



**Scott-Moncrieff**  
business advisers and accountants

# **South East of Scotland Transport Partnership**

An Introduction to Scott-Moncrieff  
2016/17 – 2020/21

**February 2017**



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# Introducing the Firm and your audit team

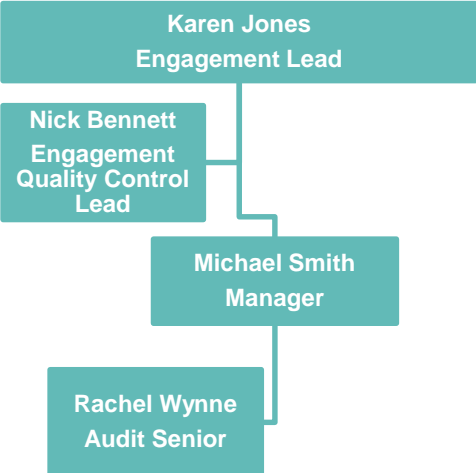
# Introducing the Firm and your audit team

## Scott-Moncrieff

1. Scott-Moncrieff is a long-term partner firm to Audit Scotland and a leading provider of public sector audit services in Scotland. We are the only independent Scottish-based firm to specialise in public sector audit. It is our appreciation of public sector culture, our depth of experience, and our service provision that has seen us earn the trust and respect of the public bodies we have worked with, past and present.
2. Our recently-expanded firm has 19 partners and some 200 staff based in our Edinburgh, Glasgow and Inverness offices. We also have an association with Moore Stephens LLP, a top 10 global firm and one of the largest providers to the National Audit Office in England and Wales.
3. Our public sector team of over 40 staff is widely acknowledged as a leading external audit, internal audit and advisory services provider to the Scottish public sector. We are the largest provider of audit services within the Scottish public sector, based on the number of clients served.

## Your audit team

4. The external audit team will be led by Karen Jones and managed by Michael Smith. We will draw upon the expertise of our wider public sector management team during the course of our audit appointment.



## Karen Jones CPFA – Engagement Lead



5. Karen has over 15 years' experience in auditing the public sector. She has extensive experience in auditing NHS bodies and central government, although her main experience is in auditing local authorities. She also manages a number of external audit appointments to arms-length external organisation of local authorities.
6. Karen is responsible for delivering high quality financial statements audits, governance reviews and best value reviews and in advising public sector bodies on financial accounting, internal control and corporate governance matters. She maintains regular contact with senior officials at her clients, offering both constructive challenge and support to them. Karen has presented at and attended various public sector technical events, such as CIPFA's local government technical practitioners update. She has also delivered training sessions to her clients; including training for audit committee members.
7. Karen contributes to the sharing of good practice in areas including governance, risk management and financial accounting. She is currently a member of the Local Authority Accounting Panel (LAAP). In the past she also participated in Audit Scotland's local government managers' pension group.

## Nick Bennett CPFA ACA CA - Engagement Quality Control Lead



8. Nick has been involved in UK public sector auditing for 25 years. Nick has been engagement partner on the firm's local authority external audit appointments for 25 years. He has worked extensively with the Audit Scotland senior team to ensure good communication in relation to issues arising on the firm's audit appointments. Nick has had extensive involvement in central government external audit and is the appointed auditor to three Scottish public corporations. In addition he is engagement lead to five central government external audit appointments under

a framework agreement Moore Stephens holds with the National Audit Office. These cover Agencies and NDPBs covering MOD, DWP and the FCO.

9. As engagement quality control lead, Nick is responsible for providing an objective evaluation of the significant judgements the engagement team has made and the conclusions it has reached in formulating the auditor's report.

#### Michael Smith ACCA – Manager



10. Michael has over five years' experience in delivering external and internal audit services to a range of public sector bodies, including local authorities, health boards, colleges and non-departmental public bodies. He has led on the external audit of NHS 24 and Glasgow Kelvin College for a number of years. Michael heads up the Firm's Internal Audit Technical Committee to ensure our service is at the forefront on internal auditing. Michael also led on our NHS waiting times work in 2012, which received national coverage.
11. Michael has a wealth of technical accounting expertise, coupled with strong interpersonal and client relationship skills. He regularly attends Audit Scotland technical accounting workshops.

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## Our experience

# Our experience

Our portfolio of new and previous/outgoing Audit Scotland external audit appointments is set out below. We have also included details of selected clients from across our wider public sector client base.

## New Audit Scotland external audit appointments

| Local Government  | NHS                                    | Further Education               | Central Government                           |
|---|--|---------------------------------|--|
| City of Edinburgh Council                               | Lothian Health Board                   | City of Glasgow College         | Disclosure Scotland                          |
| Lothian Pension Fund                                    | Mental Welfare Commission for Scotland | Glasgow Kelvin College          | Scottish Housing Regulator                   |
| Edinburgh IJB   | NHS 24                                 | Glasgow Colleges Regional Board | Police Investigation and Review Commissioner |
| Lothian VJB   | National Waiting Times Centre Board    | Glasgow Clyde College           | Scottish Courts Service                      |
| SESTRAN   | The State Hospitals Board for Scotland | Dumfries and Galloway College   | Scottish Prison Service                      |
| Strathclyde Partnership for Transport                   |  | Borders College                 | Scottish Road Works Commissioner             |
| Strathclyde Concessionary Travel Scheme Joint Committee |  |                                 | Lothian and Borders CJA                      |

## Previous/outgoing Audit Scotland external audit appointments

| Local Government          | NHS                                    | Further Education               |
|---------------------------|--|---------------------------------|
| North Lanarkshire Council | Lanarkshire Health Board               | City of Glasgow College         |
| Comhairle nan Eilean Siar | Borders Health Board                   | Glasgow Kelvin College          |
| North Lanarkshire IJB     | Mental Welfare Commission for Scotland | Glasgow Colleges Regional Board |
| Western Isles IJB         | NHS 24                                 | Inverness College               |
|                           | National Waiting Times Centre Board    | Lews Castle College             |
|                           | The State Hospitals Board for Scotland |                                 |

## Some of our relevant clients beyond the Audit Scotland appointments

12. The table below lists some of our wider clients which demonstrate our strength and depth across the Scottish public sector, and a flavour of the range of services we provide.

| Client                                    | Service provision              |
|---|--------------------------------|
| Lothian Buses plc                         | External audit and tax         |
| Transport For Edinburgh Limited           | External audit and tax         |
| Hub South East Scotland Limited           | External audit and tax         |
| Edinburgh International Conference Centre | External audit and tax         |
| Scottish Futures Trust                    | External audit and tax         |
| VisitScotland                             | Internal audit, Risk workshops |
| Scottish Police Authority                 | Internal audit                 |
| Scottish Environmental Protection Agency  | Internal audit                 |

## Scott-Moncrieff – expertise beyond internal and external audit

13. We can, and do, bring added value both to and beyond the audit process by involving our recognised specialists when required to solve client problems. We have a broad range of assurance and technical experts across such fields as:

- **Business Technology Consulting;** including new systems development support, IT security, IT efficiency and effectiveness, project management, BCP/disaster recovery and change management
- **VAT:** compliance, health check, capital developments, consultancy and HMRC support
- **Corporate Finance;** funding, finance, valuation, options appraisal, buy outs, consultancy
- **Employer Solutions and Tax;** PAYE, employee benefits, compliance,

efficiency and effectiveness reviews, remuneration and reward

- **Charity and not-for-profit;** accounting and governance expertise
- **Lean expertise;** strategic, operational and cross-organisational consulting, for developing, new and established systems and processes
- **Governance & risk management;** workshops, advice and best practice support to continuously improve all aspects of organisational governance and risk management arrangements
- **Anti-fraud and regulatory support;** specialist advice to help clients risk-assess, deter, identify and respond to potential and alleged incidences of impropriety and any wider regulatory issues



14. Our network of experienced professionals can and do work alongside the audit team to help identify efficient and effective solutions to strategic and operational problems.

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# Our audit approach

# Our audit approach

- 15.** We have been appointed as your external auditor for the period 2016/17 to 2020/21. We are very much looking forward to working with you in this capacity over the next five years.
- 16.** We anticipate that our audit will have a similar underlying approach to that of your previous external auditor, with continuity of the general role and responsibilities of external auditors in the public sector. However, we firmly believe that the best and most effective audits are underpinned by establishing good, professional working relationships with key client contacts right from the outset and this will be our key aim in the coming weeks and months. The benefits of our audit approach include:
- Fully compliant with the Audit Scotland Code of Practice
  - Dedicated, specialist public sector team
  - Proactive planning and communication - being open and constructive
  - Tailored audit approach
  - Clear and concise reporting
  - Risk based audit; understanding significant organisational and audit risks
  - Value-added review of internal controls, governance and performance arrangements
  - Proactive liaison with internal audit, for efficiency
  - Responsiveness, sector-expertise and independence of thought
  - Partner and manager-led service, with a focus on team continuity

## Adding value

- 17.** All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We aim to add value 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 you promote improved standards of governance, better management and decision making and more effective use of public money.
- 18.** We can, and do, bring added value to the audit process by involving our recognised specialists,

as noted above. More widely, we are always looking to develop new and improved ways of exceeding our client expectations. Therefore, any comments you may have on the service we provide would be greatly appreciated.

**Karen Jones**

[karen.jones@scott-moncrieff.com](mailto:karen.jones@scott-moncrieff.com)

| Edinburgh   | Glasgow   | Inverness   |
|---|---|---|
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**Scott-Moncrieff**  
business advisers and accountants

# Our audit approach



**Scott-Moncrieff**  
business advisers and accountants

# South East of Scotland Transport Partnership

External Audit Plan  
2016/17

**February 2017**

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# Introduction

# Introduction

19. This document summarises the work plan for our 2016/17 external audit of the South East of Scotland Transport Partnership ("the Partnership").
20. The core elements of our work include:
  - an audit of the 2016/17 financial statements and related matters;
  - an assessment of the Partnership's arrangements as they relate to financial sustainability, financial management, governance and transparency and value for money; and
  - any other work requested by Audit Scotland.

## Audit appointment

21. 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.
22. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out its statutory functions, including monitoring the performance of auditors through a quality control process.
23. The Accounts Commission has appointed Scott-Moncrieff as external auditor to the Partnership for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2016/17 and summarises:
  - the responsibilities of Scott-Moncrieff as 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.

## Adding value through the audit

24. 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.
25. Any comments you may have on the service we provide would be greatly appreciated at any time. Full contact details for your audit team can be found in Appendix 1.
26. While this plan is addressed to the Partnership, it will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



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# Responsibilities of Scott-Moncrieff

# Responsibilities of Scott-Moncrieff

## Code of Audit Practice

- 27. 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.
- 28. A new Code of Audit Practice was published in 2016 and applies to external audits for financial years starting on or after 1 April 2016. This Code replaces the previous one issued in 2011.

## Auditor responsibilities

- 29. 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 undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual accounts, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
- 30. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.

**Exhibit 1: Audit dimensions of wider scope public audit**

| Audit area                         | Scope  |
|------------------------------------|--|
| <b>Financial sustainability</b>    | Financial sustainability looks forward to the medium (two to five years) and the longer term (over five years) to consider whether the body is planning effectively to allow it to continue to fulfil its functions in an affordable and sustainable manner. |
| <b>Financial management</b>        | Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.  |
| <b>Governance and transparency</b> | Governance and transparency covers the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.   |
| <b>Value for money</b>             | Value for money is concerned with using resources effectively and continually improving services.  |

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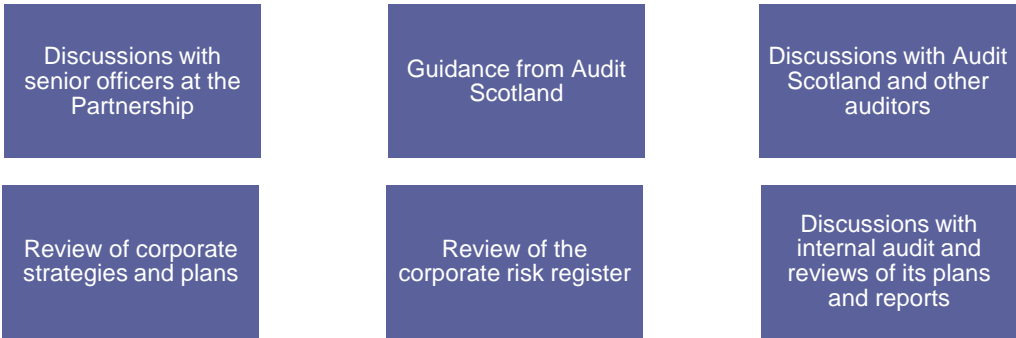
# Audit Strategy

# Audit strategy

## Risk-based audit approach

31. 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:



32. 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.

### Communications with those charged with governance

33. 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 & Audit Committee (P&AC).

### Professional standards and guidance

34. We perform our audit of the annual accounts in accordance with International Standards on Auditing (UK and Ireland) (ISAs), the International Standard on Quality Control 1 (UK and Ireland), Ethical Standards, and applicable Practice Notes and other guidance issued by the Auditing Practices Board (APB).

### Partnership working

35. 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.

### Audit Scotland

36. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland 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 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.

### Internal audit

37. 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 service is provided by City of Edinburgh Council's internal audit team. 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 the Partnership is used efficiently and effectively.



# Annual accounts

# Annual accounts

## Introduction

38. 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 annual accounts

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

### Risk-based audit planning

40. 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

- 41. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
- 42. 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.
- 43. We will take cognisance of any relevant internal audit reviews of systems and controls.
- 44. 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

- 45. 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.
- 46. 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 Accounts in the United Kingdom 2016/17 (the Code).

## Independent auditor's report

47. Our opinion on whether the annual accounts give a true and fair view of the financial position and its expenditure and income will be set out in our independent auditor's report which will be included within the annual accounts.

## Materiality

- 48. Materiality is an expression of the relative significance of a matter in the context of the annual accounts 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.
- 49. Our initial assessment of materiality for the annual accounts is £34,000, being 1% of the Partnership's 2015/16 expenditure.
- 50. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We will 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 of significant risk of material misstatement.

| Area risk assessment | Weighting | Performance materiality |
|----------------------|-----------|-------------------------|
| High                 | 45%       | £15,300                 |
| Medium               | 55%       | £18,700                 |
| Low                  | 70%       | £23,800                 |

51. 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 (i.e. over £1,700); and
  - Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

## Key audit risks in the annual accounts

52. Auditing standards require that we inform the P&AC 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 P&AC if our assessment changes significantly during the audit.

### Exhibit 2 – Key audit risks in the annual accounts

#### 1. Revenue Recognition

Under ISA 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.



53. Our work on income will include an evaluation of each type of revenue transaction and 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.

#### 2. Management override

In any organisation, there exists a risk that management have 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 annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.



54. 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.

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# Wider scope audit



# Wider scope audit

## Introduction

- 55. The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we are required to consider and report against these four dimensions; financial sustainability, financial management, governance and transparency and value for money.
- 56. The Code does however recognise that the full application of its requirements may be impractical or inappropriate due to the nature or size of the organisation. As such our planned work should be risk based and proportionate.
- 57. 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.
- 58. During the audit planning process we have considered the Partnership's self-evaluation arrangements as they relate to these four dimensions. From review of this information, along with discussions with the Partnership, we have concluded that our audit work on the wider scope will be restricted to the two areas noted above; appropriateness of the disclosures in the governance statement and financial sustainability (Exhibit 3).

### Exhibit 3 - Wider scope audit

| Financial sustainability  | Our audit approach   |
|---|--|
| <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"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul> | <p>During our 2016/17 audit we will consider the Partnership's financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, budgetary control and financial reporting. It is important that such arrangements are adequate in order to properly control the Partnership's operations and use of resources.</p> <p><b>Key audit risk</b></p> <p>The Partnership has produced a Regional Transport Strategy 2015-2025 and a supporting Business Plan 2016/17. The Strategy sets out the long-term objectives of the Partnership, but revenue funding is generally only confirmed for the forthcoming financial year. This therefore challenges the Partnership's long-term financial sustainability and the ability to agree detailed long-term plans and objectives. There is therefore a risk that there is a disconnect between medium and long-term objectives and the associated budgets.</p> <p>In addition, the Partnership is currently undertaking three projects which receive European funding and is planning to apply for funding for an additional four projects. Given the UK's decision to leave the European Union, there is a risk that the Partnership</p> |

### Exhibit 3 - Wider scope audit

| Financial sustainability | Our audit approach   |
|--------------------------|--|
|                          | <p>will lose access to this key funding source, which may impact on the delivery of key projects and the achievement of objectives.</p> <p>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, financial reporting and achievement of savings targets.</p> |

| Governance statement   | Our audit approach  |
|--|---|
| <p>The Partnership is responsible for ensuring appropriate disclosures are made in the Governance Statement. These should cover the period to when the financial statements are authorised for issue and should consider:</p> <ul style="list-style-type: none"><li>• Any impact from the local government elections in May 2017;</li><li>• Any other governance issues arising during the year;</li><li>• The governance framework within which the Partnership operates and its effectiveness; and</li><li>• Any other disclosures deemed necessary.</li></ul> | <p>There is a risk that the appropriate disclosures are not made in the Governance Statement.</p> <p>During our 2016/17 audit we will consider the appropriateness of disclosures made in the Governance Statement.</p> |

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# **Audit outputs, timetable and fees**

# Audit outputs, timetable and fees

| Audit output   | Format | Description   | Target month   |
|--|--------|---|----------------|
| External audit plan  | Report | This report sets out the scope of our audit for 2016/17.  | February 2017  |
| Independent Auditor's Report                                 | Report | This report will contain our opinions on the truth and fairness of the annual accounts.   | September 2017 |
| Annual Report to the Partnership and the Controller of Audit | Report | At the conclusion of each year's audit we will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work under the Code of Audit Practice. | September 2017 |

## Audit outputs

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

## Audit fee

- 61.** Audit Scotland has completed a review of funding and fee setting arrangements and as a result revised its fee strategy. It now 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 will be reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
- 62.** 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.

- 63.** For 2016/17 the expected fee for the Partnership is £9,370. We propose setting the fee above this level at £10,000; to take cognisance of the audit work we will carry out on the priorities and risks facing the Partnership which are identified in this plan.
- 64.** The total proposed fee for the Partnership for 2016/17 is as follows:

|                                  | 2016/17                    |
|----------------------------------|----------------------------|
| Auditor remuneration             | £8,800                     |
| Pooled costs                     | £710                       |
| Performance audit and best value | -                          |
| Audit support costs              | £490                       |
| <b>Total fee</b>                 | <b>£10,000<sup>1</sup></b> |

<sup>1</sup> The audit fee in 2015/16 was £9,530.

65. 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**

66. The dates for our preparatory and final audits have been discussed with the Partnership Director and the Finance Team. A summary timetable, including audit outputs, is set out below:



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## Appendices

# Appendix 1: Your audit team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 18 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<br>Semple Street<br>Edinburgh<br>EH3 8BL | 25 Bothwell Street<br>Glasgow<br>G2 6NL | 10 Ardross Street<br>Inverness<br>IV3 5NS |
| (0131) 473 3500   | (0141) 567 4500                         | (01463) 701 940                           |

## Your core audit team



**Karen Jones**  
**Director**  
[karen.jones@scott-moncrieff.com](mailto:karen.jones@scott-moncrieff.com)

Karen has over 15 years' experience in auditing the public sector. She has extensive experience in auditing in auditing local authorities. She also manages a number of external audit appointments to arms-length external organisation of local authorities.

Karen will be your appointed Engagement Lead.



**Michael Smith**  
**Audit Manager**  
[michael.smith@scott-moncrieff.com](mailto:michael.smith@scott-moncrieff.com)

Michael has over six years' public sector experience. He has delivered external audit services to a range of public sector bodies, including local government, NHS and central government.

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



**Rachel Wynne**  
**Audit Senior**  
[rachel.wynne@scott-moncrieff.com](mailto:rachel.wynne@scott-moncrieff.com)

Rachel has been part of our public sector external audit team since she started with the Scott-Moncrieff four years ago.

Rachel will be responsible for the delivery of the onsite work.

## Confirmation of independence

ISA 260 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 APB Ethical Standard 1 – Integrity, Objectivity and Independence. 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 Partnership, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.



# Appendix 2: 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 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 the 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 statement 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 annual accounts. 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 or Nick Bennett (Engagement Quality Control Lead). 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 P&AC 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.



**Scott-Moncrieff**  
business advisers and accountants

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