

Food Standards Scotland

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

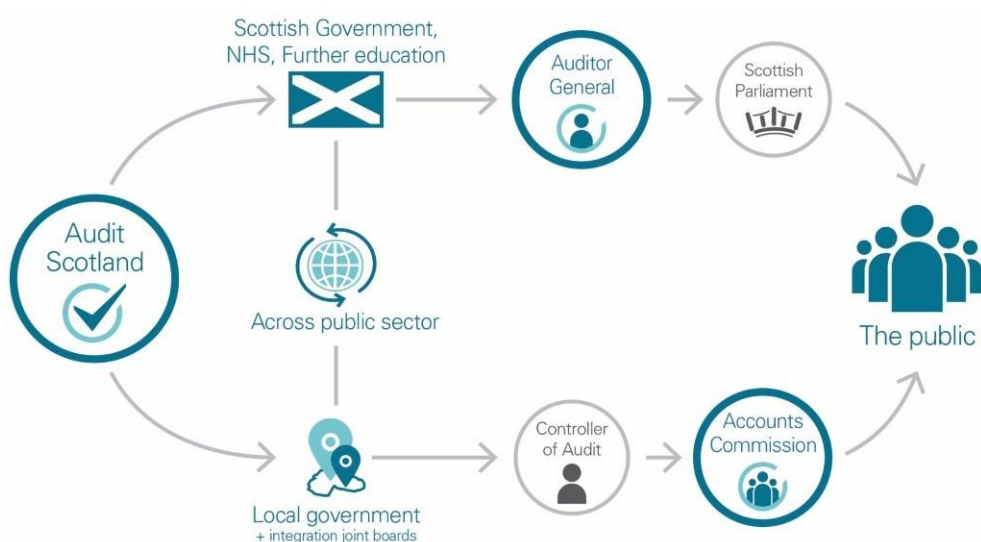
Prepared for Food Standards Scotland

April 2021

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 which is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and 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.

3. The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before COVID-19. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

Adding value


5. We aim to add value to the Food Standards Scotland (FSS) 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 FSS promote improved standards of governance, better management and decision making and more effective use of resources. For example, we shared a BV framework document from another public sector body to assist FSS in developing its own framework document. Also, we provide access to technical guidance on technical accounting matters.


Audit risks

6. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risk for FSS. We have categorised these 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

2020/21 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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. • Understanding key areas of judgement and accounting estimates within the financial statements and the basis for these judgements and the application of accounting policies. • Review significant provisions included in the accounts. • Reviewing unusual and/or significant transactions that are outside the normal course of business to understand the rationale for these transactions.
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>As set out in Practice Note 10 (revised), issued by the Financial Reporting Council, most public-sector bodies are net expenditure bodies and the risk of fraud is more likely to occur in expenditure.</p> <p>Payroll expenditure is the largest expenditure stream. It is tightly monitored and controlled which limits the potential for manipulation. Therefore, our focus will be on non-pay expenditure.</p>	<p>A sound system of internal control is in place which covers expenditure streams.</p> <p>Regular budget monitoring reports are submitted to the Board; these highlight and explain any significant variances in expenditure.</p>	<ul style="list-style-type: none"> • Walkthrough of key expenditure controls in place. • Analytical review of expenditure streams. • Review budget monitoring reports submitted to the Board. • Review expenditure cut-off procedures and substantive testing of pre and post year end balances.
Wider dimension risks		
<p>3 Medium and longer-term financial planning</p> <p>In our 2019/20 Annual Audit Report (AAR) we reported that the Financial Management Plan (FMP) required updating. Also, a longer-term financial plan had still to be developed. These had been impacted by delays in finalising other key documents notably an updated workforce plan.</p>	<p>A Financial Management Plan covering the period 2021-2026 is being developed to tie in with FSS's new strategy and corporate plan.</p> <p>The finance team are in the process of collating budget bids for 2022-2026 which allow the budget to be aligned to outcomes and</p>	<ul style="list-style-type: none"> • Review progress in compiling an updated FMP. • Monitor progress in producing a longer-term financial plan. • Review progress in preparing and finalising an updated workforce plan.

	Audit Risk	Source of assurance	Planned audit work
	In the absence of an updated FMP and a longer-term financial plan there is a risk that FSS may not be able to direct and controls its finances efficiently.	goals in the FSS's new strategy and corporate plan. A draft workforce plan is currently with the Executive Leadership Team for review before being finalised.	

Source: Audit Scotland

7. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. We have rebutted the risk of material misstatement caused by fraud in income recognition for 2020/21, because a significant element of FSS's income comes directly from Scottish Government funding, official controls and meat hygiene charges, all of which have predictable income patterns which limits the potential for manipulation. Therefore, we do not incorporate specific work into our audit plan in this area, over and above our standard audit procedures.

Reporting arrangements

8. The main outputs that we will be reporting on in 2020/21 are summarise below:

- a follow-up survey on Your Business at Risk (YB@R) survey. This is a web-based survey that helps audited bodies assess procedural, cultural and ethical compliance risks that have the potential to undermine the effectiveness of their information governance policies,
- an independent auditor's report to Food Standards Scotland, Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual accounts, and
- an Annual Audit Report to the Accountable Officer and Auditor General for Scotland containing observations and recommendations on significant matters which have arisen during the audit.

9. All of the outputs will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

10. With Covid-19 disruption continuing, a degree of flexibility will be required with the timing of audit outputs. We have discussed with the finance team a timetable that will enable us to complete and report our findings in line with the requirements of International Standards on Auditing (ISAs). An indicative timetable is summarised below but is still subject to formal agreement.

Exhibit 2 2020/21 Audit outputs

Audit Output	Target date	ARC Date
Annual Audit Plan	By 30 April 2021	5 May 2021
Your Business at Risk	1 September 2021	8 September 2021
Independent Auditor's Report (proposed)	1 September 2021	8 September 2021
Annual Audit Report	1 September 2021	8 September 2021

Source: Audit Scotland

Audit fee

11. The agreed audit fee for the 2020/21 audit of FSS is £47,590 [£46,000 in 2019/20]. In determining the audit fee, we have taken account of the risk exposure of FSS, 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 accounts with a complete working papers package on 21 June 2021.

12. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts or being unable to take planned assurance 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 Committee and Accountable Officer

13. 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.

14. The audit of the annual report and accounts does not relieve management or the Audit and Risk Committee as those charged with governance, of their responsibilities.

Appointed auditor

15. 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.

16. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. 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.

17. Our audit team membership has changed significantly since last year. We include full details of the current team in [Appendix 1](#).

Audit scope

Annual report and accounts

18. 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 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 FSS 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.

19. We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of the Food Standards Scotland and its group as at 31 March 2021 and of the income and expenditure of the Food Standards Scotland and its group for the year then ended;
- have been properly prepared in accordance with the financial reporting framework.

Statutory other information in the annual accounts

20. We also review and report on statutory other information published within the annual accounts including the performance report, annual governance statement and the remuneration 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.

21. 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

22. 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.

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



characteristics



responsibilities



principal activities



risks



governance arrangements

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 2% of gross expenditure per the latest budget information available as at February 2021.	£416,000
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 70% of planning materiality.	£291,000
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 3% of planning materiality.	£12,000

Source: Audit Scotland

Internal audit

24. Internal audit is provided by the Scottish Government's Internal Audit Directorate (SGIAD). Our external audit colleagues working on the Scottish Government audit 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). This assessment covers amongst other things:

- a review of the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors
- the level of competence of the internal audit function
- whether the internal audit function applies a systematic and disciplined approach, including quality control.

25. We will rely on the assurances from the review of the SGIAD by our external colleagues working on the Scottish Government audit. We will report any significant findings that impact on our local audit where relevant. Additionally, we will consider their recent advisory work on Best Value.

Using the work of internal audit

26. International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We will take seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider their assurance work to be carried out in support of the Governance Statement that will be included in the 2020/21 Annual Report and Accounts.

Audit dimensions

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

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

28. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are financial sustainability, financial management, governance and accountability and value for money which are summarised below.

- **Financial sustainability** – 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.
- **Financial management** - Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Governance and transparency** - 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.
- **Value for money** - Value for money refers to using resources effectively and continually improving services

29. The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on financial management / sustainability and governance. Therefore, for 2020/21 we will be focusing on these areas. Also, as part of our work this year, we will broaden our consideration of these matters in light of the impact of the Covid-19 pandemic.

30. Additionally, we will follow-up wider dimension actions from prior years to assess progress in implementation. This will include reviewing progress in developing a Best Value framework.

Independence and objectivity

31. 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.

32. The engagement lead for FSS is Jim Rundell, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Jim Rundell, 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 the FSS.

Quality control

33. International Standard on Quality Control 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.

34. 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.

35. 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.

Appendix 1: The Audit Team

The core audit team consists of the following staff and might be supported at peak times with additional resources to ensure key reporting deadlines are met:



Jim Rundell

Senior Audit Manager (Engagement Lead)

✉ jrundell@audit-scotland.gov.uk ☎ 0131 625 1777

Jim will have overall control of the delivery and quality of the audit including audit engagement and ensuring the audit is properly planned, resourced and reported.

Jim has 36 years of experience auditing in the public sector, including the audits of local authorities, health and central government bodies. Also, Jim is part of Audit Scotland's internal quality monitoring team.



Wojciech Kuzma

Senior Auditor

✉ wkuzma@audit-scotland.gov.uk ☎ 0131 625 1701

Wojciech will lead the audit team and will be the main contact for the audit.

Wojciech is a qualified CA and has over 5 years of experience auditing the public sector, including National Library of Scotland, National Records of Scotland, Registers of Scotland and Scottish Parliamentary Corporate Body, and is also involved in the European Agricultural Funds Audit.



Maria Niaz

Trainee Auditor

✉ mniaz@audit-scotland.gov.uk ☎ 0131 625 1704

Maria joined Audit Scotland as in September 2020 having previously worked for us as a temporary auditor for about a year. She was involved in audits such as the Scottish Borders Council and the European Agricultural Fund. Maria has a First-Class BA(Hons) in Accounting and Finance from the University of Wolverhampton.

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