

AUDIT SCOTLAND

AUDIT MANAGEMENT LETTER FOR THE YEAR ENDED 31 MARCH 2016

Report Date:

7 June 2016





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MANAGEMENT LETTER FOR THE YEAR ENDED 31 MARCH 2016

1. INTRODUCTION

- 1.1 As the external auditor of Audit Scotland, we are required by legislation to report to the Scottish Commission for Public Audit (the 'Commission') our findings from the annual audit of the accounts of Audit Scotland.
- 1.2 The purpose of this report is to summarise for the Commission the key issues arising from our audit of the Accounts for the year ended 31 March 2016 and report any material weaknesses in the accounting and internal controls that have come to our attention during the audit.
- 1.3 A copy of this letter was sent to Audit Scotland's management team and the Audit Committee for review prior to submission of the report to the Commission.

2. AUDIT OBJECTIVES

- 2.1 The main objective of the audit is to form an opinion as to whether the Accounts of Audit Scotland give a true and fair view of the state of affairs of Audit Scotland at 31 March 2016 and of its net resource outturn for the year, and confirm that the Accounts are prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish Ministers.
- 2.2 As part of our audit we carry out the following work:
- Examine, on a test basis, evidence relevant to the amounts and disclosures in the Accounts.
 - Assess any significant estimates and judgements made by Audit Scotland in the preparation of the Accounts.
 - Assess whether the accounting policies are appropriate to Audit Scotland's circumstances, consistently applied and adequately disclosed.
 - Evaluate the overall adequacy of the presentation of information in the Accounts to ensure compliance with the Financial Reporting Manual (FReM).
 - Report to you our opinion as to whether the Accounts give a true and fair view and are properly prepared in accordance with relevant legislation.
 - Report to you as to whether the information contained within the Performance Report, Accountability Report and Directors' Report is consistent with the Accounts.
 - Consider whether based on our audit testing the expenditure has been incurred and the receipts have been applied in accordance with section 22(1)(a) and (b) of the Public Finance and Accountability (Scotland) Act 2000.



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2. AUDIT OBJECTIVES (Continued)

2.3 Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Board of Audit Scotland who should not rely wholly on the external audit function to discharge these responsibilities. We noted no incidents of misconduct, fraud or irregularity during the course of our audit.

3. ETHICAL ISSUES

3.1 The Audit Plan for the period ended 31 March 2016 stated that under APB Ethical Standards there were no ethical issues that we were required to inform the Audit Committee of Audit Scotland or the Commission.

3.2 We can confirm that as far as we are aware there are no changes to these matters and that no issues arose affecting objectivity and independence of the audit team.

4. INTERNAL AUDIT

4.1 As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland and held bi-annual meetings with Audit Scotland's Internal Auditors.

4.2 Having an effective working relationship with the Internal Auditors has helped us to gain a greater understanding of Audit Scotland and its control environment.

5. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

5.1 We have reviewed the significant accounting estimates and policies within the accounts. We are satisfied that they are reasonable and appropriate.

6. OTHER AUDIT MATTERS

6.1 The audit has followed the approach set out within the Audit Plan for 2015/2016.

6.2 We have reviewed Audit Scotland's work in progress and are satisfied that the balance is not materially misstated.

6.3 We have reviewed supporting documentation and assumptions in respect of the dilapidations provision and are satisfied that the provision is not materially misstated.



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- 6.4 We have reviewed supporting documentation and calculations within the actuarial report in relation to the net funded pension liability, including a review of assumptions underlying the actuarial reports, and are satisfied that the liability is not materially misstated.
- 6.5 Our audit work was planned and carried out to consider the risks of managerial override of controls and risk of misstatement of revenue recognition as required by International Auditing Standards. No issues arose from this work affecting either the accounts or our audit opinion.
- 6.6 During our audit we have considered Audit Scotland's assessment that the organisation is a going concern. Based on discussions with the Management team, review of budgets and as there is no expectation that funding will be withdrawn, we are satisfied that the organisation's assessment is appropriate.

7. AUDIT OPINION

- 7.1 Based on our detailed audit work which is carried out in accordance with International Standards on Auditing we have been able to satisfy ourselves that the Accounts provide a True and Fair view of Audit Scotland's affairs and have therefore issued an unqualified audit opinion on the Accounts.

8. INTERNAL CONTROLS

- 8.1 Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with the Accountable Officer.
- 8.2 In accordance with International Standards on Auditing (UK & Ireland) we write to the Commission where we identify matters which arose during the course of our audit which we consider should be brought to the attention of the Commission.
- 8.3 For the year ended 31 March 2016, we confirm that no matters arose that require to be brought to the attention of the Commission.



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9. FURTHER INFORMATION

9.1 If you require any further information regarding any of the issues outlined in this Management Letter please contact the Partner or the Senior Manager who will be pleased to assist you:

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Partner	Steven Cunningham	0141 204 8989	steven.cunningham@alexandersloan.co.uk
Senior Manager	David Jeffcoat	0131 228 7979	david.jeffcoat@alexandersloan.co.uk

Alexander Sloan
Chartered Accountants
& Statutory Auditors

7 June 2016