



Scott-Moncrieff
business advisers and accountants

Disclosure Scotland

External Audit Plan
2016/17

February 2017

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Introduction

Introduction

1. This document summarises the work plan for our 2016/17 external audit of Disclosure Scotland.
2. The core elements of our work include:
 - an audit of the 2016/17 financial statements and related matters;
 - an interim audit, taking into consideration the work of internal audit, on accounting systems and corporate governance arrangements;
 - a review of arrangements for governance and transparency, financial management, financial sustainability and value for money; and
 - any other work requested by Audit Scotland, for example, completion of local impact returns or targeted follow-up work.

Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of Scottish Parliament. The Auditor General is independent and not subject to the control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of most public bodies in Scotland outside the local government sector and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of Disclosure Scotland 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 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 Disclosure Scotland 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 Disclosure Scotland 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 would be greatly appreciated at any time. Full contact details for your audit team can be found in Appendix 1.
8. While this plan is addressed to Disclosure Scotland, it will be published on Audit Scotland's website www.audit-scotland.gov.uk.

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Responsibilities of Scott-Moncrieff

Responsibilities of Scott-Moncrieff

Code of Audit Practice

- 9. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.
- 10. 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

- 11. 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.
- 12. 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
Financial sustainability	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.
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 covers 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.

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Audit strategy

Audit strategy

Risk-based audit approach

13. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to Disclosure Scotland. This ensures that our audit focuses

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



14. 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

15. Auditing standards require us to make certain communications throughout the audit to those charged with governance. We have agreed with Disclosure Scotland that these communications will be through the Audit & Risk Committee (“the ARC”).

Professional standards and guidance

16. 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

17. 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

18. 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.
19. Audit Scotland issues general and sector specific planning guidance summarising all areas we are expected to cover. We have applied the draft planning guidance in developing this external audit plan.

Internal audit

20. We are committed to avoiding duplication of audit effort and ensuring an efficient use of Disclosure Scotland's total audit resource. Disclosure Scotland's internal audit function is provided by the Scottish Government's Internal Audit Department ("the IAD").
21. We will consider the findings of the work of the IAD within our audit process and look to minimise duplication of effort, to ensure the total audit resource to Disclosure Scotland is used efficiently and effectively.



Annual accounts

Annual accounts

Introduction

22. 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 Disclosure Scotland's annual accounts.

Approach to audit of annual accounts

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

Risk-based audit planning

24. 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

25. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
26. 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 Disclosure Scotland's own policies and procedures.
27. Wherever possible, we will look to integrate IAD's reviews of systems and controls with our own work. 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

28. 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.
29. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the FReM.
30. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been

incurred and income applied in accordance with statute and SPFM requirements.

Independent auditor's report

31. Our opinion on the true and fair view of the annual accounts and the regularity of transactions will be set out in our independent auditor's report which will be included within the annual accounts.
32. In line with the Companies Act 2006 requirements that apply in the private sector, we are also required to give an opinion on the remuneration report, annual governance statement and performance report.

Materiality

33. 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.
34. Our initial assessment of materiality for the annual accounts is £0.456 million (2015-16 £0.446 million), being 1% of annual gross income which is believed to be one of the principal considerations for users of the accounts when assessing financial performance. We will review our assessment of materiality throughout our audit.
35. 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. We will apply a high risk rating to the key audit risks identified in Exhibit 2, and will review our assessment of performance materiality throughout our audit.

Area risk assessment	Weighting	Performance materiality
High	45%	£0.205million
Medium	55%	£0.251million
Low	70%	£0.319million

Key audit risks in the annual accounts

37. Auditing standards require that we inform the ARC 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 ARC if our assessment changes significantly during the audit.

- 36.** 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 2% of the overall materiality figure (i.e. over £9,100); and
 - Other misstatements below the 2% threshold that we believe warrant reporting on qualitative grounds.

Exhibit 2 – Key audit risks in the annual accounts

1. Income reconciliations

As of 1 April 2015 Disclosure Scotland became responsible for managing and recording all income, cash handling and debt processes, previously performed by the operational partner BT. This transfer of responsibility gave rise to the need for Disclosure Scotland to develop and manage robust processes for reconciling income to receipts on a regular and timely basis and for underpinning the income journals posted to the trial balance at year end.

An income to bank reconciliation process was developed during 2015/16 and continues to be refined. In the 2015/16 auditor's Annual Report, it was noted that there was an unreconciled balance of £0.2million at year end which arose due to timing differences in sales that had not been matched to cash deposits. Due to the volume of applications processed, and the scale of manual involvement, both in the application processing system and the income to bank reconciliations, there are a number of risks which could potentially affect the income recorded in the annual accounts.

Disclosure Scotland is currently finalising the September 2016 reconciliation which has been performed as a dry-run to ensure that the process is operating efficiently and robustly in preparation for the 2016/17 year end reconciliation. This should ensure that the intended accounts and audit timetable can be adhered to. Underpinning the reconciliation process are desk procedures and instructions which are nearing finalisation.



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- 38.** We will review the finalised desk procedures to ensure that they are complete and the processes within are consistent with our own understanding of the system. We will ensure that the extent of manual intervention in the reconciliation process is as minimal as can be.
- 39.** We will review the results of the September 2016 reconciliation to satisfy that there are no material unreconciled differences remaining and that the reconciliation is supported by underlying data. We will ensure that the reconciliation process is completed in accordance with intended timeframes and if any slippage is identified, we will discuss this with management to ensure that appropriate corrective action is taken in advance of the year end process.

Exhibit 2 – Key audit risks in the annual accounts

40. During our final audit we will audit the results of the year end reconciliation, ensuring that there are no material unreconciled items. We will ensure that the reconciliation is underpinned by clear audit evidence and that it has been appropriately reviewed by management.


2. Income 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 income recognition. The presumption is that Disclosure Scotland could adopt accounting policies or recognise disclosure fee revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

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41. We will ensure that our disclosure fee income transaction testing is mapped through to the year-end reconciliation workings to satisfy that data used in the reconciliation is accurate and complete.
42. We will assess the actual income incurred in year against that budgeted for and seek explanations and supporting evidence to validate any significant variations. We will undertake further analytical procedures to assess income recorded in the financial statements against the number of applications processed to satisfy that there is a reasonable correlation.
43. In addition to the income reconciliation work identified above, we will evaluate each type of disclosure revenue transaction and review the controls in place over revenue accounting. We will carry out testing to confirm that their revenue recognition policy is appropriate and has been applied consistently throughout the year in accordance with the FReM and Direction of the Scottish Ministers. We will substantively test a sample of disclosure revenue transactions to gain sufficient assurance over the existence and accuracy of recorded 2016-17 income.

3. 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.

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44. In response to this risk we will review Disclosure Scotland'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

1. The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we will consider and report against these four dimensions; financial sustainability, financial management, governance and transparency and value for money. At the outset we will consider Disclosure Scotland's self-evaluation arrangements as they relate to these four dimensions.
2. At this stage of our audit planning process, we have not identified three potential risks to the wider scope of our audit, as set out below. Audit planning however is a continuous process and we will report on any revisions to our initial risk assessment, as they relate to the four dimensions, in our annual audit report.

Exhibit 3 - Wider scope audit

Financial sustainability: Financial sustainability looks forward to the medium and longer term to consider whether Disclosure Scotland is planning effectively to continue to fulfill its functions in an affordable and sustainable manner.

Disclosure Scotland's responsibilities	Our audit approach
<p>Disclosure Scotland is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with any statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • How the organisation plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position. 	<p>During our 2016/17 audit we will consider Disclosure Scotland'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 Disclosure Scotland's operations and use of resources.</p> <p>Key audit risk</p> <p>It is anticipated that from October 2017, Disclosure Scotland will transfer the processing of all basic disclosures in England and Wales to the Disclosure Barring Service (DBS).</p> <p>This realignment of responsibility is likely to result in an annual reduction in basic disclosure income of approximately £35million which will have direct consequences for the future financial sustainability of the organisation.</p> <p>During our audit we will review Disclosure Scotland's longer term financial strategy and supporting financial models to determine the appropriateness and completeness of the plans prepared.</p>

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

Disclosure Scotland responsibilities	Our audit approach
<p>It is Disclosure Scotland's responsibility to ensure that its financial affairs are conducted in a proper manner. Management is responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>Disclosure Scotland 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. It is Disclosure Scotland's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>	<p>During our 2016/17 audit we will review, conclude and report on the following:</p> <ul style="list-style-type: none"> • Whether Disclosure Scotland has arrangements in place to ensure systems of internal control are operating effectively; • Whether Disclosure Scotland can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance; • How Disclosure Scotland has assured itself that its financial capacity and skills are appropriate; • Whether Disclosure Scotland has established appropriate and effective arrangements for the prevention and detection of fraud and corruption; and • Disclosure Scotland's participation and progress in the National Fraud Initiative. <p>Key audit risk</p> <p>Whilst basic disclosures remain the responsibility of Disclosure Scotland, there will continue to be a significant reliance on the use of agency staff to deliver against the high volume of applications received.</p> <p>The current intended transfer date of basic disclosures to DBS is 1 October 2017, albeit there remains scope for this to be further deferred. The potential for further delays and the impact on operational stability makes workforce planning extremely difficult for Disclosure Scotland and their operational partner.</p> <p>As part of wider scope audit work on financial management we will review Disclosure Scotland's current workforce plans and processes to assess their reasonableness.</p>

Governance and transparency: Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Disclosure Scotland responsibilities	Our audit approach
<p>Disclosure Scotland, through its Chief Executive (as accountable officer) is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Disclosure Scotland should involve those charged with governance in monitoring these arrangements.</p> <p>Disclosure Scotland is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>	<p>We will review the effectiveness of Disclosure Scotland's governance framework and the extent to which board and committee roles, membership and terms of reference comply with current guidance.</p> <p>We will consider whether the information provided to the board and committees is sufficient for members to assess the impact of decisions on resources and performance.</p> <p>Our work will include consideration of how risk management has been addressed within Disclosure Scotland. We will also consider Disclosure Scotland's internal audit arrangements to determine their role in examining the control systems established by management.</p> <p>Key audit risk</p> <p>Over the past calendar year, there have been three different Chief Executives in post within the organisation. Giving two in each of the financial years 2015-16 and 2016-17 respectively.</p> <p>Whilst this turnover is likely to be unsettling for any organisation, we must consider the consequences / impact that this may have had on overall governance arrangements and further, we must ensure that a stable and consistent system of internal control has been maintained at all times.</p> <p>As part of our audit we will review the governance statement to ensure that it provides a transparent account of governance and accountability arrangements that have been in place.</p> <p>At this time, we are not aware of any significant issues caused by these personnel changes.</p>

Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.

Disclosure Scotland responsibilities	Our audit approach
<p>Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>	<p>We will monitor Disclosure Scotland's progress against the Transformation Project key objectives and work with Disclosure Scotland to identify and review evidence which demonstrates the achievement of value for money in the use of its resources. We will continue to monitor contract proceedings for the care and maintenance of the PVG system, and assess the position of on-going legal proceedings with ATOS IT Services UK Ltd.</p> <p>We will seek evidence from Disclosure Scotland that outcomes are improving and there is sufficient focus on improvement and the pace of it.</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
Interim management report	Report	This report will summarise our interim work on accounting systems and corporate governance arrangements.	May 2017
Independent Auditor's Report	Report	This report will contain our opinions on the true and fair view of the annual accounts and on the regularity of transactions.	August 2017
Annual Report to Disclosure Scotland and the Auditor General for Scotland	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.	August 2017

Audit outputs

3. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate. We will endeavour to supply a draft report within three weeks of completion of the fieldwork. We will require formal management responses within two weeks of receipt of the draft report. On occasion these timescales may need to be shortened.
4. 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

5. 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.

6. 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.
7. For 2016/17 the expected audit fee for Disclosure Scotland is £37,600. We propose setting the fee above this level at £40,400; to take cognisance of the audit work we will carry out on the priorities and risks facing Disclosure Scotland which are identified in this plan.

	2016/17
Auditor remuneration	£31,600
Pooled costs	£7,180
Audit support costs	£1,620
Total expected fee	£40,400¹

8. We will take account of the risk exposure of Disclosure Scotland and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. We have agreed that draft accounts will be provided by w/c 12 June 2017, in time for the commencement of our onsite work. 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

9. The dates for our interim and final audits have been discussed with the Head of Finance. A summary timetable, including audit outputs, is set out as follows:



¹ The audit fee in 2015/16 was £40,000.

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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 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 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

Your core audit team



Gary Devlin
Audit Partner
Gary.devlin@scott-moncrieff.com

Gary is Head of the Firm's Public Sector Practice and has over 20 years' experience in undertaking audit work across a wide range of public sector organisations. Gary will have overall responsibility for the delivery of the assignment.



Stacey Larkin
Assistant Manager
Stacey.larkin@scott-moncrieff.com

Stacey has recently joined our public sector team, having trained at Grant Thornton. Stacey will be the primary contact for the delivery of this assignment. Stacey will be responsible for all fieldwork and will report directly to audit Partner.



Kirstie MacDonald
Senior
Kirstie.macdonald@scott-moncrieff.com

Kirstie has been part of our public sector external audit team since she started with the Firm four years ago. Kirstie 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 SPS, 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 Disclosure Scotland 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 Disclosure Scotland staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy 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 Disclosure Scotland'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 Disclosure Scotland 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 Chief Executive.

Internal audit

It is the responsibility of Disclosure Scotland 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 Gary Devlin. 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. We will endeavour to supply a draft report within three weeks of the completion of the fieldwork of each element of 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. Management responses should be prepared and provided to us within two weeks of the receipt of the draft report.

These timescales may need to be truncated, e.g. to meet August 2017 ARC reporting deadline.

Agreement of terms

We shall be grateful if the ARC 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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