

## **External Audit Plan 2019/20**

### **1. PURPOSE OF REPORT**

- 1.1 To present the External Audit Plan for 2019/20.

### **2. SESTRAN 2019/20 – ANNUAL AUDIT PLAN**

- 2.1 Scott-Moncrieff, as the appointed independent external auditor of the Partnership, have prepared an Annual Audit Plan for 2019/20. This plan details the audit approach based on an understanding of the characteristics, responsibilities and principal activities, risks and governance arrangements of the Partnership. A copy of the Plan is appended to this report.
- 2.2 The External Audit Plan 2019/20 was considered and noted by Performance and Audit Committee at its meeting on 6 March 2020.

### **3 RECCOMENDATION**

- 3.1 It is recommended that members review and note the External Audit Plan for 2019/20.

Jim Grieve  
**Partnership Director**  
13 March 2020

**Appendix:** External Audit Plan 2019/20

# South East of Scotland Transport Partnership

External Audit Annual Plan 2019/20

March 2020





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# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2019/20 external audit of the South East of Scotland Transport Partnership (“the Partnership”).
2. The core elements of our work include:
  - an audit of, and provision of a specified audit opinion, on the 2019/20 annual accounts;
  - consideration and reporting on, where applicable, the Partnership’s arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency, and value for money; and
  - any other work requested by Audit Scotland, including the contribution to performance audits (including overview reports, performance audit reports, and impact reports).

## 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 2019/20 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 management team.

## Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we comply with the Financial Reporting Council’s (FRC) Ethical Standards. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence.

## Adding value through the audit

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

## Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

## Openness and transparency

11. This plan will be published on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# 2. Respective responsibilities of the auditor and the Partnership

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## Respective responsibilities of the auditor and the Partnership

### Auditor responsibilities

#### Code of Audit Practice

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

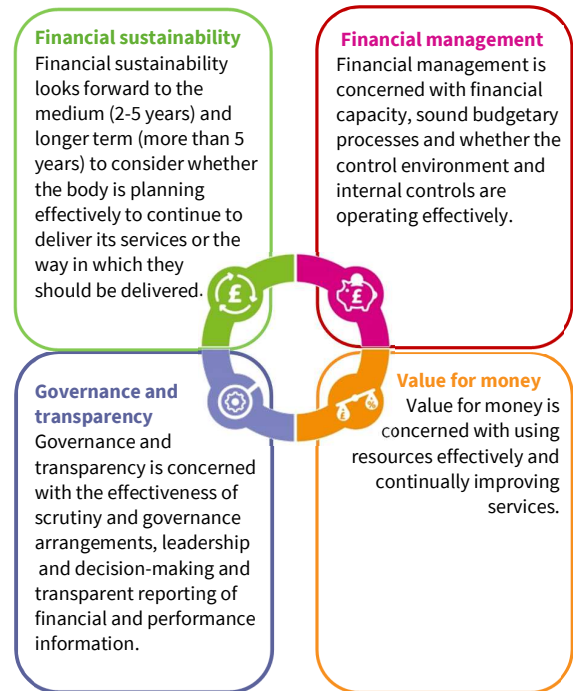
#### Our responsibilities

13. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 15). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements
- 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

14. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

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



### Wider scope audit work

15. The 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.
16. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
17. 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.
18. Our assessment takes into account the size, nature and risks of the organisation. Taking these factors into consideration, we have concluded that application of the restricted wider scope is appropriate at the Partnership.

### Best Value

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

### Strategic audit priorities for local government audits

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21. The Accounts Commission has set the following five strategic Audit Priorities that it expects auditors to consider in all work across local government<sup>1</sup>:
- Having clear priorities with a focus on outcomes, supported by effective long term planning (governance and transparency).
  - The strategic appraisal of options to reshape services in line with priorities. This should consider good practice, innovation and collaborative working with partners (financial sustainability).
  - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future (financial sustainability).
  - Empowering local communities and involving them in the design and delivery of local services and planning for their local area (governance and transparency).
  - Reporting the organisation's performance in a way that enhances accountability to citizens and communities, helping them contribute better to

the delivery of improved outcomes (value for money).

22. Our consideration of these priorities will be integrated into our 2019/20 audit work. The extent to which we will report on these will be dependent on the findings of our work as it relates to the four dimensions referred to above.

### Partnership responsibilities

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

<sup>1</sup> Areas noted in ( ) relate to the corresponding wider scope audit dimension





## Exhibit 2 – Partnership’s responsibilities

Area	Partnership’s 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;</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 fulfil its functions in an affordable and sustainable manner.</p>	<p>The Partnership is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <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>



Area	Partnership's responsibilities
<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>The Partnership is responsible for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>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>The Partnership is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><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>



# 3. Audit strategy

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## Audit strategy

### Risk-based audit approach

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

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

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

25. 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.

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

### Communications with those charged with governance

26. 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.

30. 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 also consider the extent to which the Partnership uses the national performance reports as a means to help improve performance at the local level.

### Professional standards and guidance

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

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

### Partnership working

28. 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.

### Internal audit

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

### Audit Scotland

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



## Service organisations

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33. A number of the constituent local authorities provide services to the Partnership including financial ledger, payroll and human resources services. Where those services (and associated systems) have a material impact on the financial statements we will work with those authorities to understand the controls in place over the systems used in delivering these services.



# 4. Annual accounts

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## Annual accounts

### Introduction

34. 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 of our plan set out our approach to the audit of the Partnership's annual accounts.

### Approach to audit of the annual accounts

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

#### Risk-based audit planning

36. 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

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

#### A final audit of the annual accounts

41. 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.
42. 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 2019/20 (the Code).

### Independent auditor's report

43. 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.
44. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

### Materiality

45. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout our audit.
46. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
47. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
48. Our initial assessment of materiality and performance materiality is set out in the following table:



Materiality	
£	
<p><b>Overall materiality:</b> Our initial assessment is based on 1% of the Partnership's 2018/19 gross expenditure. We consider this benchmark to be the principal consideration for the users of the annual accounts when assessing the performance of the Partnership.</p>	14,400
<p><b>Performance materiality:</b> using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p>	10,800

49. We will also report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;
  - Uncorrected misstatements with a value in excess of 5% of the overall materiality figure; and
  - Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

#### Key audit risks in the financial statements

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





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

### Management override

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

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

### Revenue recognition

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

52. We have identified that for funding received as requisition from the constituent local authorities and Scottish Government grant funding, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate transactions of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is present in all other revenue streams. We will evaluate each material revenue stream, including the controls over revenue accounting. We will conduct substantive testing on all material revenue streams to confirm revenue has been recognised appropriately and in line with accounting policies.

### 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.

53. In response to this risk we will evaluate the significant expenditure streams at the Partnership (excluding payroll which we do not consider to be a significant audit 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 was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.



## Pension assumptions

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

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



# 5. Wider scope

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## Introduction

55. 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.
56. Our planned audit work against these two areas is risk based and proportionate. Our initial assessment builds upon the understanding of the Partnership which we developed from previous years, along with discussions with management and review of committee minutes and key strategy documents.
57. In 2019/20, Audit Scotland has also identified the following wider scope risks, which we will consider during our audit as they relate to the Partnership:
- Fraud and corruption in respect of the procurement function; and
  - EU withdrawal
58. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4). Audit planning is a continuous process and we will report any identified significant risks, as they relate to the wider scope, in our annual audit report.

### Exhibit 4 – Wider scope significant risk

#### Financial sustainability

The Partnership has yet to fully develop medium to long term financial plans. In December 2019, the Partnership received an update on the development of a medium-term financial plan (covering the three year period commencing 2020/21).

The Transport (Scotland) Bill received Royal Assent in November 2019. The Act allows Scotland's Regional Transport Partnerships' (RTPs) to manage year-end finances by enabling them to hold a balance of funds. RTPs' will also be able to hold and operate capital funds, renewal and repair funds and insurance funds in a similar way to Scottish local authorities. The Scottish Government has carried out a 12 week consultation on these proposals, the results of which have yet to be published.

The Act will have a significant impact on the way in which the Partnership develops its revenue and, if applicable, capital financial plans. A reserves policy has been prepared which will be presented to the Partnership for consideration in 2020.

59. During our audit we will review whether the Partnership has appropriate arrangements in place to develop its medium to long term financial plans. Our work will include an assessment of progress made in developing financially sustainable plans that support the delivery of the Partnership's statutory functions and strategic objectives.



# 6. Audit outputs, timetables and fees

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## Audit outputs, timetable and fees

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

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2019/20.	March 2020
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	September 2020
Annual Report to the Partnership and the Controller of Audit	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2020

### Audit outputs

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

	2019/20	2018/19
Auditor remuneration	£8,640	£9,800
Pooled costs	£850	£820
Audit support costs	£520	£530
<b>Total expected fee</b>	<b>£10,010</b>	<b>£11,150<sup>2</sup></b>

### Audit fee

62. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
63. 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.
64. For 2019/20 we propose setting the audit fee at the expected fee level. The audit fees for the current year and prior year are set out in the table below:

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.

<sup>2</sup> The expected fee level for 2018/19 was £9,790. Our audit fee in 2018/19 was £1,360 above the expected fee level.



## Audit timetable

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

<b>JAN 20</b>	●	Planning meetings with officers from the Partnership and City of Edinburgh Council
<b>MAR 20</b>	●	Presentation of External Audit Annual Plan to the Performance and Audit Committee
<b>JUN 20</b>	●	Unaudited annual accounts presented to those charged with governance
<b>JUL 20</b>	●	Final audit takes place
<b>SEPT 20</b>	●	Presentation of our Annual Report on the Audit to the Performance and Audit Committee



# 7. Appendices

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## Appendix 1: Scott-Moncrieff

Scott-Moncrieff is one of Scotland's leading firms of auditors and business advisers. We are part of the fast-growing Cogital Group, giving us a both a UK-wide presence and international reach in 190 offices with 6,500 staff. Cogital Group is an innovator, investor and early adopter of technologies that provide continuous improvement to the service we provide our clients.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

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### Your audit management team



#### Karen Jones

##### Director

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



#### Nicola MacKenzie

##### Assistant Manager

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Nicola has over 5 years' public sector external audit experience. She has delivered external audit services to a range of public sector bodies.

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



## Appendix 2: Confirmation of independence

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

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

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



## Appendix 3: Statement of understanding

### Introduction

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

### Annual report and accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant 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'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. In particular we require to be notified of all frauds which:

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

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

### Anti-money laundering

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

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

### Ethics

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

### Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved.

### 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 you not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants in England and Wales.



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

## **Reports**

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

## **Agreement of terms**

We shall be grateful if the 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.

