

# VisitScotland

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for VisitScotland  
February 2024

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# Introduction

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## Summary of planned audit work

1. This document summarises the work plan for the 2023/24 audit of VisitScotland. The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on regularity and other statutory information published with the financial statements in the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- provision of an Independent Auditor's Report expressing my opinions on the different elements of the annual report and accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

2. The audit team for the 2023/24 audit is set out at [Appendix 1](#). Pauline Gillen will continue as the external auditor appointed by the Auditor General for Scotland.

## Respective responsibilities of the auditor and VisitScotland

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and VisitScotland. Key responsibilities are summarised below.

### Auditor responsibilities

4. My responsibilities as appointed auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. 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 VisitScotland. In doing this, we aim to support improvement and accountability.

### VisitScotland's responsibilities

6. VisitScotland is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and

fair view. They are also required to produce other reports in the annual report and accounts in accordance with applicable requirements.

**7.** VisitScotland 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 them to deliver their objectives.

### **Adding Value**

**8.** My team and I aim to add value by: tailoring audit work to the circumstances of VisitScotland and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Audit and Risk Committee; and by recommending and encouraging good practice. In so doing, we will help VisitScotland promote improved standards of governance, better management and decision making, and more effective use of resources.

# Annual report and accounts

## Introduction

**9.** The annual report and accounts are an essential part of demonstrating VisitScotland's stewardship of resources and its performance in the use of those resources.

**10.** As appointed auditor, I am required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

**11.** My team and I focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

## Materiality

**12.** 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. I am required to plan my audit to obtain reasonable assurance about whether 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 2023/24 audit

**13.** We have assessed materiality levels for VisitScotland and its group as described in [Exhibit 1](#).

## Exhibit 1

### 2023/24 Materiality levels for VisitScotland and its group

Materiality	Single entity	Group
<p><b>Planning materiality</b> – 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 VisitScotland's operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the 2022/23 audited accounts and forecasts for the group.</p>	£1.4 million	£1.9 million

<b>Performance materiality</b> – 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 are required. Using our professional judgement, we have assessed performance materiality at 60% of planning materiality.	£0.8 million	£1.1 million
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£70,000	£95,000

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**14.** Our risk assessment draws on our cumulative knowledge of VisitScotland, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

**15.** 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.

**16.** Based on our risk assessment process, we identified the following significant risk of material misstatement to the financial statements. This is the risk which has the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, management's sources of assurance over the risk, and the further audit procedures we plan to perform to gain assurance over the risk.

### Exhibit 2

#### 2023/24 Significant risk of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to</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"> <li>Assess the design and implementation of controls over journal entry processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity.</li> <li>Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>Evaluate significant transactions outside the normal course of business.</li> </ul>

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.		<ul style="list-style-type: none"> <li>Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> </ul>

Source: Audit Scotland

**17.** As set out in ISA (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.

**18.** We have rebutted this risk as the majority of VisitScotland's income is funding received from Scottish Government. This is clearly communicated and can be readily agreed to third party confirmations. In addition, VisitScotland's other income streams comprise of a high volume of low value transactions, and we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

**19.** 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.

**20.** We have rebutted this risk for VisitScotland as our assessment of the expenditure transaction streams has confirmed that many are low risk and are subject to robust internal controls. Practice Note 10 also introduces the concept of external fraud risk. We have assessed the levels of fraud in the context of VisitScotland, including consideration of the National Fraud Initiative, and concluded that there is not a high risk of fraud across these expenditure streams.

**21.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

## Other areas of audit focus

**22.** As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of these risks, we do not consider them to be significant. However we will keep these areas under review as our audit progresses.

**23.** The areas of specific audit focus are:

- **Estimations in the valuation of pension assets and liabilities:** There is an inherent risk within pension transactions and balances due to the extent of actuarial assumptions used to calculate the values reported in the financial statements. This uncertainty represents a risk of material misstatement in the financial statements.
- **2023 Cycling World Championships (CWC) Ltd:** A Special Purpose Vehicle (SPV) was set up in February 2020 to deliver the 2023 Cycling World Championship, and this is a fully owned subsidiary of VisitScotland. The event took place in August 2023 and this will be reflected in a significant increase in income and expenditure in the 2023/24 financial statements. The final budget position will only be determined once the close out process to agree final settlements with suppliers is completed. As a short life entity the future of CWC Ltd is yet to be confirmed. We will engage with the auditor of CWC Ltd and review and evaluate their work to obtain the required assurances for our audit.

## Regularity

**24.** Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

## Group Consideration

**25.** As group auditors, we are required under ISA (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

**26.** VisitScotland has a group which comprises one active subsidiary and several dormant legacy organisations. The audit of the financial information of the one active subsidiary, 2023 Cycling World Championships (CWC) Ltd, is performed by other auditors and we plan to place reliance on their work. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the component, on which to base our group audit opinion.



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# Wider Scope and Best Value

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## Introduction

**27.** Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit, and requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

**28.** In summary, the four wider scope areas are:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider whether the body is planning effectively to continue to deliver services, and will comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by VisitScotland. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how VisitScotland demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

## Wider scope risks

**29.** We have not identified any significant wider scope risks. In addition to local risks, we may be asked by the Auditor General for Scotland to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years such as climate change and cyber security.

## Duty of Best Value

**30.** [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 be carrying out a high-level review to confirm that such arrangements are in place within VisitScotland.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**31.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

**32.** 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
- VisitScotland and the Auditor General for Scotland with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

**33.** [Exhibit 3](#) outlines the target dates for our audit outputs set by the Auditor General for Scotland. In determining the target reporting date of 31 October, due regard is paid to meeting the statutory deadline for laying the accounts of 31 December 2024.

**34.** We will be unable to achieve the target date outlined above. This is due to VisitScotland's internal timetable for approving their annual report and accounts. We are working towards completion of the audit by the later date of 28 November 2024 to achieve the statutory requirement of laying the annual report and accounts before Parliament by the end of the calendar year.

## Exhibit 3 2023/24 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31/03/2024	29/02/2024
Independent Auditor's Report	31/10/2024	28/11/2024
Annual Audit Report	31/10/2024	28/11/2024

Source: Audit Scotland

**35.** All Annual Audit Plans and the outputs detailed in [Exhibit 3](#) and any other outputs on matters of public interest, will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



## Timetable

**36.** To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

**37.** We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

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### 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.	27 September 2024
Latest date for final clearance meeting with the Director of Corporate Services	7 November 2024
Agreement of audited and unsigned annual report and accounts	21 November 2024
Issue of draft Annual Audit Report, Letter of Representation and proposed Independent Auditor's Report	21 November 2024
Signed Independent Auditor's Report	5 December 2024

Source: Audit Scotland

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## Audit fee

**38.** In determining the audit fee, we have taken account of the risk exposure of VisitScotland and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The proposed audit fee for 2023/24 is £103,750.

**39.** In setting the fee for 2023/24, we have assumed that VisitScotland has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

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# Other matters

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## Internal audit

**40.** It is the responsibility of VisitScotland to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

**41.** While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

## Independence and objectivity

**42.** I am independent of VisitScotland in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

**43.** Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard 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.

**44.** The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. I am not aware of any such relationships pertaining to the audit of VisitScotland.

## Audit Quality

**45.** Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

**46.** The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

**47.** To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

**48.** Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

**49.** Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

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# Appendix 1: Your audit team

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**50.** The audit team involved in the audit of the VisitScotland have significant experience in public sector audit.

Pauline Gillen  
Audit Director

Pauline has over 17 years of auditing experience, working across the breadth of the public sector on financial and performance audits.

Lisa Duthie  
Senior Audit Manager

Lisa has over 15 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.

John Davidson  
Senior Auditor

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

**51.** 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.

**52.** Where possible and appropriate, we use our data analytics team to enable us to capture whole populations of your financial data. This analysis allows us to identify specific exceptions and anomalies within populations to enhance the focus of audit testing and support efficiency.

# VisitScotland

## Annual Audit Plan 2023/24

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[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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