



Scott-Moncrieff
business advisers and accountants

Scottish Road Works Commissioner

2016/17 Annual Audit Report to the Scottish
Road Works Commissioner and the Auditor
General for Scotland

September 2017

Contents

- Key messages..... 1**
- Introduction..... 4**
- Annual accounts..... 6**
- Financial sustainability 12**
- Appendix 1: Action plan..... 14**
- Appendix 2: Respective responsibilities of SRWC and the Auditor 20**

Key messages

Annual accounts

The Office of the Scottish Road Works Commissioner (SRWC) annual report and accounts for the year ended 31 March 2017 were approved on 25 September 2017.

We report within our independent auditor's report unqualified opinions on the financial statements, the regularity of transactions and on other prescribed matters and that there are no matters which we are required to report by exception.

Our thanks go to management and staff for their assistance with our work.

Wider scope

As outlined in our External Audit Plan, our annual audit work in respect of our wider scope audit responsibilities was 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.

Our conclusions are set out below:

Key facts

- The Office of the Scottish Road Works Commissioner spent £1.257million on the delivery of services in 2016/17.
- The Scottish Government agreed a grant-in-aid budget of £0.375million for the Office of the Scottish Road Works Commissioner direct activities in 2016/17. This was a reduction of £0.035million (8.5%) against prior year.
- Expenditure on the operation of the Road Works Register was £0.920million and was matched by income from Scottish Road Works Register activities.

Governance statement

- We have reviewed the Governance Statement and are satisfied that it is consistent with the financial statements and has been prepared in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.
- We have however noted that the processes over obtaining assurances to enable the Accountable Office to sign the governance statement could be improved.
- The Office of the Scottish Road Works Commissioner has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the accounting and internal control systems.

Financial sustainability

- The Office of the Scottish Roads Work Commissioner has arrangements in place for long term financial planning in relation to the Scottish Road Works Register with a 5 year financial plan in place. However, medium to long term financial plans on the direct activities of the Office of the Scottish Road Works Commissioner are not prepared due to the uncertainty over future funding allocations.

Conclusion

This report concludes our audit for 2016/17. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

Scott-Moncrieff
September 2017

1

Introduction

Introduction

1. This report summarises the findings from our 2016/17 audit of the Scottish Road Works Commissioner (SRWC). The scope of our audit was set out in our External Audit Plan which was presented to SRWC in February 2017.
2. The core elements of our audit work in 2016/17 have been:
 - an audit of the 2016/17 annual report and accounts; and
 - consideration of SRWC's arrangements for securing financial sustainability.
3. SRWC is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts 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.
4. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. We give each recommendation a grading to help SRWC assess their significance and prioritise the actions required.
5. We would like to thank management and staff who have been involved in our work for their co-operation and assistance during our audit work.
7. This report is addressed to both the Scottish Roads Work Commissioner and the Auditor General for Scotland and will be published on Audit Scotland's website. www.audit-scotland.gov.uk.
8. We welcome any comments you may have on the quality of our work and this report via: www.surveymonkey.co.uk/r/S2SPZBX.

Adding value through the audit

6. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to SRWC 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 SRWC promote improved standards of governance, better management and decision-making and more effective use of resources.

2

Annual accounts

Annual accounts

9. SRWC's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. The respective responsibilities of SRWC and the auditor in relation to the annual accounts are outlined in Appendix 2.
10. In this section we summarise the findings from our audit of the 2016/17 annual report and accounts.

An unqualified audit opinion on the annual accounts

11. The annual report and accounts for the year ended 31 March 2017 were approved on 25 September 2017. We report, within our independent auditor's report:
- an unqualified opinion on the annual accounts;
 - an unqualified opinion on regularity; and
 - an unqualified audit opinion on other prescribed matters.

Good administrative processes were in place

12. We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to management and staff at SRWC for their assistance.

Our assessment of risks of material misstatement

13. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 1 below.

Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1. Management override

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

Excerpt from the 2016/17 External Audit Plan

14. We have not identified any indications of management override in the year. We have reviewed SRWC's accounting records, obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed the journal entries processed in the period and around the year-end.
15. During our review the financial controls processes, however, we did note issues around segregation of duties and the evidence available in respect of journals. Journals are prepared and posted without authorisation and in addition from our sample testing we found a number of journals without adequate supporting documentation. This was raised in prior year and as part of our follow up of prior year issues we have made recommendations to improve the journals process.
16. Our audit obtained evidence from other sources and we did not find any indication of management override.

Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

2. Revenue recognition

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

Excerpt from the 2016/17 External Audit Plan

- 17. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the annual accounts. To inform our conclusion we evaluated SRWC's key revenue streams and reviewed the controls in place over revenue accounting. We also carried out testing to confirm that the revenue recognition policy is appropriate and it was consistently applied throughout the year.

3. Change in accounting system

SRWC currently maintain their accounting records using a bespoke excel schedule. Prior to 31 March 2017 the SRWC has purchased and implemented a new accountancy software package. There is a risk that balances are not correctly transferred to the new system

Excerpt from the 2016/17 External Audit Plan

- 18. We conducted testing on opening balances on the new system and on the journals posted to bring the information on to the new system. As a result of this testing we obtained satisfactory assurance over the completeness of the information posted to the new system.

Our application of materiality

- 19. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
- 20. Our initial assessment of materiality for the annual accounts was £19,000 and it remained at this level throughout our audit. Our assessment of materiality equates to approximately 1% of SRWC's expenditure. We consider this to be a principal consideration for the users of the accounts when assessing the performance of SRWC.
- 21. We set a performance materiality for each area of work based on a risk assessment for the area and percentage application of overall materiality. We then perform audit procedures

on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the table below

Area risk assessment	Weighting	Performance materiality
High	45%	£8,550
Medium	55%	£10,450
Low	70%	£13,300

23. We agreed to report all audit differences in excess of 5% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We would also report on disclosure matters that we identified when assessing the overall presentation in the annual report and accounts.

Audit differences

24. We are pleased to report that there were no material adjustments to the draft accounts. We identified some minor disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts.
25. We confirm there were no unadjusted differences in the accounts.

SRWC representations

26. We have requested that a signed representation letter be presented to us at the date of signing the annual report and accounts. This letter is to be signed by the Commissioner.

An overview of the scope of our audit

27. The scope of our audit was detailed in our External Audit Plan, which was presented to SRWC in February 2017. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to SRWC. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
28. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
29. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In performing our work, we have applied the concept of materiality, which is explained earlier in this report.

Regularity

30. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts. We did not identify any instances of irregular activity.

Other matters identified during our audit

31. During the course of our audit we noted the following:

Remuneration report

32. Our independent auditor's report confirms that the part of the remuneration report to be audited has been properly prepared in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

Performance report

33. We are satisfied that the information given in the Performance Report is consistent with the accounts and has been prepared in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.
34. A review of the the office and functions of the Scottish Road Works Commissioner was published in September 2015. This review made a number of recommendations to the Commissioner.
35. The Performance Report has adequate disclosure of the findings and impact of this review.

Governance statement

36. We are satisfied that the Governance Statement has been prepared in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish and that the content is consistent with the financial statements.
37. We did however note as part of our testing that SRWC is not following guidance in the Scottish Public Finance Manual (SPFM) regarding certificates of assurance from senior staff to support the signing of the governance statement by the Accountable Officer.
38. In addition the SPFM requires that the governance statement is informed by the work

of internal audit. However, due to the size of SRWC, internal audit do not conduct an annual cycle of reviews.

- 39. The most recent internal audit review was in 2015/16 and related to the risk, control and governance arrangements in place at the SRWC. The review identified 3 low and 4 medium risk findings. There were no issues deemed to be so significant that disclosure was required in the governance statement.
- 40. SRWC should consider formalising its approach to obtaining assurances from senior staff over the maintenance and review of internal controls systems within or affecting their area of responsibility. SRWC should also work with its internal auditors to develop an internal audit work programme which will provide adequate assurance on the internal control systems and governance arrangements.

Action plan point 1

Accounting and internal control systems

- 41. SRWC has adequate systems in place to record, process, summarise and report financial and other relevant data. While we have not identified any significant weaknesses or governance issues in the accounting and internal control systems, we did identify areas for improvement during our final audit. We outline the issues identified and our recommendations at Appendix 1.

Action plan points 1-4

Follow up of prior year recommendations

- 42. As part of our audit, we have followed up on the recommendations raised by the previous external auditors in 2015/16. The table below indicates that four recommendations were raised and all are either complete or partially complete. Further detail on these recommendations is included in the action plan at Appendix 1.

Number of recommendations raised in 2015/16	Complete	Partially Complete
3	1	2

Qualitative aspects of accounting practices and financial reporting

- 43. We have considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. Our findings are summarised in the following table:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to SRWC.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Estimates have been made in relation to the depreciation of property, plant and equipment. We did however note during our audit testing that there are a number of assets which are fully depreciated but still in use. The useful economic life applied may not be appropriate and should be reviewed. Action plan point 3
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the accounts.	The annual report contains no material misstatements or inconsistencies with the accounts.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.



Financial sustainability

Financial sustainability

44. Financial sustainability looks forward to the medium and longer term to consider whether SRWC is planning effectively to continue to deliver its services or the way in which they should be delivered.

Overall conclusion

45. SRWC has arrangements in place for long term financial planning in relation to the Scottish Road Works Register with a 5 year financial plan in place. However, SRWC does not prepare medium to long term financial plans for the direct activities of SRWC due to the uncertainty over future funding allocations.

The Commissioner's financial performance in 2016/17

46. The Statement of Comprehensive Net Expenditure for 2016/17 shows that the Commissioner spent £0.920million (including employee costs of 0.061million and other costs of £0.050million) on the operation of the road works register.
47. In addition to the operation of the road works register, SRWC spent £0.337million on direct costs associated with the running of SRWC. This resulted in a net expenditure position of £0.337million.
48. For the Office of the Scottish Road Works Commissioner the main financial objective is to ensure the financial outturn for the year is within the budget allocated by Transport Scotland. The agreed grant-in-aid for the year was £0.375million and SRWC therefore operated within its limits.

2016/17 outturn position

49. The Prescribed Fees are set out in legislative documents and the register operation expenditure is budgeted in line with expected fees. The costs incurred in year were in line with the budget.
50. The budgeted costs for the register operation were £0.927million with budgeted income being £0.911million. SRWC planned to utilise reserves to meet the forecast deficit in year.
51. However, due to a reduction in costs of £0.007million and an increase in trading income the register operation reported a breakeven

position. This has resulted in a reserve of £0.141million being carried forward. This reserve is split into deferred income related balances of £0.108million and carried forward surpluses of £0.033million.

Financial planning

52. SRWC has prepared a five year financial plan for the operation of the road works register.
53. The five year financial plan highlights that deficits are forecast in 2017/18 and 2018/19. These are due to be met from carried forward surpluses. In the remaining three years to 2020/21, SRWC is forecasting a breakeven position on the operation of the roads register.
54. The Commissioner has noted that there is a high degree of uncertainty around the grant-in-aid provided for direct costs of the Office of the Scottish Road Works Commissioner and therefore only short term plans (1 year) are prepared for those activities.

Action plan point 4

4

Appendices

Appendix 1: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist.

Communication of the matters arising from the audit of the annual report and accounts 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.

Action plan grading structure

To assist SRWC in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

Grade 5	Very high risk exposure – major concerns requiring Partnership attention
Grade 4	High risk exposure – material observations requiring senior management attention
Grade 3	Moderate risk exposure – significant observations requiring management attention
Grade 2	Limited risk exposure – minor observations requiring management attention
Grade 1	Efficiency / housekeeping point

Action plan point	Issue & Recommendation	Management Comments
1. Sources of assurance for the governance statement	<p>Observation</p> <p>The SPFM requires that the governance statement is informed by certificates of assurance from senior staff and reviews by internal auditors.</p> <p>There is no formal assurance process with senior staff and there has been no internal audit reviews in year.</p> <p>Recommendation</p> <p>To ensure there is appropriate assurances received by the Accountable Officer to enable the signing of the governance statement, we recommend:</p> <ul style="list-style-type: none"> an assurance process is developed, requiring senior staff to provide assurances to the Commissioner over the internal control systems for which they have responsibility. Any processes should be proportionate to the size and scale of SRWC; and an internal audit work programme is developed which sets out how assurances over internal control systems and governance arrangements are provided to the Commissioner over the medium to long term. 	<p>Action owner: Scottish Road Works Commissioner</p> <p>Due Date: January 2018</p> <p>In view of the size, and flat organisational structure, assurances in respect of internal controls will be sought from managers at team meetings prior to drafting the annual governance statement. Assurances will be recorded in a minute and/or held in an internal control checklist.</p> <p>Agree a 3 to 5 year internal review plan with Transport Scotland. Policy to be agreed by the end of January 2018.</p>
Rating		
Grade 3		
Paragraph ref		
40		

Action plan point	Issue & Recommendation	Management Comments
2. Framework agreement	<p>Observation</p> <p>The Framework Agreement between SRWC and Transport Scotland, which includes details on the funding arrangements, was developed in draft in January 2016. At the time of our audit this was still in draft format.</p> <p>Recommendation</p> <p>The Commissioner should ensure the Framework Agreement is finalised with Transport Scotland to ensure funding arrangements are appropriately agreed.</p>	<p>Action owner: Scottish Road Works Commissioner</p> <p>Due Date: Completed</p> <p>The Framework Document between Transport Scotland and the Scottish Road Works Commissioner was finalised on 29 August 2017</p>
Rating		
Grade 4		
Paragraph ref		
41		

Action plan point	Issue & Recommendation	Management Comments
3. Asset Lives	Observation We noted during our audit, that a number of fixed assets have been fully depreciated, leaving a nil net book value on the balance sheet. These assets however are still in operation.	Action owner: Scottish Road Works Commissioner
Rating		Due Date: January 2018
Grade 2	Recommendation The useful economic lives applied to all asset categories should be reviewed to ensure that they remain appropriate.	SRWC Depreciation Policy will be reviewed for 2017/18 accounts.
Paragraph ref		
43		

Action plan point	Issue & Recommendation	Management Comments
4. Long term financial planning	Observation The Commissioner develops a budget for long term financial planning in relation to the Scottish Road Works Register with a five year financial plan. However, the Commissioner does not prepare financial plans for the direct activities of the Office of the Scottish Road Works Commissioner due to the uncertainty over future funding allocations	Action owner: Scottish Road Works Commissioner
Rating		Due Date: March 2018
Grade 4	Recommendation In order to ensure financial sustainability the Commissioner should develop medium to long term financial plans on a 3 to 5 year basis for the Office of the Scottish Road Works Commissioner. This would assist the Commissioner in ensuring the work outside the register operation is sustainable.	Along similar lines to the current 5 Year budget plan for the SRWR, a 5 Year budget plan will be prepared and maintained for routine SRWC activities.
Paragraph ref		Whilst the vast majority of Grant in Aid is required to fund salaries and general office running costs, the financial plan will reflect costs such as replacing IT hardware, updating the office website, replacing the office car and other periodic costs.
54		The proposed plan will reflect a continued commitment by Transport Scotland to provide funding at least equivalent to the current level.

Recommendations from 2015/16 (as reported by Audit Scotland)

Issue & Recommendation	Management Comments	September 2017 update
<p>1. Financial capacity/ expertise</p> <p>There is currently no finance expertise within the organisation. Action should be taken to secure financial expertise to ensure effective financial management of the organisation and to ensure a resource is in place to undertake the accounts preparation going forward.</p> <p>Recommendation</p> <p>Appropriate financial expertise should be secured.</p>	<p>Ongoing accountancy support arranged prior to the departure of the previous Scottish Government secondment to provide continuity.</p> <p>External appointee also provides support to the Scottish Public Services Ombudsman, the children and Young People's Commissioner Scotland and the Commissioner for Ethical Standards in Public Life Scotland.</p> <p>Action owner: Scottish Road Works Commissioner</p> <p>Due Date: Completed</p>	<p>Action complete</p> <p>Audit update:</p> <p>The accounts were prepared by an externally appointed accountant with appropriate qualifications.</p>

Issue & Recommendation	Management Comments	September 2017 update
<p>2. Financial Planning</p> <p>A number of journal entries had been prepared by one officer and had not been approved or reviewed by a second officer. In addition, on occasion, there was limited evidence retained.</p> <p>Recommendation</p> <p>Procedures should be updated to reflect the need for second officer checks and that appropriate evidence is retained.</p>	<p>Process updated to ensure all journal entries are reviewed and approved by a second officer.</p> <p>Adequate evidence will also be retained.</p> <p>Action owner: Business Officer</p> <p>Due Date: Immediate</p>	<p>Action Outstanding</p> <p>Our review of the journals environment found the following issues with regard to the posting of journals:</p> <ul style="list-style-type: none"> • there is a lack of segregation of duties over the posting of journals. Journals are prepared and posted without any secondary review or authorisation; and • from our sample testing, four journals did not have supporting documentation and there was no documentation to show who had posted the journal. <p>Grade 4</p> <p>Recommendation</p> <p>While our audit review in respect of the 2016/17 financial year did not identify any indications of management override we recommend that a formal process is put in place for the preparation and posting of journals to the ledger.</p> <p>Management comments</p> <p>Going forward journals prepared and processed by the external accountant will be printed out for review by the Scottish Road Works Commissioner.</p> <p>Action owner: Scottish Road Works Commissioner</p> <p>Due date: immediate</p>

Issue & Recommendation	Management Comments	September 2017 update
<p>Funding agreement with Sponsor Department</p> <p>Limited evidence was held in support of the funding agreed with the sponsor department.</p> <p>Recommendation</p> <p>Funding decisions should be fully recorded and retained as evidence of allowable expenditure.</p>	<p>Sponsor department will be asked to provide formal evidence confirming the grant-in-aid each March prior to the year in question and evidence will be retained</p> <p>Action owner: Scottish Road Works Commissioner</p>	<p>Partially complete</p> <p>From our review of the 2016/17 grant-in-aid there was limited evidence provided by the sponsor department for the grant in aid. We have obtained alternative sources of evidence. We understand that this will be in place from 2017/18.</p>

Appendix 2: Respective responsibilities of SRWC and the Auditor

Responsibility for the preparation of the annual accounts

It is the responsibility of the Commissioner, as Accountable Officer, to prepare financial statements in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury and the accounts directions issued by Scottish Ministers.

In preparing the annual accounts, the Commissioner is responsible for:

- applying on a consistent basis the accounting policies and standards;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards as set out in the 2016/17 FReM have been followed and disclosing and explaining any material departures in the financial statements;
- preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Commissioner will continue to operate; and
- ensuring the regularity of expenditure and income.

The Commissioner is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual accounts and give an opinion on whether:

- the financial statements give a true and fair view in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers of the state of body's affairs as at 31 March 2017 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM;
- have been properly prepared in accordance with the requirements of the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers;
- in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- the auditable part of the Remuneration and Staff Report has been properly prepared in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers;
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers; and the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Transport (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

We are also required to report, if in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit.

Wider scope of audit

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.

The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money. The Code recognises that full application of its requirements may be impractical or inappropriate due to the nature or size of the audited body.

We have concluded that the full application is not appropriate due to the size of the organisation. As part of our annual audit we consider and report against:

- appropriateness of the disclosures in the governance statement; and
- financial sustainability of the body and the services that it delivers over the medium to longer term.

Independence

We are required by International Standards on Auditing to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that we have complied with the Ethical Standards. In our professional judgement the audit process has been independent and our objectivity has not been compromised. In particular, there have been no relationships between Scott-Moncrieff, the Commissioner or senior management that may reasonably be thought to bear on our objectivity and independence.



Scott-Moncrieff
business advisers and accountants

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