



**Scott-Moncrieff**  
business advisers and accountants

**Performance & Audit Committee**  
**Friday 2<sup>nd</sup> March 2018**  
**Item 5(a) External Audit Plan 2017/18**

# **South East of Scotland Transport Partnership**

**External Audit Plan  
2017/18**

**March 2018**

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# Introduction

# Introduction

1. This document summarises the work plan for our 2017/18 external audit of the South East of Scotland Transport Partnership (“the Partnership”).
2. The core elements of our work include:
  - an audit of the 2017/18 financial statements and related matters;
  - a review, where applicable, of arrangements for governance and transparency, financial management, financial sustainability and value for money; and
  - any other work requested by Audit Scotland.

## Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission’s work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Scott-Moncrieff as external auditor of the Partnership for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2017/18 and summarises:
  - the responsibilities of Scott-Moncrieff as the external auditor;
  - our audit strategy;
  - our planned audit work and how we will approach it;
  - our proposed audit outputs and timetable; and
  - background to Scott-Moncrieff and the audit team.

## Adding value through the audit

6. 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.
7. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX)
8. 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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# Respective responsibilities of the auditor and the Partnership

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## Auditor responsibilities

### Code of Audit Practice

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

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.

### Our responsibilities

10. 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 12). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
- notify the Controller of Audit when circumstances indicate that a statutory report may be required
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
  - suitability and effectiveness of corporate governance arrangements
  - financial position and arrangements for securing financial sustainability

11. Weaknesses or risks identified by auditors are only those which have come to their attention

## Wider scope audit work

12. 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 financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.
13. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
14. 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.
15. Our assessment takes into account the size, nature and risks of the organisation.
16. Taking these factors into consideration, we have concluded that application of the restricted wider scope is appropriate for the Partnership.

## Partnership responsibilities

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

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

### Financial sustainability

Financial sustainability looks forward to the medium (2 to 5 years) and longer term (5 to 10 years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### 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.

### Value for money

Value for money is concerned with using resources effectively and continually improving services.

## Exhibit 2 – Partnership’s responsibilities

Area	Partnership responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Partnership has responsibility for:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• maintaining proper accounting records; and</li> <li>• 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.</li> </ul>
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfill its functions in an affordable and sustainable manner.</p>	<p>The Partnership is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <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><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.</p>	<p>It is the Partnership's responsibility to ensure 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>The Partnership is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>It is the Partnership's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>



## Exhibit 2 – Partnership’s responsibilities

Area	Partnership responsibilities
<p><b>Governance and transparency:</b> Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>The Partnership is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The Partnership is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Partnership has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

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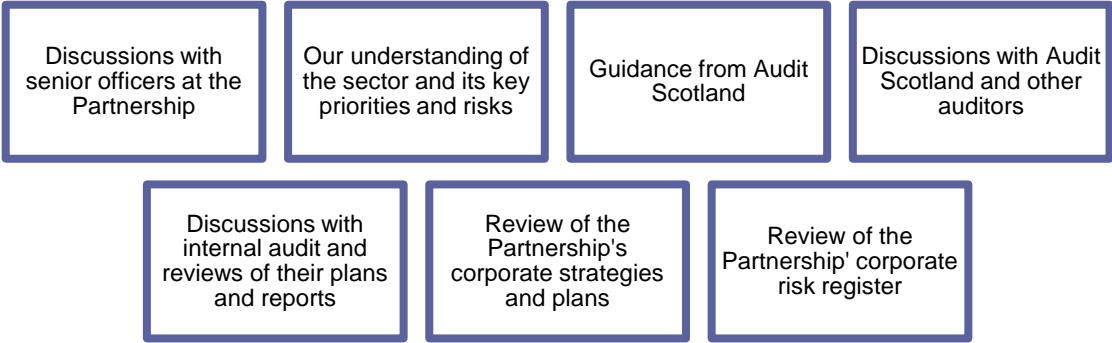
# Audit strategy

# Audit strategy

## Risk-based audit approach

18. 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:



19. 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

23. 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.

## Communications with those charged with governance

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

## Professional standards and guidance

21. We perform our audit of the annual accounts 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).

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

## Partnership working

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

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

### Internal audit

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

### Service Organisations

27. The Partnership utilises a number of the constituent local authorities to provide services including financial ledger, legal and human resources. Where the systems may have a material impact on the financial statement we will work with these authorities to understand the controls in place at the service organisation.

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# Annual accounts

# Annual accounts

## Introduction

28. 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 the audit of the annual accounts

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

### Risk-based audit planning

30. 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

31. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.

32. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the Partnership's own policies and procedures.

33. We will take cognisance of any relevant internal audit reviews of systems and controls.

34. 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

35. 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.

36. In 2016/17 we noted that there were disclosure and presentational issues within the published unaudited annual accounts. We will provide additional support to officers in 2017/18 and conduct a provisional review of the unaudited annual accounts prior to publication.

37. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the CIPFA Code).

### Independent auditor's report

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

39. We also provide an opinion on the auditable section of the remuneration report and whether the information in the management commentary and annual governance statement is consistent with our knowledge and compliant with relevant guidance.

### Materiality

40. 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. We will review our assessment of materiality throughout our audit.

41. Our initial assessment of materiality for the annual accounts is £28,000, approximately 1% of the Partnership 2016/17 gross expenditure. We consider gross expenditure to be the principal consideration for the users of the accounts when assessing the performance of the Partnership. We will review and update our assessment of materiality following receipt of the unaudited annual accounts.

42. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas

deemed to be of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	40%	£11,200
Medium	50%	£14,000
Low	65%	£18,200

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

## Key audit risks in the annual accounts

43. 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 £1,400); and

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

### Exhibit 3: Key audit risks in the annual accounts

#### 1. Management override

In any organisation, there exists a risk that management 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(UK) - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

45. In response to this risk we will review the Partnership's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will review the key accounting estimates, judgements and decisions made by management.

#### 2. Revenue recognition

Under ISA 240 (UK)- *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.

46. Our work on income will include an evaluation of each type of revenue transaction and a review of 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.

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## Exhibit 3: Key audit risks in the annual accounts

### 3. Risk of fraud in the recognition of expenditure

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



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 the Partnership’s key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and that the policies have been applied consistently across the year.

### 4. Property, Plant and Equipment

Following auditor queries in 2016-17, a full impairment review of the Real-Time Passenger Information system was undertaken. This resulted in a prior year audit adjustment of £2.095 million and an adjustment in 2016/17 of £1.722 million in the annual accounts (bringing the 2016/17 impairment to £1.918 million from £0.196 million in the unaudited annual accounts).

From our review of the operation of the fixed asset register we identified issues in recording and valuing assets. Assets are not individually recorded in the fixed asset register and are grouped by type. This resulted in significant issues verifying the number of assets and the value per item. The Partnership has indicated that there will be significant additions in 2017/18. There is therefore a risk that the new assets are not brought into the asset register and annual accounts appropriately.



48. We will review the steps taken by officers to improve the maintenance of the fixed asset register in 2017/18. In addition we will consider whether any progress has been made on tagging assets and matching all assets to the fixed asset register.
49. We will review the process for recording new additions on the fixed asset register to ensure this allows individual assets to be identified and a value directly allocated to each asset. We will ensure compliance with the CIPFA Code in recording any new assets



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# Wider scope audit

# Wider scope audit

## Introduction

- 50. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of the Partnership, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be restricted to:
  - Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
  - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
- 51. Our planned audit work against these two dimensions is risk based and proportionate.
- 52. Our initial assessment builds upon our understanding of the Partnership's priorities and risks which we developed in 2016/17,

discussions with management and review of the Partnership' minutes and key strategy documents. In 2017/18 we have also considered the following risk areas as they relate to the Partnership:

- EU withdrawal
- New financial powers
- Ending of public sector pay cap
- Response to cyber security risks
- Openness and transparency.

- 53. 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). We have not, at this stage, identified any other significant risks in relation to the Partnership. 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 – Significant risk: financial sustainability

#### 1. Financial sustainability

The Partnership produced a Regional Transport Strategy (2015-2025) and a supporting business plan for 2017-18. While the strategy sets out the long-term objectives of the Partnership, revenue funding is generally only confirmed for the forthcoming financial year. This therefore challenges the Partnership's ability to agree detailed long-term plans and objectives.

In addition, the review of the Transport (Scotland) Bill may result in changes to the operation of the Partnership, which cannot currently be reflected in long-term financial planning.



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

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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 2017/18.	March 2018
Independent Auditor's Report	Report	This report will contain our opinions on the true and fair view of the annual accounts.	September 2018
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 2018

## Audit outputs

38. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
39. 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.

## Audit fee

40. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has well functioning controls, an effective internal audit service, and an average risk profile. 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.
41. 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.
42. For 2017/18 we propose setting the audit fee above the expected fee level. The expected fee for the Partnership is £9,500. We propose setting the fee above this level at £11,150 to

take cognisance of the level of risk and the audit work we will carry out as identified in this plan.

43. The total proposed fee for the Partnership for 2017/18 is as follows:

2017/18	
Auditor remuneration	£9,900
Pooled costs	£730
Performance audit and Best Value	-
Audit support costs	£520
<b>Total expected fee</b>	<b>£11,150<sup>1</sup></b>

44. We will take account of the risk exposure of the Partnership and the management assurances in place. We assume receipt of the draft accounts and working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management

<sup>1</sup> The audit fee in 2016/17 was £9,700

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

45. The dates for our final audit visit has been discussed with the Head of Programmes and the City of Edinburgh Council Finance Team. A summary timetable, including audit outputs, is set out below:



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## Appendices

# Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 17 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.

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## Your audit management team



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

Karen is one of our directors responsible for the audit of our Audit Scotland external audit appointments. Karen has over 15 years' experience in auditing the public sector. She has extensive experience in auditing local authorities and other local government bodies.

Karen will be your engagement lead.



**Claire Gardiner**  
**Audit Manager**  
[Claire.gardiner@scott-moncrieff.com](mailto:Claire.gardiner@scott-moncrieff.com)

Claire has over 12 years' public sector external audit experience. She has delivered external audit services to a range of public sector bodies, including pension funds, local authorities, health bodies and central government bodies.

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

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

## Confirmation of independence

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

We confirm that we will comply with FRC’s Revised  
Ethical Standard (June 2016). In our professional  
judgement, the audit process is independent and our  
objectivity has not been compromised in any way. In  
particular there are and have been no relationships  
between Scott-Moncrieff and the Partnership, its  
Partnership 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 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.

## 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' 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.

## Service

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

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

## Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

## Agreement of terms

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



**Scott-Moncrieff**  
business advisers and accountants

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