

**Annual report to those charged with governance**  
VisitScotland  
For the year ended 31 March 2012

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To the Accountable Officer and Audit Committee of VisitScotland, and the Auditor General for Scotland.

The purpose of this report is to highlight the key issues affecting the results of VisitScotland and the preparation of the financial statements for the year ended 31 March 2012. It is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260, and Audit Scotland's Code of Audit Practice.

We take responsibility for this memorandum, which has been prepared on the basis of the limitations set out in 'The small print'.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

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# Contents

1	Executive summary	2
2	Financial Statements	3
3	Key audit issues	5
4	Financial reporting matters	7
5	Audit adjustments	9
6	Design effectiveness of internal controls	10
7	Governance	12
8	Best Value and Performance	14
9	Looking forward	16
10	Action plan	17
11	The small print	18

# 1 Executive summary

<b>Financial Statements</b>	
Audit Opinion	<ul style="list-style-type: none"> <li>We intend to give an unqualified opinion on both the Financial Statements and on the regularity of transactions undertaken for the 2011-12 financial year.</li> </ul>
Financial Statements	<ul style="list-style-type: none"> <li>The draft financial statements were provided for the start of our fieldwork, on 18<sup>th</sup> June 2012. The financial statements were of a satisfactory standard, and as a result only one audit adjustment was required. A number of changes to disclosures were agreed with the Finance Team, principally to reflect changes to the Scottish Public Finance Manual (SPFM) during the year.</li> </ul>
Efficiency	<ul style="list-style-type: none"> <li>VisitScotland continues to deliver efficiencies in its operations. Management reported a further £3.595m of efficiency savings during the year.</li> </ul>
<b>Governance</b>	
Annual Governance Statement	<ul style="list-style-type: none"> <li>We reviewed VisitScotland's first Annual Governance Statement and concluded that it meets the requirements of the SPFM and summarises VisitScotland's well-developed governance arrangements. The Audit Committee operates in accordance with good practice and provides effective oversight.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>We have concluded that the work of Internal Audit was compliant with the government internal audit standards.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Risk management arrangements were found to be embedded across VisitScotland and operating well.</li> </ul>
<b>Performance</b>	
Targets and Standards	<ul style="list-style-type: none"> <li>VisitScotland adopt a number of key performance indicators to monitor performance during the year. We believe that there is scope to further develop public performance reporting to ensure that VisitScotland can demonstrate that it is operating effectively and is achieving Best Value.</li> </ul>
National Performance Reports	<ul style="list-style-type: none"> <li>VisitScotland has established procedures to present Audit Scotland National Reports to the Audit Committee and we found that they had responded positively to national reports. In particular, VisitScotland has good arrangements in place which meet the good practice guidelines set out in Audit Scotland's report on 'The Role of Boards'.</li> </ul>

## 2 Financial Statements

### 2.1 Financial Framework

VisitScotland's accounts are prepared on an IFRS basis, in line with the requirements of the Government Financial Reporting Manual (FRoM). The financial targets that VisitScotland agree with the Scottish Government operate principally on a cash basis. The financial statements therefore include a Statement of Resource Outturn to reconcile the performance against the organisation's financial targets to the annual accounts.

VisitScotland achieved its key performance target, which is to ensure that the financial outturn is within the Resource Budget for the year. The non-cash outturn was £134k over the budget allocation as a result of a mandatory change in accounting for government grants.

#### Performance against Scottish Government Allocation

	Actual 2012 £'000	Allocation 2012 £'000	Variance £'000
<b>Cash</b>			
Revenue	44,160	44,160	-
Capital	1,125	1,125	-
<b>Non-Cash</b>			
Depreciation	1,614	1,480	134

The change to the 2011-12 FRoM meant that grants should be recognised immediately, unless there is a condition outstanding which could lead to a repayment of the grant and not deferred to be used to offset future depreciation. The impact on the financial statements is described in more detail in **Section 3.4.3**. VisitScotland has entered into discussions with the Scottish Government to update future budget allocations in light of the change in accounting treatment.

### 2.2 Key Areas of Expenditure

VisitScotland approve an annual budget and programme of expenditure based on core activities within the Corporate Plan. During 2011-12, VisitScotland continued to implement "the Winning Years" which included spend on the Year of Creative Scotland in 2012, continuing development expenditure on the Ryder Cup 2014 and the Glasgow 2014 Commonwealth Games.

During the year, VisitScotland also worked towards its largest ever campaign to promote *Brave*, the new Disney/Pixar movie. The campaign was launched on 18th June 2012 and promoted Scotland across the UK, France, Germany and the United States. It is hoped that the *Brave* campaign will ultimately boost spend in the Scottish economy by around £140 million.

The VisitScotland Group Statement of Comprehensive Net Expenditure reports net expenditure in the year of £46 million, an increase of £3.5 million from 2010-11. The table below highlights that the key reason for this increase is IAS 19 disclosure requirements relating to VisitScotland's pension scheme.

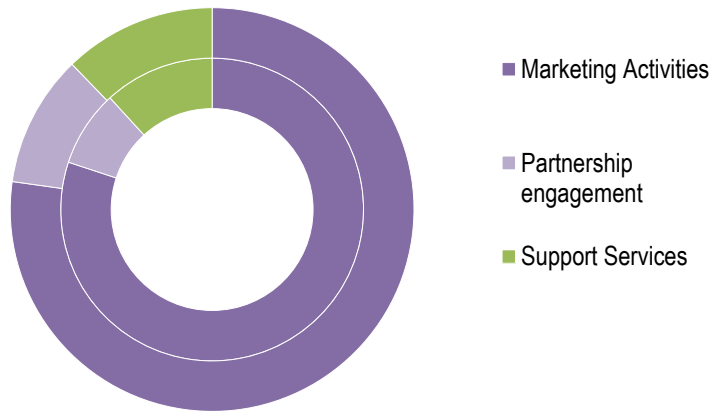
#### Reconciliation of net expenditure

	Actual 2012 £'000	Actual 2011 £'000	Expenditure/ (Income) £'000
Resource Expenditure	59,748	64,070	4,322
Excluding IAS19 Adjustment for Pension Costs	478	(4,119)	(4,597)
Non Grant in Aid Income	(14,187)	(17,378)	(3,191)
<b>Net Expenditure</b>	<b>46,039</b>	<b>42,573</b>	<b>(3,466)</b>

Source: VisitScotland Annual Report 2011-12

Resource expenditure fell during the year, although the relative spend varied across categories. As the chart below highlights, in 2011-12, VisitScotland spent proportionally more on marketing activities in line with the Board's core objectives.

**Over 80% of resource expenditure during the year was spent on marketing activities**



Source: VisitScotland Annual Report 2011-12

**2.3 Income for the year**

The key source of income for VisitScotland is the Scottish Government. In 2011-12, VisitScotland received grant in aid of £45.2 million, a reduction of £1.2 million from 2010-11. The financial statements highlight that other income fell during the year as a result of the continuing impact of the recession. Retail and Commercial Income fell by £1.3 million, and income from other sources such as local authorities and European grant funding reduced by a further £1.7 million.

VisitScotland has managed this reducing financial resource by prioritising spend within the annual budget process, and by delivering higher than anticipated efficiency savings, principally as a result of the programme of voluntary severance and improvements in procurement processes.

**2.4 Financial position**

VisitScotland has a negative balance sheet as a result of the continuing significant retirement benefit obligations of £20.6 million ( 2010-11: £13.2 million).

**Net liabilities have increased by £8m over the year as a result of pension accounting adjustments**

Balance sheet	2012 £'000	2011 £'000
Non current assets	11,149	11,706
Current assets	6,938	14,161
Current liabilities	(7,062)	(13,658)
Non current liabilities	(24,180)	(17,314)
<b>Total net liabilities</b>	<b>(13,155)</b>	<b>(5,105)</b>

Source: VisitScotland Annual Report 2011-12

**2.12 Conclusion**

Overall VisitScotland manages its finances well to adapt to a challenging financial climate. VisitScotland's prioritisation on strategic objectives within the Corporate Plan means that the proportionate spend on marketing and partnership engagement has been maintained despite additional costs relating to voluntary redundancies.

### 3 Key audit issues

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and we provide details of additional matters that arose during the course of our work.

#### 3.1 Status of audit

Our audit is now complete, and all matters arising were discussed with Finance Team on 21 August 2012.

#### 3.2 Matters identified at the planning stage

In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated in our Audit Approach Memorandum. Our responses to the risks identified at the planning stage are detailed in the table at 2.4 below.

#### 3.3 Matters identified in relation to related parties

As part of our work on the financial statements we conducted a review of the transactions occurring throughout the financial year. We found no matters arising in relation to the disclosure of related parties.

#### 3.4 Matters identified at the planning stage

	Issue	Audit commentary
1	<p><b>Financial position</b></p> <p>The Scottish public sector continues to face a period of sustained financial austerity with the significant cuts in public expenditure commencing from 2012-13. The Cabinet Secretary for Finance and Sustainable Growth announced the Scottish Government's spending plans for the 2012-13 financial year in September 2011. Visit Scotland is part of the Finance and Sustainable Growth Portfolio spend on Tourism. The budget in this area is effectively frozen over the next four years.</p> <p>A key source of supplementary funding is that generated from local authorities, which is used to secure funding to the regions. There are increasing pressures on local authorities due to reductions in funding. This has resulted in a change of the local government budget priorities as the focus shifts to maintaining essential services. The level of local authority funding available to Visit Scotland decreased in 2011-12 by 22% to £2.74 million. (2010/11 £3.5 million) There is a risk that the level of funding continues to fall, and this may result in a reduction in the number of key projects VisitScotland is able to deliver..</p>	<p>During 2011-12, VisitScotland's net operating costs rose by £3.4 million for the Group, compared to 2010/11. However, last year's figures were distorted by the abnormal credit in respect of the IAS 19 accounting adjustments of £4.1 million for pension costs. The 2011/12 comparable figure is a charge of £478,000. Exclusion of IAS 19 costs/credit indicates that net operating costs actually fell by £1.1 million. VisitScotland has prepared a budget for 2012-13 which recognises the reducing income and identifies key areas where savings can continue to be made.</p> <p>We also completed a review of the financial management and budgetary control system as part of our interim audit. This work included a review of financial monitoring procedures and the processes for reporting the budget to the Board. Our review concluded that the financial management and budgetary control systems in place at VisitScotland are effective.</p>

	<b>Issue</b>	<b>Audit Commentary</b>
2	<p><b>Annual Governance Statement</b></p> <p>Consultation on HM Treasury's Financial Reporting Manual Exposure Draft ED/2011/04 Governance Statement has recently concluded. The Exposure Draft proposes replacing the Statement of Internal Control with a Governance Statement which will integrate reporting of governance, risk management and control. The Annual Governance Statement requires more disclosure than the Statement of Internal Control as it should reflect how the organisation conducts its business internally and in dealing with others.</p>	<p>During the year, the Scottish Public Finance Manual (SPFM) was updated to make the Annual Governance a requirement for all central government bodies in Scotland. We found that VisitScotland's first Annual Governance Statement meets the requirements of the SPFM.</p>
3	<p><b>Treatment of Government Grants</b></p> <p>Government Grants used to fund assets were previously taken to the government grant reserve and released to the statement of comprehensive net expenditure over the life of the relevant asset.</p> <p>The 2011-12 FReM has been amended to require that grants are recognised immediately, unless there is a condition outstanding which could lead to a repayment of the grant. Grants with no conditions outstanding should be recognised as income, but grants from a sponsoring department to a non-departmental public body (NDPB) should be credited to general reserves.</p>	<p>We discussed the revisions to the government grants with the finance team at the interim stage of the audit and advised that an exercise be undertaken on the grants held in reserve by VisitScotland to understand the source and terms and conditions. This information was made available to us as part of the year end process for review by the audit team.</p> <p>VisitScotland had adjusted the Grants Reserve figure in the draft financial statements to reflect several grants which previously had been deferred in the accounts which did not have conditions applied and therefore under the revised guidance were recognised as income in prior periods. We subsequently discussed and agreed, in conjunction with the Scottish Government, that the likelihood of repayment of the remaining grants being required was minimal and therefore the grants should be recognised as income in the period to which they relate. As a result, a transfer of £1.163 million was made between the Government Grant Reserve and the prior year General Fund balance to reflect the change in accounting policy. The impact of this change in accounting policy resulted in the non-cash adjustment of £134,000 for 2011-12, as previously highlighted.</p> <p>VisitScotland has entered into discussions with the Scottish Government to revise the non-cash allowance in future years to prevent this issue arising again.</p>



## 4 Financial reporting matters

### 4.1 Commentary on key judgements and estimates

#### Going concern

As we note in Section 2, VisitScotland's balance sheet continues to record net liabilities. VisitScotland has based its assessment of going concern on the following factors:

- grant-in-aid for 2012-13 has already been approved by Parliament and future Parliamentary approval is anticipated to continue
- grant-in-aid takes into account amounts necessary to meet VisitScotland's liabilities falling due within the year, including pension liabilities.

The basis of the going concern assumption was found to be reasonable.

#### Revenue recognition

The predominant source of revenue for VisitScotland is through government grant in aid. In line with the requirements of the FReM the grant in aid is accounted for on a cash basis. Our testing confirmed that Visit Scotland recognise income appropriately.

### 4.2 Disclosure requirements

During the year, the FReM required a number of additional disclosures including:

- the ratio of the highest earner's remuneration to that of the average earnings in the workforce
- a section which outlines the economic, social and environmental factors impacting the organisation. This is to be presented in a Sustainability Report (the report must be published, but does not have to form part of the annual report and accounts).

We reviewed the Financial Statements to highlight areas where the disclosures did not meet the requirements of the FReM and discussed and agreed changes with management. No outstanding matters require to be updated within the Annual Report.

### 4.3 Review of principal accounting policies

We have reviewed the financial statements and present our view of the key accounting policies below, bringing to your attention in particular any significant judgements and estimates

Accounting area	Summary of policy	Comment
Depreciation	<ul style="list-style-type: none"> <li>• Depreciation is charged to the statement of comprehensive net expenditure on all property, plant and equipment on a straight line basis, at rates calculated to write-off the re-valued cost, less estimated residual value, of each asset over its expected useful life.</li> </ul>	<ul style="list-style-type: none"> <li>• The straight line methodology is appropriate for VisitScotland's asset base. We concluded that the useful economic lives are reasonable and in line with sector expectations.</li> </ul>

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Accounting area	Summary of policy	Comment
Pension Costs	<ul style="list-style-type: none"><li>• VisitScotland employees are members of either Scottish Local Government Pension Schemes or the British Tourist Boards' Pension Scheme. The Schemes are defined benefit schemes providing benefits based on final pensionable pay, which are contracted out of the State Earnings-Related Pension Fund. The expected cost of providing staff pensions to employees is recognised in the statement of comprehensive net expenditure on a systematic basis over the expected average remaining lives of members of the funds.</li></ul>	<ul style="list-style-type: none"><li>• The disclosure and treatment is in line with the requirements of International Accounting Standard 19 "Employee benefits". We reviewed the assumptions and estimates included within the calculation of the pensions liability and found them to be reasonable.</li></ul>

## 5 Audit adjustments

### 5.1 Adjustments

We are required to communicate all adjustments to you, other than those considered to be clearly trivial. Management have processed these adjustments within the finalised Annual Accounts.

The adjustment required to the accounts reflected the new accounting treatment for deferred government grants in the 2011-12 FReM, referred to within Section 3.4.3. This section summarises the impact on VisitScotland's financial outturn.

### 5.2 Uncorrected adjustments

No unadjusted audit differences have been identified.

### 5.3 The summarised impact of audit adjustments

Statement of Non-Cash Resource Outturn	Increase/ (Decrease) in deficit
	£'000
<b>Processed adjustments</b>	
Adjustment to release the Government Grant Reserve Credit	134
<b>Net Outturn Non-Cash Overspend</b>	134

## 6 Design effectiveness of internal controls

### 6.1 Accounting system and internal control

As part of our interim audit work we reviewed VisitScotland's key financial systems. There were no significant issues arising from this testing. Our Interim Audit Report details the outputs from our interim work and was presented to the Audit Committee on 20<sup>th</sup> April 2012.

We use this section of the report to record internal control deficiencies identified during our final audit work, to allow management to consider their response before our next interim visit.

Our audit is not designed to identify all significant weaknesses in VisitScotland's internal controls but is designed primarily for the purpose of expressing our opinion on VisitScotland Annual Report and Accounts. In consequence, our work did not encompass a detailed review of all aspects of the internal controls and cannot be relied upon necessarily to disclose all defalcations or other irregularities or to include all possible improvements in internal control.

See *'The small print'* for further details of our approach in respect of internal controls.

### 6.2 Internal Control Observations

Issue	Commentary
<p><b>Core Bank Accounts</b></p> <p>The Scottish Public Finance Manual requires that core bank accounts are held within the Government Banking System (which is part of the RBS Group), except where the Treasury and Banking branch can be persuaded that the holding of such an account would not be cost effective. Balances in commercial banks should be kept to a minimum, consistent with the principles of not providing funding in advance of need and avoiding accounts going overdrawn.</p>	<p>VisitScotland do not currently use the Government Banking System, but hold accounts, including an investment account with commercial banks. We understand that VisitScotland has arrangements in place to adopt the GBS system during 2012-13.</p> <p><b>Management response:</b> All the necessary RBS Bank Accounts have been opened and we are in the process of transferring the various areas of our banking portfolio over to the new system under a phased approach. In this respect we have to arrange individual banking arrangements across our network of over 100 VICs. We are confident that by 31 March 2013 we will have successfully completed the transition to the GBS.</p>



## 7 Governance

### 7.1 Introduction

The Board and Accountable Officer are responsible for establishing arrangements for ensuring the proper conduct of its affairs, including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. The Audit Committee has a role in monitoring these arrangements. Our work on corporate governance focused on our review of VisitScotland's arrangements to ensure there are effective systems in place for:

- the production of an Annual Governance Statement
- risk management arrangements
- the provision of internal audit services.

### 7.2 Annual Governance Statement

VisitScotland has a Corporate Governance Framework in place which describes each key element of internal control within the organisation, including committee arrangements, the Management Statement and the code of conduct and responsibilities of Board members. During the year, the Framework was updated to reflect the requirements of the Bribery Act and internal updates.

During 2011-12, the SPFM introduced a requirement to produce an Annual Governance Statement (AGS) within the Annual Accounts for the first time. The AGS requires more disclosure than the previous Statement of Internal Control as it should reflect how the organisation conducts its business internally and in dealing with others.

VisitScotland's Annual Governance Statement draws upon the Corporate Governance Framework, but also reflects management's assessment of internal control and the sources of assurance such as internal and external audit reports.

**Refer to Action Plan Point 1**

### 7.3 Risk management

VisitScotland has a well-developed approach to risk management in place which allocates risks to a named owner, and identifies mitigating actions in place and planned to reduce the risk. There are clear links within the risk register to VisitScotland's strategic objectives to ensure that Board members have a sense of the risks to the body delivering the Corporate Plan.

Progress against the risk register is reported to the Audit Committee and the Board quarterly. A risk committee is also in place to ensure that risks are kept up to date and actions are completed as planned.

### 7.4 Internal audit

As this is the first year of our appointment we completed a detailed review of VisitScotland's internal audit function, currently provided by Deloitte, against the good practice within the Government Internal Audit Standards (GIAS).

Annual Audit Plans are approved by Audit Committee annually, and updates on progress are provided on a quarterly basis. We found that the reports are clear, concise and constructive, and target timescales are set for the completion of recommendations.

During the year, management within VisitScotland addressed each recommendation as planned.

Internal audit has a key role to play in supporting VisitScotland's Annual Governance Statement, and provides an annual assurance report to the

Chief Executive and Audit Committee to inform this work. Our review concluded that the work of VisitScotland's internal auditors meets the requirements of GIAS.

## 8 Best Value and Performance

### 8.1 Introduction

All public bodies in Scotland have a duty to secure Best Value and continuous improvement. VisitScotland continues to work with the Scottish Government to identify further areas of efficiencies and savings.

### 8.2 Review of Performance

VisitScotland has a Corporate Plan 2011-14, which is reviewed and approved annually. The Corporate Plan links to the National Performance Framework how VisitScotland operates to support the five priority outcomes, and strategic objectives. VisitScotland use a range of targets and key performance indicators (KPIs) to monitor performance. Performance is monitored by the Board and Directors throughout the year.

The annual report summarises the performance against VisitScotland's main KPIs for the year. Generally, these highlight that VisitScotland met or exceeded the majority of 2011-12 targets.

VisitScotland has a dedicated website to report on its annual performance (at [www.visitscotlandannualreview.com](http://www.visitscotlandannualreview.com)). We did, however, note that limited use is made of the targets and performance measures to report on how the organisation performed during the year.

**Refer to Action Plan Point 2**

### 8.3 Delivering Best Value

VisitScotland has delivered significant efficiencies in recent years. Within the Annual Report, management report that cumulative savings to date exceed £7.675m, primarily derived through organisational change, procurement and

asset management, particularly the management of IT servers and communication.

VisitScotland perform an annual self-assessment against each of the Audit Scotland Best Value toolkits. Senior managers are asked to assess the organisation against descriptions of basic, better and advanced practices. Four areas were considered to have moved from basic practice to better practice during the year:

- Information management
- Performance Management
- Procurement, and
- Risk

The 2011-12 analysis highlighted that the internal perception of the standard of public performance reporting has fallen during the year.

### 8.4 National reports

To maximise the impact of Audit Scotland's national performance audit work programme, we followed up Visit Scotland's approach to reviewing national performance reports and acting upon key relevant recommendations in the year following publication. We found that VisitScotland has good arrangements in place to report on all relevant national publications to its senior management team and Audit Committee.

### Scotland's Public Finances

Audit Scotland published a national report, *Scotland's Public Finances – Addressing the Challenges* in August 2011, which considered how public bodies are responding to the challenge of a significant reduction in budget.



The report provides an overview of budgeting issues across the public sector. The report, and implications for VisitScotland, was considered by the Audit Committee in December, who were content with VisitScotland's view and approach to delivering a balanced budget for future years.

### **8.5 Role of Boards**

In 2010, Audit Scotland published a national report on the governance arrangements for the range of public sector organisations.

The general points raised by the report include:

- chief executives and their boards have parallel lines of accountability and this can cause confusion over who leads the organisation unless the separate roles are well defined and understood
- there are concerns about the recruitment of board members, including the falling number of applicants, the length of the recruitment process and the diversity of applicants

- the variety of methods that different boards adopt to monitor and manage risk.

Our review of VisitScotland's arrangements concluded that they are well developed and operate effectively. VisitScotland engaged their internal auditors to conduct a Review of Board Effectiveness in 2011. Deloitte have recently followed up the recommendations emerging from the review and found that they have been implemented in full. The Board's Corporate Governance Framework outlines the approach to planning and monitoring risk and performance. This is updated annually and, together with the Management Statement, provides a clear definition of roles and responsibilities.

## 9 Looking forward

### 9.1 Sustainability Reporting

We refer in Section 4 to the new requirement within the FReM to include a section in the annual report which outlines the economic, social and environmental factors impacting the organisation. This is to be presented in a Sustainability Report.

The Scottish Government prepared guidance on this *'Public Sector Sustainability Reporting - Guidance on the Preparation of Annual Sustainability Reports'* which outlines the minimum reporting requirements covering areas such as:

- Greenhouse gas emissions
- Waste minimisation and management
- Finite resources
- Action on Biodiversity
- Sustainable procurement.

VisitScotland has opted to refer to their Annual Sustainability report, rather than include the results within the annual report. We therefore not yet been able to review the report, or whether the minimum reporting requirements have been met. We would, however, encourage VisitScotland to work with their partners to ensure that good practice standards are met, particularly in advance of the Year of Natural Scotland in 2013.

### 9.2 Treatment of Leases

The IASB's exposure draft ED/2010/9 proposes to change the methodology for accounting for leases. The current approach is to split leases between operating and finance leases, with operating leases remaining off the statement of financial position. The revised approach aims to clarify the approach to leases by the right of use principal which would result in all leases being included on the statement of financial position.

The comments on the exposure draft have been collated as a result of this the IASB has entered into re-deliberations. A number of concerns have been raised as a result of the consultation process, which are currently being addressed. The implications of this are that there is still a great deal of uncertainty going forward as to how leases will be recorded. The IASB have announced their intent to re-expose the revised proposals for a common leasing standard during 2012.

This is an on-going issue for VisitScotland and we will continue to monitor progress with the standard. We will keep VisitScotland informed of key decisions as they are made and assess the impact when there is a firm policy for the treatment of leases in place.

## 10 Action plan

	Issue identified during our review	Recommendation	Management Response
1.	<p>The Annual Governance Statement is more onerous than the Statement of Internal Control and should be informed by work undertaken throughout the year to gain assurance about performance and risk management, and how the organisation is responding to emerging risks.</p> <p>The Scottish Government changed the SPFM to require the production of an Annual Governance Statement in January 2012, which meant that it was not possible for VisitScotland to amend the assurance arrangements within 2011-12. However, we believe there is scope to formalise these responsibilities in future years.</p>	<p>We recommend that VisitScotland develops a programme of work to inform the production of the Annual Governance Statement. This should include an assessment of practices across the organisation.</p>	<p>The organisation's internal controls and processes do undergo review on a regular basis under risk based internal and external audits. To supplement this Management will be asked to confirm that for the areas of the internal control framework for which they have responsibility that these areas have been appropriately developed and maintained.</p>
2.	<p>VisitScotland has a dedicated website to report on its annual performance (at. <a href="http://www.visitscotlandannualreview.com">www.visitscotlandannualreview.com</a>) We did, however, note that limited use is made of the targets and performance measures to report on how the organisation performed during the year.</p>	<p>We recommend that VisitScotland reviews its public performance reporting arrangements to ensure that the organisation can demonstrate that it is achieving best value.</p>	<p>The findings of our annual review of the Audit Scotland Best Value 'Tool Kit' in respect of Public Performance will be reviewed in order to consider those areas which can deliver improvement, and also review how best to report / demonstrate that we are achieving Best Value.</p>

# 11 The small print

## Purpose of memorandum

This Key Issues Memorandum has been prepared for the benefit of discussions between Grant Thornton and VisitScotland.

The purpose of this memorandum is to highlight the key issues affecting VisitScotland's results and the preparation of the financial statements for the **year ended 31 March 2012**.

This document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on VisitScotland's financial statements.

## Responsibilities of the Board and auditors

The Board and Accountable Officer are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the Board and Accountable Officer confirm that our understanding of all the matters in this memorandum is appropriate, having regard to his knowledge of the particular circumstances.

## Clarification of roles and responsibilities with respect to internal controls

The Chief Executive, as Accountable Officer, is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance he has done so.

In addition, the Accountable Officer is required to review all other internal controls and approve the statements included

in the annual report in relation to internal control and the management of risk.

The Audit Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

## Independence and robustness

Ethical standards require us to give you full and fair disclosure of matters relating to our independence. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

In accordance with best practice, we analyse the fees payable to Grant Thornton UK LLP and Audit Scotland for the external audit service below:

Audit Services	£
Audit	£70,295
<b>Total audit fees</b>	<b>£70,295</b>

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit