



Wider scope audit

Introduction

65. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of the Partnership, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

66. Our planned audit work against these two areas is risk based and proportionate. Our initial assessment builds upon the understanding of the Partnership which we developed from previous years, along with

discussions with management and review of committee minutes and key strategy documents.

67. In 2018/19 we have also considered the following risk areas as they relate to the Partnership:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

68. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4). Audit planning is a continuous process and we will report any identified significant risks, as they relate to the wider scope, in our annual audit report.

Exhibit 4 – Wider Scope Significant Risk

1. Financial sustainability

In 2017/18 we concluded that while arrangements are in place for short-term financial planning, we recommended that further work is carried out to consider the long-term financial priorities of the Partnership.

The Partnership has a 10 year Regional Transport Strategy (RTS) (2015-2025) in place. During 2019/20 the Partnership plans to commence the process of re-writing the RTS. A supporting business plan for 2018-19 outlines the planned travel and transport projects to be delivered by the Partnership for the next year. While the strategy sets out the long-term objectives of the Partnership, revenue funding is generally only confirmed for the forthcoming financial year. This therefore challenges the Partnership's ability to agree detailed long-term plans and objectives.

The Transport (Scotland) Bill was introduced to Parliament on 8 June 2018 and is currently at Stage 1 in the legislative process. As it stands, the most significant potential impact for the Partnership is that regional transport partnerships would be given the authority to hold reserves which would provide the Partnership with greater financial flexibility.

In addition a review of the National Transport Strategy is currently underway. A formal public consultation on the National Transport Strategy 2 is due to be published in the summer with the expectation that the finalised strategy will be adopted before the end of 2019. This review may bring changes which the Partnership cannot currently be reflected in long term financial planning.

69. During our audit we will consider whether the Partnership has adequate arrangements in place for managing its financial position and its use of resources. Our conclusion will be based on a review of the Partnership's financial performance, underlying financial position, financial plans and financial reporting.



6. Audit outputs, timetables and fees



Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the Partnership.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2018/19.	March 2019
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	September 2019
Annual Report to the Partnership and the Controller of Audit	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2019

Audit outputs

70. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
71. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

	2018/19	2017/18
Auditor remuneration	£9,800	£9,900
Pooled costs	£820	£730
Audit support costs	£530	£520
Total expected fee	£11,150	£11,150

Audit fee

72. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
73. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
74. For 2018/19 we propose setting the audit fee above the expected fee level. The expected fee for the Partnership is £9,790. We propose setting the fee above this level at £11,150 to take cognisance of the level of risk and the audit work we will carry out as identified in this plan:
75. We will take account of the risk exposure of the Partnership and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.



Audit timetable

76. A summary timetable, including audit outputs, is set out as follows:

- FEB 19** ● Planning meeting with senior officers
- MAR 19** ● Presentation of External Audit Plan to the Performance and Audit Committee
- JUL 19** ● Accounts presented for audit and final audit visit begins
- SEP 19** ● Presentation of our Annual Report on the Audit to the Performance and Audit Committee



7. Appendices



Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 16 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network. We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

Your audit management team



Karen Jones

Director

karen.jones@scott-moncrieff.com

Karen is one of our directors responsible for the audit of our Audit Scotland external audit appointments. She has considerable experience in planning and delivering audits, producing management reports and liaising with senior officers.



Rachel Wynne

Assistant Manager

rachel.wynne@scott-moncrieff.com

Rachel joined the firm in 2014 as a public sector audit trainee and has since achieved her CA qualification. She has experience delivering external audit services to a range of public sector bodies, including local government.

Rachel will manage the onsite team and work alongside Karen to deliver the audit engagement.



Appendix 2: Confirmation of independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff, the Partnership, its Partnership members and senior management that may reasonably be thought to bear on our objectivity and independence.



Appendix 3: Statement of understanding

Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of the Partnership and Scott-Moncrieff.

Annual report and accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant Partnership staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the Partnership's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the Partnership during the course of the audit on matters having a material effect on the financial statements. This will take place by means of a letter of representation, which will require to be signed by the Treasurer.

Internal audit

It is the responsibility of the Partnership to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues

to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Karen Jones. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

Agreement of terms

We shall be grateful if the Performance and Audit Committee would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.

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