

# VisitScotland

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for VisitScotland and the Auditor General for Scotland

November 2024

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# Key messages

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## 2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 Key risks arising from the audit of VisitScotland's annual report and accounts in the Annual Audit Plan were presented to the Audit and Risk Committee in February 2024. Significant findings from the audit are outlined in [Exhibit 2](#).

## Financial management

- 3 Appropriate and effective financial management arrangements are in place with regular financial performance reports provided to the Board.
- 4 VisitScotland operated within its revised fiscal resources, reporting a breakeven position on a total fiscal spend of £73.8 million.
- 5 Key controls within the main financial systems are operating effectively and standards for the prevention and detection of fraud remain appropriate.

## Financial sustainability

- 6 VisitScotland has prepared financial projections over a five-year period to 2030 to reflect a range of potential scenarios for funding and pay. This shows that if business as usual costs continue as they have, then expenditure on core activity would not be sustainable.
- 7 A strategic change programme was approved in 2023/24 to ensure that services are fit for the future and address the financial challenges that VisitScotland is facing. This includes significant changes to the way some services are delivered.

## Vision, leadership, and governance

- 8 VisitScotland's strategic framework clearly sets out the purpose, vision and mission of the organisation. A three-year corporate plan to deliver against the core purpose identified in the strategic framework is in development.
- 9 VisitScotland has appropriate governance arrangements in place that support scrutiny of decisions made by the Board.

- 10** VisitScotland has taken action to manage the risks associated with changes in key leadership roles.

### **Use of resources to improve outcomes**

- 11** VisitScotland has an appropriate and effective Best Value framework in place.
- 12** Key performance indicators highlight the positive economic impact of VisitScotland's activities across the sector.
- 13** The Board regularly reviews service performance against objectives.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 audit of VisitScotland. The scope of the audit was set out in the Annual Audit Plan presented to the February 2024 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of VisitScotland's annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [\*Code of Audit Practice 2021\*](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

**2.** This report is addressed to the Audit and Risk Committee of VisitScotland and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment

**3.** I, Pauline Gillen, have been appointed by the Auditor General for Scotland as auditor of VisitScotland for the period from 2022/23 until 2026/27.

**4.** My team and I would like to thank Board members, Audit and Risk Committee members and VisitScotland staff for their cooperation and assistance in this year's audit.

## Responsibilities and reporting

**5.** VisitScotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the account's direction from the Scottish Ministers. VisitScotland is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**6.** My responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice 2021, supplementary guidance and International Standards on Auditing in the UK (ISAs).

**7.** Weaknesses or risks identified are only those which have come to the attention of the audit team during our normal audit work and may not be all that exist. Communicating these does not absolve management of VisitScotland from its responsibility to address the issues raised and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## **Auditor Independence**

**9.** I can confirm that the audit team comply with the Financial Reporting Council's Ethical Standard. I can also confirm that I have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £103,750 as set out in my 2023/24 Annual Audit Plan remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

**10.** The annual audit adds value to VisitScotland by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability
- sharing intelligence and good practice identified.

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# 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual report and accounts are unmodified.

Key risks arising from the audit of VisitScotland's annual report and accounts in the Annual Audit Plan were presented to the Audit and Risk Committee in February 2024. Significant findings from the audit are outlined in [Exhibit 2](#).

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## Audit opinions on the annual report and accounts are unmodified

**11.** The Board approved the annual report and accounts for Visit Scotland and its group for the year ended 31 March 2024 on 5 December 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were in accordance with applicable enactments and guidance
- the audited part of the Remuneration and Staff Report was prepared in accordance with the Government Financial Reporting Manual
- the Performance Report and Governance Statement were consistent with the financial statements and properly prepared in accordance with the Government Financial Reporting Manual.

## Overall materiality was assessed as £1.6 million for the single entity and £1.9 million for the VisitScotland group

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors

set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

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## Exhibit 1

### Materiality values

Materiality level	Single entity	Group
Overall materiality	£1.6 million	£1.9 million
Performance materiality	£1.0 million	£1.1 million
Reporting threshold	£80,000	£95,000

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**14.** The overall materiality threshold was set with reference to gross expenditure which I judged as the figure of most interest to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 60% of overall materiality, reflecting the fact there were no significant issues identified in the prior year impacting our audit approach and no new accounting systems introduced in the financial year.

**16.** It is my responsibility to request that all misstatements are corrected other than those below the reporting threshold. The final decision on making corrections lies with the Board.

## Significant findings and key audit matters

**17.** Under ISA (UK) 260, I communicate significant findings from the audit to the Board, including my view about the qualitative aspects of the Board's accounting practices.

**18.** The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance.

**19.** Significant findings are summarised [Exhibit 2](#).



## Exhibit 2

### Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p><b>1. Prior year accounting treatment of unfunded pension liability</b></p> <p>In 2022/23, an asset ceiling was applied to the pension asset recognised for the Local Government Pension Scheme in line with IFRIC 14. This was applied to the net of both funded and unfunded pension asset/obligations. Subsequent guidance has clarified that although unfunded liabilities are treated the same way as retirement benefit costs, bodies do not have a right to set off the unfunded liability against a pension asset. Therefore the unfunded liability should have been recognised in full. The total value of the unfunded liability in 2022/23 was £1.0 million and this represents a prior year understatement of 'Retirement benefit obligations' on the Statement of Financial Position. This was a widespread issue across bodies accounting for Local Government Pension Schemes.</p>	<p>Management did not adjust the financial statements and related note as the amount is not considered to be material. This is acceptable under International Accounting Standard 8, as only material prior period errors are required to be corrected retrospectively.</p>
<p><b>2. Remuneration and staff report</b></p> <p>Some minor changes were required to the remuneration and staff report to bring the disclosures in line with Government Financial Report Manual and other relevant guidance. This included an amendment to the remuneration banding disclosed for four members of the Leadership Group.</p>	<p>Management have amended the disclosures in the remuneration and staff report.</p>
<p><b>3. 2023 Cycling World Championships (CWC) Ltd</b></p> <p>The total CWC Ltd income per the group accounts agreed to CWC Ltd audited accounts. However, a misclassification was identified within income which resulted in a £5.0 million movement between income lines on the statement of comprehensive net expenditure and Note 6 to the accounts for 2023/24 and £0.8 million for 2022/23.</p>	<p>Management have adjusted the misclassification of group income for both 2023/24 and 2022/23. The impact of the adjustment on the total income reported in the statement of comprehensive net expenditure is £nil.</p>

## Audit work responded to the risks of material misstatement we identified in the annual report and accounts

**20.** The significant risk of material misstatement to the financial statements identified in my 2023/24 Annual Audit Plan is set out at [Exhibit 3](#). It summarises the further audit procedures performed during the year to obtain assurances over this risk and the conclusions from the work completed.

### Exhibit 3

#### Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<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 perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</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> <li>Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> </ul>	<p>We undertook the assurance procedures as planned and found:</p> <ul style="list-style-type: none"> <li>The authorisation control over journal entries continues to operate effectively.</li> <li>Individuals involved in the financial reporting process were not aware of inappropriate or unusual activity.</li> <li>Detailed testing of journal entries and unusual transactions did not identify any errors.</li> <li>There were no significant transactions outside the normal course of business.</li> <li>The methodology used in preparing significant accounting estimates is reasonable and consistent with the previous year.</li> </ul> <p>We did not identify any instances of management override of control.</p>

Source: Audit Scotland

**21.** In addition, the 2023/24 Annual Audit Plan identified "areas of audit focus" where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **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. We carried out audit procedures to obtain assurance over the IAS 19 and IFRIC 14 accounting and disclosures. Our findings in this area have been outlined in [Exhibit 2](#).
- **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 is reflected in a significant increase in income and expenditure in the 2023/24 financial statements. We engaged with the auditor of CWC Ltd and reviewed relevant working papers for the CWC Ltd audit to obtain the required assurances. Our findings in this area have been outlined in [Exhibit 2](#).

### Other findings from the audit

**22.** Our audit testing identified three prepayment balances totalling £0.2 million that had been reversed out on the basis that they relate to a non-refundable contractual obligation arising in 2023/24 for an event that took place in April 2024. This represents a change in accounting treatment for this particular event.

**23.** We considered the circumstances leading to management's decision to account for the transaction in this way and concluded that due to the value and nature of the transaction the accounting treatment could be considered acceptable. Our testing of prepayments did not identify any other issues. As part of our 2024/25 audit we will engage further with management on this matter.

**24.** Other than the corrected material misstatement detailed as a significant finding in [Exhibit 2](#), my audit identified no misstatements above the reporting threshold.

### The unaudited annual report and accounts were received in line with the agreed audit timetable

**25.** The unaudited annual report and accounts were received in line with the agreed audit timetable on 27 September 2024. The working papers that accompanied the annual report and accounts were of a good standard. Regular communication and support from staff helped the audit process run smoothly.

### Good progress was made on prior year recommendations

**26.** VisitScotland has made good progress in implementing the agreed prior year audit recommendations. The management action taken in year has been set out in [Appendix 1](#).

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusion

Appropriate and effective financial management arrangements are in place with regular budget monitoring reports provided to the Board.

VisitScotland operated within its revised fiscal resources, reporting a breakeven position on a total fiscal spend of £73.8 million.

Key controls within the main financial systems are operating effectively and standards for the prevention and detection of fraud remain appropriate.

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### Appropriate and effective financial management arrangements are in place with regular budget monitoring reports provided to the Board

**27.** Senior management and members receive regular and accurate financial information on VisitScotland's performance against budgets. These reports allow officers and members to scrutinise financial performance effectively throughout the year.

### VisitScotland operated within its revised budget in 2023/24

**28.** The main financial objective for VisitScotland is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

**29.** VisitScotland reported an outturn of £79.5 million against its overall budget of up to £82.2 million. The financial performance against fiscal resources is shown in [Exhibit 4](#).

## Exhibit 4

### Performance against fiscal resource in 2023/24

Performance	Initial budget (up to) £m	Approved adjustments in year £m	Final Budget (up to) £m	Outturn £m	Over/ (under) utilised £m
Resource	70.1	(2.6)	67.5	67.5	-
Capital	6.3	-	6.3	6.3	-
<b>Total fiscal resource</b>	<b>76.4</b>	<b>(2.6)</b>	<b>73.8</b>	<b>73.8</b>	<b>-</b>
Non-Cash	4.4	-	4.4	5.6	1.2
AME	4.0	-	4.0	0.1	(3.9)
<b>Total budget allocation</b>	<b>84.8</b>	<b>(2.6)</b>	<b>82.2</b>	<b>79.5</b>	<b>(2.7)</b>

Source: 2023/24 VisitScotland Annual Report and Accounts

**30.** The fiscal resource for both revenue and capital showed a breakeven position. This was after net adjustments of £2.6m to grant-in-aid allocation were agreed with Scottish Government. This was mainly the repayment to Scottish Government of grant funding not required for the delivery of 2023 UCI World Cycling Championships.

**31.** In addition to the fiscal resources outlined in [Exhibit 4](#), VisitScotland receives allocations from the Scottish Government for non-cash costs (e.g. depreciation) and annually management expenditure (AME) (e.g. movements in pensions and provisions). Both of these can be unpredictable and out with the control of management.

**32.** The non-cash allocation was exceeded by £1.2 million in year. This related to higher than expected depreciation and impairment charges. These costs reflect changes in the estates management strategy associated with the implementation of the strategic change programme and were approved in advance by Scottish Government.

**33.** £3.9 million of the AME allocation was not utilised during the year. This mainly reflected lower than expected movements in the pension schemes as a result of the actuarial valuation at 31 March 2024. The underspend was approved by Scottish Government.

## VisitScotland has appropriate financial controls in place

**34.** From a review of the design and implementation of key controls within VisitScotland's systems of internal control (including those relating to IT) relevant to our audit approach, we did not identify any significant control weaknesses which could affect VisitScotland's ability to record, process, summarise and report financial and other relevant data and result in a material misstatement in the financial statements.

**35.** In 2022/23, we reported that there was scope for internal controls to be enhanced in relation to asset verification and the operation of the Oracle Leases module. We have reviewed both areas as part of our 2023/24 audit and concluded:

- We obtained evidence through our audit process to demonstrate that asset verification checks were undertaken by the facilities and IT teams during 2023/24. This provided assurance over the existence of assets across multiple asset categories in the fixed asset register.
- Last year several weaknesses were identified in the contract monitoring and invoicing processes for managing lease agreements and in the operation of the Oracle Leases module, which may lead to the incorrect valuation of lease liabilities when changes are made to the underlying right-of-use asset. We performed detailed testing on IFRS 16 lease terms and identified a manual input error relating to a lease end date. We recalculated the right-of-use asset value and the impact on the asset valuation was below our reporting threshold. We would expect data input to the Oracle Lease module to be agreed to source documentation and subject to second officer review.

## Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

**36.** Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**37.** We concluded that VisitScotland has appropriate arrangements for the prevention and detection of fraud, error and irregularities. We also reviewed arrangements to maintain standards of conduct, including the Board and staff code of conduct and register of interests. We concluded that VisitScotland has established procedures for preventing and detecting breaches of these standards.

## National Fraud Initiative

**38.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. VisitScotland participates in this biennial exercise. The 2022/23 exercise concluded during

the 2023/24 financial year and the final report, [\*The National Fraud Initiative in Scotland 2024\*](#), was published in August 2024.

**39.** We reviewed VisitScotland's participation in the NFI exercise and concluded that it is pro-active in investigating matches and reporting outcomes. No frauds were identified by VisitScotland as part of the NFI exercise.

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# 3. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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## Conclusion

VisitScotland has prepared financial projections over a five-year period to 2030 to reflect a range of potential scenarios for funding and pay. This shows that if business as usual costs continue as they have, then expenditure on core activity would not be sustainable.

A strategic change programme was approved in 2023/24 to ensure services are fit for the future and address the financial challenges that VisitScotland is facing. This includes significant changes to the way some services are delivered.

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## The Board approved a balanced budget for 2024/25

**40.** VisitScotland's annual operating budget for 2024/25 was approved by the Board at its meeting in March 2024 and includes an overall reduction in the core grant-in-aid allocation. The budget outlines a balanced position based on anticipated expenditure of £43.9 million being offset against income of £43.9 million, which comprises the initial budget allocation from the Scottish Government of £41.5 million and receipts of £2.4 million from retail and commercial sources.

**41.** VisitScotland has experienced a planned reduction in headcount through the voluntary redundancy scheme but pay awards and progression means that this is not reflected in a reduction in staff costs. VisitScotland has a £25 million pay bill to maintain in 2024/25, which accounts for 58 per cent of the overall budget. Significant investment in the strategic change programme is also planned in year, and all of these factors have contributed to a reduction in funds available for core activity. The latest finance report presented to the Board indicates that VisitScotland is still on track to breakeven at the year end.

## VisitScotland has prepared financial scenarios to 2030 to inform decision making

**42.** In September 2024, the Board considered VisitScotland's financial scenario planning for the period 2025/26 to 2029/30. This outlines the financial position of the organisation over a five-year period using a range of assumptions and scenarios including inflation, pay awards and the Scottish Government funding allocation.



**43.** The financial modelling presents three funding scenarios – flat cash and two funding cut scenarios. The inflation assumption has been set at the Bank of England target rate, and the three funding scenarios are presented with two pay award options.

**44.** The financial scenario planning indicates that if no action is taken and business as usual costs continue as they have, then expenditure on core activity would not be sustainable. This position highlights the importance of the strategic change programme to VisitScotland’s financial position in the future.

### **A strategic change programme is in place to ensure services are fit for the future and address financial pressures**

**45.** VisitScotland approved a strategic change programme in 2023/24 with the aim of reshaping the organisation for the future, to ensure it has the required skills and resource to deliver on its core purpose - to drive the visitor economy, growing its value. A programme board has oversight of the strategic change programme and is accountable to the VisitScotland Leadership Group and the Board for effective delivery.

**46.** In June 2024, internal audit reported on the planning stage of the strategic change programme. This review identified a number of areas of good practice, including the preparatory work undertaken to inform the review, regular and timely engagement with the Board and staff, an appropriate governance structure to deliver and oversee the programme, and effective risk management arrangements. Internal audit also highlighted some areas for VisitScotland to consider in the next phase of the programme. This includes refining outcomes and measures for success, ensuring sufficient resource is allocated to the programme, and ongoing engagement with the Board.

**47.** The strategic review areas covered by the programme are wide ranging and include:

- Events strategy
- Quality and business advice strategy
- Information strategy
- Technical infrastructure
- Workforce planning.

**48.** Some key decisions to date will significantly change the way services are delivered by VisitScotland in line with the organisation’s move to digital-first. The first phase of the programme has focussed on the provision of information to visitors and advice to businesses. VisitScotland began the closure of its iCentre network in September 2024 to reflect identified consumer behaviours, and to prioritise online pre-arrival information for tourists. The Quality Assurance scheme will be retired on 31 March 2025. VisitScotland is developing a new Tourism and Events Business Advice and Support Programme to connect

businesses with tailored and timely business advice. As part of this approach a new online Business Support Hub is being developed which will give businesses access to free tailored support and resources.

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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

VisitScotland's strategic framework clearly sets out the purpose, vision and mission of the organisation. A three-year corporate plan to deliver against the core purpose identified in the strategic framework is in development.

There are appropriate governance arrangements in place that support scrutiny of decisions made by the Board.

VisitScotland has taken action to manage the risks associated with changes in key leadership roles.

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## VisitScotland's strategic framework clearly sets out the purpose, vision and mission of the organisation

**49.** A new three-year Strategic Framework 2024-27 has been published and is available on the VisitScotland website. This defines VisitScotland's purpose – to drive the visitor economy, growing its value in Scotland. The core activities within the framework are consistent with the existing strategic pillars and include:

- Stimulating and managing demand
- Supporting tourism and events businesses
- Working collaboratively with community, destination, and sector organisations
- Enhancing our organisation insight, capability, planning, and compliance
- Supporting and enabling our people.

**50.** Monitoring and oversight of performance against the strategic pillars has continued to be regularly reviewed by the Board and senior leadership team. A comprehensive framework of reporting is in place and provides a coordinated view of financial performance, key performance indicators, risk and assurance and carbon monitoring. Budgets have been aligned to each of the strategic pillars to allow reporting of financial performance, capturing a unique perspective of organisational performance. The design of the internal reporting framework tackles a difficult concept in reporting performance against strategic objectives and as reported in 2022/23, this is considered to be an example of good practice.

### **A three-year corporate plan to deliver against the core purpose identified in the strategic framework is in development**

**51.** VisitScotland published an interim corporate plan in April 2024 setting out the direction of travel for the year ahead. The 2024/25 corporate plan is underpinned by the five pillars identified in the Strategic Framework 2024-27. The publication of a one-year plan reflects 2024/25 as a transition year with VisitScotland investing in key changes through the strategic change programme ([Paragraph 45.](#) ).

**52.** A new three-year corporate plan is in development and expected to be published by the end of the year. This is a critical document for VisitScotland to demonstrate how it plans to deliver its purpose, vision and mission and measure the value of its activities.

### **Governance arrangements are appropriate and support scrutiny of decisions made by the Board**

**53.** VisitScotland's governance arrangements have been set out in the governance statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and support robust scrutiny and challenge of decision-making processes.

**54.** There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using resources.

**55.** There remains scope to strengthen VisitScotland's approach to openness and transparency by ensuring that up-to-date information is made available to the public. Whilst VisitScotland publishes Board minutes and action plans on its website, Board papers and committee meeting minutes are not readily available.

## VisitScotland has managed the risks associated with changes in key leadership roles

**56.** There have been several changes in key leadership roles within VisitScotland since April 2024. This includes the appointment of a new Chair of the Board and Chair of the Audit and Risk Committee. In addition, the Chief Executive Officer of VisitScotland retired in September 2024 after 14 years in post. He was replaced by Vicki Miller from October 2024, who previously held the post of Director of Marketing and Digital.

**57.** A change in key leadership can present significant risks to an organisation. For example, through a loss of in-depth industry and organisational knowledge and impact on staff morale. The risks associated with the change in leadership are being effectively managed by VisitScotland and this has been evidenced through the risk management process, including risk reports to the Audit and Assurance Committee. Mitigating action has included internal and external communication and an appropriate handover process for the roles.

## Strong governance and oversight continues to be exercised over operations of the 2023 Cycling World Championships Ltd.

**58.** The 2023 UCI Cycling World Championships event was held in August 2023. The event was organised and delivered by a separate and independent Special Purpose Vehicle (SPV) called “2023 Cycling World Championships Ltd” established by VisitScotland in 2020 with its own Board and governance arrangements. Members of VisitScotland were represented on the Board of the independent company and oversight of governance and risk arrangements were regularly reported to the VisitScotland Board and Audit & Risk Committee over the period of its operation.

**59.** The outcome of the event was highly successful as reported in the independent evaluation report completed by EY “*2023 UCI Cycling World Championships socio-economic impact evaluation*” (January 2024). The event was held in 10 venues across 14 different Local Authority areas and attracted around 1 million visitors, a third coming from outside Scotland. The economic impact created by the whole event generated an estimated £205m of gross value added to the economy and 5,285 jobs. Sustainability was an important objective for the event. A separate Sustainability Report (published June 2024) showed the Championships contributed to 14 out of 17 UN sustainable development goals.

**60.** A process has been initiated to revise the governance arrangements of CWC Ltd for the post event period and a project closure team established to oversee arrangements for the agreement of contractual obligations put in place to deliver the event. This has been substantially completed, with only a small number of the 403 individual contracts required for the delivery of the event remaining open at the present time. Residual responsibility beyond the project closure phase will transfer to VisitScotland.

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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

VisitScotland has an appropriate and effective Best Value framework in place.

Key performance indicators highlight the positive economic impact of VisitScotland's activities across the sector.

The Board regularly reviews service performance against objectives.

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## VisitScotland has an appropriate Best Value framework in place

**61.** [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

**62.** We consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. We may also, in conjunction with VisitScotland, agree to undertake local work in this area. We did not undertake any specific work in 2023/24 but concluded that appropriate arrangements were in place for securing best value based on the outcome of our other audit work.

## Key performance indicators highlight positive economic impact of VisitScotland activities across the sector

**63.** VisitScotland uses a number of economic indicators to assess the impact of the various activities undertaken during the year. These Key Performance Indicators (KPIs) are used internally to assess its own service delivery and organisational performance. A summary of results for the year are published as part of the Annual Report and Accounts.

**64.** The indicators evaluate the economic impact of various activities undertaken by the different directorates within VisitScotland during the year. However, there are no targets or benchmarks included to assess whether performance was met, exceeded or was lower than expected.

**65.** The reporting of KPIs also does not include trend analysis over time to highlight longer term insights. It is acknowledged that annual KPI data is prepared on the basis of activity undertaken during the course of the year and each year the range and nature of activities and events will be different. Therefore, indicators will not necessarily be measuring like with like, making trend analysis more difficult.

**66.** We would encourage organisations to develop the use of comparative benchmarks or targets combined with trend analysis when presenting KPI data, however recognise that this is not always practical in all instances.

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## Recommendation 1

Consideration should be given to developing comparative benchmarks or internal targets and trend analysis, where appropriate, for KPI reporting.

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### The Board regularly reviews service performance against objectives

**67.** The Board is ultimately responsible for scrutinising performance across all areas of activity. Each Board meeting receives a comprehensive internal key performance measures report which is intended to provide a high-level overview of core project and operational activity.

**68.** Internal reporting takes a holistic approach to reporting on different aspects of the organisation's activities. Information is provided on a number of internal service delivery activities and operations, organisational performance against key strategic outcomes, financial performance against budget and risk management.

# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Performance reporting</b></p> <p>VisitScotland uses a number of economic indicators to assess the impact of the various activities undertaken during the year. However, there are no targets or benchmarks included to assess whether performance was met, exceeded or was lower than expected.</p> <p>Risk – VisitScotland does not correlate its funding in projects to specific economic outcomes and is unable to assess whether the outcomes achieved were in line with expectations.</p>	<p>Consideration should be given to developing comparative benchmarks or internal targets and trend analysis, where appropriate, for KPI reporting.</p> <p><a href="#">Paragraph 63.</a></p>	<p><b>Accepted</b></p> <p>Management will consider how KPI reporting could be developed which will aid in further understanding the economic growth our activities create and support.</p> <p>Management will look to our new Strategy and Competitive Intelligence Directorate to lead on this action.</p> <p><b>Director of Strategy and Competitive Intelligence</b></p> <p><b>Head of Corporate Governance and Performance</b></p> <p><b>March 2025</b></p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f 1. Internal controls</b></p> <p>We noted two minor areas where there is scope for improvement to the operation of certain internal controls.</p>	<p>Management will introduce formal periodic fixed asset verification reviews.</p> <p>Responsible officer: Head of Financial Services</p>	<p><b>Implemented</b></p> <p>We received evidence to confirm that an asset verification exercise was conducted by facilities and IT teams during 2023/24.</p>



Issue/risk	Recommendation and Agreed Action	Progress
Risk – there is a risk that internal controls do not operate effectively.	Agreed date: 31 March 2024	
<p><b>b/f 2. Assurances over service organisations</b></p> <p>VisitScotland use Oracle and ADP for its ledger and payroll services respectively. The Oracle system is hosted on the cloud, whilst ADP is hosted by the supplier. All reports produced by service organisations are received, however, it is not formally documented that these are subject to review.</p> <p><b>Risk</b> – VisitScotland’s data hosted by the service organisations may be at risk of loss, corruption or misuse.</p>	<p>A proportionate risk-based review of Oracle and ADP will be performed annually from 2023/24. This will include checking security certifications and that appropriate controls are maintained in place. This will be added to the corporate risk register as a mitigating action for the cyber security risk.</p> <p>Responsible officer: Head of IT and Project Delivery</p> <p>Agreed date: 31 March 2024</p>	<p><b>Implemented</b></p> <p>We received appropriate evidence to confirm that arrangements are in place to periodically review assurances over the operation of service organisations.</p> <p>We note that the Risk Register has been updated accordingly to allow on-going monitoring of this potential risk.</p>

# VisitScotland

## 2023/24 Annual Audit Report

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