

# Governance, Risk and Best Value Committee

10am, Thursday, 17 November 2016

## New External Audit Arrangements

Item number	7.2
Report number	
Executive/routine	
Wards	

### Executive summary

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The purpose of this report is to provide the Governance, Risk and Best Value Committee with background information on the Council's recently appointed external auditor, Scott-Moncrieff. The business advising and accounting firm have provided a report on their background and experience along with a description of their audit approach and introduces the City of Edinburgh Council audit team. This report is provided as Appendix 1.

### Links

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Coalition pledges	All
Council outcomes	All
Single Outcome Agreement	All

## New External Audit Arrangements

### Recommendations

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- 1.1 It is recommended the Governance, Risk and Best Value Committee:
  - 1.1.1 notes the content of the report 'City of Edinburgh Council – An Introduction to Scott-Moncrieff 2016/17 – 2020/21'
  - 1.1.2 re-affirms the Council's commitment to achieving a good working and professional relationship, and;
  - 1.1.3 welcomes the appointment of Scott-Moncrieff as external auditor to the City of Edinburgh Council.

### Background

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- 2.1 The business advising and accounting firm of Scott-Moncrieff have recently been appointed as external auditor to the City of Edinburgh Council following the departure of Audit Scotland at the end of October 2016.
- 2.2 Appendix 1 contains a report provided by Scott-Moncrieff detailing the firm's background, experience and audit approach and introduces the City of Edinburgh Council's audit team.

### Main report

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- 3.1 The purpose of this report is to provide the Governance, Risk and Best Value Committee with background information on the Council's recently appointed external auditor, Scott-Moncrieff, and to welcome the appointed audit team.
- 3.2 Scott-Moncrieff is a long-term partner firm to Audit Scotland and a leading provider of public sector audit services in Scotland. They are an independent Scottish-based firm specialising in public sector audit.
- 3.3 The City of Edinburgh Council's audit team will be led by Nick Bennett (Engagement Lead) and managed by Karen Jones (Director). A further three team members are Gary Devlin (Engagement Quality Control), Michael Lavender (Manager) and Michael Smith (Manager).
- 3.4 Key members of the Strategy and Insight Division have engaged in early discussion with team members and would like to welcome their appointment.

- 3.5 Governance, Risk and Best Value are asked to join in welcoming the firm and the team and affirm our commitment to working together towards a successful relationship.

## Measures of success

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- 4.1 Working together we will build on the outcomes of future audits to promote continuous improvement in the provision of all Council services and principles of best value.

## Financial impact

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- 5.1 There is no financial impact arising directly from this report.

## Risk, policy, compliance and governance impact

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- 6.1 There is no risk, policy, compliance and governance impact arising directly from this report.

## Equalities impact

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- 7.1 There is no equalities impact arising directly from this report.

## Sustainability impact

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- 8.1 There is no sustainability impact arising directly from this report.

## Consultation and engagement

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- 9.1 Consultation and engagement work forms a key element of the audit programme.

## Background reading/external references

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### **Kirsty-Louise Campbell**

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## Links

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<b>Coalition pledges</b>	All
<b>Council outcomes</b>	All
<b>Single Outcome Agreement</b>	All
<b>Appendices</b>	1. City of Edinburgh Council – An Introduction to Scott-Moncrieff 2016/17 – 2020/21



**Scott-Moncrieff**  
business advisers and accountants

# City of Edinburgh Council

An Introduction to Scott-Moncrieff  
2016/17 – 2020/21

**November 2016**



1

# Introducing the Firm and your audit team

# Introducing the Firm and your audit team

## Scott-Moncrieff

- 1. Scott-Moncrieff is a long-term partner firm to Audit Scotland and a leading provider of public sector audit services in Scotland. We are the only independent Scottish-based firm to specialise in public sector audit. It is our appreciation of public sector culture, our depth of experience, and our service provision that has seen us earn the trust and respect of the public bodies we have worked with, past and present.
- 2. Our recently-expanded firm has 19 partners and some 200 staff based in our Edinburgh, Glasgow and Inverness offices. We also have an association with Moore Stephens LLP, a Top 10 global firm and one of the largest providers to the National Audit Office in England and Wales.
- 3. Our public sector team of over 40 staff is widely acknowledged as a leading external audit, internal audit and advisory services provider to the Scottish public sector. We are the largest provider of audit services within the Scottish public sector, based on the number of clients served.

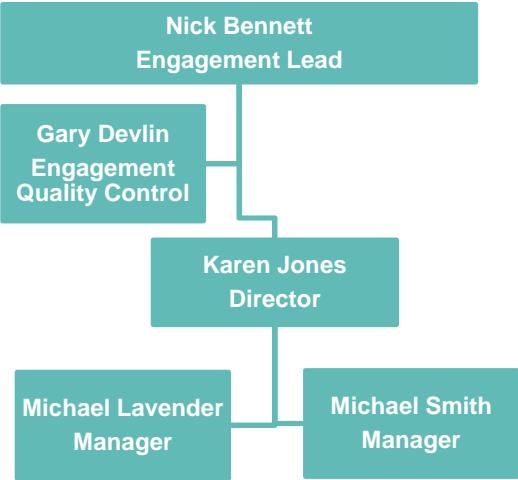
## Your audit team

- 4. The City of Edinburgh Council's audit team will be led by Nick Bennett and managed by Karen Jones. We will draw upon the expertise of our wider public sector management team during the course of our audit appointment.

## Nick Bennett ACA CA CPFA – Engagement Lead



- 5. Nick has been involved in UK public sector auditing for 26 years. In the last five years he has been engagement partner for appointments in local government, the NHS, devolved and non-devolved central government and the European Union. Nick is engagement lead to five central government external audit appointments and to three Scottish public corporations. Nick's recent appointments have also included NHS 24 where he was responsible for highlighting and assisting on the drafting of two section 22 reports on the Future Programme. Nick is engagement partner for the City of London non-local authority funds. He also leads the Moore Stephens external audit services to the European Court of Auditors.
- 6. At Scott-Moncrieff he is also responsible for the audit of a large number of local government arms length organisations including those within the City of Edinburgh Council group.
- 7. Nick's a member of CIPFA/LASAAC and has been for a number of years including a period of 5 years when he chaired the committee during which he drove the modernisation of the financial reporting requirements and the governance arrangements of the committee. He is also an active member of LASAAC.





### Gary Devlin CPFA ACA - Engagement Quality Control



- 8.** Gary joined the firm in March 2015 as part of our firm's strategy to support further growth and capacity in our increasingly successful public sector audit and assurance practice. Gary has over 20 years' experience in providing audit, assurance and advisory services to a wide range of public sector clients, with over 15 years acting as an Engagement Lead for appointments through Audit Scotland. He brings significant and complementary expertise in the central government, local government, and further and higher education sectors.
- 9.** Gary, as engagement quality control reviewer is responsible for providing an objective evaluation of the significant judgements the engagement team has made and the conclusions it has reached in formulating the auditor's report.

### Karen Jones CPFA – Director



- 10.** Karen has over 16 years' experience in auditing the public sector. She has extensive experience in auditing NHS bodies and central government, although her main experience is in auditing local authorities. She also manages a number of external audit appointments to arms-length external organisations of local authorities. Karen is responsible for delivering high quality financial statements audits, governance reviews and best value reviews and in advising public sector bodies on financial accounting, internal control and corporate governance matters. She maintains regular contact with senior officials at her clients, offering both constructive challenge and support to them. Karen has presented at

and attended various public sector technical events, such as CIPFA's local government technical practitioners update. She has also delivered training sessions to her clients; including training for audit committee members.

- 11.** Karen is a member of the Local Authority Accounting Panel (LAAP). In the past she also participated in Audit Scotland's local government managers' pension group.

### Michael Lavender CPFA – Manager



- 12.** Michael has over seven years' experience delivering successful, high quality audits across the public sector. Michael is the public sector representative on the firm's technical committee. This position reflects the deep understanding he has of accounting and auditing standards both in theory and in practice. Michael's technical knowledge allows him to analyse complex issues quickly. He is also able to convey technical subject matter in a clear, concise, understandable way. Michael recently completed a successful secondment to Audit Scotland to support the team dealing with correspondence.

### Michael Smith ACCA - Manager



- 13.** Michael has over five years' Public Sector experience, delivering internal and external audit services to a range of public sector bodies, including local government, health boards and colleges. Michael has also undertaken a number of Best Value audits for our external audit clients and is a qualified Lean Green Belt Practitioner.

2

# Our experience

# Our experience

Our portfolio of new and previous/outgoing Audit Scotland external audit appointments is set out below. We have also included details of selected clients from across our wider public sector client base.

## New Audit Scotland external audit appointments

Local Government	NHS	Further Education	Central Government
City of Edinburgh Council	Lothian Health Board	City of Glasgow College	Disclosure Scotland
Lothian Pension Fund	Mental Welfare Commission for Scotland	Glasgow Kelvin College	Scottish Housing Regulator
Edinburgh IJB	NHS 24	Glasgow Colleges Regional Board	Police Investigation and Review Commissioner
Lothian VJB	National Waiting Times Centre Board	Glasgow Clyde College	Scottish Courts Service
SESTRAN	The State Hospitals Board for Scotland	Dumfries and Galloway College	Scottish Prison Service
Strathclyde Partnership for Transport		Borders College	Scottish Road Works Commissioner
Strathclyde Concessionary Travel Scheme JC			Lothian and Borders CJA

## Previous/outgoing Audit Scotland external audit appointments

Local Government	NHS	Further Education
North Lanarkshire Council	Lanarkshire Health Board	City of Glasgow College
Comhairle nan Eilean Siar	Borders Health Board	Glasgow Kelvin College
North Lanarkshire IJB	Mental Welfare Commission for Scotland	Glasgow Colleges Regional Board
Western Isles IJB	NHS 24	Inverness College
	National Waiting Times Centre Board	Lews Castle College
	The State Hospitals Board for Scotland	
	NHS Health Scotland	

## Some of our relevant clients beyond the Audit Scotland appointments

14. We are a provider of professional services to a number of arms-length organisations. In particular, we are external auditors and tax advisers) to all of the commercial companies which fall within the City of Edinburgh Council’s group. Our experience and understanding from both the local government perspective and that of the arms-length organisation places us in an ideal position to ensure efficiencies are achieved when auditing the Council’s group financial statements.
15. The table below lists some of our clients which are relevant to City of Edinburgh Council:

Client	Service provision
The EDI Group Ltd	External audit and tax
Lothian Buses plc	External audit and tax
One-Ticket Limited	External audit and tax
Edinburgh Bus Tours Limited	External audit and tax
Edinburgh Trams Limited	External audit and tax
Transport For Edinburgh Limited	External audit and tax
Edinburgh International Conference Centre	External audit and tax
LPE Limited	External audit and tax
Scottish Futures Trust	External audit and tax
Hub South East Scotland Limited	External audit and tax
Improvement Service Company	External audit and tax

## Scott-Moncrieff – expertise beyond internal and external audit

16. We can, and do, bring added value both to and beyond the audit process by involving our recognised specialists when required to solve client problems. We have a broad range of assurance and technical experts across such fields as:
- **Business Technology Consulting;** including new systems development support, IT security, IT efficiency and effectiveness, project management, BCP/DRP and change management
  - **VAT:** compliance, health check, capital developments, consultancy and HMRC support
  - **Corporate Finance;** funding, finance, valuation, options appraisal, buy outs, consultancy
  - **Employer Solutions and Tax;** PAYE, employee benefits, compliance, efficiency and effectiveness reviews, remuneration and reward
  - **Charity and not-for-profit;** accounting and governance expertise
  - **Lean expertise;** strategic, operational and cross-organisational consulting, for developing, new and established systems and processes
  - **Governance & risk management;** workshops, advice and best practice support to continuously improve all aspects of organisational governance and risk management arrangements
  - **Anti-fraud and regulatory support;** specialist advice to help clients risk-assess, deter, identify and respond to potential and alleged incidences of impropriety and any wider regulatory issues
17. Our network of experienced professionals can and do work alongside the audit team to help identify efficient and effective solutions to strategic and operational problems.

3

# Our audit approach

# Our audit approach

18. We have been appointed as your external auditor for the period 2016/17 to 2020/21. We are very much looking forward to working with you in this capacity over the next five years.
19. We anticipate that our audit will have a similar underlying approach to that of your previous external auditor, with continuity of the general role and responsibilities of external auditors in the public sector. However, we firmly believe that the best and most effective audits are underpinned by establishing good, professional working relationships with key client contacts right from the outset and this will be our key aim in the coming weeks and months. The benefits of our audit approach include:
- Fully compliant with the Audit Scotland Code of Practice
  - Dedicated, specialist public sector team
  - Proactive planning and communication - being open and constructive
  - Tailored audit approach
  - Clear and concise reporting
  - Risk based audit; understanding significant organisational and audit risks
  - Value-added review of internal controls, governance and performance arrangements
  - Proactive liaison with internal audit, for efficiency
  - Responsiveness, sector-expertise and independence of thought
  - Partner and Manager-led service, with a focus on team continuity

## Adding value

20. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We aim to add value 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 you promote improved standards of governance, better management and decision making and more effective use of public money.
21. We can, and do, bring added value to the audit process by involving our recognised specialists,

as noted above. More widely, we are always looking to develop new and improved ways of exceeding our client expectations. Therefore, any comments you may have on the service we provide would be greatly appreciated.

**Nick Bennett**

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