

VisitScotland

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for VisitScotland

March 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Risks and planned work	4
Audit scope and timing	8

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and Audit Scotland's [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.
2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Adding value

3. We aim to add value to VisitScotland through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help VisitScotland promote improved standards of governance, better management and decision-making and more effective use of resources.

Audit risks

4. Based on our discussions with staff, attendance at Audit and Risk Committee meetings and a review of supporting information we have identified the following significant audit risks for our 2019/20 audit of VisitScotland. We have categorised these audit risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Testing of journal entries. • Review of accounting estimates. • Testing of accruals and prepayments. • Testing of transactions around the year end to confirm expenditure and income is accounted for in the correct financial year. • Evaluation of significant transactions that are outside the normal course of business.

	Audit Risk	Source of assurance	Planned audit work
2	<p>Risk of material misstatement caused by fraud in income and expenditure recognition.</p> <p>ISA 240 requires auditors to presume a risk of fraud where income streams are significant. In 2018/19, VisitScotland received £6.15 million (11 per cent) of its income from sources other than Scottish Government funding, including retail and commercial income. The extent and nature of income means that, in accordance with ISA 240, there is an inherent risk of fraud that requires an audit response.</p> <p>The Financial Reporting Council's Practice Note 10 (revised) expands the ISA 240 assumption in the public sector to cover expenditure. The extent and nature of expenditure, such as grant payments to third parties, means that there is an inherent risk of fraud.</p>	<p>Effective budget monitoring by management.</p> <p>Effective controls over income and expenditure transactions.</p> <p>Effective counter-fraud and whistle-blowing policies.</p>	<ul style="list-style-type: none"> • Walk-through of controls over receivables and payables. • Review of VisitScotland's arrangements to prevent and detect fraud. • Testing of income and expenditure transactions focusing on the areas of greatest risk, including grants awarded to third parties. • Cut-off testing of income and expenditure streams. • Review of procurement practices.
3	<p>Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of pensions, non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p> <p>VisitScotland is consolidating legacy Local Government Pension Scheme interests into the Lothian Pension Fund, with the aim of reducing employer contribution levels. In addition, VisitScotland has achieved sectionalisation of the British Tourist Board Pension Scheme, effectively ringfencing VisitScotland's assets and liabilities in the scheme.</p> <p>Management is currently working to conclude and implement new arrangements for these pension schemes. In view of these complex and significant changes, there is a risk that these are not appropriately disclosed or accounted for in the financial statements.</p>	<p>Valuations provided by qualified valuers/actuaries.</p> <p>Assessment and compliance with IAS 19 (employee benefits).</p> <p>Sound arrangements for identifying and assessing accounting provisions.</p>	<ul style="list-style-type: none"> • Completion of 'review of the work of management expert' in respect of the actuary, including a review of actuarial assumptions. • Testing of pension disclosures. • Testing of provisions and related disclosures. • Review and testing of other significant accounting estimates and disclosures including non-current assets provisions, accruals and any contingent liabilities. • Consider the impact of pensions issues on the amounts and disclosures in the financial statements, with reference to specialist technical advice if appropriate.

	Audit Risk	Source of assurance	Planned audit work
4	<p>Establishment of a subsidiary</p> <p>In October 2019, VisitScotland approved the establishment of a Special Purpose Vehicle (SPV) to manage the 2023 UCI Cycling World Championships, hosted in Scotland. The timing and nature of the arrangements have yet to be determined. There is a risk that transactions or new business arrangements are not accounted for or disclosed appropriately.</p>	<p>Arrangements are in place for ensuring appropriate accounting treatments.</p>	<ul style="list-style-type: none"> • Review of group boundaries and accounting treatment • Review of governance arrangements • Review of internal audit reporting • Testing of income and expenditure.

Wider dimension risks

5	<p>Financial management - resource planning</p> <p>There are a range of factors which affect VisitScotland's financial management, including in-year changes to the budget which the Scottish Government allocates to VisitScotland, and planning for pensions liabilities. Core and ringfenced funding is confirmed through the Autumn and Spring budget revisions.</p> <p>VisitScotland has committed to developing a medium to longer-term financial strategy and workforce plan that are aligned to the organisation's strategic outcomes.</p> <p>There is a risk that financial management and workforce planning do not keep pace with VisitScotland's wider financial context and environment.</p>	<p>Effective budget monitoring and reporting.</p> <p>Effective resource planning and management.</p> <p>VisitScotland is taking further steps to seek a satisfactory resolution of on-going pension liability uncertainties and to minimise the impact of any significant future financial pressures which may occur.</p>	<ul style="list-style-type: none"> • Review financial reports provided to the board/committee over the year and compare these with the year-end results in the financial statements. • Review and assessment of progress in workforce and financial planning. • Assess VisitScotland's arrangements for monitoring and responding to pensions developments • Assess the level of reporting to the Board and its committees, and to the Scottish Government
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Source: Audit Scotland

Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.
6. 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.
7. We will provide an independent auditor's report to VisitScotland, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the Annual Report and Financial Statements. We will provide VisitScotland and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	January 2020	5 March 2020
Management Report	27 February 2020	5 March 2020
Independent Auditor's Report	27 August 2020	3 September 2020
Annual Audit Report	27 August 2020	3 September 2020

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2019/20 audit of VisitScotland is £71,750 [2018/19: £70,800]. In determining the audit fee we have taken account of the risk exposure of VisitScotland, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited Annual Report and Financial Statements with a complete working papers package on 6 July 2020.
9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited Annual Report and Financial Statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit & Risk Committee and Accountable Officer

10. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.
11. The audit of the Annual Report and Financial Statements does not relieve management or the Audit & Risk Committee as those charged with governance, of their responsibilities.

Appointed auditor

12. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.
13. Auditors in the public sector give an independent opinion on the financial statements and other information within Annual Report and Financial Statements. We also review and report on the arrangements within VisitScotland to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

- 14.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:
- understanding the business of VisitScotland and the associated risks which could impact on the financial statements
 - assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
 - identifying major transaction streams, balances and areas of estimation and understanding how VisitScotland will include these in the financial statements
 - assessing the risks of material misstatement in the financial statements
 - determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.
- 15.** We will give an opinion on whether the financial statements:
- give a true and fair view in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 and of its net expenditure for the year then ended;
 - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
 - have been prepared in accordance with the requirements of the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.



characteristics



responsibilities



principal activities



risks



governance arrangements

Statutory other information in the Annual Report and Financial Statements

- 16.** We also review and report on statutory other information published within the Annual Report and Financial Statements, including the performance report and the accountability report, incorporating the annual governance statement and the remuneration and staff report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.
- 17.** In our 2018/19 Annual Audit Report, we recommended that VisitScotland consider further developing its performance report to include more detail on targets, financial performance and outcomes. We suggested this could include more clearly linking what VisitScotland has achieved with the public funds made available to it and how this is contributing to national outcomes. In 2019/20 we will assess how VisitScotland has responded to our recommendation.

18. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

19. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.
20. We calculate materiality at different levels as described below. The calculated materiality values for VisitScotland are set out in [Exhibit 3](#).

Exhibit 3 Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts and budget.	£622,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 65% of planning materiality.	£404,000
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£30,000

Source: Audit Scotland

Timetable

21. To support the efficient use of resources it is critical that we receive a complete set of financial statements accompanied by a full working papers package on the agreed dates. We have included an agreed timetable at [Exhibit 4](#).
22. In previous years, the performance report has been presented for audit at an agreed date after receipt of the unaudited financial statements. Management has agreed to look at providing elements of the performance report (including the final remuneration report and parliamentary accountability report) at the same time as the unaudited financial statements this year. The remaining sections will be provided by 20 July 2020 at the latest.
23. During a period of change in the finance function, it will be important that organisational capacity is sufficient to allow a timely production of accounts for audit.

Exhibit 4

Annual accounts timetable

 Key stage	 Date
Latest submission date of the financial statements for audit, with complete working papers package	6 July 2020
Latest date for final clearance meeting with Director of Corporate Services	13 August 2020
Issue of Letter of Representation and proposed independent auditor's report	19 August 2020
Agreement of audited unsigned annual report and financial statements	19 August 2020
Issue of draft Annual Audit Report to those charged with governance	19 August 2020
Independent auditor's report signed	September 2020

Internal audit

24. Internal audit is provided by Scott Moncrieff. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

25. We will report any significant findings to management on a timely basis.

Using the work of internal audit

26. Internal and external auditors to work closely together to make best use of available audit resources. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

27. We will review and consider all internal audit's reports throughout 2019/20. From our review of internal audit's plans, we have identified several reports of particular relevance which will be considered as part of our wider dimension audit responsibilities, including:

- iCentre audit programme
- Post-implementation reviews of the ERP project and Information Strategy
- Whistleblowing

28. We will also consider work carried out by internal audit as part of their 2020/21 work programme if finalised reports are available prior to issue of our Annual Audit Report.

Audit dimensions

29. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

Financial management

30. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- the effectiveness of budgetary control system in communicating accurate and timely financial performance can be demonstrated
- how VisitScotland has assured itself that its financial capacity and skills are appropriate
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.
- the arrangements that VisitScotland has put in place to prepare for the introduction of IFRS 16 (Leases) from April 2020. This is likely to require significant preparatory work during 2019/20.
- arrangements in place to counter fraud and corruption in respect of procurement activities.

Financial sustainability

31. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long-term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

Governance and transparency

32. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether VisitScotland can demonstrate that the governance arrangements in place are appropriate and operating effectively.
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

33. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether VisitScotland can demonstrate:

- value for money in the use of resources
- there is a clear link between money spent, output and outcomes delivered.
- that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

Best Value

34. The Accountable Officer of VisitScotland has a duty to ensure arrangements are in place to secure best value. VisitScotland’s approach involves self-assessment against guidance, including the Audit Scotland Best Value toolkits. We will review and report on these arrangements.

35. Every public sector body should be able to demonstrate how they are fulfilling the general equality duty under the Equality Act 2010. Audit Scotland guidance requires us to review equalities arrangements during the audit appointment. In 2019/20 we will review and report on our assessment of VisitScotland’s compliance with the Act, and how the organisation advances equalities internally and externally.

Independence and objectivity

36. Auditors appointed by the Accounts Commission or the Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

37. The engagement lead (i.e. appointed auditor) for VisitScotland is Gordon Smail, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of VisitScotland.

Quality control

- 38.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.
- 39.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.
- 40.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

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VisitScotland

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If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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