

VisitScotland

Annual Audit Plan 2018/19



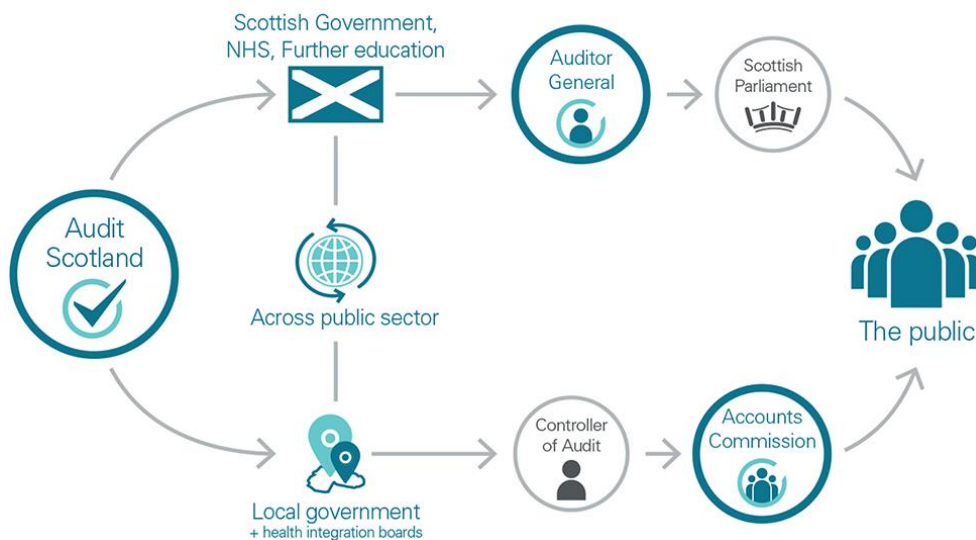
 AUDIT SCOTLAND

Prepared for by VisitScotland
February 2019

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	9

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 other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements 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 committee meetings and a review of supporting information we have identified the following main risk areas for our audit of VisitScotland. We have categorised these audit risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks


 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of management override of controls</p> <p>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 the risk of management override of controls to change the position disclosed in the 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"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Detailed testing of transactions after the year end to confirm expenditure and income have been 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
<p>2 Risk of fraud over income and expenditure</p> <p>ISA240 requires auditors to presume a risk of fraud where income streams are significant. In 2017/18, VisitScotland received £7 million (13 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 ISA240, 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 means that there is an inherent risk of fraud.</p>	<p>Effective budget monitoring by management.</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. • Analytical procedures on income and expenditure streams as appropriate. • Detailed 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.
<p>3 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>In addition, VisitScotland is in the process of implementing phase two of its visitor information strategy. This business transformation includes a planned reduction of the staffed estate from 66 to 26 visitor centres, with a reduction of 19 expected in 2018/19. This is likely to have an impact on the carrying value of non-current assets and involves accounting for staff reductions. There is a risk that amounts and disclosures are not properly reflected in the financial statements.</p>	<p>Controls are in place to ensure accurate provision of data to actuaries.</p> <p>Valuations provided by qualified valuers/actuaries.</p> <p>Assessment and compliance with IAS 19 (employee benefits).</p>	<ul style="list-style-type: none"> • Assessment of the scope, independence and competence of the professionals engaged in providing estimates. • Consider officers' arrangements for assessing the impact of any movement in pension fund values between the IAS19 valuation date and the year end. • Review of data that VisitScotland provides to pension administrators and the actuary. • Review of appropriateness of actuarial results and assumptions. • Review and focused testing of other significant accounting estimates including non-current asset disclosures, provisions, accruals and any contingent liabilities. • Review of actual experience of significant estimates made at previous year end.
<p>4 Implementation of Enterprise Resource Planning System (ERPS)</p> <p>During 2018/19, VisitScotland implemented ERPS, an integrated finance, procurement and HR system, and migrated data from the previous ledger system and other</p>	<p>Internal audit's review of data migration and verification of non-current assets including reconciliations between the ERPS and previous financial systems.</p>	<ul style="list-style-type: none"> • Reliance on internal audit's review of data migration to ERPS and asset verification. • Initial system reviews of the new ledger system and other integrated finance systems within the ERPS.

	Audit Risk	Source of assurance	Planned audit work
	<p>financial systems to the ERPS. There is a risk over the integrity and completeness of migrated data which will be used to prepare the financial statements.</p> <p>In addition, we reported in 2017/18 that there were differences between the non-current asset register and the ledger in relation to historic cost and accumulated depreciation for some assets. Management is verifying non-current assets to bring the new ledger into line with the non-current asset records as part of the introduction of the ERPS. There is a risk that amounts and disclosures are not properly reflected in the ERPS and therefore in the financial statements.</p>		<ul style="list-style-type: none"> • Testing of balances and transactions from the previous financial systems and from the ERPS. • Focused review of non-current asset disclosures, transactions and balances including the assets under construction and revaluation reserve.

Wider dimension issues and risks

5	Financial management - pensions	<p>The Scottish Government has provided VisitScotland with a letter of support for the British Tourism Board pension scheme and signed guarantees for any Local Government Pension Scheme liabilities.</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>	<p>We will monitor and assess progress against on-going resolution of pension schemes issues. In particular, we will:</p> <ul style="list-style-type: none"> • 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 • consider a potential impact of pensions issues on the amounts and disclosures in the 2018/19 financial statements.
6	Resource planning	<p>VisitScotland is in the process of developing a medium to longer-term financial strategy and intends to prepare a workforce plan following the implementation of the ERPS. The Board considered the strategic direction for this process in January 2019.</p>	<ul style="list-style-type: none"> • Review of robustness of any medium to long-term financial strategy and plans. • Review and assessment of scenario planning. • Review Board papers and minutes to assess Board level consideration and oversight of budgets and long-term financial planning. • Review and assessment of VisitScotland's workforce plan, once available.
	<p>In our 2016/17 and 2017/18 annual audit reports we recommended that VisitScotland creates a medium to long-term financial strategy and an organisation-wide workforce plan to support the organisation's corporate plan. Management has developed some components of the strategy and intends to prepare a workforce plan following the implementation of the ERPS. Until an overarching financial strategy and an integrated workforce plan are in place there remains a risk that VisitScotland:</p> <ul style="list-style-type: none"> • does not have a complete picture of its longer term financial position and the challenges it faces in 		

	Audit Risk	Source of assurance	Planned audit work
	<p>meeting its objectives in the medium to long term</p> <ul style="list-style-type: none"> may be unable to deliver its corporate strategy due to skills and capacity gaps in key areas. 		
7	<p>EU withdrawal</p> <p>The UK's decision to leave the EU on 29 March 2019 will affect public bodies in Scotland to some degree, including VisitScotland. These effects remain uncertain and will unfold over both the short and the long term. Public bodies need to be prepared for a range of possible outcomes. There is a risk that withdrawal from the EU adversely affects VisitScotland's business.</p>	<p>Management indicated that it started undertaking an assessment of operational risks as a result of withdrawal from the EU. These are expected to be included in the strategic risk register to be presented to the Audit and Risk Committee on 28 March 2019.</p>	<ul style="list-style-type: none"> We will assess and report on VisitScotland's level of preparedness for EU withdrawal.

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 officers to confirm factual accuracy.

7. We will provide an independent auditor's report to VisitScotland, the Scottish Parliament 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 during the audit.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	January 2019	28 March 2019
Interim Management Report	March 2019	TBC (28 March 2019 or 27 June 2019)
Annual Audit Report	August 2019	29 August 2019
Independent Auditor's Report	August 2019	29 August 2019

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2018/19 audit of VisitScotland is £70,800 (2017/18: £69,410). 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 accounts, with a complete working papers package on 5 July 2019.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts 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 accounts does not relieve management or the Audit and 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 the annual. 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

Annual report and financial statements

14. The annual report and 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 2019 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 2018/19 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.

Other information in the annual accounts

16. We also review and report on other information published within the annual report and financial statements including the performance report and the accountability report incorporating the 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. We also read and consider any information in the annual report and financial statements other than the financial statements and audited part of the remuneration and staff report and report any uncorrected material misstatements.

Materiality

18. 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



characteristics



responsibilities



principal activities



risks



governance arrangements

uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

19. 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 calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1 per cent of gross expenditure for the year ended 31 March 2019 based on the budget for 2018/19.	£545,000
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 per cent of planning materiality.	£355,000
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 per cent of planning materiality, then rounded.	£25,000

Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the annual report and financial statements timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual report and financial statements timetable

 Key stage	 Date
Latest submission date of unaudited annual report and financial statements with complete working papers package	5 July 2019
Latest date for final clearance meeting with Director of Corporate Services	8 August 2019
Issue of Letter of Representation and proposed independent auditor's report	22 August 2019
Agreement of audited unsigned annual report and financial statements	22 August 2019
Issue of Annual Audit Report to those charged with governance	22 August 2019
Independent auditor's report signed	September 2019

Internal audit

21. 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 Public Sector Internal Audit Standards (PSIAS).

Subject to completion of this review, we plan to consider internal work as outlined below.

Using the work of internal audit

22. 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 to avoid duplication. 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.

23. From our initial review of internal audit plans we plan to place formal reliance on internal audit work in the following areas:

- Review of data migration from existing financial systems to ERPS
- Review of the non-current asset verification exercise.

24. We also plan to consider internal audit's work in the following areas:

- Review of ERPS project governance
- GDPR compliance
- iCentre audit programme.

Audit dimensions

25. 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

26. 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 VisitScotland'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. 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.

Financial management

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

28. As part of our 2018/19 audit we shall consider the extent to which VisitScotland has dependency on key suppliers. The collapse of private sector companies has brought into focus the risk of key supplier failure and the risk of under-performance in suppliers that are experiencing difficult trading conditions. We will assess the risk to VisitScotland.

Governance and transparency

29. 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.

30. The terms for two members of the Audit and Risk Committee are expected to come to an end during 2018/19 and there is a risk that this may affect the effectiveness of the committee. We will review its effectiveness through regular attendance of committee meetings.

Value for money

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

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

- VisitScotland's performance management framework supports the disclosures in the performance report
- VisitScotland has arrangements in place to support the Accountable Officer in his duty to secure best value in line with the Scottish Public Finance Manual.

Independence and objectivity

32. 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 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.

33. 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

34. 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.

35. 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) has been commissioned to carry out external quality reviews.

36. 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.

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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