

AUDIT SCOTLAND

AUDIT MANAGEMENT LETTER FOR THE YEAR ENDED 31 MARCH 2012

Report Date:

12 June 2012





AUDIT SCOTLAND

MANAGEMENT LETTER FOR THE YEAR ENDED 31 MARCH 2012

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 financial statements 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 Financial Statements for the year ended 31 March 2012 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 Financial Statements of Audit Scotland give a true and fair view of the state of affairs of Audit Scotland at 31 March 2012 and of its net resource outturn for the year, and confirm that the Financial Statements 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 Financial Statements.
 - Assess any significant estimates and judgements made by Audit Scotland in the preparation of the Financial Statements.
 - 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 Financial Statements to ensure compliance with the Financial Reporting Manual (FReM).
 - Report to you our opinion as to whether the Financial Statements 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 Foreword and the Management Commentary is consistent with the Financial Statements.
 - 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.
- 2.3 Our audit methodology adopts a risk-based approach in accordance with International Auditing Standards (UK & Ireland).



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2. AUDIT OBJECTIVES (Continued)

2.4 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. INTERNAL AUDIT

3.1 As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland. This has assisted us gain a greater understanding of Audit Scotland and its control environment.

3.2 We have arranged bi-annual meetings with Audit Scotland's Internal Auditors and made further arrangements to ensure a positive working relationship with Internal Audit.

4. CHANGES TO ACCOUNTS AND SIGNIFICANT MATTERS

4.1 The financial statements of Audit Scotland follow the same format as in the previous year.

4.2 The financial results for the year ended 31 March 2012 include the effects of a £1.493 million fee rebate.

4.3 The accounts for the year ended 31 March 2012 include provision for Audit Scotland's Voluntary Early Release Arrangement (VERA) scheme and for dilapidation costs. We have reviewed the supporting information for these provisions and are satisfied that the provisions are not materially misstated.

4.4 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.

5. AUDIT OPINION

5.1 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 Financial Statements provide a True and Fair view of Audit Scotland's affairs and have therefore issued an unqualified audit opinion on the Financial Statements.



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6. INTERNAL CONTROLS

- 6.1 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.
- 6.2 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.
- 6.3 For the year ended 31 March 2012 we can confirm that no matters arose that require to be brought to the attention of the Commission.

7. FUTURE ISSUES

- 7.1 There are no significant future issues to which we should draw your attention.

8. FURTHER INFORMATION

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

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Alexander Sloan
Chartered Accountants
& Statutory Auditors

12 June 2012