



Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee

External Audit Annual Plan

2020/21

February 2021



Table of Contents

Introduction	3
Respective responsibilities of the auditor, SPT and SCTS	6
Audit strategy	12
Annual accounts – Strathclyde Partnership for Transport	16
Wider scope audit – Strathclyde Partnership for Transport	24
Annual accounts – Strathclyde Concessionary Travel Scheme Joint Committee	34
Audit outputs, timetables and fees	41
Appendices	45

Introduction



Introduction

1. This document summarises the work plan for our 2020/21 external audit of Strathclyde Partnership for Transport (“SPT”) and Strathclyde Concessionary Travel Scheme Joint Committee (“SCTS”).
2. The core elements of our work include:
 - an audit of, and provision of a specific audit opinion on, the 2020/21 annual accounts of both SPT and SCTS;
 - consideration and reporting on SPT’s arrangements on the four audit dimensions: financial sustainability, financial management, governance and transparency and value for money;
 - monitoring SPT’s participation in the National Fraud Initiative (NFI); and
 - any other work requested by Audit Scotland.
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 Azets as external auditor of SPT and SCTS for the six year period 2016/17 to 2021/22¹. This document summarises the audit plan for 2020/21 and includes;
 - the responsibilities of Azets 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 Azets and the audit management team.

Audit appointment

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 comply with the Financial Reporting Council’s (FRC) Ethical Standard. In our professional judgement, the audit process is independent and our objectivity is not compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence.

¹ In October 2020, the Accounts Commission extended our audit appointment for one year through to the audit of the 2021/22 financial year to provide

continuity and stability in the current challenging environment.

Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to SPT and SCTS 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 SPT and SCTS 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 report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Respective responsibilities of the auditor, SPT and SCTS

A solid green horizontal bar spanning the width of the page, positioned below the main title.

Respective responsibilities of the auditor, SPT and SCTS

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. Our responsibilities, as auditors, are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on 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; and
- demonstrate compliance with the wider public audit scope (paragraph 15) by reviewing and providing judgements and conclusions on:
 - the effectiveness of performance management arrangements in driving economy, efficiency and

effectiveness in the use of public money and assets;

- the suitability and effectiveness of corporate governance arrangements; and
- the financial position and arrangements for securing financial sustainability.

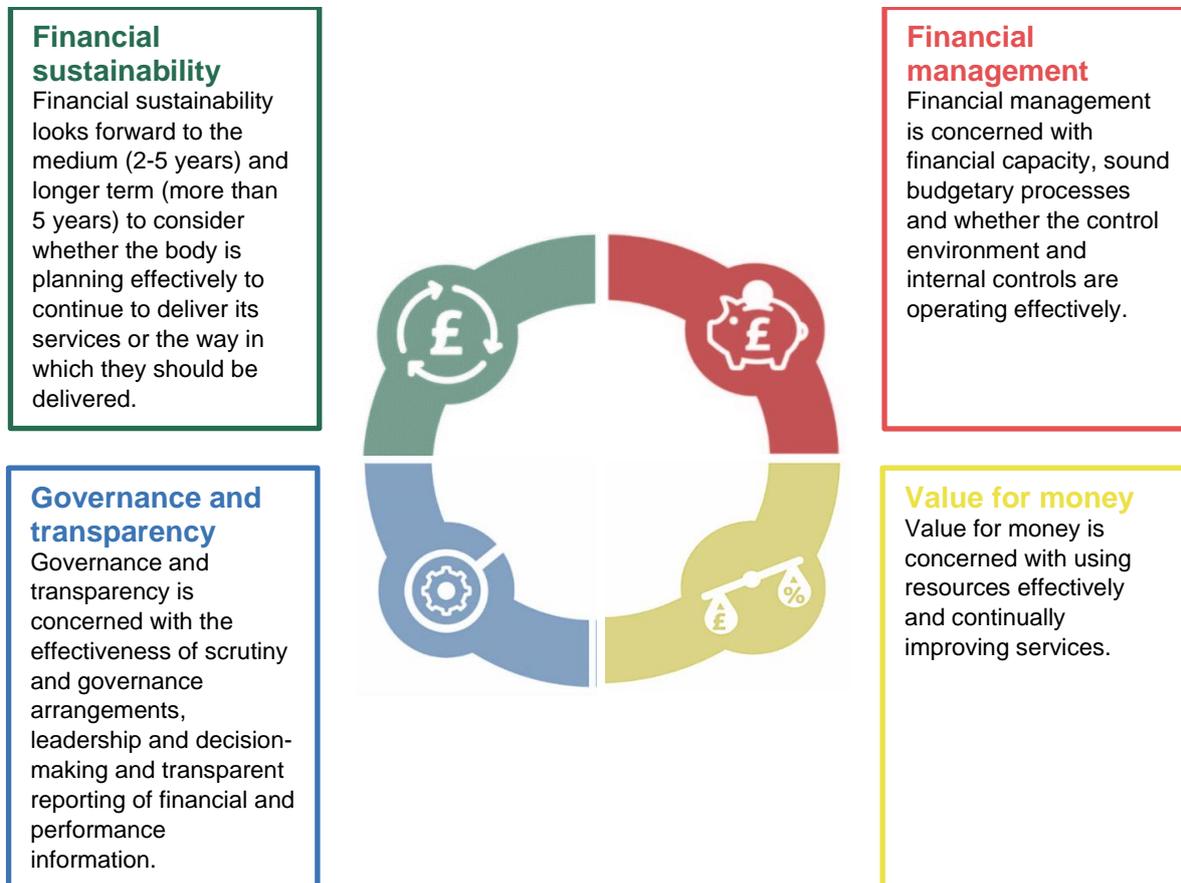
14. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses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

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.

Exhibit 1: Audit dimensions within the Code of Audit Practice



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 full wider scope is

appropriate at SPT. We will apply the 'restricted' wider scope to SCTS.

Best Value

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 SPT's best value arrangements will be integrated into our audit approach, including our work on the wider scope audit dimensions as set out in this plan.

SPT and SCTS responsibilities

21. The Partnership and Joint Committee have 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 and Joint Committee responsibilities are summarised in Exhibit 2.

Exhibit 2: SPT and SCTS responsibilities

Area	SPT and SCTS responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Partnership and Joint Committee have responsibility for:</p> <ul style="list-style-type: none"> • 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 • 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 • maintaining proper accounting records • 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
<p>Financial sustainability: 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 and Joint Committee are 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;

Area	SPT and SCTS responsibilities
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<ul style="list-style-type: none"> • 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>It is the Partnership and Joint Committee’s responsibility 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 and Joint Committee are 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 and Joint Committee’s responsibility 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>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.</p>	<p>The Partnership and Joint Committee are 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 and Joint Committee are also responsible for establishing effective and appropriate internal audit and risk management functions.</p>

Area	SPT and SCTS responsibilities
<p>Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Partnership and Joint Committee have 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>

Audit strategy

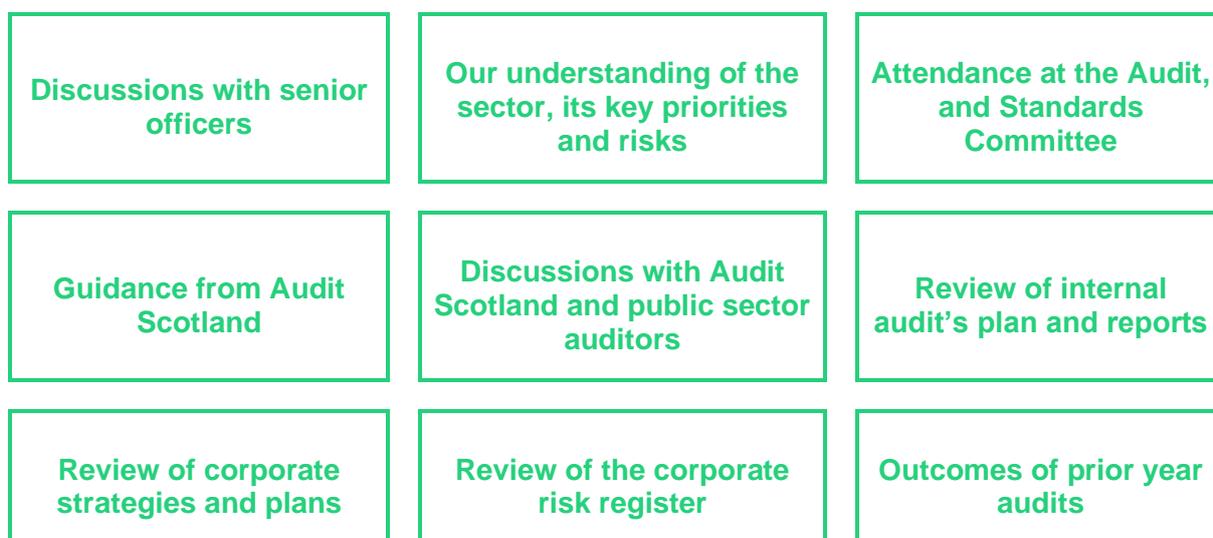


Audit strategy

Risk-based audit approach

22. We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SPT and SCTS. This ensures

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



23. 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.

Communication with those charged with governance

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

Professional standards and guidance

25. 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).

Partnership working

26. We 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 with the public sector.

Audit Scotland

27. Although we are independent of Audit Scotland and are responsible for forming our own views and opinion, 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 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.
28. Audit Scotland undertakes national performance audits on issues affecting the public sector. We review the SPT'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 SPT uses the national performance reports as a means to help improve performance at the local level.

Internal Audit

29. We are committed to avoiding duplication of audit effort and ensuring an efficient use of SPT's total audit resource. 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 SPT is used efficiently and effectively.

COVID-19 – impact on our 2020/21 audit strategy

30. The COVID-19 pandemic has had, and continues to have, a significant and profound effect on every aspect of Scottish society.
31. We appreciate that different organisations have been impacted differently by COVID-19, as have finance teams, and some organisations are better set up for remote working. We also know that plans can change quickly, it only takes the absence of one member of staff from a small finance team to have a massive impact. Equally our own teams may also be impacted by the pandemic. The wellbeing of our clients and our staff is paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance.

Remote working

32. We do not know when the current restrictions will end. We are therefore planning to carry out our 2020/21 audit remotely. As for 2019/20 we have the following arrangements in place:
 - All of our people have the equipment, technology and systems to allow them to work remotely, including secure access to all necessary data and information.
 - All of our staff are fully contactable by email, phone call and video-conferencing.
 - All meetings are now held over Skype, Microsoft Teams or by telephone.
 - We are keeping all of our staff fully up to date with the latest

government guidance in order to keep everyone as safe as possible.

33. If resourcing levels in any part of our business are compromised due to illness or inability to work, we will refocus our teams as necessary to deliver to deadlines. Our teams are holding regular catch ups to allow us to re-prioritise workloads as necessary.

Secure sharing of information

34. We use a cloud-based file sharing service that enables users to easily and securely exchange documents.

Audit evidence

35. Working remotely, does unfortunately result in the audit team requesting audit evidence which we would have previously obtained through other means, for example, face to face meetings or access to systems and client premises.
36. Where required we will consider other ways in which we can obtain audit evidence or carry out alternative audit procedures.
37. We will employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

Regular contact

38. During the 'fieldwork' phase of our audit, we will look to agree regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

Audit reporting

39. It may be likely that the current circumstances lead to more modified opinions in auditor's reports, than would typically have been the case in previous years.
40. Where necessary, we will engage with the Audit and Standards Committee to explain the implications of our proposed report and consider whether there are other procedures that could be undertaken, at a future point yet to be determined which could mitigate any modification either fully or in part.
41. Sufficient time should be set aside by the Audit and Standards Committee to allow for comprehensive, complete and informed communication with the auditor. This will need to take account of the potential for extended communication to explain any modified audit reports, or to report any higher than expected deficiencies or misstatements, that may result from the current circumstances.
42. Audit Scotland uses a system for electronic signatures (DocuSign) that it recommends all bodies use for signing annual accounts.
43. Electronic signatures simplify the process of signing the accounts. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high quality PDF version of the accounts.
44. We propose using DocuSign in 2020/21 (as was used in 2019/20).

Annual accounts – Strathclyde Partnership for Transport



Annual accounts – Strathclyde Partnership for Transport

Introduction

45. 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 SPT's annual accounts.

Approach to audit of the annual accounts

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

Risk-based audit planning

47. 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.

Accounting systems and internal controls

48. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
49. 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 SPT's own policies and procedures.
50. We will take cognisance of any relevant internal audit reviews of systems and controls.

51. Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal controls change. Potential areas of risk include:
- Public sector staff working under extreme pressure leading to some internal controls being suspended or relaxed;
 - Procurement fraud; normal controls being relaxed to allow bodies to buy goods or services which are required urgently, possibly from new suppliers;
 - Weakened governance arrangements as internal audit teams are redeployed to operational areas; and
 - Staff working remotely may pose potential security risks e.g. when using personal devices and/or using removable devices to download data.

52. We will update the risk assessment following our evaluation of systems and controls, considering the impact the pandemic has had on SPT's accounting systems and controls. This will ensure that we continue to focus attention on the areas of highest risk.

53. This work is not for the purpose of expressing an opinion on the effectiveness of internal controls. We will report significant deficiencies in internal controls that we identify during the audit. These matters will be limited to those which we conclude are of sufficient importance to merit being

reported. The scope of our work is not designed to be an extensive review of all internal controls.

Prevention and detection of fraud or error

54. We plan our audit in such a way as to obtain reasonable assurance of detecting material misstatements in the annual accounts resulting from fraud or error.
55. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts.
56. We will assess the susceptibility of SPT's annual accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
 - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
57. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose. Material misstatements that arise due to fraud can be harder to detect than those that

arise from error as they may involve deliberate concealment or collusion.

Laws and regulations

58. We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact the annual accounts. Our audit procedures include the following:
- Identification of the laws and regulations applicable to SPT through enquiries with management, and from our knowledge and experience of SPT and the sector;
 - A focus on specific laws and regulations which we consider may have a direct material effect on the annual accounts or the operations of SPT;
 - Reviewing minutes of relevant meetings;
 - Enquiring of management and SPT's legal representatives the position in relation to litigation, claims and assessments; and
 - Performing detailed testing of transactions and balances.
59. There are however inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

A final audit of the annual accounts

60. 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.

61. 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 2020/21 (the Code).

Independent auditor’s report

62. 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.

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

Materiality

64. 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.

65. 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 group 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.

66. Performance materiality 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.

67. Our initial assessment of materiality and performance materiality is set out in the table below:

	Materiality £000
Overall materiality: Our initial assessment is based on approximately 1.5% of SPT’s 2019/20 gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of SPT..	1,130
Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	845

68. We will report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;
- Uncorrected misstatement with a value in excess of 5% of the overall materiality figure; and
- Other misstatements below 5% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks in the annual accounts

69. Auditing standards require that we inform the Audit and Standards 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 Audit and Standards 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 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 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*.

70. In response to this risk we will review SPT'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 significant risk. We will assess whether judgements and assumptions made in determining accounting estimates as set out in the annual accounts are indicative of potential bias.

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 SPT could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

71. 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 non-government or requisition 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

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

72. 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 SPT's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. We will review accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Asset valuations (significant accounting estimate)

SPT's assets are revalued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and buildings were revalued by SPT's external valuer as at 31 March 2020 and are revalued in accordance with the external valuer's 5-year programme. Additional valuations may be carried out on an adhoc basis out with the rolling programme arrangements, for example, when an asset has been significantly modernised/upgraded. Investment properties are valued annually at fair value, in line with the Code.

The valuation provided by the valuer as at 31 March 2020 recognised a material uncertainty, indicating that lower confidence could be attached to the valuation than otherwise would be the case given the unprecedented impact of COVID-19 on global markets. We included an emphasis of matter paragraph in our independent auditor's report on the 2019/20 financial statements to draw attention to this.

There is a risk of material misstatement to the annual accounts relating to asset valuations.

- 
73. We will consider the competence, capability and objectiveness of the external valuer in line with ISA (UK) 500 Audit Evidence. We will review the valuation report and consider the assumptions used by the external valuer against external sources of evidence. In addition to this we will consider the scope of the external valuers work and the information provided to the external valuer for completeness.

Pension assumptions (significant accounting estimate)

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 date 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.

- 
74. 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.

Other risk factors

Impact of COVID-19 on the annual accounts

75. Further to the identification of significant audit risks, we also continue to monitor the impact COVID-19 could have on the annual accounts. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. It is uncertain how long these challenges will persist.
76. We continue to monitor government and relevant announcements as they pertain to the audit and will adapt our audit approach as required.

we have not determined the accounting estimates to be significant. We will however revisit our assessment during the fieldwork and completion stages of our audit.

Accounting estimates

77. Changes to ISA (UK) 540 - *Auditing Accounting Estimates and Related Disclosures* which is applicable for accounting periods beginning on or after 15 December 2019 places increased regulatory requirements on the auditor in respect of the auditing of significant estimates at the planning and completion stages of the audit.
78. As part of the planning stages of the audit we identify all accounting estimates made by management and determine which of those are significant to the overall annual accounts. Consideration was given to asset valuations, pension assumptions, provisions, depreciation, provisions, accruals. Other than asset valuations and pension assumptions

Wider scope audit – Strathclyde Partnership for Transport



Wider scope audit

Introduction

79. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. As part of our annual audit we consider and report against these four dimensions:
- financial sustainability
 - financial management
 - governance and transparency; and
 - value for money.
80. Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon the understanding of SPT's key priorities and risks which we developed from previous years, along with discussions with management and review of committee minutes and key strategy documents.
81. The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. The pandemic has highlighted the importance of many long-standing issues facing public sector bodies such as the need for good governance, openness and transparency, and effective longer-term planning to deliver better outcomes. The risks and challenges associated with these issues have become greater due to the pandemic.
82. In 2020/21, Audit Scotland has requested that external auditors focus on risks relating to governance and transparency, financial sustainability and counter-fraud arrangements in light of the impact of COVID-19. We will consider these risk areas in the context of our wider scope audit work and include commentary in our annual audit report as appropriate.
83. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4). We have not, at this stage, identified any significant risks in relation to the other dimensions. 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 5 summarises our audit work in respect of each dimension.

Exhibit 4 – Wider scope significant risk

Financial sustainability

Typically, each year, the Partnership is presented with a rolling two-year revenue budget and three year rolling capital programme. In 2019/20, the Partnership was also presented with a Long Term Financial Strategy.

The COVID-19 pandemic however has had, and is having an impact, in terms of the financial plans of SPT; primarily as a result of a vastly reduced farebox and passenger related income streams.

Regular reports are presented to members on the 2020/21 financial forecast. Throughout 2020/21, the Partnership has forecast a deficit position that would require financial assistance. Discussions continue with Transport Scotland as to additional funding. Any deficit at the year end would ultimately require to be funded by SPT general reserves leaving it vulnerable to respond to future challenges.

The most up to date forecast prepared by management suggests that the Partnership will achieve or be close to a breakeven position. This position will, if achieved, have been met through:

- Income loss support from Transport Scotland;
- Recruitment freeze on vacant posts;
- Savings in property costs and supplies and services;
- Reduction on expenditure on local bus services, MyBus and third party suppliers; and
- Contribution of £1million to support the capital plan from the revenue budget no longer being required.

This financial position is set in the context of SPT continuing to operate services during lockdown and continues to do so. In respect of SPT bus services, SPT maintained essential services and reallocated resources to ensure strategic gaps were filled. As a result of reduced demand for MyBus Services, SPT reshaped its service provision and re-directed capacity to support local services.

In preparation of the 2021/22 revenue budget (which is due to be presented to the Strategy and Programmes Committee in February 2021 prior to presentation to the Partnership in March 2021) departments have reviewed all budget lines to identify savings that can be made. It is expected that subway income will be significantly lower than in 2020/21 which brings significant challenges for SPT to develop a balanced budget.

Looking ahead to the long term financial plan and re-establishing a level of financial stability, SPT has noted that consideration will need to be given to the funding of public transport as well as the specific role and contribution from the 12 constituent councils.

84. During our audit we will continue to review whether SPT has appropriate arrangements in place to manage its financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the medium and longer term impact of COVID-19 and that continue to support the delivery of SPT's statutory functions and strategic objectives.

Exhibit 5 - Our audit approach to the wider scope audit dimensions



Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the organisation's planning processes support the future delivery of services.

Consideration

As noted in Exhibit 4.

Typically, each year, the Partnership is presented with a rolling two-year revenue budget and three year rolling capital programme. In 2019/20, the Partnership was also presented with a Long Term Financial Strategy.

SPT also prepares a three year rolling capital programme and budget which seeks to balance the transport project delivery aspirations and the funding available to it. The subway modernisation project comprises a significant proportion of the capital plan.

Our audit approach

During our 2020/2021 audit we will update our assessment of SPT's financial standing. This will involve a review of the arrangements in place for developing short, medium and long term financially sustainable plans that continue to support the delivery of SPT's statutory functions and strategic objectives.

Our work will consider the impact COVID-19 is having on SPT's financial plans, the impact of EU withdrawal on SPT and the impact on the 2021/22 financial plans following the recent Scottish Government budget announcements.



Financial management

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

Consideration

Our audit approach

Revenue budget 2020/21

In March 2020, the Partnership approved a net revenue budget of £36.177million for 2020/21. This was developed on the basis that local authority requisitions would be £35.463million, the same level as 2019/20, a revenue grant of £0.714million would be received from the Scottish Government and an increase/revision to fares and charges.

The COVID-19 pandemic however has had, and is having an impact, in terms of the financial outturn for 2020/21. Throughout 2020/21, the Partnership has forecast a deficit position that would require financial assistance. Discussions continue with Transport Scotland as to additional funding. Any deficit at the year end would ultimately require to be funded by SPT general reserves leaving it vulnerable to respond to future challenges. As at 31 March 2020, SPT reported earmarked reserves of £67.000million and non-earmarked reserves of £7.867million.

The most up to date forecast prepared by management suggests that the Partnership will achieve or be close to a breakeven position.

Capital programme

The restrictions put in place in March 2020 in response to the COVID-19 pandemic

The financial impact of the pandemic has resulted in a reduction in income for SPT. Having robust financial management and longer-term planning arrangements in place is critical to ensuring that it can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.

During our 2020/21 audit we will review, conclude and report on the following:

- The achievement of financial targets;
- Whether SPT can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- Whether SPT's Treasury Management Strategy, practices and reporting is in accordance with CIPFA's *Treasury Management in the Public Services Code of Practice*
- The project management arrangements over the subway modernisation programme;
- Whether SPT has arrangements in place to ensure systems of internal control are operating effectively;
- Whether SPT has established appropriate and effective arrangements for the prevention

Consideration

resulted in work being paused on various capital projects; particularly the grant funded projects being delivered by local authority partners. These programmes have slipped into 2020/21.

As at period 7, the actual expenditure incurred on the SPT capital investment programme was £6.659million compared to planned expenditure of £8.458million.

Subway modernisation programme

The COVID-19 pandemic has had a significant impact on the modernisation progress with all site works initially stood down until the easing of the UK national lockdown on essential construction activity. The restrictions on international travel during this time impacted contractors and suppliers, which affected design and equipment factory testing activity in support of modernisation also being delayed or prolonged. By July 2020, works deemed essential recommenced with COVID secure measures in place. With the challenges experienced, there has been less progress overall than anticipated.

In addition to delays in project delivery, COVID-19 has also impacted on the achievement of milestone payments. The financial impact is a significant reduction in budgeted spend in 2020/21, currently forecast at c.£18.7million. Overall, however, the subway modernisation programme remains within the approved budget, including programme contingency and available funding.

Treasury management

As at 31 March 2020, SPT's cash and cash equivalents and short term investments held had combined value of £168.521million (2018/19: £170.003million). These large balances have arisen due to timing issues

Our audit approach

and detection of fraud and corruption, with particular focus on changes in the control environment during the pandemic and fraud and corruption in the procurement function; and

- SPT's participation and progress in the National Fraud Initiative.

Consideration

Our audit approach

between capital funding being received from Transport Scotland and payments being made to suppliers due to slippages in meeting pre-agreed milestones. In December 2018, it was agreed with Transport Scotland that SPT would not receive any capital funding for the subway modernisation programme in 2019/20 and would use funding previously received to meet capital payments as the fall due. This is also the position for 2020/21, no Scottish Government specific grant funding is due to be received for the subway modernisation programme.

The National Fraud Initiative (NFI) is a counter fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole to identify fraud and error. The most recent NFI exercise commenced in 2020 and as part of our 2020/21 audit we will monitor SPT's participation and progress in the NFI.



Governance and transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent

Consideration

The Partnership consists of twenty elected members representing the twelve constituent local authorities in the West of Scotland and between seven and nine appointed members.

In response to the Covid-19 pandemic, SPT activated provisions in its existing governance structures and standing orders to convene a series of meetings of the Chairs Committee on an emergency basis. This committee is delegated the authority to consider matters on behalf of the Partnership, subject to the limitations and exclusions from delegation in the Standing Orders, unless considered a matter of urgency. Though the Chairs committee was convened to consider urgent matters, SPT's Governance Committees have nevertheless continued to meet and conduct business as normal, with appropriate amendments to attendance arrangements to reflect the fact that the committees could not meet physically.

SPT's corporate risk register is reviewed and updated at strategy group meetings every four weeks and presented to the Audit and Standards Committee for noting. The corporate risk register, during 2020, was updated to consider the impact of COVID-19 on the organisation.

A recruitment process consistent with the Scottish Government Public Appointments process has been carried out to appoint six

Our audit approach

We will review and report on SPT's governance arrangements; considering any changes to those arrangements in response to the pandemic. In particular we will consider whether:

- the revised governance arrangements are appropriate and operating effectively
- there is effective scrutiny, challenge and informed decision making.

We will consider SPT's risk management arrangements in the context of the pandemic. We will review:

- Arrangements and reporting of the identification, likelihood and impact of new risks as a result of the pandemic;
- Consideration of risk appetite during this period to enable services to operate effectively and respond to issues in a timely manner.
- The longer term impact of the pandemic on SPT's risk register.

We will consider induction plans for the newly appointed members to ensure they understand their role and the roles of the committees.

Consideration

Our audit approach

appointed members. The Partnership has approved the appointment of four new appointed members and the re-appointment of a further two current appointed members. Agreement from the Cabinet Secretary for Transport has been sought. It is anticipated that the appointments will commence 1 April 2021.



Value for money

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

Consideration

Our audit approach

'A Catalyst for Change' the statutory Regional Transport Strategy (RTS) for the west of Scotland 2008-21 was approved by Scottish Ministers in 2008. A RTS Delivery Plan links the RTS to SPT's business planning processes through the strategic priorities and sets out the services, projects and initiatives that will enable the delivery of the RTS.

The development of a new RTS has commenced. The onset of the COVID19 pandemic however necessitated the RTS development process to, in effect, pause in order to consider and understand how best to take into account COVID19-related implications for transport and travel behaviours, and to re-align with national transport processes (including the Strategic Transport Projects Review (STPR2) and the National Transport Strategy Delivery Plan) which were similarly affected by the pandemic.

We will review and report on SPT's progress on the development of the RTS and RTS delivery plan.

The COVID-19 pandemic is expected to have had a substantial impact on performance measures, particularly for services which have been temporarily suspended, are operating at a reduced level or have had to adapt to new ways of working.

We will review performance reporting in 2020/21 to ensure it is timely, reliable, balanced, transparent and appropriate to user needs.

We will review evidence which demonstrates the achievement of value for money in the use of its resources.

Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. We will work with

Consideration

Given the events of 2020 and the plans and proposals being developed by partners, SPT has extended its current RTS Delivery Plan to cover 2021-2022.

SPT published an annual report in June 2020 which summarised its key achievements during 2019/20, aligned to the four key outcomes of the transport strategy.

Subway patronage remained steady relative to 2018/19, despite ongoing refurbishment works, with gate entries increasing at 9 of 15 stations for the year as a whole. In comparison to 2018/19 subway patronage decreased by 3.6% on the previous year, however this decrease was a direct result of the COVID-19 pandemic.

In the current year; subway patronage is significantly lower than previous years. The most recent report to the Operations Committee reported that subway patronage was down over 74.5% for the period ending 2 January 2021.

Our audit approach

Audit Scotland during the year to understand the outputs from this work and identify any particular reports that SPT may have a direct interest in.

Annual accounts – Strathclyde Concessionary Travel Scheme Joint Committee

Annual accounts – Strathclyde Concessionary Travel Scheme Joint Committee

Approach to audit of the annual accounts

Risk-based audit planning

85. 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.
86. During our audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on the risk assessment.
87. 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 2020/21 (the Code).

Independent auditor's report

88. 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.
89. We also provide an opinion on the annual governance statement and management commentary².

² SCTS has no employees and no allowances or expenses are paid to committee members. A

Materiality

90. 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.
91. 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 group 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.
92. Performance materiality 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.

remuneration report is therefore not been included within the annual accounts.

93. Our initial assessment of materiality and performance materiality is set out in the table below:

	Materiality £000
<p>Overall materiality: Our initial assessment is based on approximately 2% of SCTS' 2019/20 gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of SCTS.</p>	92
<p>Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p>	69

94. We will report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements;
- Uncorrected misstatement with a value in excess of 5% of the overall materiality figure; and
- Other misstatements below 5% threshold that we believe warrant reporting on qualitative grounds.

Key audit risks in the annual accounts

95. Auditing standards require that we inform the Audit and Standards 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 Audit and Standards Committee if our assessment changes significantly during the audit.

Exhibit 6 – Key audit risks in the annual accounts

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 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*.

96. In response to this risk we will review SCTS' 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 significant risk. We will assess whether judgements and assumptions made in determining accounting estimates as set out in the annual accounts are indicative of potential bias.

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 SCTS could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

97. SCTS is funded by contributions received from the local authorities within the area served by the Scheme and from a draw on reserves. The funding is set as part of the budget process. These income streams are agreed in advance of the year and any changes require approval. At this stage of our audit cycle, we do not believe the risk of fraud in revenue recognition is material to the financial statements and have therefore rebutted this risk. We will however continue to review this position throughout the audit.

Risk of fraud in the recognition of expenditure

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

98. In response to this risk we will evaluate the significant expenditure streams at SCTS and review the controls in place over accounting for expenditure. We will consider SCTS' 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. We will review accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Other risk factors

Impact of COVID-19 on the annual accounts

99. Further to the identification of significant audit risks, we also continue to monitor the impact COVID-19 could have on the annual accounts. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. It is uncertain how long these challenges will persist.
100. We continue to monitor government and relevant announcements as they pertain to the audit and will adapt our audit approach as required.

Accounting estimates

101. Changes to ISA (UK) 540 - *Auditing Accounting Estimates and Related Disclosures* which is applicable for accounting periods beginning on or after 15 December 2019 places

increased regulatory requirements on the auditor in respect of the auditing of significant estimates at the planning and completion stages of the audit.

102. As part of the planning stages of the audit we identify all accounting estimates made by management and determine which of those are significant to the overall annual accounts. No significant accounting estimates were identified. We will however revisit our assessment during the fieldwork and completion stages of our audit.

Wider scope

103. The Code of Audit Practice (the Code) recognises that planned audit work should be risk based and proportionate to the nature and size of an audited body. The Code recognises that it is not likely to be appropriate or proportionate to apply the full wider scope audit to some small audited bodies.

104. We consider the audit of the SCTS should be carried out under the small body provisions of the Code. We have reached this conclusion through our assessment of:
- The relative size of SCTS;
 - The relative simplicity of SCTS' functions; and
 - SCTS' risk profile, as informed through discussions with management.
105. Application of the small body provisions of the Code results in a targeted and tailored wider scope audit for SCTS. 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.
106. The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. The pandemic has highlighted the importance of many long-standing issues facing public sector bodies such as the need for good governance, openness and transparency, and effective longer-term planning to deliver better outcomes. The risks and challenges associated with these issues have become greater due to the pandemic.
107. In 2020/21, Audit Scotland has requested that external auditors focus on risks relating to governance and transparency, financial sustainability and counter-fraud arrangements in light of the impact of COVID-19. We will consider these risk areas in the context of our "restricted" wider scope audit work and include commentary in our annual audit report as appropriate.
108. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit. 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 7 – Wider scope significant risk

Financial sustainability

The Joint Committee has recognised that the current format of the Scheme is not sustainable in the long-term without an increase in funding from local authority partners or significant operations amendments to the scheme structure or fares applicable. A root and branch review of the Scheme is underway to ensure the schemes affordability for the future. The terms of the review have been updated to include consideration of the impact on the Scheme of COVID-19.

For the financial year 2020/21, public transport usage has been and continues to be severely constrained by the impact of COVID-19. The direct financial impact on the Scheme is as yet unknown. The immediate impact is a reduction in reimbursement to operators reflecting the change in public transport usage across all modes.

- 
- A grey arrow originates from the left side of the text box above and points towards the first item in the list below.
109. During our 2020/21 audit we will consider the SCTS' financial standing. This will involve a review of the arrangements in place for short, medium and long term financial planning, along with consideration of the outcome of the detailed review into the existing Scheme and the associated going concern of the Scheme should no changes be made. Our work will also consider the impact the pandemic is having on SCTS' financial plans

Audit outputs, timetables and fees



Audit outputs, timetable and fee

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

In recognition of timing of the audits in 2019/20, the challenges in completing audits remotely and the additional complexities and uncertainties as a result of COVID-19; Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before the pandemic. The timetable for 2020/21 has therefore been updated.

The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 (currently in draft) amend dates set in the Local Authority Accounts (Scotland) Regulations 2014. The amended dates apply to the accounts for the financial year 2020/21 and state that the annual accounts should aim to be approved by 31 October 2021. Audit Scotland has also proposed 31 October for 2020/21 as the provisional submission deadline.

We have set out below target months which align to SPT's annual accounts timetable and 2021 schedule of Audit and Standards Committee, Partnership and Joint Committee meetings. We will aim to meet these scheduled meetings however this will be monitored during the audit process and may require to be revised to reflect emerging issues as a result of the pandemic.

Audit output	Description	Target month	Deadline for submission to Audit Scotland
External audit plan	This report sets out the scope of our audit for 2020/21.	February 2021	30 April 2021
Independent Auditor's 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 2021	31 October 2021
Annual Report to SPT and SCTS and the Controller of Audit	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 2021	31 October 2021

Audit outputs

110. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
111. 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

112. 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.
113. As auditors we negotiate a fee with SPT during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
114. The expected fee set by Audit Scotland for the 2020/21 audit of SPT is £73,680. We propose setting the 2020/21 audit fee at £74,430. The increase of £750 represents an audit fee for the audit and certification of financial information in respect of railway services for the period 1 April 2019 to 31 March 2020.
115. For SCTS we propose setting the audit fee at the expected fee level.

116. The audit fees for the current year and prior year are set out in the tables below:

SPT	2020/21	2019/20
Auditor remuneration	£51,570	£50,090
Pooled costs	£4,830	£4,830
Performance audit and best value	£15,230	£14,450
Contribution to Audit Scotland costs	£2,800	£2,980
Total fee	£74,430	£72,350

SCTS	2020/21	2019/20
Auditor remuneration	£4,670	£4,530
Pooled costs	£440	£440
Contribution to Audit Scotland costs	£260	£270
Total fee	£5,370	£5,240

117. We will take account of the risk exposure of SPT and SCTS and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft

accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

Audit timetable

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

A vertical timeline diagram with a central green line and six green circular markers. Each marker is connected to a date and a description of an audit event.

JAN 21	●	Planning meeting to inform the 2020/21 audit
JAN 21	●	Interim planning audit visit
FEB 21	●	Presentation of External Audit Plan to the Audit and Standards Committee
MAY 21	●	Accounts presented for audit and final audit visit begins
AUG 21	●	Presentation of our Annual Report on the Audit to the Audit and Standards Committee
SEP 21	●	Annual accounts presented to Partnership for approval

Appendices



Appendix 1: Azets

On 7 September 2020, the CogitalGroup of companies (Scott-Moncrieff, Campbell Dallas, Baldwins and Wilkins Kennedy) came together as Azets. Whilst it is a new name, we still deliver the same personal approach to accounting, tax, audit, advisory and business services, digitally and locally.

We work hard, recruiting bright people who genuinely enjoy solving client's problems.

With over 6,500 advisers and specialists across our office network, we help people and organisations of all shapes and sizes save time, work smarter and achieve their goals. Our job is to give you the support you need so you can focus on what you do best.

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.

Your audit management team



Gary Devlin

Audit Partner

gary.devlin@azets.co.uk

Gary 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 audit.



Karen Jones

Director

karen.jones@azets.co.uk

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.

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 Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Azets has not been appointed by SPT or SCTS to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standard. 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 Azets, SPT and SCTS, 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 SPT, SCTS and Azets.

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 SPT 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 in advance of our final audit visit which sets out our 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 SPT's and SCTS' 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 SPT and SCTS during the course of the audit on matters having a material effect on the annual report and accounts. This will take place by means of a letter of representation, which will require to be signed by the Assistant Chief Executive.

Internal audit

It is the responsibility of SPT 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 of 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 he 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 SPT 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. 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 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 Audit and Standards 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.



© Azets 2021. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.
Accounting | Tax | Audit | Advisory | Technology
