

VisitScotland

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for VisitScotland

May 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.

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 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 report and 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.
- 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 make 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. 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. We have recently published an update report [Covid-19: What it means for public audit in Scotland](#).

Adding value


- 5.** We aim to add value to VisitScotland 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

- 6.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risks for VisitScotland. We have categorised these risks into financial statements risks and wider dimension risks as 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 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 consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p><i>Owing to the nature of this risk, assurances from management are not applicable in this instance.</i></p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Assessment of appropriateness of accounting estimates. • Cut-off testing to confirm income and expenditure is accounted for in the correct financial year. • Identification and evaluation of any significant transactions that are outside the normal course of business.
<p>2 Risk of material misstatement due to fraud in expenditure</p> <p>The Financial Reporting Council's Practice Note 10 extends the requirements of ISA 240 to include the consideration of fraud in expenditure for public bodies. The extent and nature of expenditure, particularly the new business support grants to third parties, means there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> • Established arrangements for budget monitoring. • Sound controls over expenditure. • Counter-fraud and whistle-blowing policies in place. 	<ul style="list-style-type: none"> • Walk-through of controls over expenditure. • Review of VisitScotland's arrangements to prevent and detect fraud. • Testing of expenditure transactions focusing on the areas of greatest risk, including business support grants awarded to third parties. • Cut-off testing to confirm expenditure is accounted for in the correct financial year. • Consideration of internal audit's review of business support grants.
<p>3 Risk of error in 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. The extent of judgement involved increases the risk of material misstatement and requires a specific audit focus.</p>	<ul style="list-style-type: none"> • Valuations provided by qualified valuers/actuaries. • Assessment and compliance with IAS 19 (employee benefits). • Established arrangements for identifying and assessing accounting for provisions. 	<ul style="list-style-type: none"> • Assess the scope, independence and competence of the professionals engaged in providing estimates for non-current assets and pensions. • Focused substantive testing of classification and valuation of non-current assets. • Assess the appropriateness of actuarial assumptions. • Testing of pension disclosures. • Review and testing of other significant accounting estimates and disclosures

	Audit Risk	Source of assurance	Planned audit work
			including accruals, provisions and any contingent liabilities.
4	<p>Group accounting and reporting arrangements</p> <p>In March 2020, a subsidiary company, Cycling World Championships 2023 Ltd (CWC Ltd), was formally created as a wholly owned subsidiary of VisitScotland. 2020/21 will be the first full year of VisitScotland group accounts. There is a risk that transactions and balances are not accounted or disclosed appropriately in the financial statements and corresponding notes.</p>	<ul style="list-style-type: none"> Established arrangements for budget monitoring and for ensuring appropriate accounting treatment. Assurances for the subsidiary's transactions and balances will be obtained from the appointed external auditor. 	<ul style="list-style-type: none"> Review of governance arrangements and internal audit work in this area. Examination of disclosures made in the annual report and accounts. Review of CWC Ltd consolidation pack and assurance checklist from the external auditor. Testing of consolidation adjustments and the elimination of intra-group transactions and balances.
Wider dimension risks			
5	<p>Risk to financial sustainability and capacity</p> <p>VisitScotland has a key role in planning and supporting the tourism and events industries' recovery from the impact of the Covid-19 pandemic. As at 10 March 2021 VisitScotland was responsible for distributing £82 million across 18 funds. Coordinating and managing this will continue to have a significant impact on VisitScotland's plans and staff. Income from commercial activities is likely to remain low in future years, with more reliance on government funding. As a result, VisitScotland will need to reassess its current operating model and strategic plans, including finance and workforce.</p>	<ul style="list-style-type: none"> Established arrangements for budget monitoring. Effective resource planning and management. Scenario planning and budget forecasting arrangements with the Scottish Tourism Emergency Response Group. Ongoing work to achieve a satisfactory resolution of the ongoing pension liability uncertainties. 	<ul style="list-style-type: none"> Review governance committee papers and decision making. Assess appropriateness of longer-term plans, strategies and forecasts. Discussions with senior management.
6	<p>Risk to the effectiveness of governance arrangements</p> <p>There is an increased risk to governance and transparency and counter-fraud arrangements associated with the Covid-19 pandemic. VisitScotland adapted quickly during 2020 to enable it to continue operating. There is a risk that these changes impacted on the effectiveness of the governance and counter-fraud arrangements during 2020/21.</p>	<ul style="list-style-type: none"> VisitScotland has well established counter-fraud arrangements and participates in the National Fraud Initiative. Well established governance arrangements which were adapted and kept under review in 2020/21. 	<ul style="list-style-type: none"> Review of governance committee papers and decision making. Consideration of internal audit reports. Monitor progress in following up NFI matches.

Source: Audit Scotland

7. As set out in ISA (UK) 240, there is a presumed risk of fraud in revenue recognition. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2020/21 due to the extent of income received from the Scottish Government and there being minimal commercial or other income received.

8. In line with Practise Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. In 2020/21 we have rebutted the risk of material misstatement caused by fraud on all areas of expenditure with the exception of the Covid-19 support funds. This is because the nature of VisitScotland's expenditure is predominantly on staff costs, estate costs and supplies and services and is therefore low risk.

Reporting arrangements

9. Audit reporting is the visible output for the annual audit and is detailed in [Exhibit 2](#). All outputs will be published on our website: www.audit-scotland.gov.uk.

10. 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 staff to confirm factual accuracy.

11. 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 report and 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.

12. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year-end, i.e. 31 December.

13. The target dates below are provisional and are based on the audit timetable for the 2019/20 financial audit. However, these may be subject to change as the impact of Covid-19 becomes clearer. We will continue to liaise closely with the Audit and Risk Committee and the VisitScotland finance team throughout the 2020/21 audit.

Exhibit 2 2020/21 Audit outputs

Audit Output	Provisional target date	Provisional committee date
Annual Audit Plan	31 March 2021*	1 July 2021**
Management Report	23 June 2021	1 July 2021
Annual Audit Report	13 November 2021	25 November 2021
Independent Auditor's Report	10 December 2021	9 December 2021 (B)

* Draft plan issued to management **Summary plan was presented to the 4 March 2021 Audit and Risk Committee.

Source: Audit Scotland

Audit fee

14. The agreed audit fee for the 2020/21 audit is £75,380 (£71,750: 2019/20), an increase of 5 per cent. In determining the audit fee we have taken account of 2020/21 being the first full year of auditing consolidated group financial statements, 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 accounts, with a complete working papers package in September 2021.

15. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and 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 and Risk Committee and Accountable Officer

16. 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.

17. 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

18. 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. 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.

19. Carole Grant, Audit Director, is the new appointed auditor and engagement lead. The audit team will continue to be led by Morag Campsie, Senior Manager.

Audit scope and timing

Annual report and accounts

20. The annual report and 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
- assessing the key systems of internal control, and establishing the impact of any identified weaknesses
- 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.

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

- give a true and fair view 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 as at 31 March 2021 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 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

22. We shall also express an opinion on the regularity of the expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Statutory other information in the annual report and accounts

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

24. 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

25. 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.

26. 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	Group 2019/20	Group 2020/21
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 2021 based on the latest budget position.	£622,000	£1,327,500
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 60% of planning materiality to reflect VisitScotland's change in focus of spend towards business support.	£405,000	£797,000
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	£65,000



Source: Audit Scotland

Timetable

27. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. Audit Scotland continues to keep its overall resources for the 2020/21 audit year under review. As set out in [paragraph 4](#), we will continue to take a pragmatic and flexible approach to enable us to respond to emerging issues and risks. We have included our proposed timetable at [Exhibit 4](#). We will continue having regular discussions with VisitScotland senior management about dates for the audit and will update the Audit and Risk Committee should anything change.

Exhibit 4

Annual accounts timetable

 Key stage	 Date*
Audit and Risk Committee meeting	2 September 2021
Submission of unaudited annual report and accounts with complete working papers package	6 September 2021
Receipt of assurances from Group's Component Auditors	6 September 2021
Latest date for final clearance meeting with Director of Corporate Services	4 November 2021
Agreement of audited unsigned annual report and accounts Issue of annual audit report, letter of representation and proposed independent auditor's report	11 November 2021
Consideration of audited annual report and accounts and audit reporting by the Audit and Risk Committee	25 November 2021
Independent auditor's report signed	9 December 2021

* Planned dates will be kept under review

Internal audit

28. Internal audit is provided by Azets. As part of our planning process we carried out an early assessment of the internal audit function and concluded that it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Using the work of internal audit

29. International 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.

30. From our initial review, we plan to place formal reliance on the work internal audit are completing on Covid-19 support funds. We will also consider other internal audit reports to inform our audit work.

Audit dimensions

31. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 4](#).

Exhibit 4 Audit dimensions



Source: Code of Audit Practice

Financial sustainability

32. 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 medium term (two to five years) and longer term (longer than five years). 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
- whether VisitScotland can demonstrate the affordability and effectiveness of funding and investment decisions.

33. Our 2019/20 annual audit report recommended that VisitScotland, assess the impact of the Covid-19 pandemic on its operations and consider what this means for its future operating model, strategic framework and corporate plan. We will assess what progress has been made developing its corporate plan and strategic plans.

Financial management

34. 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 its budgetary control system in communicating accurate and timely financial performance

- 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.

35. We have decided to postpone our planned audit work assessing the arrangements in place to address fraud and corruption in respect of procurement activities until 2021/22.

Governance and transparency

36. 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 of decision-making
- the quality and timeliness of financial and performance reporting.

Value for money

37. 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.

38. In 2019/20 we recommended that VisitScotland consider how it will measure and report on the impact of the Covid-19 support funds that it is directly responsible for. This will be a focus of our audit work and we will review how this is being monitored and reported.

Best Value

39. The Accountable Officer of VisitScotland has a duty to ensure arrangements are in place to secure best value. We will review and report on these arrangements as appropriate.

Independence and objectivity

40. Auditors appointed by the Auditor General for Scotland 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.

41. The engagement lead (i.e. appointed auditor) for VisitScotland is Carole Grant, 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

42. 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.

43. 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.

44. 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

Annual Audit Plan 2020/21

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

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk