

# Annual Audit Plan

## Cairngorms National Park Authority

Year ending 31 March 2024



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This document is to be regarded as confidential to Cairngorms National Park Authority. It has been prepared for the sole use of the Audit and Risk Committee as the appropriate committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Risk Committee  
Cairngorms National Park Authority  
14 The Square  
Grantown on Spey  
PH26 3HG

31 March 2024

Dear Audit and Risk Committee Members

## Annual Audit Plan – Year ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Cairngorms National Park Authority (CNPA) for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing CNPA which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

Mazars LLP – 100 Queen Street – Glasgow – G1 3DN

Tel: 0141 227 2400 – [www.mazars.co.uk](http://www.mazars.co.uk)

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London EC4M 7AU.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

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With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 07816 354 994.

Yours faithfully

Signed: 

Tom Reid (Audit Director)

Mazars LLP

# 01



Section 01:

**Engagement and  
responsibilities summary**

# 1. Engagement and responsibilities summary



## Overview of engagement

We are appointed to perform the external audit of CNPA for the year to 31 March 2024. The scope of our engagement is set out in the Code of Audit Practice, issued by the Auditor General and the Accounts Commission available from the Audit Scotland website: [Code of audit practice | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk). Our responsibilities are principally derived from the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, as outlined below and overleaf.

Engagement area	Responsibilities
 <b>Audit opinion</b>	<p>We are responsible for forming and expressing an independent opinion on whether the financial statements are prepared, in all material respects, in accordance with all applicable statutory requirements. Our audit does not relieve management or the Audit and Risk Committee, as Those Charged With Governance, of their responsibilities.</p> <p>CNPA is responsible for the assessment of whether it is appropriate for CNPA to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:</p> <ul style="list-style-type: none"><li>a) whether a material uncertainty related to going concern exists; and</li><li>b) consider the appropriateness of CNPA's use of the going concern basis of accounting in the preparation of the financial statements.</li></ul>
 <b>Internal control</b>	<p>Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CNPA's internal control.</p>

# 1. Engagement and responsibilities summary

## Overview of engagement (continued)

Engagement area	Responsibilities
 <b>Fraud</b>	<p>The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.</p> <p>As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.</p>
 <b>Wider scope and Best Value</b>	<p>We are also responsible for reviewing and reporting on the wider scope arrangements that CNPA has in place and its arrangements to secure Best Value. We discuss our approach to wider scope and Best Value work further in section 5 of this report.</p>

# 02

Section 02:

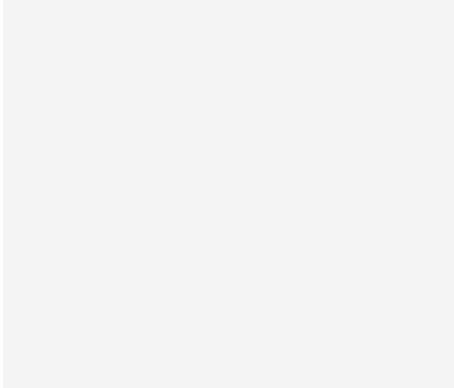
**Your audit engagement team**

# 2. Your audit engagement team

Below is your audit engagement team and their contact details.



**Tom Reid**  
**Engagement Director**  
Tom.Reid@mazars.co.uk  
07816 354 994



**Gregory Oduor**  
**Engagement Manager**  
Gregory.Oduor@mazars.co.uk  
07974 124 461



# 03

Section 03:

**Audit scope, approach and timeline**

# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

## Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

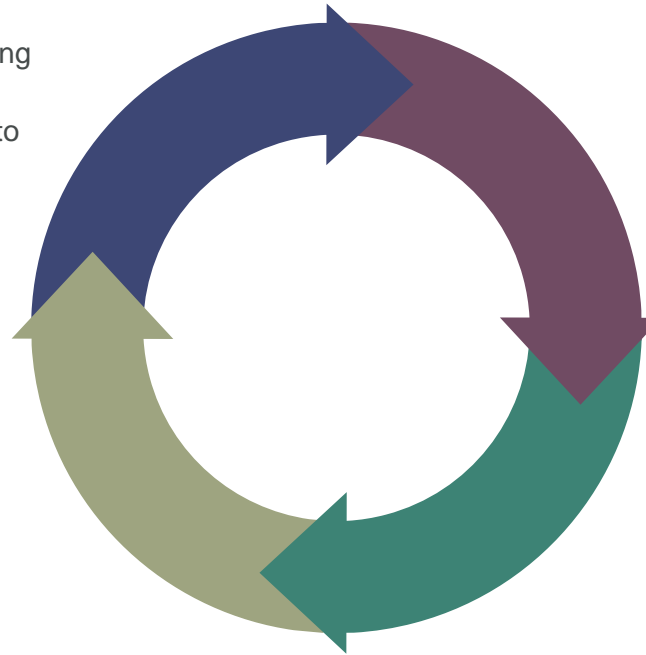
# 3. Audit scope, approach and timeline

## Planning and Risk Assessment (February to March 2024)

- Planning visit and developing our understanding of CNPA
- Initial opinion and wider scope risk assessments
- Risk identification and assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

## Completion (July to August 2024)

- Agreeing content of letter of representation
- Reporting to the Audit and Risk Committee
- Reviewing subsequent events
- Signing the independent auditor's report



## Interim (April 2024)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork (May to June 2024)

- Receiving and reviewing draft financial statements
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting
- Final review and disclosure checklist of financial statements
- Final engagement director review

# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to CNPA that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by CNPA and our planned audit approach.

Items of account	Service organisation	Audit approach
Cash equivalent transfer values of pensions as disclosed in the Remuneration and Staff Report	MyCSP	We will review the source data CNPA provides to MyCSP and agree this to CNPA payroll records.  We will review the reports provided by MyCSP to CNPA and agree these to the pension disclosures included in the Remuneration and Staff Report.

# 04

Section 04:

**Significant risks and other key  
judgement areas**

## 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

### Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

### Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period

### Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or

the likelihood of a risk occurring.

### Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of CNPA. We have summarised our audit response to these risks on the next page.



# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Risk Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b> This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	<p>We plan to address the management override of controls risk by:</p> <ul style="list-style-type: none"> <li>• reviewing the key areas within the financial statements where management has used judgement and estimation techniques and consider whether there is evidence of unfair bias;</li> <li>• examining any accounting policies that vary from the Government Financial Reporting Manual;</li> <li>• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; and</li> <li>• considering and testing any significant transactions outside the normal course of business or otherwise unusual.</li> </ul>

# 4. Significant risks and other key judgement areas

## Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Fraud over expenditure recognition</b> Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom highlights that, as most public-sector bodies are net spending bodies, the risk of fraud related to expenditure may be greater than the risk relating to revenue recognition.</p> <p>A significant amount of CNPA's expenditure is salaried staff costs, which are well controlled and made up of low value individual transactions. However, it has material operational plan expenditure. The nature of this expenditure means there is an increased risk of fraud in its recognition which could result in a material misstatement in the financial statements.</p>	●	○	○	We plan to address the risk of fraud over expenditure recognition by undertaking substantive procedures to ensure operational plan expenditure is recorded appropriately in the financial statements.



# 4. Significant risks and other key judgement areas

## Other key areas of management judgement and enhanced risks (continued)

	Description	Fraud	Error	Judgement	Planned response
3	<p><b>Fraud over recognition of revenue</b>                      As set out in International Standard on Auditing (UK) 240: The auditor’s responsibilities relating to fraud in an audit of financial statement, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.</p> <p>CNPA has material operational plan income. The nature of this income means there is an increased risk of fraud in its recognition.</p>	●	○	○	We plan to address the risk of fraud over recognition of revenue by undertaking substantive procedures to ensure operational plan income is recorded appropriately in the financial statements.

# 05

Section 05:

**Wider scope and Best Value**

# 5. Wider scope and Best Value

## The framework for wider scope work

The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. We are required to form a view on the adequacy of CNPA’s arrangements in four areas:

- 1. Financial management
- 2. Financial sustainability
- 3. Vision, leadership, and governance
- 4. Use of resources to improve outcomes.

Financial management	Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Auditors consider whether the body has effective arrangements to secure sound financial management.
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Financial sustainability	Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. Auditors consider the extent to which audited bodies have shown regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so that it can continue to deliver services.
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Vision, leadership and governance	Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation. Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. They also consider the effectiveness of governance arrangements for delivery.
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Use of resources to improve outcomes	Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.
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## 5. Wider scope and Best Value

### Less complex bodies

The Code of Audit Practice allows an alternative audit approach where an audited body is considered less complex due to its size and limited financial activity. Audit Scotland has prepared guidance on quantitative and qualitative factors to consider in assessing whether a body is less complex. We have reviewed these criteria and concluded that CNPA is a less complex body. Our wider scope work will therefore be limited to reviewing the Governance Statement and concluding on the financial sustainability of CNPA and the services it delivers over the medium to longer term.

### Wider scope risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

We have not identified any wider scope audit risks from our planning and risk assessment work.

# 06

Section 06:

**Fees for audit and other services**

## 6. Fees for audit and other services

### Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of CNPA's financial statements for the year ended 31 March 2024 are outlined below.

### Fees for work as CNPA's appointed auditor

At this stage of the audit, we are not planning any divergence from the expected fees set by Audit Scotland and is available on the Audit Scotland website: [Audit Scotland expected fees for 2023/24 audits](#).

Blank cell	2023/24 Proposed Fee	2022/23 Actual Fee
Auditor remuneration	£27,980	£26,390
Pooled costs	£300	(£420)
Contribution to PABV costs	£0	£0
Audit support costs	£0	£750
Sectoral cap adjustment	(11,920)	(£11,290)
<b>Total fee</b>	<b>£16,360</b>	<b>£15,430</b>

We have not provided any non-audit services to CNPA during the year.

# 07

Section 07:

**Our commitment to independence**

# 7. Our commitment to independence



## Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.



## Compliance

We are not aware of any relationship between Mazars and CNPA that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of CNPA and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.



## Non-audit and Audit fees

We have set out a summary of any non-audit services provided by Mazars (with related fees) to CNPA in Section 6, together with our audit fees and independence assessment.



## 7. Our commitment to independence

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Tom Reid in the first instance.

Prior to the provision of any non-audit services, Tom Reid will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Framework Agreement issued by Audit Scotland available from the Audit Scotland website: [Audit Scotland Framework Agreement \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk). Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.

# 08

Section 08:

**Materiality and misstatements**

# 8. Materiality and misstatements

## Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

## Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to the entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit and Risk Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

## 8. Materiality and misstatements

### Materiality (continued)

We consider that total expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of total expenditure.

As set out in the table below, based on the audited 2022/23 financial statements we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £0.263m (£0.263m in the prior year), and performance materiality to be in the region of £0.184m (£0.184m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

### CNPA financial statements

	2023/24 £'000s	2022/23 £'000s
Overall materiality	£263	£263
Performance materiality	£184	£184
Clearly trivial	£8	£8
Specific materiality	We assess the Remuneration and Staff Report as sensitive given users' interest in this specific area of the Annual Report. We are proposing to set materiality in this area at one band within the tables in the Remuneration and Staff Report. An error that moved a disclosure by one band would be assessed as material.	We assess the Remuneration and Staff Report as sensitive given users' interest in this specific area of the Annual Report. We are proposing to set materiality in this area at one band within the tables in the Remuneration and Staff Report. An error that moved a disclosure by one band would be assessed as material.

# 8. Materiality and misstatements

## Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit and Risk Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £8,000, based on 3% of overall materiality. If you have any queries about this, please raise these with Tom Reid.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit and Risk Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

## Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit and Risk Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).



# Appendices

A: Key communication points

B: Current year updates, forthcoming accounting & other issues

# Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Annual Audit Plan; and
- Our Annual Audit Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

## Key communication points at the planning stage as included in this Annual Audit Plan

Our responsibilities in relation to the audit of the financial statements;

- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Annual Audit Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

# Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Annual Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Annual Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Annual Audit Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• enquiries of the Audit and Risk Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Annual Audit Report and discussion at Audit and Risk Committee meetings Audit Planning and Clearance meetings



# Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Annual Audit Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to CNPA or the Audit and Risk Committee in the context of fulfilling their responsibilities.</li> </ul>	Annual Audit Report
Significant deficiencies in internal controls identified during the audit.	Annual Audit Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Annual Audit Report

# Appendix A: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of.</p>	<p>Annual Audit Report and Audit and Risk Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	<p>Annual Audit Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Annual Audit Report</p>
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> <li>• Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership</li> <li>• Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities</li> <li>• Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.)</li> <li>• Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality</li> <li>• Evaluate responses to identify and remediation process / control gaps</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website <a href="#">here</a>.</p>	<p>Annual Audit Plan</p>

# Appendix A: Key communication points

Required communication	Where addressed
Indication of whether all requested explanations and documents were provided by the entity	Annual Audit Report

# Appendix B: Current year updates, forthcoming accounting & other issues

## Applicable for IFRS Reporters

### Current and forthcoming accounting issue

#### New standards and amendments

##### Effective for accounting periods beginning on or after 1 January 2023

#### **Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements: Disclosure of Accounting Policies* (Issued February 2021)**

- The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

#### **Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (Issued February 2021)**

- The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

#### **IFRS 17 *Insurance Contracts* (issued May 2017) and Amendments to IFRS 17 *Insurance Contracts* (Issued June 2020)**

- IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

#### **Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 *Financial Instruments** (Issued December 2021)**

- The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 *Insurance Contracts* has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

## Tom Reid (Audit Director)

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