

Dear Mr Lamond

Introduction

Audit Scotland is a statutory body set up under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission for Scotland check that organisations spending public money use it properly, efficiently and effectively (<http://www.audit-scotland.gov.uk/about-us/audit-scotland>).

Audit appointments are made by the Accounts Commission and the Auditor General for a five year term. They are made either to Audit Scotland or to private firms of accountants. Audit Scotland will be your appointed auditor from 2016/17 to 2020/21.

In July 2016 Fiona Kordiak, Director of Audit Services, contacted you to share information about Audit Scotland, the principles that guide our work, and the senior management team appointed to carry out the audit of East Lothian Council. In that communication she agreed to provide further information on the wider audit team and our audit approach, meetings and timescales for reporting. I can now share that information with you, as follows.

Appointed auditors responsibilities

Auditor responsibilities are set out in the [Code of Audit Practice](#) which takes account of the statutory requirements, International Standards on Auditing (UK and Ireland) and professional requirements.

Building relationships and adding value

Whilst the foundation of our work is providing independent assurance about governance, financial management and performance we also look to add value by providing independent, evidence-based recommendations. We analyse strategic issues across the public sector so our audits can support continuous improvement.

At the outset of the audit appointment we will meet with relevant key officers to discuss your expectations from the audit and how we can add value through our approach. We will endeavour to maintain these constructive discussions throughout the audit appointment.

Maintaining open and constructive relationships will help us deliver an effective 'no surprises' audit through establishing a good understanding of the environment in which you operate, your objectives and the challenges you face.

Your local audit team will also act as a link to other parts of Audit Scotland and would be happy to arrange briefings on any of the national reports we publish.

The external audit team

The core audit team consists of the following staff and will be supported at peak times with additional resources to ensure key reporting deadlines are met:



Gillian Woolman

Assistant Director

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Engagement lead established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

Gillian took up post as Assistant Director in 2001. Gillian trained with the private sector and worked overseas for five years before joining the NHS as a Chief Internal Auditor. Gillian has extensive experience of public sector audit in local government, central government and the NHS. Gillian is a member of LASAAC and chair of the regional strategic board of the ICAEW.



Esther Scoburgh

Audit Manager

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Overall control of the delivery and quality of the audit including audit engagement and ensuring audit is properly planned, resourced and concluded within time.

Esther has over 16 years public sector audit experience in Scotland and has audited and managed a variety of organisations from health boards, local authorities, NDPBs, the Scottish Government and the Scottish Police Authority. Esther trained for her CIPFA qualification with Audit Scotland and prior to this Esther was a tax auditor in Canada.



Carol Foster

Senior Auditor

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Lead the audit team including being the main client contact for the audit of the financial statements and governance.

Carol has 11 years experience of public sector audit with Audit Scotland, covering local government and central government. Prior to this, she spent 9 years in an internal audit role in a Scottish local authority. Carol trained in a private sector accountancy practice before moving to the public sector.

Audit approach

Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of East Lothian Council. We also consider the key audit risks and challenges in the local government sector, this includes:

- understanding the business of East Lothian Council and the risk exposure which could impact on the financial statements
- assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how East Lothian Council will include these in the financial statements
- assessing and addressing the risk of material misstatement in the financial statements
- determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.

We also consider and document the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements.

In addition to the financial statements audit the Code of Audit Practice requires us to conclude on the four dimensions of the wider scope of public sector audit: Financial sustainability, financial management, governance and transparency and value for money. The conclusions reached contribute to an overall assessment and assurance on Best Value by assessing whether the audited body is demonstrating it is securing Best Value through continuous improvement.

Audit reporting and outputs

Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy. A copy of all final agreed reports will be made available to an agreed circulation list.

Over the course of an audit year we will issue a number of audit outputs in line with the Code of Audit Practice. These will include:



- Annual audit plan – summarises the annual plan of audit work based on an assessment of risk.
- Independent auditor’s report – provides the appointed auditor’s opinion on East Lothian Council financial statements and other prescribed matters.
- Annual audit report – summarises the findings arising from the annual audit of East Lothian Council and recommendations to address any high level risks identified.

In addition to these mandatory outputs, the following optional outputs may be issued during the course of the audit:

- Interim report
- Certification of relevant grant claims
- Any additional reports to management as deemed necessary during the course of the audit.

In the interests of transparency all our audit reports will be published on the Audit Scotland website www.audit-scotland.gov.uk.

Key timescales

An indicative timetable for the 2016/17 audit is included at Exhibit 1 below. We are happy to discuss this timetable in further detail and will try and accommodate any suggested changes you may have.



Exhibit 1: 2016/17 audit – indicative timetable



Key stage



Date

Key stage	Date
Audit planning	November 2016 – January 2017
Issue annual audit plan	February 2017
Testing internal control systems and transactions	February 2017 – March 2017
Issue interim report	May 2017
Latest submission date of unaudited financial statements with working papers package	30 June 2017
Financial statements audit fieldwork	July 2017 – September 2017
Agreement of audited financial statements, and issue of Annual audit report	September 2017
Independent auditor’s report signed	September 2017

Audit team accommodation and access to IT systems

As Audit Scotland are newly appointed auditors for East Lothian Council we feel it is important, in the first year of the appointment, for the audit team to be conducting work onsite more regularly as it helps establish good working relationships and to increase our knowledge of your organisation.

In order for the fieldwork to be carried out, it will be necessary for our audit team, whilst onsite, to have access to workstations and, potentially, relevant IT systems. It may also be necessary for them to be able to access the Audit Scotland network. We would also like to confirm that our staff would be covered by your health and safety arrangements whilst onsite.

There are a number of options to facilitate our onsite work and it would be helpful if we could be provided with the contact details of the most appropriate person within East Lothian Council to discuss this with.

Quality

Audit Scotland's vision is "To be a world class audit organisation that improves the use of public money". High quality audit work is fundamental to achieving this vision and we apply the same quality principles to all audit work we undertake. This commitment to quality has been formalised through the adoption of a Corporate Quality Framework, the principles of which apply equally to all of our work and all of our staff.

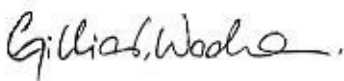
Handover arrangements

We have developed guidance to support auditors in achieving an efficient audit handover that minimises disruption to audited bodies.

In addition to the meetings between incoming and outgoing audit teams, early priority is for the new audit team to engage with key client contacts to exchange information.

We look forward to working with you over the next five years. In the meantime, should you wish to discuss matters further please do not hesitate to contact me.

Yours sincerely



Gillian Woolman, Appointed Auditor