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.
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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

3. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Food Standards Scotland (FSS). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in Exhibit 1.

Exhibit 1
2017/18 Key audit risks

<table>
<thead>
<tr>
<th>Audit Risk</th>
<th>Source of assurance</th>
<th>Planned audit work</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial statement issues and risks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Risk of management override of controls</td>
<td>Owing to the nature of this risk, assurances from management are not applicable in this instance.</td>
<td>Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.</td>
</tr>
<tr>
<td>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</td>
<td>FSS has in place, a counter-fraud strategy and plan, which is used in conjunction with Scottish Government polices, and ensures adequate separation of duties with regards to income and other relevant financial transaction processes to mitigate this risk.</td>
<td>Analytical procedures on income and expenditure streams. Detailed testing of transactions focusing on the areas of greatest risk.</td>
</tr>
<tr>
<td>2 Risk of fraud over income and expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ISA 240 requires audit work to consider the risk in any audit of fraud over income and expenditure.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Standards Scotland receives a significant amount of income in addition to Scottish</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Audit Risk

| Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud. The risk of fraud over expenditure also exists in FSS due to the variety and extent of expenditure incurred in carrying out its functions |
|---|---|---|
| Source of assurance | Planned audit work |
| Income that is invoiced is supported by timesheet submissions which are approved by operations managers who are separate from the finance function. |

### Wider dimension risks

#### 3 Withdrawal from the EU

The withdrawal of the United Kingdom from the EU is likely to have a significant impact on the operations of FSS. Planning for the withdrawal from the EU is likely to place additional pressures on services and pose a risk to staff capacity and the continued provision of FSS services.

Planning work has been ongoing for some time with respect to the impact EU withdrawal may have on FSS and delivery of our statutory obligations. While there is significant uncertainty across Government regarding the wider impact, FSS are actively engaging with Scottish Government and other stakeholders as required.

A Brexit Programme of work has been established and governance arrangements being developed. This will be one of three key priority areas for FSS in 2018/19, alongside delivery of core essential activities.

Review of the actions taken by the FSS to plan for and mitigate the risks of withdrawal from the EU.

#### 4 Information and Cyber Security

In the past year public sector organisations in Scotland were subject to an increasing number of cyber-attacks. Successful cyber attacks can result in significant disruptions to operations, loss of data and reputational damage.

In addition, the new General Data Protection Regulation (GDPR) becomes effective from 25 May 2018 and is more extensive in scope than the current requirements of the Data Protection Act. Non compliance with the GDPR may result in financial penalties.

Work is underway with regards to Cyber Security and resilience, in line with the Scottish Government Cyber Resilience Action Plan.

FSS are developing our own action plan and are arranging for a Cyber Resilience pre-assessment to be undertaken before March 18 to further inform this area of work.

GDPR preparations are relatively well advanced with an action plan being developed for SMT approval in early 2018. Staff awareness sessions have been run and readiness questionnaires have been issued to Branch Heads.

On wider information management we have received a compliant report (with two minor recommendations) following submission of our Records.

Consideration of FSS’s arrangements in relation to the cyber security.

Monitor and assess preparedness for complying with the requirements of the new General Data protection Regulation.
Audit Risk

<table>
<thead>
<tr>
<th>Source of assurance</th>
<th>Planned audit work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Plan to National Records Scotland.</td>
<td></td>
</tr>
</tbody>
</table>

Reporting arrangements

4. 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.

5. 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.

6. We will provide an independent auditor’s report to Food Standards Scotland and the Auditor General for Scotland setting out our opinions on the annual accounts. We will provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2
2017/18 Audit outputs

<table>
<thead>
<tr>
<th>Audit Output</th>
<th>Target date</th>
<th>Board or Audit and Risk Committee Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Audit Plan</td>
<td>29 January 2018</td>
<td>7 February 2018</td>
</tr>
<tr>
<td>Annual Audit Report</td>
<td>8 August 2018</td>
<td>15 August 2018</td>
</tr>
<tr>
<td>Signed Independent Auditor’s Report</td>
<td>22 August 2018</td>
<td>22 August 2018</td>
</tr>
</tbody>
</table>

Audit fee

7. The proposed audit fee for the 2017/18 audit of Food Standards Scotland is £40,630. In determining the audit fee we have taken account of the risk exposure of Food Standards Scotland, 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 financial statements, with a complete working papers package on 25 June 2018.

8. Where our audit cannot proceed as planned through, for example, late receipt of unaudited 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 outwith our planned audit activity.

Responsibilities

Audit and Risk Committee and Accountable Officer

9. 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.
10. The audit of the financial statements does not relieve management or the Board as those charged with governance, of their responsibilities.

Appointed auditor
11. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the auditing profession’s ethical guidance.

12. Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.
Audit scope and timing

Financial statements

13. The statutory financial statements audit will be the foundation and source for the majority 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 Food Standards Scotland 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 Food Standards Scotland 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.

14. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the audited bodies in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body’s affairs and their expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, with IFRSs as adopted by the European Union, and as interpreted and adapted by the 2017/18 FReM
- the regularity of the expenditure and income

Materiality

15. 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 opinion in the auditor’s report.

16. We calculate materiality at different levels as described below. The calculated materiality values for Food Standards Scotland are set out in Exhibit 3.
### Exhibit 3

**Materiality values**

<table>
<thead>
<tr>
<th>Materiality level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning materiality</strong> – This is the calculated figure we use in assessing 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 2018 based on the audited accounts for 2016/17.</td>
<td>£186,000</td>
</tr>
<tr>
<td><strong>Performance materiality</strong> – 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 70% of planning materiality.</td>
<td>£130,000</td>
</tr>
<tr>
<td><strong>Reporting threshold (i.e. clearly trivial)</strong> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the ‘reporting threshold’ amount. This has been calculated at 1% of planning materiality (rounded).</td>
<td>£2,000</td>
</tr>
</tbody>
</table>

17. We review and report on other information published with the financial statements including the performance report, the accountability report, and the remuneration and staff report. Any issue identified will be reported to the Audit and Risk Committee.

### Timetable

18. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at **Exhibit 4** which takes account of submission requirements and planned Audit and Risk Committee dates:

<table>
<thead>
<tr>
<th>Key stage</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consideration of unaudited financial statements by those charged with governance</td>
<td>20 June 2018</td>
</tr>
<tr>
<td>Latest submission date of unaudited annual accounts with complete working papers package</td>
<td>22 June 2018</td>
</tr>
<tr>
<td>Latest date for final clearance meeting with Head of Corporate Services</td>
<td>3 August 2018</td>
</tr>
<tr>
<td>Issue of letter of representation and proposed independent auditor’s report</td>
<td>8 August 2018</td>
</tr>
<tr>
<td>Issue of Annual Audit Report including ISA 260 report to those charged with governance</td>
<td>8 August 2018</td>
</tr>
<tr>
<td>Independent auditor’s report signed</td>
<td>22 August 2018</td>
</tr>
</tbody>
</table>
Internal audit

19. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by the Scottish Government Internal Audit Directorate.

Adequacy of Internal Audit
20. The external auditors of the Scottish Government will review the adequacy of the Scottish Government's Internal Audit department. We plan to take assurance from this work, the results of which are due to be reported to the Scottish Government Audit and Risk Committee in March 2017.

Areas of Internal Audit reliance
21. To support our audit opinion on the financial statements we plan to take assurance from the following planned internal audit reviews:

- Follow Up report on Review of Charges for the Industry

Audit dimensions

22. 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 sustainability

23. 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 the body’s financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. In the course of our audit work we will gather evidence to allow us to conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
Audit scope and timing

- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether FSS can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

24. 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 FSS has arrangements in place to ensure systems of internal control are operating effectively
- whether FSS can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how FSS has assured itself that its financial capacity and skills are appropriate
- whether FSS has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

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

Value for money

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

- FSS can provide evidence that it is demonstrating value for money in the use of its resources.
- FSS can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- FSS can demonstrate that outcomes are improving.
- There is sufficient focus on improvement and the pace of it.

Independence and objectivity

27. Auditors appointed by the Accounts Commission or 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 in place robust arrangements 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.

28. The engagement lead for FSS is Elaine Barrowman, Senior Audit Manager. Auditing and ethical standards require the appointed auditor Elaine Barrowman 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 Food Standards Scotland.

Quality control

29. 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.

30. 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 relevant 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, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

31. 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.

Adding Value

32. Through our audit work we aim to add value to the FSS. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the FSS has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.