



Scott-Moncrieff
business advisers and accountants

With Campbell Dallas
a Coopers & Lybrand company

Police Investigations and Review Commissioner

External Audit Annual
Plan 2019/20

April 2020





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1. Introduction



Introduction

1. This document summarises the work plan for our 2019/20 external audit of the Police Investigations and Review Commissioner (PIRC).
 2. The core elements of our work include:
 - an audit of, and provision of a specified audit opinion, on the 2019/20 annual report and accounts;
 - consideration and reporting on PIRC's arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency, and value for money;
 - any other work requested by Audit Scotland, including the contribution to performance audits (including overview reports, performance audit reports, and impact reports).
- 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 management team.

Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including central government bodies in Scotland, and reporting to Parliament on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of the PIRC for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2019/20 and summarises:
 - the responsibilities of Scott-Moncrieff as the external auditor;

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 comply with the Financial Reporting Council's (FRC) Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence.

Adding value through the audit

9. 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 PIRC 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 PIRC promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

10. 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 any member of your audit team.

Openness and transparency

11. This plan will be published on Audit Scotland's website www.audit-scotland.gov.uk.



2. Respective responsibilities of the auditor and PIRC



Respective responsibilities of the auditor and PIRC

Auditor responsibilities

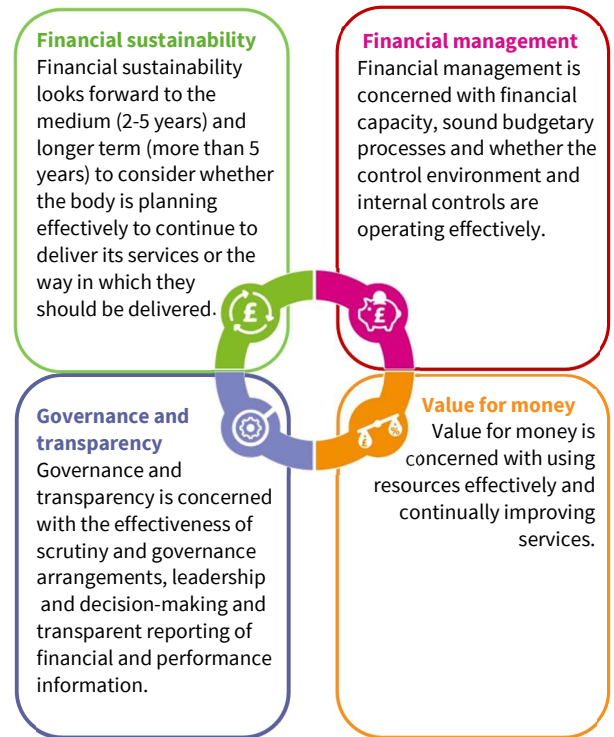
Code of Audit Practice

12. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Our responsibilities

13. 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 15). 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 Auditor General when circumstances indicate that a statutory report may be required; and
 - 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 asset;
 - suitability and effectiveness of corporate governance arrangements; and
 - financial position and arrangements for securing financial sustainability.
14. 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.

Exhibit 1: Audit dimensions of wider scope public audit



Wider scope audit work

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 organisation. Taking these factors into consideration, we have concluded that application of the full wider scope is not required at PIRC.



PIRC responsibilities

18. PIRC 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. PIRC's responsibilities are summarised in Exhibit 2.

Exhibit 2 – PIRC responsibilities

Area	PIRC responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>PIRC 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 • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority • 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
<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>PIRC 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.



Area	PIRC responsibilities
<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>PIRC is responsible for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>PIRC 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 PIRC'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>PIRC, through its Director of Operations (as accountable officer) 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. Those charged with governance should be involved in monitoring these arrangements.</p> <p>PIRC 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>Accountable officers have 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

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

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

Discussions with senior officers	Our understanding of the central government sector and its key priorities and risks	Attendance at the Audit and Accountability Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other central government auditors	Review of internal audit’s plan and reports
Review of PIRC corporate strategies and plans	Review of PIRC corporate risk register	Consideration of the work of other inspection bodies as appropriate

20. 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.

Audit Scotland

Communications with those charged with governance

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

24. 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 arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We 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.

Professional standards and guidance

22. 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).

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

Partnership working

23. 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.

26. During the year we may also be required to provide information to Audit Scotland to support the national performance audits or provide information to support the assessment of the impact of specified published performance audit reports.



Internal audit

27. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the PIRC's total audit resource. PIRC's internal audit service is provided by RSM. We will consider the findings of the work of internal audit within our audit process and look to minimise duplication of effort, to ensure the total audit resource to PIRC is used efficiently and effectively.



4. Annual report and accounts



Annual report and accounts

Introduction

28. 'Audited bodies' annual report and 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 PIRC's annual report and accounts.
29. The annual report and accounts of PIRC comprise the financial statements, the performance report and the accountability report.
30. Our opinion on the financial statements will be based on:

Risk-based audit planning

31. 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 financial statements will be based.

An audit of key systems and internal controls

32. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements.
33. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We examine and test compliance with best practice and PIRC's own policies and procedures.
34. We take cognisance of any relevant internal audit reviews of systems and controls.
35. We update the risk assessment following our evaluation of systems and controls which ensures that we continue to focus attention on the areas of highest risk.

A final audit of the financial statements

36. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on our risk assessment.
37. Our opinion on whether the financial statements give a true and fair view of the financial position and its net expenditure and of the regularity of

transactions will be set out in our independent auditor's report which will be included in the annual report and accounts.

38. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

Materiality

39. 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 review our assessment of materiality throughout our audit.
40. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. 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.
41. Performance materiality is set at a value 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 overall materiality.
42. Our initial assessment of materiality and performance materiality is set out in the table below.



Materiality

£000

Overall materiality: Our initial assessment is based on approximately 1.5% of PIRC's budgeted gross expenditure, being one of the principal considerations for the users of the financial statements when assessing financial performance. 66

Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality. 50

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

Key audit risks in the financial statements

44. Auditing standards require that we inform the Audit and Accountability Committee of our assessment of the risk of material misstatement in the financial statements. 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 Audit and Accountability committee if our assessment changes significantly during the audit.



Exhibit 3 – Key audit risks in the financial statements

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*.

45. In response to this risk we will review PIRC'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 review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates, asset valuations, provisions and arrears.

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 PIRC could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

46. PIRC does not undertake any income generating activities and so funding from Scottish Government is its only source of income. We have identified that for Scottish Government funding, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate transactions of this nature.

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.

47. 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 PIRC'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.



Going concern

The COVID-19 pandemic may result in difficult trading conditions for the following year. There is a risk relating to the going concern as the funding may be reduced and PIRC may not be able to fulfil all its responsibilities. In accordance with ISA (UK) 570, "Going Concern" we will consider the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements.

48. We will obtain evidence for the use of the going concern assumption and determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation's ability to continue as a going concern.

The performance report, accountability report and other information

49. The HM Treasury Government Financial Reporting Manual 2019/20 sets out the content required within the annual report and accounts. In addition to presenting our opinions over the financial statements our independent auditor's report will also present our opinion on other aspects of the annual report and accounts:

- a detailed summary of how the entity measures its performance.

53. Our independent auditor's report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

The accountability report

54. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:

- A corporate governance report (including a governance statement) explaining the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives.
- A remuneration and staff report setting out staff numbers and costs as well as the entity's remuneration policy for directors and the remuneration awarded to directors.
- A parliamentary accountability report disclosing the regularity of expenditure and other parliamentary accountability requirements.

55. Our independent auditor's report will confirm whether in our opinion the governance statement and the audited part of the remuneration and staff report have been properly prepared and are consistent with the financial statements.

Other information

50. "Other information" in the annual report and accounts comprises any information other than the financial statements and our independent auditor's report thereon. We do not express any form of assurance conclusion on the "other information" except as specifically stated below.
51. We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor's report

The performance report

52. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It contains two sections:
- an overview of the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year; and



5. Wider scope



Introduction

56. As described in section 2, the Code frames a significant part of our audit responsibilities in terms of four wider scope audit dimensions. Following consideration of the size, nature and risks of PIRC, 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 long term.

57. Our planned audit work against the four dimensions is risk based and proportionate. Our initial assessment builds upon our work in prior years to develop an understanding of PIRC's key priorities and risks. In 2019/20, Audit Scotland has

also identified the following wider scope risks, which we will consider during our audit as they relate to PIRC:

- Fraud and corruption in respect of the procurement function; and
- EU withdrawal

58. At this stage of our audit planning, we have identified one significant risk to the wider scope of our audit in relation to financial sustainability (Exhibit 4).

59. We have not, at this stage, identified any significant risks in relation to the other dimensions. Audit planning however is a continuous process and we will report any identified significant risks, as they relate to the four dimensions, in our annual audit report.

Exhibit 4 – Wider scope significant risk

1. Financial sustainability

Demand for PIRC's services continued to increase in the prior year. In 2018/19 PIRC presented a business case to its sponsor department within the Scottish Government for an additional £2m recurring funding to bridge the forecast gap in resources.

In 2018/19 two post legislative reviews of the Police and Fire Reform (Scotland) Act 2012 had the potential to alter the scope and nature of PIRC's operations. This has been reflected in 2019/20 with investigation workload increasing, and the extra cost of this being met with introduction of trainee investigators. Management accounts forecast an underspend of £140,000 due to a delay in further staff recruitment.

There is a current public inquiry into a case which was investigated by PIRC, as well as a legal case being brought against PIRC. These cases could represent a significant cost although there is an indication that Scottish Government will look to cover the cost of the case being investigated, and PIRC has retained counsel for the purposes of the legal case.

60. During our audit we will consider whether PIRC has adequate arrangements in place for managing its financial position and its use of resources. Our conclusion will be based on a review of PIRC's financial performance, underlying financial position, financial plans in tandem with workforce plans and consideration of future workforce requirements. We will also consider this in tandem with the potential legal costs and how budgetary pressures could impact PIRC moving forward.



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 PIRC

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2019/20.	April 2020
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the regularity of transactions and the audited part of the remuneration report, annual governance statement and performance report.	July 2020
Annual Report to PIRC and the Auditor General for Scotland	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.	July 2020

Audit outputs

- Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
- 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.

	2019/20	2018/19
Auditor remuneration	£9,770	£9,550
Pooled costs	£2,270	£2,300
Audit support costs	£540	£570
Total expected fee	£12,580	£12,420

Audit fee

- 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.
- 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.
- For 2019/20 we propose setting the audit fee at the expected fee level. The expected fee for PIRC for the 2019/20 audit is as follows:

- We will take account of the risk exposure of PIRC 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

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

FEB 20	●	Planning meetings with senior officers
APR 20	●	Circulation of External Audit Plan to the Audit and Accountability Committee
JUN 20	●	Accounts presented for audit and final audit visit begins
AUG 20	●	Presentation of our Annual Report to the Audit and Accountability Committee



7. Appendices



Appendix 1: Your audit management team

Scott-Moncrieff is one of Scotland's leading firms of auditors and business advisers. We are part of the fast-growing Cogital Group, giving us a UK-wide presence of 88 offices and 2,700 staff and an international reach from over 150 offices across seven countries. Cogital Group is an innovator, investor and early adopter of technologies that provide continuous improvement to the service we provide our clients.

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



Nick Bennett

Partner

nick.bennett@scott-moncrieff.com

Nick has over 20 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards. Nick's experience and expertise is acknowledged by both clients and by other professionals right across the public sector. Nick will be your appointed Engagement Lead.



Nneamaka Ochuba

Manager

nneamaka.ochuba@scott-moncrieff.com

Nneamaka joined Scott-Moncrieff in 2015 as an audit trainee and has since achieved her CA qualification. She has experience in delivering a range of external audits during her time with the firm. Nneamaka will be your appointed Audit Manager and will work alongside Nick 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.

In particular, FRC's Ethical Standards stipulate that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Scott-Moncrieff has not been appointed by PIRC to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standards. 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 and the Board, its Board 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 Police Investigations and Review Commissioner (PIRC) and Scott-Moncrieff.

Annual report and accounts

We will require the annual report and accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant Board 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 in advance of our final audit visit which sets out our 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 PIRC'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 PIRC during the course of the audit on matters having a material effect on the annual report and accounts. This will take place by means of a letter of representation, which will require to be signed by the Director of Operations (as the accountable officer).

Internal audit

It is the responsibility of PIRC 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. In particular we require to be notified of all frauds which:

- Involve the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

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.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if she knows or suspects that any person has engaged in money laundering or terrorist financing.

We require PIRC to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants in England and Wales.

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 Nick Bennett. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of you not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants in England and Wales.



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 Audit and Accountability 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.

