

Cairngorms National Park Authority (CNPA)

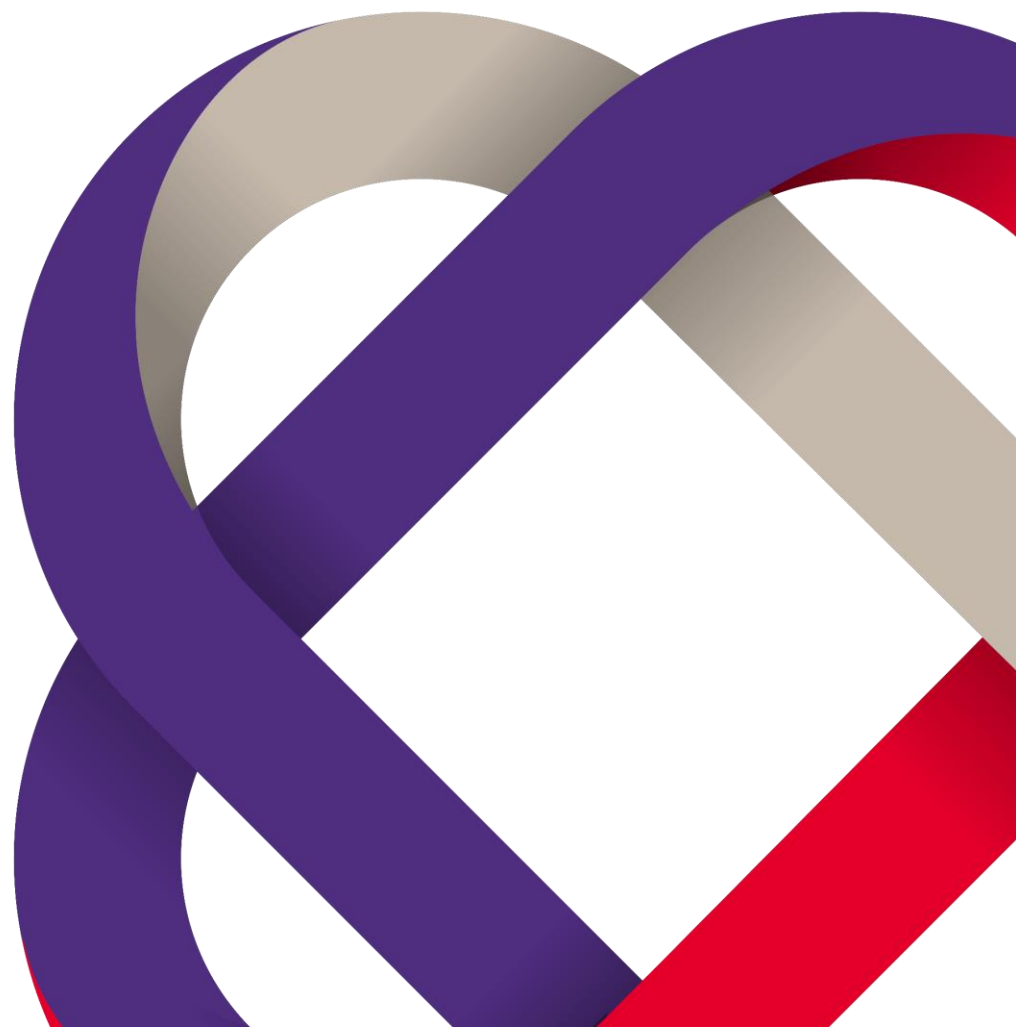
**External Audit Plan for the financial year ending
31 March 2021**

DRAFT Audit Plan for discussion at the Audit and Risk
Committee on 3 February 2021

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Our audit at a glance



Performance materiality is set at 75% of overall materiality. This is consistent with the prior year reflecting our audit knowledge and understanding with no material adjustments in the prior year.



Our audit planning materiality for Cairngorms National Park Authority (CNPA) is set at £170,300, being approximately 2% of gross expenditure based on your 2019/20 financial statements. This is based on our assessment of what misstatement either individually or in aggregate could be significant as to be misleading to the users of financial statements. Our materiality benchmark is operating expenditure, that we consider a suitable benchmark for public entities. We will apply a lower materiality threshold on review of the Remuneration and Staff report to ensure that remuneration has been disclosed within appropriate bandings (being £1,000). We will revisit our materiality throughout our audit including updating to reflect the unaudited financial statements.



Our audit is undertaken in accordance with the Audit Scotland Code of Audit Practice and reflects the wider scope of public audit. In accordance with Audit Scotland guidance, we consider CNPA to be a smaller body for the purposes of wider scope responsibilities. Therefore the focus of our audit work will be on financial sustainability and governance statement disclosures.



Significant audit risks are: management override of controls; the risk of fraud in revenue recognition; and, the risk of fraud in expenditure recognition as set out in Financial Reporting Council's (FRC) Practice Note 10; and the impact of Covid-19.

An audit
underpinned by
quality and adding
value to you



At the planning stage we have identified no other areas of particular audit risk. [Once our planning procedures are complete we will finalise our audit plan and submit to CNPA and Audit Scotland]. We will continue to review audit risk throughout the year in order to be able to detect and respond to any particular areas of other audit risk which may arise.

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Overarching principles of our audit

Our audit is risk based and undertaken in accordance with the International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016 ('the Code'). Our overall objective is a effective, quality-focused external audit which adds value through wider insights and challenge. Our audit foundations are:

- ✓ professional scepticism
- ✓ a focus on audit risks and key areas of management judgement
- ✓ delivering a quality audit through our experienced public sector audit team, use of data analytics to focus our audit and understanding of the organisation
- ✓ clear and upfront communications, with regular communication during the year
- ✓ reporting with focused actions which will support you in improving your controls/operations

External Audit plan

Due to the impact of the Covid-19, Audit Scotland planning guidance was not issued until November 2020, later than previous years. Similarly, our audit planning procedures have been delayed. We have therefore produced a draft plan for discussion at the Audit and Risk Committee on 3 February 2021. We will look to finalise our planning activity over the coming weeks, including incorporating comments from the Audit Committee as well as wider planning discussions with Management. Our final audit plan will subsequently be issued to CNPA and Audit Scotland by 31 March, in accordance with Audit Scotland planning guidance.

The External Audit Plan summarises our responsibilities in accordance with ISAs and the Code:

- Respective responsibilities
- Our audit process and timeline
- Materiality
- Our risk based audit approach to the audit of the financial statement
- Our wider scope responsibilities as applicable to smaller bodies covering financial sustainability and the annual governance statement.

Continuous improvement and adding value

Our aim is to add value to CNPA through our external audit work. This will be delivered through delivering a high-quality audit. Specifically, for CNPA we will also undertake the following arrangements:

Continuous learning and development: We have discussed with Management opportunities to develop our audit approach to ensure we deliver an efficient and effective audit approach. This will look to build on our experiences in the prior year, with the expectation that the audit will be delivered remotely. We will have further discussions with the finance team to discuss the financial statements and the supporting information we will require during our audit.

Robust and effective audit methodology: Our ISA compliant audit methodology is tailored to focus audit resource on significant risk areas and key estimates and judgements.

Audit appointment

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 CNPA, and reporting on their financial health and performance.

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.

The Auditor General has appointed Grant Thornton UK LLP as external auditor of Cairngorms National Park Authority. Our appointment commenced in 2016/17 and during 2019/20 the initial five year appointment was extended by a further year period to 2020/21.

Our team

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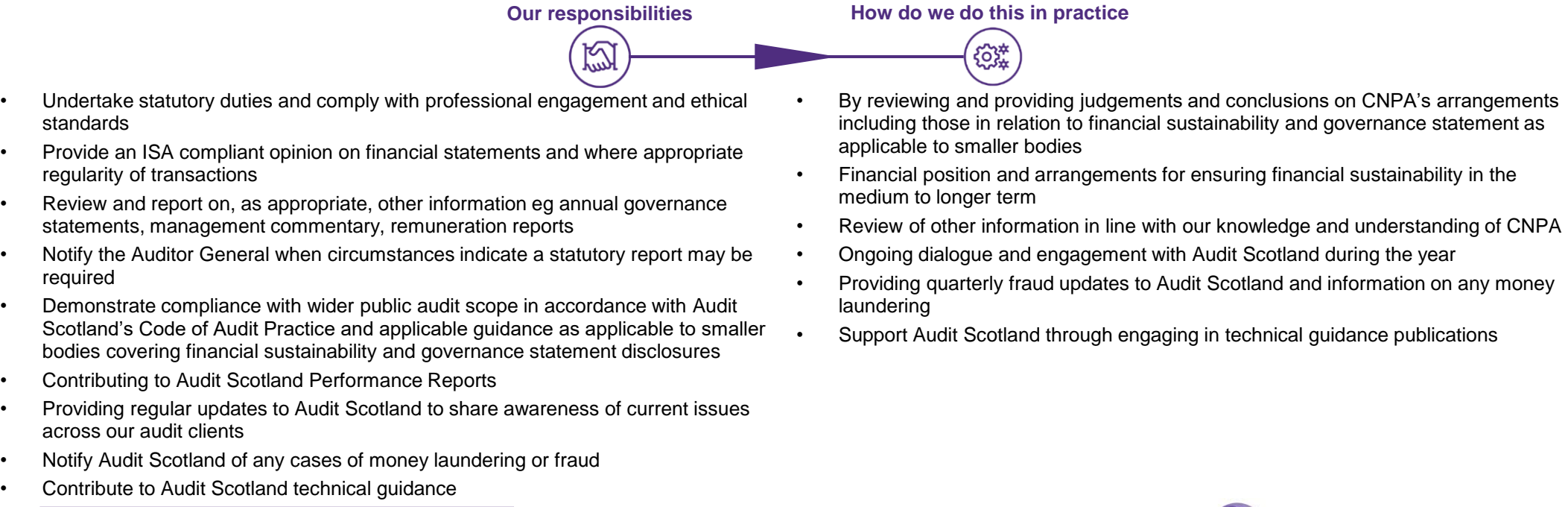
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The audit will be supported by a team of qualified and part qualified accountants from our public sector audit team. Where required we will use other audit experts, including Public Sector technical accounting team to support our audit.

Respective responsibilities

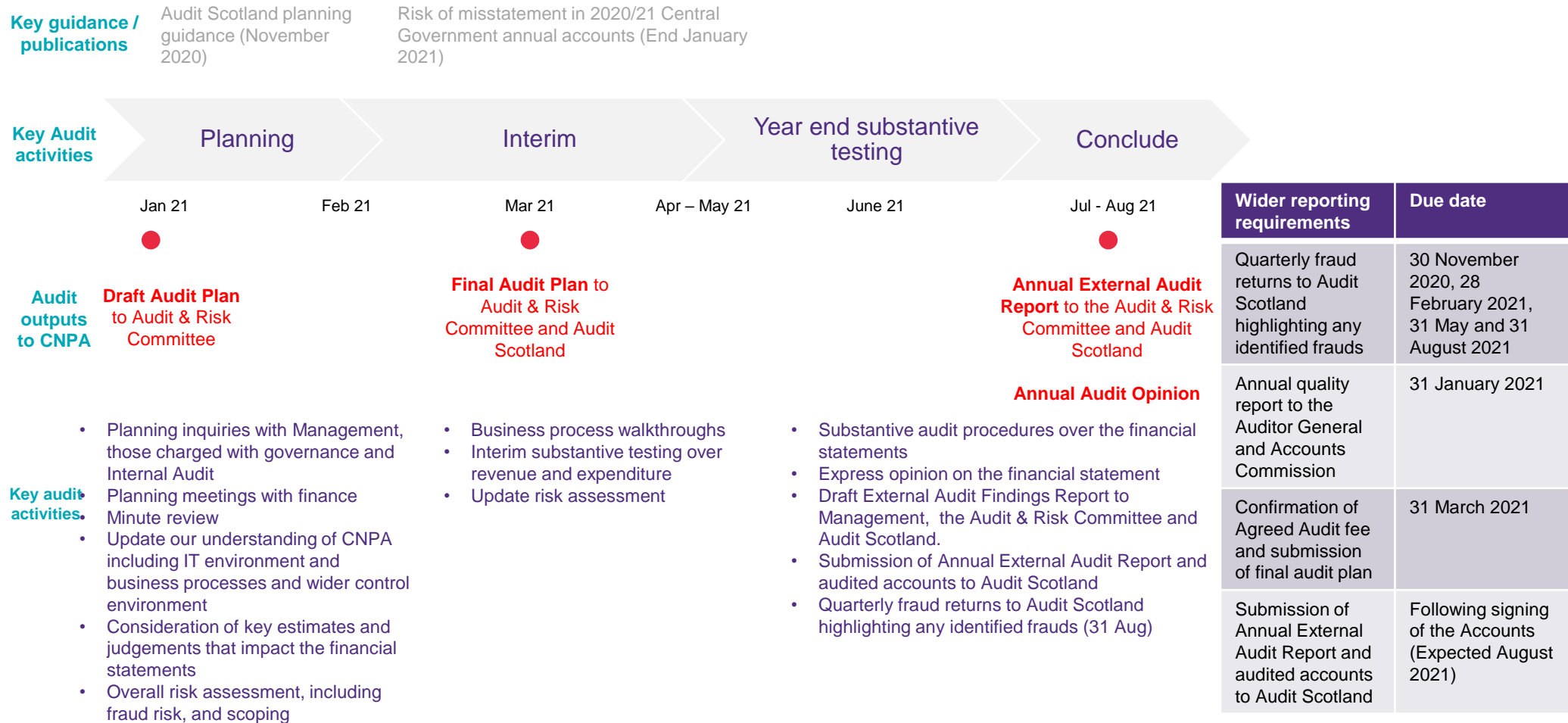
As set out in the Code of Audit Practice there are a number of key responsibilities you as an organisation are responsible for, and others, as appointed auditors we are responsible for. These are summarised below:

| Area | Accountable Officer and CNPA's Responsibilities |
|----------------------|--|
| Corporate governance | <ul style="list-style-type: none"> Establishing arrangements for proper conduct of its affairs Legality of activities and transactions Monitoring adequacy and effectiveness of arrangements (inc role of those charged with governance) |
| Financial statements | <ul style="list-style-type: none"> Preparing financial statements which give a true and fair view of their financial position Maintaining accounting records and working papers Putting in place systems of Internal Control and maintaining proper accounting records Preparing and publishing an annual governance statement, management commentary and remuneration report Effective systems of internal control as well as financial, operational and compliance controls – supporting achievement of objectives and secure value for money |
| Financial position | <ul style="list-style-type: none"> Proper arrangements to ensure financial position is soundly based and responsibility to ensure arrangements secure Value for Money |
| Fraud and error | <ul style="list-style-type: none"> Establishing appropriate arrangements for prevention and detection of fraud, error, irregularities, bribery and corruption and affairs are properly managed |



Audit process and timeline **DRAFT**

Our planned audit timeline is detailed below. In accordance with the Code of Audit Practice and Audit Scotland Planning Guidance, we are required to undertake and report on a range of areas. The diagram below summarises our planned audit timetable for 2020/21, and output both to CNPA and Audit Scotland.



Throughout the audit process there will be continuous communication and engagement. We will also continue to engage with Audit Scotland to ensure they are aware of any current or emerging issues at CNPA

Materiality



We undertake your audit in accordance with International Standards on Auditing (UK) (ISAs) and the Audit Scotland Code of Audit Practice (May 2016). On an annual basis we are required to give an opinion as to whether the Financial Statements:

- give a true and fair view
- have been properly prepared in accordance with relevant legislation and standards
- audited parts of the remuneration and staff report have been prepared in accordance with the guidance
- regularity of expenditure and income
- the wider information contained in the financial statements e.g. Accountability Report; Directors Report and Governance Statement is consistent with our audit knowledge and the financial statements

Basis for materiality

We determine financial statement materiality based on a proportion of the total operating expenditure. This approach is consistent with our prior year materiality determination. We have determined CNPA's materiality to be **£170,300**, which equates to approximately **2%** of your 2019/20 total operating expenditure for the year.

Performance materiality

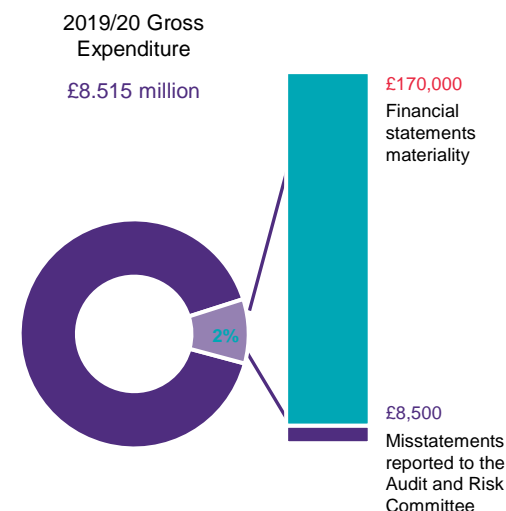
Performance materiality represents the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceed materiality. Based on our audit experience we have retained this for 2020/21 at **75%**, being **£127,725**. Performance materiality determines those accounts which testing will be undertaken on and the level of sample testing performed where applicable. Performance materiality is set at 75% of overall materiality. This is consistent with the prior year reflecting our audit knowledge and understanding with no material adjustments in the prior year.

Our materiality reflects our professional judgement of the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We will apply a lower materiality threshold on review of the Remuneration and Staff report to ensure that remuneration has been disclosed within appropriate bandings (being **£1,000** for lowest disclosed bandings (Pension Entitlement) under the FReM).

We will update our materiality based on the unaudited 2020/21 financial statements. During the course of our audit engagement, we will continue to assess the appropriateness of our materiality.

Reporting to those charged with governance

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are required by auditing standards to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. We have determined this threshold to be **£8,500**, being 5% of materiality.



A risk based audit methodology

| | | | |
|--|--|---|---|
| <p>A core part of audit planning is understanding CNPA and the wider environment in which it operates. This is our fourth year as the external auditors of the Board appointed under the Audit Scotland framework. Through our audit planning procedures we consider a range of factors to assess the risk of material misstatement to the financial statements. Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Our risk assessment includes the following:</p> | | | |
| Consideration of critical accounting estimates including accruals and accounting for Investment in the National Parks Partnership LLP (fully impaired) and recognition of LEADER project income. | Assessment of inherent risk factors including changes in the organisation's activities and environment | Understanding of entity level controls and the control environment, including IT controls | Financial and operational performance during the year, including pressures in delivering outcomes while operating within financial resources limits |

| Identified Significant risks |
|--|
| <ul style="list-style-type: none"> Risk of fraud in expenditure recognition Management override of controls Risk of fraud in revenue recognition Covid-19 impact on the financial statements |
| <p>We continue to assess the risk of material misstatement and our response to these risks throughout our audit. Within our Annual Audit Report we will report to you the conclusions from our audit procedures over these risks, including any further risks identified or changes to our planned audit response.</p> |

International Financial Reporting Standards 16: Leases (IFRS 16)

IFRS 16 was effective for accounting periods beginning on or after 1 January 2019. The standard was due to be adopted within the FReM in 2020/21. However, due to the pressures associated with Covid-19, HM Treasury and the Financial Reporting Advisory Board (FRAB) agreed to defer IFRS 16 implementation in the public sector to 21 April 2022. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces the previous standard IAS 17. IFRS 16 introduces a single lessee accounting model aimed at providing a fairer representation of a lessee's assets and liabilities and disclosures around these. Under IFRS 16, the lessees' recognises assets and liabilities with a term of more than 12 months, unless the underlying asset is of low value. In practice, this is likely to result in lease or lease type arrangements associated assets and liabilities being recognised in the financial statements of the lessee, where these may have previously been treated as operating leases where there was no asset or liability recognised and only an annual lease charge through expenditure.

During 2020/21 we will review the progress made by CNPA in evaluating the potential implications on adoption of the new accounting standard. This will be reflected in the 2022/23 financial statements. We will consider the disclosures in the 2020/21 financial statements in relation to the anticipated impact of the new standard.

Significant financial statement risks **DRAFT**

Understanding and its environment

CNPA's primary source of revenue is core revenue funding from the Scottish Government. CNPA has budgeted for grant-in-aid funding of £5.079 million. The allocation includes additional funding to support the organisation manage the impact of Covid-19 on CNPA's services. Alongside grant-in-aid funding, CNPA predominantly generates revenue through its operational plan activities including grant funding arrangements where the funding is designed to offset costs incurred in delivering projects such as the LEADER programme. In managing the potential reduction in operating activity as a result of the pandemic, the Authority has agreed extensions to the delivery timetables and funding periods covered through its main grant funding schemes including LEADER and the National Lottery Heritage Fund. It will be important that the Authority ensures that it maintains close monitoring of operating expenditure to ensure that the organisation continues to operate within available resources.

Over the medium to longer term the Authority recognises the changing strategic context for the National Park Authority and in particular the transition to delivering the priorities set out in the new National Park Partnership Plan as well as relevant Scottish Government priorities. With the uncertainty surrounding the economic impact of Covid-19 along with the medium to longer term implications of EU withdrawal particularly on future project funding, it will be important that the organisation continues to assess its medium to longer term financial projections, ensuring that it has sufficient resources to continue to sustain operational performance and the delivery of CNPA's strategic objectives.

| Risk area | Areas of focus | Description of risk |
|---|---|--|
| Risk of fraud in expenditure recognition | Other Expenditure (at the year end) (Completeness) Payables (Completeness, Valuation) | Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. In addition, depreciation represents the allocation of the cost of an asset over its useful economic life. These costs are well forecast and stable based on assets useful economic lives and therefore not considered at risk of material misstatement. We therefore focus on non-pay expenditure including operational plan expenditure and other operating costs , excluding depreciation. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure. |

Audit Response

- Walkthroughs of the controls and procedures over **operational plan expenditure** and **other operating costs**, particularly those controls in place around the year end to ensure expenditure recorded in the financial year is complete;
- Perform substantive sample testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement;
- Testing post year end bank statements and review of minutes to identify any potential unrecorded liabilities; and
- Reviewing accruals and deferred income around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimate.

Significant financial statement risks

| Risk area | Areas of focus | Description of risk |
|---|--|---|
| Risk of fraud in revenue recognition | Income from Contracts (at the year end) (Occurrence, Completeness) Receivables (Existence, Completeness) | <p>As set out in ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In 2019/20, CNPA received £4.87 million in revenue funding from the Scottish Government (resource DEL (cash and non-cash)). While material, we consider this funding to be well forecast and directly agreed to Scottish Government funding letter and draw down. We therefore consider the opportunity and incentive to manipulate this funding as low and rebut the presumed risk around revenue recognition over revenue resource allocation. We therefore consider the risk of fraud in revenue recognition to be present in material revenue streams recognised within contract income, being operational plan income and other income.</p> <p>As financial performance targets are primarily set for year end outturn position, including financial performance against the Scottish Government funding, we therefore consider the risk is prominent around year end revenue transactions and receivable balances. In the context of medium term financial pressures facing the organisation, there is an incentive for both over and understatement of revenue either to support the delivery of in year performance targets or to support next years. Consequently, at our planning stage we attach the risk to both occurrence and completeness of revenue. We will continue to assess this throughout the year.</p> |

Audit Response

- Walkthroughs of the controls and procedures over **operational plan income** and **other income**, particularly those around the year end.
- Perform substantive testing (at an elevated risk level) over project funding and other income recognised in the final two months of the year and post year end transactions where there is an increased risk of fraudulent recognition of revenue. We will ensure that these are correctly accounted for in the financial statements.
- Evaluation of the existence of receivables balances held at 31 March 2021 through agreeing balances held to invoices and/or other supporting records.
- Perform income cut-off procedures and substantive testing over pre and post year end balances, over project funding and other income streams.
- A focus on recoverability of balances through agreeing a sample of debtor balances (at an elevated risk level) and agreeing to post year end cash receipt.

Significant financial statement risks

| Risk area | Areas of focus | Description of risk |
|--|--|---|
| Management override of controls | Journals Accounting Estimates | <p>As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override CNPA's controls for specific transactions.</p> <p>We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement.</p> |

Audit Response

Accounting estimates:

In assessing the risk of management override, consider those key accounting estimates and judgements that could impact on the organisations financial results and where there is an inherently increased risk of fraudulent misstatement or where management bias could result in a material misstatement. In response to the significant audit risk we will:

- consider the design of controls in place over key accounting estimates and judgements
- Review accounting estimates for management bias / indication of fraud that could result in material misstatement. This will include review of estimates as at 31 March 2021 and retrospective review of those estimates as at 31 March 2020 including those with regards the LEADER project.

Journals testing:

In response to the significant risk we will:

- Assess the design of controls in place over journal entries, including how these are prepared, authorised and processed onto the financial ledger;
- Will risk assess the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We will test these journals to ensure they are appropriate and suitably recorded in the financial ledger and correctly recorded in the financial statements;
- We will perform targeted testing of transactions around the financial year end reviewing those journals are large or otherwise appear unusual to understand the rationale for the transaction.

Significant financial statement risks

| Risk area | Areas of focus | Description of risk |
|--|--------------------------------|---|
| Impact of Covid 19 | Receivables (Valuation) | <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2021, including and not limited to:</p> <ul style="list-style-type: none"> • Remote working arrangements may impact on the accounting processes and systems of internal controls which may impact on the quality of financial reporting during the year; • The wider economic impact of the global pandemic may adversely impact on third parties' ability to meet obligations due to CNPA and thus the value and recoverability of receivables as at 31 March 2021; • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2021 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant financial statement risk, and potential for increased risk of misstatement, particularly surrounding key estimates and judgements surrounding the recoverability and valuation of receivables.</p> |
| Audit Response | | |
| <ul style="list-style-type: none"> • Walkthroughs of the controls and procedures over Management's assessment of receivable balances at 31 March 2021, including assessment of impairment of amounts due; • Perform substantive testing (at an elevated risk level) of receivables at the year end, including sample testing though to receipt of payment to evidence recoverability of balances due; and • Reviewing the Council's financial statement disclosures to ensure that these have been prepared in accordance with the FReM and IAS 1 including disclosure around key estimates and uncertainties impacting the accounts. | | |

Other audit areas

Going concern considerations

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public bodies. In the public sector, when assessing whether the going concern basis of accounting is appropriate, the anticipated continued provision of the services is more relevant to the assessment than the continued existence of a particular public body. In accordance with Audit Scotland planning guidance, we will consider whether the financial statements have been prepared on a going concern basis, where there are no plans to discontinue the body or privatise its functions.

As part of responsibilities under the code of Audit Practice, as part of our wider scope audit work we consider CNPA's financial sustainability. The findings and conclusions from our work will be included in our Annual Audit Report.

Working with Internal Audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits the use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

During 2020/21, we engage with Azets, who provide CNPA's Internal Audit, to confirm any awareness of fraud or suspected fraud. Where Internal Audit have identified specific material deficiencies in the control environment that would create a risk of material misstatement to the financial statements, we will consider adjusting our testing so that the audit risk is covered by our work.

Internal control environment

Throughout our audit planning and fieldwork we will continue to develop our understanding of the overall control environment (design) as related to the financial statements. In particular we will:

- Consider procedures and controls around related parties, journal entries and other key entity level controls.
- Perform walkthrough procedures on key controls around identified risk areas including payroll expenditure, non-Scottish Government income, non-payroll expenditure, journal entries and material areas of management estimate and judgement including year end accruals and provisions.

Wider scope approach – Smaller body arrangements

For smaller bodies the Audit Scotland Code of Practice permits auditors to not apply the full wider scope audit. In our judgement, taking into account the nature of CNPA operating activity and income and expenditure streams, we feel it is appropriate to continue to treat you as a smaller body under the Code. However, in accordance with Audit Scotland planning guidance, we will update our understanding of your arrangements for ensuring [financial sustainability](#) as well as your governance arrangements in place to support disclosures contained within the [annual governance statement](#) included within your financial statements.

Audit deliverables

As set out in the Code of Audit Practice, as appointed auditors we have a number of wider reporting responsibilities beyond the audit of the financial statements. Below we summarise the key areas of work during our 2020/21 audit, including expected reporting under Audit Scotland's Code of Audit Practice and audit planning guidance.

| Requirement | How we will report our findings |
|--|--|
| Annual accounts Perform an audit of the annual accounts and express specified audit opinion on them. | <ul style="list-style-type: none"> • External audit plan • External auditor's opinion on the financial statements • Annual external audit report findings from our audit work of the financial statements |
| Wider scope audit dimensions Conclude and report on our assessment of the wider scope audit dimensions | <ul style="list-style-type: none"> • Annual external audit report (audit findings report) as applicable to smaller bodies (financial sustainability and governance statement) |
| Emerging issues Communication of emerging issues to Audit Scotland and highlight any issues for potential statutory reports | <ul style="list-style-type: none"> • Communicating throughout our audit emerging issues throughout the year |
| Correspondence queries Carry out preliminary enquiries into any correspondence relevant to the Board that is referred to Audit Scotland. | <ul style="list-style-type: none"> • Providing responses to any correspondence received based on our audit knowledge and understanding and the results of any review as agreed with Audit Scotland |
| Money laundering and fraud Provide information on cases of money laundering or fraud | <ul style="list-style-type: none"> • Reporting cases to the National Crime Agency of an instances of money laundering at the Board and identified frauds to Audit Scotland |
| Technical guidance Contribute to Technical Guidance Notes | <ul style="list-style-type: none"> • Providing responses to Audit Scotland consultations on draft Technical Guidance notes for Auditors. |

Appendices

Appendices:

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Appendix 1: Fees and independence

External Audit Fee

| Service | Fees £ |
|--|------------|
| External Auditor Remuneration | TBC |
| Pooled Costs | TBC |
| Contribution to Audit Scotland costs | TBC |
| Contribution to Performance Audit and Best Value | - |
| 2019/20 Fee | TBC |

Fees for other services

| Service | Fees £ |
|--|--------|
| At planning stage we confirm there are no non-audit fees | Nil |

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- Full details of all fees charged for audit and non-audit services will be included in our Annual Report to those charged with governance at the conclusion of the audit.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standards.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Audit Scotland sets an expected fee for each audit carried out under appointment which assumes that the body has well-functioning controls, an effective internal audit service, and an average risk profile.

Audit Scotland reviews the expected fee each year and adjusts it if necessary based on auditors' experience, new requirements, or significant changes to audited bodies. The audit fee is calculated in accordance with guidance issued by Audit Scotland. In accordance with the Audit Scotland guidance, for smaller bodies, we can increase the fee by up to 20% from the base fee set by Audit Scotland, depending on risk factors identified by us as your external auditors. We cannot reduce the fee from the baseline set out by Audit Scotland. **Audit Scotland issued baseline audit fees to audited bodies in late December 2020 and therefore we have not had the opportunity to discuss and agree the proposed fee for 2020/21 with Management. We will agree the 2020/21 External Audit Fee with Management and include within our Final Audit Plan.** The fee is based on the following assumptions:

- supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- the scope of the audit, and the Boards' activities will not change significantly from planned
- CNPA will make available management and accounting staff to help us locate information and to provide explanations. We reserve the right to charge an additional fee for any additional work.
- We will only receive (and audit) 3 sets of accounts (1st draft; amended draft and final).

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Appendix 2: Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at CNPA.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relations to management override of controls.
- Leading a discussion with those charged of governance (for CNPA this is assumed to be the Audit and Risk Committee) on their view of fraud. Typically we do this when presenting our audit plan and in the form of management and those charged with governance questionnaires.
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit.

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at CNPA we will report to the Auditor General as required by Audit Scotland.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is CNPA's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we work with CNPA to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

In addition, as set out in the Audit Scotland Code of Audit Practice we have a role in reviewing CNPA's arrangements in response to the national fraud initiative exercise.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

Appendix 3: Communication with the Accountable Officer

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table above.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while our Annual Report to those Charged with Governance, for CNPA being the Accountable Officer, will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to CNPA Management (the Accountable Officer) and the Audit and Risk Committee.

| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Respective responsibilities of auditor and management/the Accountable Officer | • | |
| Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks | • | |
| Confirmation of independence and objectivity | • | • |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant matters in relation to going concern | • | • |
| Views about the qualitative aspects of CNPA's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures | | • |
| Significant findings from the audit | | • |
| Significant matters and issues arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |



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