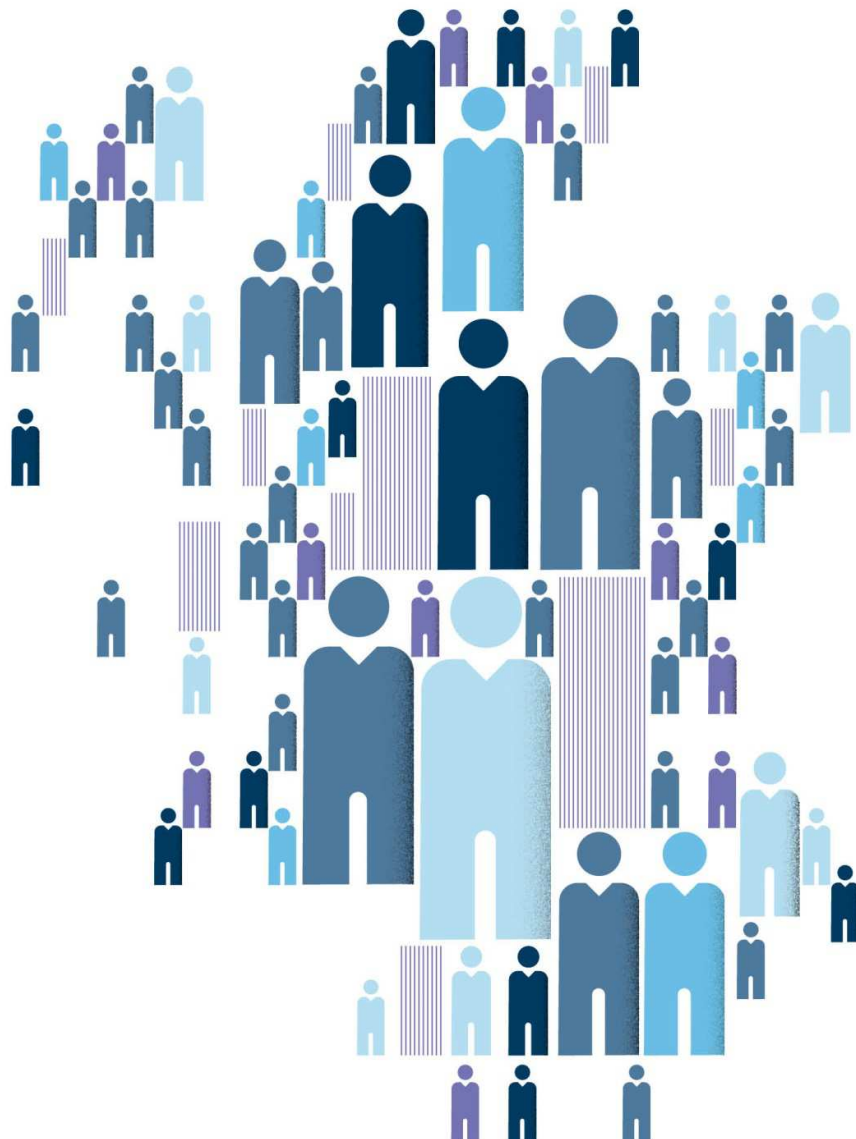


# Disclosure Scotland

External Audit Plan  
2018/19

February 2019





# Table of contents

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1. Introduction	<b>1</b>
2. Respective responsibilities of the auditor and Disclosure Scotland	<b>3</b>
3. Audit strategy	<b>7</b>
4. Annual report and accounts	<b>10</b>
5. Wider scope audit	<b>15</b>
6. Audit outputs, timetables and fees	<b>18</b>
7. Appendices	<b>21</b>



# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2018/19 external audit of Disclosure Scotland.
2. The core elements of our work include:
  - an audit of the 2018/19 annual report and accounts;
  - a review, where applicable, of Disclosure Scotland's arrangements for governance and transparency, financial management, financial sustainability and value for money;
  - any other work requested by Audit Scotland.

## Audit appointment

3. The Auditor General for Scotland is an independent Crown appointment, made on the recommendation of the Scottish Parliament. The Auditor General is independent and not subject to control of any member of the Scottish Government or the Parliament. The Auditor General is responsible for securing the audit of the Scottish Government and most public bodies, including central government bodies in Scotland, and reporting on their financial health and performance.
4. Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out her statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Auditor General has appointed Scott-Moncrieff as external auditor of Disclosure Scotland for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2018/19 and summarises:
  - the responsibilities of Scott-Moncrieff as the external auditor;
  - our audit strategy;
  - our planned audit work and how we will approach it;
  - our proposed audit outputs and timetable; and
  - background to Scott-Moncrieff and the audit team.

## Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit

process is independent and our objectivity has not been compromised in any way.

## Adding value through the audit

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

## Feedback

9. 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 the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).
10. While this plan is addressed to Disclosure Scotland, it will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# 2. Respective responsibilities of the auditor and Disclosure Scotland

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# Respective responsibilities of the auditor and Disclosure Scotland

## Auditor responsibilities

### Code of Audit Practice

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

### Our responsibilities

- Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 14). These are to:

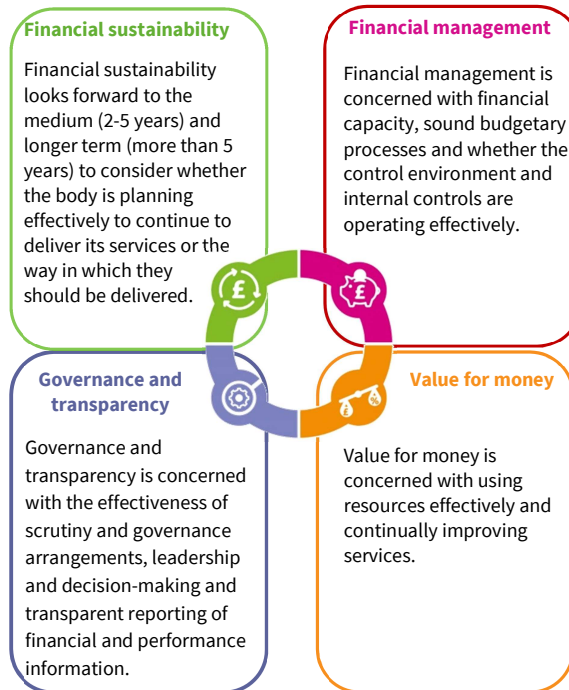
- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
- notify the Auditor General when circumstances indicate that a statutory report may be required
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
  - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;
  - suitability and effectiveness of corporate governance arrangements; and
  - financial position and arrangements for securing financial sustainability.

- 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

- The special accountabilities that attach to the conduct of public business, and the use of public money, mean

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



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 sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
- 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.
- Our assessment takes into account the size, nature and risks of Disclosure Scotland. Taking these factors into



consideration, we have concluded that application of the restricted wider scope is appropriate to Disclosure Scotland but we will also include audit work on identified significant risks as they relate to the wider scope dimensions. Further detail on our consideration, and the implications for our audit, can be found in Section 5: Wider scope audit.

## Disclosure Scotland's responsibilities

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

## Exhibit 2 – Disclosure Scotland's responsibilities

Area	Disclosure Scotland's responsibilities
<p><b>Financial statements:</b> Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>Disclosure Scotland has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures;</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;</li> <li>• maintaining proper accounting records; and</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.</li> </ul>
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil its functions in an affordable and sustainable manner.</p>	<p>Disclosure Scotland is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>



Area	Disclosure Scotland's responsibilities
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Disclosure Scotland is responsible for ensuring that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>Disclosure Scotland is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>Disclosure Scotland is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Governance and transparency:</b> Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Disclosure Scotland, through its chief executive (as accountable officer) is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p> <p>Disclosure Scotland is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>Accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>





# 3. Audit strategy

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# Audit strategy

## Risk-based audit approach

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

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

Discussions with senior officers	Our understanding of the central government sector and its key priorities and risks	Attendance at the Audit and Risk Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and other central government auditors	Discussions with internal audit and reviews of their plans and reports
Review of Disclosure Scotland's corporate strategies and plans	Review of Disclosure Scotland's corporate risk register	The outcomes of prior year audits

19. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

### Communications with those charged with governance

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

### Professional standards and guidance

21. 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

22. We will coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

### Audit Scotland

23. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with them throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

24. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review Disclosure Scotland's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which Disclosure Scotland uses the national performance reports as a means to help improve performance at the local level.

25. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

### Internal audit

26. Disclosure Scotland's internal audit function is provided by the Scottish Government's internal audit



department ("the IAD"). We are committed to avoiding duplication of audit effort and ensuring an efficient use of Disclosure Scotland'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 Disclosure Scotland is used efficiently and effectively.



# 4. Annual report and accounts

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## Annual report and accounts

### Introduction

27. Audited bodies' annual report and accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of Disclosure Scotland's annual report and accounts.
28. The annual report and accounts of Disclosure Scotland comprise the financial statements, the performance report and the accountability report.

### Approach to audit of the financial statements

29. Our opinion on the financial statements will be based on:

#### Risk-based audit planning

30. 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 financial statements will be based.

#### An audit of key systems and internal controls

31. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the financial statements
32. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and Disclosure Scotland's own policies and procedures.
33. We will take cognisance of any relevant internal audit reviews of systems and controls.
34. We will update the risk assessment following our evaluation of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

#### A final audit of the financial statements

35. During our final audit we will test and review the material amounts and disclosures in the financial statements. The extent of testing will be based on our risk assessment.

36. Our final audit will seek to provide reasonable assurance that the financial statements are free from material misstatement and comply with the HM Treasury Financial Reporting Manual 2018/19 (FRM) and give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder.
37. In order to provide assurance on the regularity of transactions, we also review whether, in all material respects, expenditure has been incurred and income applied in accordance with guidance issued by Scottish Ministers.

#### Independent auditor's report

38. Our opinion on whether the financial statements give a true and fair view of the financial position and its net expenditure and of the regularity of transactions will be set out in our independent auditor's report which will be included in the annual report and accounts.
39. We also provide an opinion on the audited part of the remuneration report, annual governance statement and performance report.

#### Materiality

40. 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 will review our assessment of materiality throughout our audit.
41. Our initial assessment of materiality for the financial statements is £585,000 (approximately 1.8% of Disclosure Scotland's 2018/19 gross expenditure forecast), which is considered one of the principal considerations for users of the financial statements when assessing financial performance. We will continue to review our assessment of materiality throughout our audit.
42. Performance materiality is the amount set by the auditor at 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 materiality for the financial statements as a whole.



43. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

- All material corrected misstatements;
- Uncorrected misstatements over £29,268; and
- Other misstatements below £29,268 that we believe warrant reporting on qualitative grounds.

	Area risk assessment		
	High	Medium	Low
Performance materiality	263	321	409

**Key audit risks in the financial statements**

45. Auditing standards require that we inform the Audit and Risk Committee of our assessment of the risk of material misstatement in the financial statements. 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 Risk Committee if our assessment changes significantly during the audit.

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

## Exhibit 3 – Key audit risks in the financial statements

### 1. Management override

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



46. In response to this risk we will review Disclosure Scotland’s accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation and amortisation rates.

### 2. 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 Disclosure Scotland could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.



47. We have identified that for Scottish Government 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 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.



### 3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

48. In response to this risk we will evaluate the significant expenditure streams at Disclosure Scotland (excluding payroll which we do not consider to be a significant audit risk area) and review the controls in place over accounting for expenditure. We will consider Disclosure Scotland’s key areas of expenditure and obtain evidence that the expenditure was recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

### 4. Classification of Transformation Project Expenditure

Disclosure Scotland’s IT transformation project has continued to progress significantly in 2018/19. It is therefore expected material costs will be incurred in year. Disclosure Scotland have adopted an agile approach to the project, therefore several project stages/milestones will be completed by the 31 March 2019. There is therefore a risk that expenditure is incorrectly classified between revenue and capital, which could result in a material misstatement in the financial statements.

49. In response to this risk we will review the status of the IT project as at 31 March 2019 to ensure appropriate capitalisation policies have been adopted in line with IAS 16. We will test a sample of project expenditure transactions, and obtain evidence that they have been classified appropriately as either revenue or capital expenditure. We will review the current accounting policy surrounding capitalisation of the IT transformation project.

### 5. New finance system

During 2018/19 Disclosure Scotland is transferring to a new finance system. It is anticipated that this financial system will be operational by 31 March 2019. There is a risk that transactions and balances recorded in the previous financial system are not transferred across to the new system correctly. Any error in the mitigation of data from the old system to the new system could result in a material misstatement to the financial statements.

50. In response to this risk we will perform testing to ensure all balances and transactions from the old finance system have been correctly transferred onto the new financial system.

## The performance report, accountability report and other information

51. The HM Treasury Government Financial Reporting Manual 2018/19 sets out the content required within the annual report and accounts. In addition to

presenting our opinions over the financial statements our independent auditor’s report will also present our opinion on other aspects of the annual report and accounts:



## Other information

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52. “Other information” in the annual report and accounts comprises any information other than the financial statements and our independent auditor’s report thereon. We do not express any form of assurance conclusion on the “other information” except as specifically stated below.
53. We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our independent auditor’s report.

57. Our independent auditor’s report will confirm whether in our opinion the governance statement and the audited part of the remuneration and staff report have been properly prepared and are consistent with the financial statements.

## The performance report

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54. The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It contains two sections:
- an overview of the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year; and
  - a detailed summary of how the entity measures its performance.
55. Our independent auditor’s report will confirm whether in our opinion the performance report has been properly prepared and is consistent with the financial statements.

## The accountability report

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56. The accountability report is required in order to meet key parliamentary accountability requirements. It has three sections:
- A corporate governance report (including a governance statement) explaining the composition and organisation of the entity’s governance structures and how they support the achievement of the entity’s objectives.
  - A remuneration and staff report setting out staff numbers and costs as well as the entity’s remuneration policy for directors and the remuneration awarded to directors.
  - A parliamentary accountability report disclosing the regularity of expenditure and other parliamentary accountability requirements.





# 5. Wider scope audit

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## Wider scope audit

### Introduction

58. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of Disclosure Scotland, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement;
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term; and
- Review of progress of Disclosure Scotland's Transformation project.

59. Our planned audit work against these areas is risk based and proportionate. Our initial assessment builds upon the understanding of Disclosure Scotland

which we developed from previous years, along with discussions with management and review of committee minutes and key strategy documents.

60. In 2018/19 we have also considered the following risk areas as they relate to Disclosure Scotland:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

61. At this stage of our audit planning process, we have identified two significant risks 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 4 summarises our wider scope audit work for 2018/19.

## Exhibit 4 – Wider Scope Significant Risks

### 1. Financial sustainability

In January 2018 English and Welsh basic disclosures were transferred from Disclosure Scotland to the Disclosure Barring Service (DBS). This realignment of responsibility has resulted in a significant reduction in basic disclosure income, has direct consequences for the operational model of Disclosure Scotland and for the future financial sustainability of the organisation. Additional pressure in 2018/19 has resulted from Disclosure Scotland taking the decision not to fully transition to the new transformation project IT system, which was expected to occur by the end of September 2018. As a result the existing BT contract was extended until September 2019, resulting in a forecast 2018/19 over-spend in BT payments as at 31 December 2018 of £3.077 million. The IT providers of the new system have agreed to contribute 50% of the additional costs until March 2019, and will continue to cover a proportion until September 2019.

Management's most recent financial projection for 2018/19 predicts a budgetary pressure as at 31 December 2018 of £12.823million, which is £3.164 million greater than the original forecast pressure at the start of the financial year. This has primarily arisen due to the IT system transition delay and BT contract extension. We understand that the forecast shortfall has been communicated to the Scottish Government, to be addressed by the Spring Budget Revision.

62. Disclosure Scotland is faced with significant financial pressure in 2018/19 and beyond. During our audit we will review Disclosure Scotland's short, medium and longer term financial plans and supporting financial models to determine the appropriateness and completeness of the plans and models prepared.




## 2. Transformation Project Arrangements

Disclosure Scotland is striving to transform the organisation and replace their outdated IT systems. Disclosure Scotland demonstrates continued commitment to continuous improvement through the transformation Project. Disclosure Scotland has made progress against this transformation project in 2018/19.

In September 2018 as a result of security and functionality concerns, Disclosure Scotland took the decision not to fully transition to the new transformation project IT system as originally planned. As a result Ministerial approval was obtained to extend the existing BT contract until September 2019, incurring significant additional costs.

The delay has resulted in Ministerial intervention and increased involvement by the Scottish Government. Although not formally agreed, it is expected that accountability, monitoring and reporting arrangements in relation to the transformation project will be impacted as a result. Discussions in relation to this matter are currently ongoing between Disclosure Scotland and the Scottish Government.

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63. During our audit we will closely monitor Disclosure Scotland's progress of the Transformation project. We will conduct a review of current governance arrangements surrounding Disclosure Scotland's Transformation Project. We will consider the impact of Ministerial intervention in relation to the continuation of Disclosure Scotland's Transformation Project moving forward, and review the prospective robustness of monitoring, reporting and accountability arrangements. We will also continue to monitor Disclosure Scotland's progress against the transformation projects key objectives and milestones, and review evidence which demonstrates the achievement of value for money in the use of Disclosure Scotland's resources.



# 6. Audit outputs, timetables and fees

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## Audit outputs, timetable and fees

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

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2018/19.	February 2019
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the regularity of transactions and the audited part of the remuneration report, annual governance statement and performance report.	August 2019
Annual Report to Disclosure Scotland and the Auditor General for Scotland	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	August 2019

### Audit outputs

64. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
65. 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.

above the expected fee level to reflect the circumstances and local risks within the body.

69. For 2018/19 we propose setting the audit fee at 10% above the Audit Scotland expected level to account for the degree of transformation change to be considered as part of the wider scope audit, and the introduction of a new finance system. The total expected audit fee of £43,076 is increased in line with Audit Scotland fee guidance.

### Audit fee

66. 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.
67. Audit Scotland is not empowered to levy charges on Disclosure Scotland and the costs of auditing Disclosure Scotland is met from Parliamentary funding. Although Disclosure Scotland is not required to meet the resulting cash cost of the audit fee, it is required to disclose notional audit fees in the financial statements. This will count against budget cover and reflect, among other things, the standard of governance and control perceived to be in place in the body.
68. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied

70. The audit fee reflects the level of work we consider required in response to the key audit risks raised within this audit plan.

	2018/19	2017/18
Auditor remuneration	£33,644	£31,600
Pooled costs	£7,660	£7,180
Audit support costs	£1,730	£1,620
<b>Total expected fee</b>	<b>£43,076</b>	<b>£40,400</b>

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

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

<b>JAN 19</b>	●	Planning meetings to inform the 2018/19 audit
<b>FEB 19</b>	●	Presentation of External Audit Plan to the Audit and Risk Committee
<b>FEB 19</b>	●	Interim planning visit to inform the 2018/19 audit
<b>JUN 19</b>	●	Accounts presented for audit and final audit visit begins
<b>AUG 19</b>	●	Annual audit report presented to Audit and Risk Committee and submitted to the Auditor General for Scotland



# 7. Appendices

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## Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 16 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network. We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Semple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

### Your audit management team



#### Gary Devlin

##### Audit Partner

[Gary.devlin@scott-moncrieff.com](mailto:Gary.devlin@scott-moncrieff.com)

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



#### Georgina Philp

##### Audit Manager

[Georgina.philp@scott-moncrieff.com](mailto:Georgina.philp@scott-moncrieff.com)

Georgina is a manager within our Public Sector Practise and has over 7 years of experience delivering public sector audits.

Georgina will support Gary in the delivery of this audit and be a key point of contact in addressing technical matters.





## 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.

We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Scott-Moncrieff and Disclosure Scotland, its Advisory Board 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 Disclosure Scotland and Scott-Moncrieff.

### Annual report and accounts

We will require the annual report and accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant Disclosure Scotland staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit. We will issue a financial statements strategy which sets out roles, responsibilities and expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

### Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for Disclosure Scotland's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from Disclosure Scotland during the course of the audit on matters having a material effect on the financial statements. This will take place by means of a letter of representation, which will require to be signed by the Chief Executive.

### Internal audit

It is the responsibility of Disclosure Scotland to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

### Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

### Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

### Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

### Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Gary Devlin. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

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

### Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work. 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 Risk 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.

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