

Quality Meat Scotland

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Quality Meat Scotland
March 2023

Contents

Introduction	3
Financial statements audit planning	5
Wider Scope and Best Value	9
Reporting arrangements, timetable, and audit fee	10
Other matters	12
Appendix. Your audit team	14

Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of Quality Meat Scotland. The main elements of our work include:

- understanding the business of Quality Meat Scotland and the associated risks which could impact on the financial statements
- an audit of Quality Meat Scotland's financial statements, and provision of an Independent Auditor's Report
- an audit opinion on regularity and other statutory information published within the annual report and accounts including the Performance Report, the Governance Statement and the Remuneration and Staff Report.

Audit Appointment

2. We are pleased to be appointed as the external auditor of Quality Meat Scotland for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team in the [Appendix](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to Quality Meat Scotland through our external audit work by being constructive and forward looking, by attending meetings of the Audit and Risk Management Committee and by recommending and encouraging good practice. In so doing, we will help Quality Meat Scotland promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and Audited Body

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and Quality Meat Scotland. Key responsibilities are summarised below.

Auditor responsibilities

7. 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.

8. 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 wider scope arrangements in place at Quality Meat Scotland. In doing this, we aim to support improvement and accountability.

Quality Meat Scotland responsibilities

9. Quality Meat Scotland is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. Quality Meat Scotland has 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 it to deliver its objectives.

Communication of fraud or suspected fraud

11. In line with auditing standards, in presenting this plan to the Audit and Risk Management Committee, we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members of the committee have any such knowledge or concerns relating to the risk of fraud within Quality Meat Scotland, we invite them to communicate this to the appointed auditor for consideration.

Financial statements audit planning

Introduction

12. The annual report and accounts are an essential part of demonstrating Quality Meat Scotland's stewardship of resources and its performance in the use of those resources.

13. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

14. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2022/23 audit

15. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for Quality Meat Scotland are set out in [Exhibit 1](#).

Exhibit 1

2022/23 Materiality levels for Quality Meat Scotland

Materiality	Amount
<p>Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of Quality Meat Scotland's operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.</p>	£135,000
<p>Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.</p>	£100,000

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. £7,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

16. Our risk assessment draws on our knowledge of Quality Meat Scotland, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, internal audit and the previous auditors and a review of supporting information.

17. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

18. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Consider the need to test journal entries and other adjustments during the period.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>Assess any changes to the methods and underlying assumptions used to prepare material accounting estimates compared to the prior year.</p>

Significant risk of material misstatement	Sources of assurance	Planned audit response
		<p>Undertake substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Test accruals and accrued income focussing on significant risk areas.</p>

Source: Audit Scotland

19. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

20. We have rebutted this risk as the majority of Quality Meat Scotland's income comes from the statutory red meat levy and consumer assurance scheme fees, both of which have adequate monitoring processes in place to mitigate against the risk of fraud. Other funding received in the form of grants and ring-fenced funding is clearly communicated and can be readily agreed to third party confirmations. Other income streams comprise a high volume of low value transactions. We also consider there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

21. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

22. We have rebutted this risk as most of Quality Meat Scotland's expenditure is in low-risk areas and comprises a high volume of relatively low value items, the majority of which can be agreed to third party documentation. We also consider there to be limited incentive and opportunity for the manipulation of expenditure in the financial statements. Expenditure on staff costs is at low risk of fraud due to the small number of staff within the organisation.

23. As a result, our audit plan does not include any specific work in these areas in addition to our standard audit procedures.

Other areas of audit focus

24. We have not identified any other areas where we consider there are risks of material misstatement to the financial statements. If our assessment of risk changes and we identify any additional significant risks, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

25. We did, however, identify the following areas that require additional audit focus this year:

- **IT risks** - revised ISA 315 requires auditors to have a greater understanding of the IT systems bodies use to prepare their financial statements and the risks that arise from the use of these systems. Our work in this area is ongoing. If we identify any risks of material misstatement from this work, we will report these, along with our audit response and the results of any testing, in our annual audit report
- **New financial management system** – a new financial management system (Microsoft Dynamics) was implemented on 01 April 2022. We will review Quality Meat Scotland's arrangements to manage the transfer of data from the previous system (Sage) as part of our work on opening balances. We will also document our understanding of the system and the controls in place as part of our work on IT risks (above)
- **IFRS 16 (Leases)** – this accounting standard requires to be reflected in the financial statements for the first time in 2022/23. We will review the unaudited annual report and accounts to ensure that leases have been appropriately reflected in line with the requirements of IFRS16.

Wider Scope and Best Value

Introduction

26. The [Code of Audit Practice 2021](#) sets out the four areas that frame the wider scope of public sector audit. Auditors are required to consider the adequacy of the audited body's arrangements for these areas unless the auditor judges it is not appropriate due to the body's size, nature, and audit risks (less complex body).

27. Based on Quality Meat Scotland's gross expenditure and assets, the lack of wider scope risks and the level of public scrutiny we have concluded that it is appropriate to apply the less complex body approach to the 2022/23 audit. Consequently, our wider scope audit work will focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of Quality Meat Scotland and its services.

Wider scope risks

28. We did not identify any new wider scope audit risks this year and so our focus will be on following up last year's recommendation that *'regular and effective monitoring of the 2022/23 budget will be required to ensure that the budgeted position remains manageable'*.

Duty of Best Value

29. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will undertake a high-level review to confirm that such arrangements are in place within Quality Meat Scotland.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

30. Audit reporting is the visible output for the annual audit. All outputs, as detailed in [Exhibit 3](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

31. 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.

32. We will provide an independent auditor's report to Quality Meat Scotland, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will also provide the Accountable Officer and the 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 3

2020/21 Audit outputs

Audit Output	Target date	Audit and Risk Management Committee Date
Annual Audit Plan	28 February 2023	8 March 2023
Annual Audit Report	10 July 2023	25 July 2023
Independent Auditor's Report	10 July 2023	25 July 2023



Source: Audit Scotland

Timetable

33. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. [Exhibit 4](#) sets out the timetable that has been discussed and agreed with management.

34. The majority of Quality Meat Scotland and audit team staff continue to work from home following changes to working practices as a result of the Covid-19 pandemic. The annual audit process has been successfully undertaken remotely for the past three years and we plan to undertake remote audit for 2022/23. We will continue to work closely with management to identify the most efficient approach and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with officers over the course of the audit.

Exhibit 4 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package	19 May 2023
Latest date for final clearance meeting with the Head of Corporate Services	9 June 2023
Agreement of audited and unsigned annual report and accounts, and issue of draft Letter of Representation and proposed Independent Auditor's Report	7 July 2023
Issue of Annual Audit Report to those charged with governance	10 July 2023
Audit and Risk Committee meeting to consider the audited annual report and accounts and Annual Audit Report	25 July 2023
Board meeting to approve the annual report and accounts for signing	27 July 2023
Independent Auditor's Report signed	27 July 2023

Source: Audit Scotland

Audit fee

35. In determining the audit fee, we have taken account of the risk exposure of Quality Meat Scotland and the planned management assurances in place. The agreed audit fee for 2022/23 is £14,960 (2021/22: £11,460).

36. The increased audit fee for 2022/23 reflects the current audit market and the rising costs of delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

37. Our fee assumes that Quality Meat Scotland has effective governance arrangements in place, and that the annual report and accounts presented for audit comply with the Financial Reporting Manual (FRoM) and are supported by comprehensive working papers. An additional audit fee may be levied if this is not the case, or if it becomes necessary to undertake additional work, or if our audit cannot proceed as planned.

Other matters

Internal audit

38. Internal audit is provided by TIAA Limited. International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities
- evaluate and test the work of internal audit, where use is made of that work for our financial statements' responsibilities to confirm its adequacy for our purposes.

39. We do not plan to place any formal reliance on the work of internal audit in 2022/23 as we intend to adopt a substantive testing approach for the audit of Quality Meat Scotland's financial statements. We will, however, review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

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.

41. 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 Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

42. The appointed auditor for Quality Meat Scotland is Maggie Bruce, Senior Audit Manager. 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 Quality Meat Scotland.

Audit Quality

43. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

44. Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

45. ISQC (UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM (UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

46. Audit Scotland is committed to delivering high quality audits. 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 supplementary 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 England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

47. 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. Your audit team

48. The audit team involved in the audit of Quality Meat Scotland have significant experience in public sector audit.



Maggie Bruce
Senior Audit Manager
Email address:
mbruce@audit-scotland.gov.uk

Maggie has over 30 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.



Pamela Bryan
Senior Auditor
Email address:
pbryan@audit-scotland.gov.uk

Pamela has considerable experience in planning and delivering audits. Pamela will manage the team and work alongside the Senior Audit Manager to deliver the audit.



Jennifer Grant
Trainee Auditor
Email address:
jgrant@audit-scotland.gov.uk

Jennifer is in the final year of her training contract and has assisted in delivering a variety of local and central government audits since joining Audit Scotland. She will be the key point of contact for day-to-day audit work.

49. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

Quality Meat Scotland

Annual Audit Plan 2022/23

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



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