



Alexander Sloan
Accountants and Business Advisers

Audit Scotland Audit Plan for the year ended 31 March 2021

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Scope

The purpose of this report is to summarise for the Scottish Commission for Public Audit (SCPA) and the Audit Committee of Audit Scotland the plan for the forthcoming audit including details of our planned audit approach. This report is only for the use of Audit Scotland and must not be disclosed to any third party without our written consent. We do not assume responsibility to any other person in respect of this report or the audit.

Financial Statements

Format of Financial Statements

The financial statements for the year ended 31 March 2021 are required to be prepared in accordance with:

- IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM
- Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish ministers issued thereunder.

Role as Auditors

We will communicate to the SCPA and the Board of Audit Scotland any potential misstatements that we have identified during the course of our audit work. It should be noted that an audit is only designed to identify material errors in the financial statements. Any decision to amend or not to amend the financial statements rests with the SCPA and the Board of Audit Scotland. We would request that the financial statements are amended for any material errors. Where material potential adjustments are not adjusted then this would have an impact on the audit report that we can provide.

Audit Objective

We shall plan and perform our audit so as to obtain all the information and explanations that we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our audit opinion we shall also evaluate the overall adequacy of the presentation of the information in the financial statements.

The concept of materiality relates to the importance of an amount, transaction or discrepancy. A material error in the financial statements is one that, if unadjusted, would cause a user of the financial statements to change their view on the financial statements. Materiality has both a quantitative and qualitative element. Auditors examine accounts on a test basis. The level of testing is based on our assessment of the risk that an item in the financial statements may be materially misstated. As such, the audit cannot be relied upon to identify all potential or actual misstatements in the financial statements.

Our Independent Auditor's Report to the Scottish Commission for Public Audit will be incorporated within the full financial statements of Audit Scotland.

As the result of guidance from the Institute of Chartered Accountants of Scotland, we advise that our audit report on the financial statements is made solely to the SCPA and the Board of Audit Scotland, as a body. Our audit work will be undertaken so that we can report to the SCPA and the Board of Audit Scotland those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Audit Scotland and its members as a body, for our audit work, for the audit report, or for the opinions we form. A statement to this effect will be incorporated within our audit report.

We shall advise of any material weaknesses in systems and controls that come to our attention in the course of our audit to the SCPA and the Board of Audit Scotland in an Audit Summary Report following completion of the audit.

Audit Approach

Our audit methodology uses a risk based approach. We will use our understanding of the organisation, its environment and discussions with management as a basis for identifying and assessing the risks of material misstatement in the financial statements.

In February we carried out interim work. Our work focused on transaction testing and reviewing minutes and internal audit reports. We also had a preliminary discussion with the Corporate Finance Manager regarding any issues arising during the year that would affect our audit approach. This work helps us to build an understanding of the organisation and its systems and helps identify audit risks pertaining to the financial statements.

There were no control issues identified during the interim audit that we believe should be brought to the attention of the Board of Audit Scotland or the SCPA.

Audit Scotland's Internal Audit function carry out reviews of the controls and risks affecting the organisation. Our review of the internal audit reports made available to us and discussions with the internal auditors helps gain a greater understanding of the organisation's control environment. We consider these aspects when deciding on the focus of our audit work.

Assessing material risk areas ensures that the audit concentrates on the risk of material misstatement to the financial statements. This also helps to ensure that the audit concentrates on the important issues so that the audit effort is directed in the most efficient and effective manner. A summary of our initial assessment of the main audit risks relating to the accounts and our proposed audit response is provided below.

As part of our audit we will obtain an understanding of the organisation's system of internal control in order to allow us to plan the audit. Where we plan to place reliance on internal controls we will test the operation of those controls. We will, however, adopt a mainly substantive approach. The following risks have been identified for the forthcoming audit:

Audit Approach (Continued)

Key Audit Risks	Audit Approach
<p>Management override of controls</p> <p>In all organisations, there is a risk that management and Board members have the opportunity to process transactions or make adjustments to the records outside the normal financial control process. Such transactions could result in a material misstatement within the financial statements. As a result, we consider this a significant risk area in accordance with the International Standard on Auditing (UK) 240 “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”.</p>	<p>Our audit work will be designed to respond to this risk in a number of ways, including considering accounting estimates for bias, reviewing transactions outside the normal scope of the business and testing a sample of journals for appropriateness. We are also required to consider other additional procedures as appropriate.</p>
<p>Revenue recognition</p> <p>Under the International Standard on Auditing (UK) 240 “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”, there is a requirement for the auditor to presume that the organisation could adopt accounting policies or recognise income in such a way that leads to a material misstatement of the reported revenue of the organisation.</p>	<p>Our audit work will therefore be designed to sample check revenue transactions to satisfy ourselves that there are no material misstatements in this regard.</p>
<p>Key Accounting Estimates</p> <p>As in previous years, the financial statements of Audit Scotland for the year ended 31 March 2021 will include a number of key estimates. Key estimates will include provisions and pension assumptions as well as work in progress which is considered below.</p>	<p>Our audit work will consider the underlying calculations and the appropriateness of any estimates in line with ISA (UK) 540.</p>

Audit Approach (Continued)

Key Audit Risks	Audit Approach
Work in Progress The valuation of Work in Progress (WIP) carries an element of subjectivity.	Our audit work will consider the reasonableness of the valuations of WIP in the financial statements and that the valuation is in accordance with the organisation's accounting policies. We will consider the treatment and disclosures are in accordance with the FReM.
Covid-19 Pandemic There is a risk that the operations and finances of Audit Scotland could be adversely impacted as a result of the Covid-19 outbreak.	We will discuss the impact of Covid-19 with senior management of Audit Scotland and review budgets and projections to assess the impact on the financial statements.

If you consider there to be other significant risks of material misstatement within the financial statements please let us know.

Audit Approach (Continued)

Qualitative Aspects of Financial Statements

During our audit we will consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements, including the following areas:

Qualitative aspects	Work to be done
We will assess the appropriateness of the accounting policies used.	We will review the core accounting policies which are disclosed in the financial statements and consider whether these are appropriate.
The appropriateness of the accounting estimates and judgements.	We will satisfy ourselves that all key accounting estimates and judgements used in the financial statements are appropriate in accordance with the requirements of ISA (UK) 540 (Revised 2019). Key accounting estimates within the financial statements includes the defined pension scheme liability, the life of fixed assets used to calculate depreciation, the value of work in progress, the dilapidations estimate and the holiday pay accrual estimate.
The timing of the transactions and the period in which they are recorded.	We will check the timing of a sample of significant transactions to satisfy ourselves that they are recorded in the correct period.
Apparent misstatements in the annual report or material inconsistencies with the financial statements.	We will review the annual report checking whether the information included is inconsistent with the financial statements.
Disagreement over any accounting treatment or financial statement disclosure.	We will discuss all contentious issues with you so that any disagreement can be amicably resolved.

Audit Matters

Going Concern

It is a legal and professional accounting requirement that those charged with governance should satisfy themselves as to whether the going concern basis is appropriate. The Board should consider the organisation's financial projections and their knowledge of the organisation in making their assessment.

Under the new version of International Standards on Auditing (UK) 570 (ISA570), we are required to review the organisation's assessment of going concern which must cover at least 12 months from the date of signing the accounts. We will therefore require a copy of your financial projections covering at least 12 months from the date of signing. If the date of signing the accounts is delayed then this would mean the financial projections require to be extended by the organisation.

The new version of ISA 570 sets out additional tests that all auditors are required to perform in relation to going concern. There may therefore be more questions in relation to your financial projections and the organisation's going concern assessment during this year's audit.

The Financial Reporting Council's website contains further guidance for the Board on going concern.

Accounting Estimates

ISA 540 on Auditing Accounting Estimates has been revised. The new version of the standard sets out additional tests for the auditor to perform in relation to accounting estimates. During the course of the audit we will require further information on the key accounting estimates.

Audit Matters (Continued)

Fraud

As part of our audit risk planning, we have discussed the possible risk of material misstatement arising from fraud with Stuart Dennis (Corporate Finance Manager). He has confirmed that he is not aware of any actual, suspected or alleged instances of fraud during the financial year. Should management or the Board become aware of any cases of actual, suspected or alleged instances of fraud, please let us know.

Control Weaknesses

An audit is not designed to detect all control weaknesses in the organisation. We shall, however, advise of any material weaknesses in systems and controls that come to our attention in the course of our audit in an Audit Summary Report to the Board following completion of the audit.

Independence and Ethics

We have considered any ethical threats to the audit and ensured that we have proper safeguards in place. We can confirm that we comply with ICAS Code of Ethics and the Financial Reporting Council (FRC) Revised Ethical Standard 2019.

We are not aware of any issues that we are required to inform you of under the Ethical Standards.

Audit and Reporting Timetable

We have set out the proposed audit timetable below. The timetable is dependent on all information being provided by the dates set out.

Timing	Stage	Responsibility	Form
8 to 10 February 2021	Interim Audit We have carried out a programme of transactions testing on the systems within Audit Scotland, preliminary meeting with the finance team and review of internal audit reports to identify and establish areas of audit risk.	Alexander Sloan/ Client	Information
Commencing 3 May 2021	Start of Audit Our audit team will carry out our detailed audit work off site. We will require the information in the Information Request Letter to be available on the portal. In addition, we would request that the draft financial accounts are forwarded to us prior to the audit commencing.	Alexander Sloan/ Client	Information
20 May 2021	Audit Clearance Meeting We will contact Senior Management of Audit Scotland to discuss the draft accounts and audit findings.	Alexander Sloan/ Client	Meeting

Audit and Reporting Timetable (Continued)

Timing	Stage	Responsibility	Form
2 June 2021	Committee The accounts will be presented at both the Audit Committee Meeting and the Audit Scotland Board Meeting.	Alexander Sloan/ Client	Meeting
8 June 2021	Signing of the accounts.	Alexander Sloan/ Client	Information

Where information is not provided in accordance with the timetable above, the completion of the financial statements and audit report may be delayed. Where significant accounting or audit issues are identified during the course of the audit, completion of the audit and financial statements may be delayed.

Covid-19

The Covid-19 pandemic is likely to impact the audit for the year. It may limit the availability of both staff at Audit Scotland and our audit staff to carry out the audit and this may impact our ability to attend your offices. Our ability to conclude on the audit within the above timetable may therefore be affected by factors out with our control. We will keep you up to date throughout the audit process.

Communication

Good communication is the key to a successful audit.

During the course of the audit, we will communicate relevant issues to you. Our primary contact for communications will be Stuart Dennis, Corporate Finance Manager, who shall liaise with the audit team. When communicating with Stuart, we will consider all individuals representing those charged with governance as informed and our responsibilities for communicating relevant matters will be discharged.

We have selected the following audit team which we feel best meets your requirements. For your information and in case you have any questions for them we have set out below the senior members of our proposed team and their contact details:

<p>Steven Cunningham Partner sc@alexandersloan.co.uk Telephone: 0141 204 8989</p>	<p>Allison Devine 2nd Partner Technical Review allison.devine@alexandersloan.co.uk Telephone: 0141 204 8989</p>	<p>Jillian So Manager jillian.so@alexandersloan.co.uk Telephone: 0131 228 7979</p>
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<p>Marc D'Ambrosio Senior marc.d'ambrosio@alexandersloan.co.uk</p>	<p>Ruari Thomson Assistant ruari.thomson@alexandersloan.co.uk</p>
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Proposed Fees

For the year ended 31 March 2021 we propose the following estimated fees (exclusive of VAT and any relevant outlays):

	£
Audit of financial statements	25,000

There have been significant changes to the auditing standards that require to be applied to the audit of your financial statements. In particular the introduction of ISA (UK) 540 (Revised: Auditing Accounting Estimates and Related Disclosures, ISA (UK) 570 Going Concern and ISA (UK) 700 Forming an Opinion and Reporting on Financial Statements. The scope of the audit has increased substantially as a result of these changes and the proposed fee increase reflects the additional work required.

Invoicing

The Audit Fee Note will be rendered and be due for payment as follows:-

- On completion of field work at final audit - 80%
- On approval of Accounts by the Board - 20%

Basis for Estimate

Our estimate assumes that you will provide all the information requested in the Appendix at the start of the audit fieldwork and there will be no significant departures from the timetable. The firm reserves the right to increase its fees should this not be the case or should we encounter unexpected problems causing significant additional work.



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Alexander Sloan is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.