

VisitScotland

Annual Report to the Board and the Auditor General for Scotland

August 2015



Executive summary

It has been a highly successful year for VisitScotland with the delivery of a number of high profile events including the Ryder Cup and Homecoming 2014. VisitScotland have also undertaken their annual refresh of the Corporate Plan 2013-16, which focuses on the key role VisitScotland plays in growing and developing Scotland's visitor economy.

VisitScotland has established arrangements for managing expenditure within budget. VisitScotland has considered the financial position from 2016-17 onwards, however due to uncertainties surrounding grant settlements there is no formalised medium to long term financial plan.

During 2015-16 six of the existing Board Members, including the Chair, will retire. VisitScotland and the Scottish Government have commenced the recruitment process and are considering transition arrangements. New Board Members will clearly bring new approaches and insights. At the same time it is important, given the scale of the changes, that the process is carefully managed and steps are taken to ensure that VisitScotland continues to be focussed on the delivery of the key outcomes set out in the Corporate Plan.

Financial statements

- We provided an unqualified opinion on both the financial statements of VisitScotland and on the regularity of transactions undertaken for the 2014-15 financial year.
- The draft financial statements and supporting working papers were of a good standard, and there were only minor audit adjustments required following our audit.
- We operate a risk based approach when planning our audit work and focus our audit effort on the areas with the highest risk. In line with international auditing standards we outlined as part of our plan one significant risk of management override of controls and two reasonably possible risks of the understatement of operating expenses and employee remuneration. We have carried out a review of the control environment for each of the systems and substantively tested the balances in the accounts with no issues arising from this work.
- We applied overall materiality of £1.27 million to the financial statements.
- We have reviewed key judgements made by management and disclosure of accounting policies and found all policies to be in line with FReM requirements.

Governance

- VisitScotland reported through their Annual Governance Statement that there were adequate governance processes in place during 2014-15. Our audit work supports this assessment.
- We have reviewed the processes and procedures for preparing the Annual Governance Statement to ensure compliance with the Scottish Public Finance Manual and found the assurance arrangements to be well structured.
- Five members of the Board and the Chair are due to retire in 2015-16. VisitScotland have recognised this is a significant risk due to the loss of expertise and knowledge and mitigating actions are being implemented.
- The Audit and Risk Committee changed in year to increase the remit to include further oversight of operational risks. A revised Terms of Reference has been approved by the Board.
- Risk Management policies were in place in 2014-15 and were deemed to be reasonable and appropriate by the Audit and Risk Committee. However, in the pursuit of best practice, the management team felt that further improvements could be made, therefore a review of risk management arrangements was undertaken.
- Anti-fraud and corruption measures are in place across VisitScotland. A self-assessment against the fraud arrangements was conducted for participation in Audit Scotland's National Fraud Initiative. No weaknesses were identified.

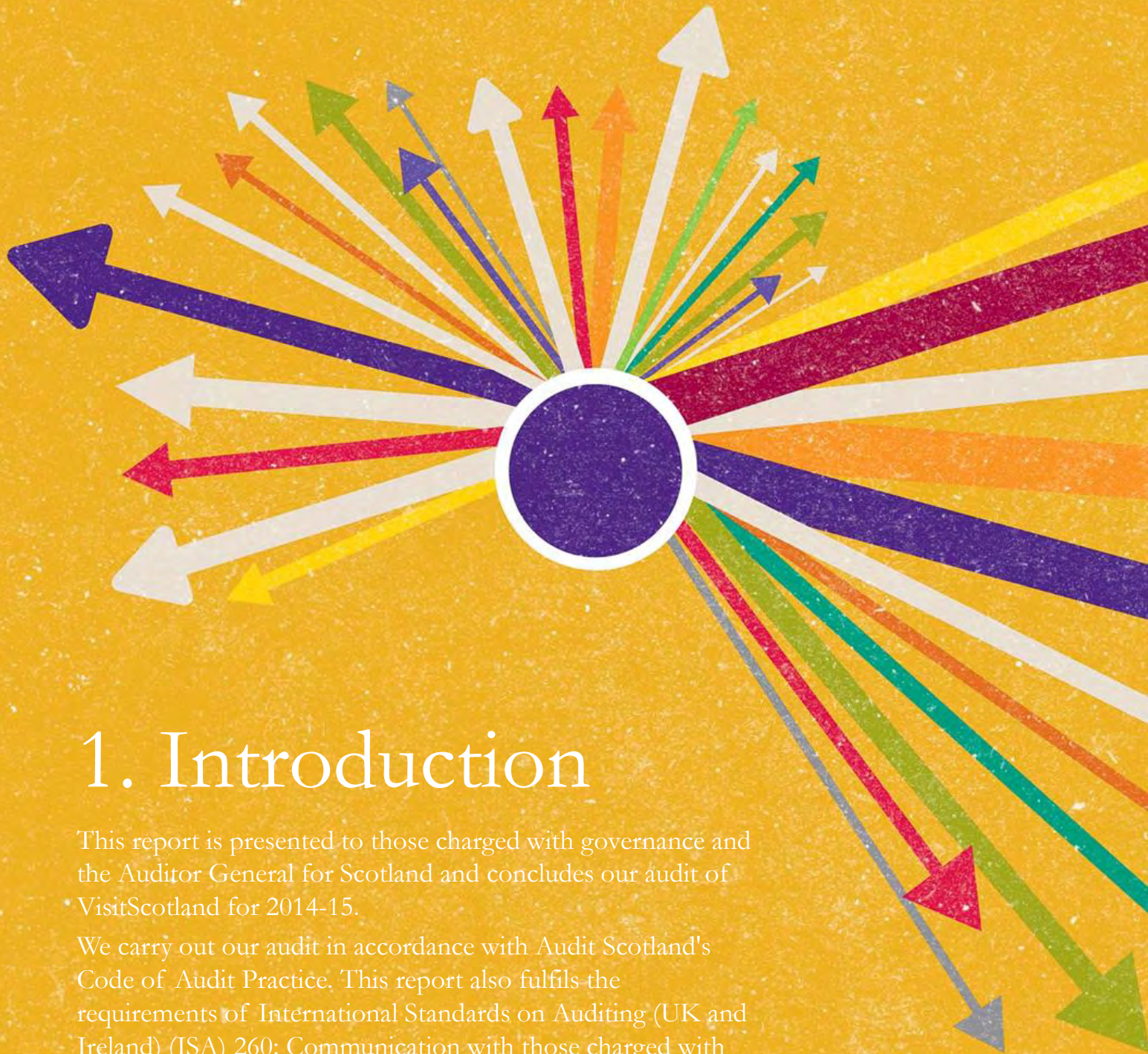
Best value, use of resources and performance

- VisitScotland's Corporate Plan has been revised in 2015, as part of the annual rolling programme of review. The Plan aligns with the Scottish Government publication *Scotland's Economic Strategy*.
- VisitScotland has a performance management framework in place, based on the annual Operating Plan. Arrangements are in place for reporting performance against targets to the Board.
- VisitScotland have achieved their targets in all but one of the high level performance indicators (slightly below target on footfall to Visitor Information Centres). There was more fluctuation against individual performance measures with some being below target, but others significantly exceeding targets.
- VisitScotland reported a breakeven position in the current financial year.
- Excluding pension liabilities, VisitScotland continue to operate with a positive reserves position of £4.75 million. Pension liabilities total £39.81 million and result in a net liability position overall of £35.06 million.
- We assessed the financial capacity of VisitScotland in line with the Audit Scotland baseline questionnaire. We have concluded that there is adequate capacity in the finance team and identified an opportunity to move towards improving practice in relation to longer financial planning

Contents



Section	Page
Introduction	5
Financial statements	8
A summary of our Audit Plan relating to financial statements	9
A reminder of our approach	10
Audit findings against significant risks	11
Audit findings against reasonably possibly risks	12
Accounting estimates and significant judgements	13
Other areas of audit focus	14
Governance	16
Best value and Performance	20
Use of resources	22
Appendices	26



1. Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of VisitScotland for 2014-15.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (UK and Ireland) (ISA) 260: Communication with those charged with governance.

Introduction

Purpose of this report

The Auditor General for Scotland appointed Grant Thornton UK LLP as auditor of VisitScotland for the 5 year period 2011-12 to 2015-16. This appointment is made under the Public Finance and Accountability (Scotland) Act 2000.

Our annual audit report is addressed to those charged with governance at VisitScotland, and the Auditor General for Scotland. The report summarises our opinion and conclusions on significant issues arising from our audit. The scope of our audit work was set out in our Audit Plan, which was presented to the Audit and Risk Committee on 9 January 2015.

VisitScotland's responsibilities

It is the responsibility of VisitScotland and the Accountable Officer to prepare the financial statements in accordance with the HM Treasury Government Financial Reporting Manual (the FReM).

This means VisitScotland must:

- prepare financial statements which give a true and fair view of the financial position of VisitScotland and its income and expenditure for the year to 31 March 2015
- maintain proper accounting records which are up to date
- take steps to prevent and detect fraud and other irregularities.

VisitScotland is also responsible for establishing proper arrangements to ensure that:

- public business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for
- economy, efficiency, effectiveness and Best Value is achieved in the use of resources.

Our responsibilities

It is a condition of our appointment that we meet the requirements of the Code of Audit Practice ('the Code') which was published in May 2011, and is approved by the Accounts Commission and the Auditor General for Scotland.

The Code highlights the special accountabilities that are attached to the conduct of public business and the use of public money. This means that audits in the public sector must be planned and undertaken from a wider perspective than the private sector. Our responsibilities are outlined in **Figure 1**.

We are required to provide an opinion on the financial statements and Annual Governance Statement. Under the Code we are also required to review and report on the governance arrangements, Best Value, use of resources, and performance.

Under the requirements of the International Standard of Auditing (UK and Ireland) ('ISA') 260: Communication with those charged with governance, we are required to communicate audit matters arising from the audit of the financial statements to those charged with governance. This annual report to VisitScotland, together with previous reports to the Audit and Risk Committee throughout the year, discharges our ISA 260 commitments.



Acknowledgements

We would like to take this opportunity to record our thanks for the assistance provided by the Director of Corporate Services, the Head of Finance and the finance team during the course of our work.

Figure 1: Our responsibilities under the Code of Audit Practice

Financial Statements 

- Provide an opinion on:
- whether the financial statements provide a true and fair view of the financial position of VisitScotland
 - whether the financial statements have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of expenditure and income

Corporate governance 

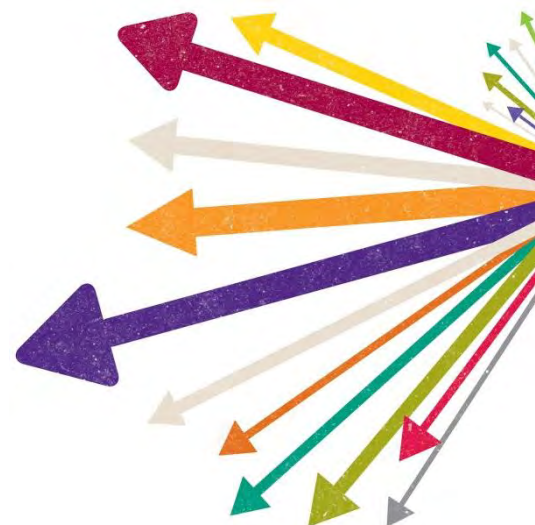
- Review and report on VisitScotland's corporate governance arrangements as they relate to:
- VisitScotland's corporate governance and systems of internal control, including reporting arrangements
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption

Best Value and performance 

- The Public Finance and Accountability (Scotland) Act 2000 gives the Auditor General the right to initiate examinations into the economy, efficiency and effectiveness with which VisitScotland and other public bodies have used their resources to discharge their functions.
- In accordance with guidance issued by Audit Scotland, the Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value.
- In accordance with guidance issued by Audit Scotland, auditors may be requested to participate in a performance audit, an examination of the implications of a particular topic for VisitScotland at a local level or a review of VisitScotland's response to national recommendations. In 2014-15 we have completed a baseline assessment of the financial capacity at VisitScotland

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks are only those that have come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Communication of the matters arising from our audit work does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.



2. Financial statements



Financial Statements

Introduction

Within this section of the report, we present our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260.

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated January 2015.

Our Review of the Financial Statements

The draft financial statements were of good quality and we identified no significant errors or misstatements.

As part of our work on the financial statements we are required to review the narrative elements (including the Management Commentary comprising the Strategic Report and Directors' Report, the Statement of Accountable Officers Responsibilities and the Governance Statement). We review the narrative elements of the financial statements for compliance with required FReM disclosures, for consistency with other areas of the financial statements and our knowledge of VisitScotland.

We note that VisitScotland has taken action to improve the content within the narrative reporting in the annual accounts to make them more relevant and usable. We are pleased to note that the narrative sections provide a balanced overview of the contents of the financial statements, the activities of VisitScotland and performance measures.

During 2015-16, there will be significant changes to FReM requirements, including the adoption of a Performance Report and Accountability Report. VisitScotland therefore has an opportunity to further improve the content and focus of the financial statements to ensure they are concise, relevant and user friendly.

[Refer to Audit Action Plan point 1](#)

Financial Statements Opinion

Our audit did not identify any proposed adjustments to the financial statements. We did however identify one issue relating to the disclosure of the median pay which was adjusted in the revised financial statements.

We confirm there were no unadjusted misstatements in the audited financial statements.

Subject to the satisfactory completion of our testing, we intend to issue an unqualified opinion on the financial statements of VisitScotland.

Regularity

We did not identify any instances of irregular expenditure or non-compliance with laws and regulations.

Whole of Government Accounts

VisitScotland submits a Whole of Government Accounts pack for the financial year 31 March 2015.

VisitScotland is below the threshold for auditor testing and therefore full auditor assurance is not required. In accordance with the guidance we have completed the required assurance statement with no issues arising.

A summary of our Audit Plan relating to financial statements



A reminder of our approach

Scope of the Audit

We operate a risk based audit approach. The starting point for our audit was to consider the inherent audit risks to VisitScotland and how these may result in a material misstatement in the accounts. In line with international auditing standards two significant risks and two reasonably possible risks have been outlined at **Table 1** and **Table 2**. Systems linked to those areas where we had identified a risk were subject to increased audit focus including consideration of the control environment, in particular whether the systems were operating effectively.

We conduct a range of audit procedures across all balances above performance materiality, including analytical review, agreement to third party confirmations and sample testing. Throughout the audit we have tailored the level of procedures to take account of the level of assessed inherent risk.

We also consider all disclosures in the financial statements and ensure compliance with the FReM, the Scottish Public Finance Manual (SPFM) issued by the Scottish Government and whether disclosures are consistent with the information gathered from our audit work.

We did not identify any new areas of risk or change our approach over the course of the audit.

Application of Materiality

We outlined in our Audit Plan that we had set a levels of materiality at VisitScotland in line with ISA 320.

The primary focus of VisitScotland is to generate tourism in Scotland through the use of public funds. We therefore set the overall materiality using total resource expenditure as a benchmark. We established planning materiality at 2.0% of the 2013-14 resource expenditure figure, which resulted in overall materiality of £1.27 million.

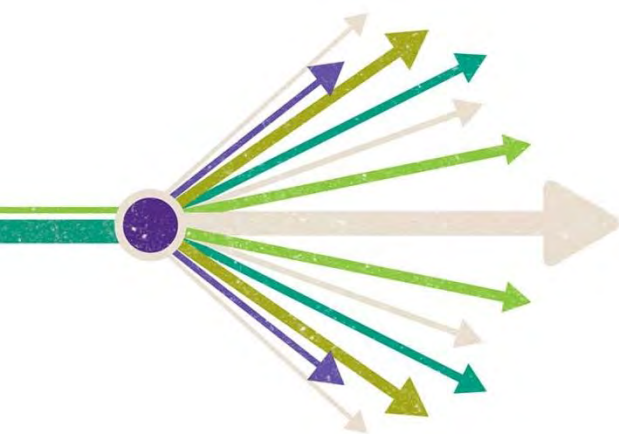
In addition to overall materiality we also establish a level for performance materiality, which as defined by ISA 320 is the amount set for the financial statements as a whole to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

We set our performance materiality at 70% of materiality which gave a measure of £0.89 million for VisitScotland.

We reviewed the levels of materiality at the fieldwork stage, but the movement in year was not significant and therefore the materiality levels at planning were found to be appropriate.

In addition to the guidance on materiality ISA 450 requires the auditor to accumulate and report misstatements identified during the audit, other than those that are clearly trivial. For the purposes of this audit we have set trivial at £0.06 million.

Items which were considered material by nature (eg cash and remuneration report disclosures) were subject to a higher degree of audit scrutiny.



Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Table 1: Significant risks identified at the planning stage

Risks identified in our Audit Plan	Work completed	Assurances and issues arising
<p>1 Management override of controls Under ISA (UK&I) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management Testing of journal entries Review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>
<p>2 The revenue cycle includes fraudulent transactions Under ISA 240 (UK&I) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at VisitScotland, we determined that the risk of fraud arising from revenue recognition is present for Retail and Commercial Income and Other Income but can be rebutted for Scottish Government Grant in Aid allocations. The reason behind our rebuttal of the risk is:</p> <ul style="list-style-type: none"> revenue does not primarily involve cash transactions revenue is principally an allocation from the Scottish Government. <p>The most significant area of revenues was grant in aid funding of £53.84 million (82% of revenues). We have substantively agreed grant funding to award letters.</p> <p>We have conducted statistical sampling of all other revenue streams, resulting in a sample size of 15 transactions for testing.</p>	<p>Our work confirmed that revenue had been recognised appropriately in the financial statements.</p>



Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty

(ISA (UK&I) 315).

Audit findings against reasonably possibly risks

Reasonably possible risks are, in the auditor's judgement, other risk areas which they have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day to day activities of the business.

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Table 2: Reasonably possible risks identified at the planning stage

Transaction cycle	Description of risk	Work completed	Assurances gained and issues arising
Operating Expenses	<p>Operating Expenses/ Creditors are understated</p> <p>VisitScotland incur expenditure to promote tourism in Scotland through marketing activities, partnership engagement and support services. In 2014-15 the cost of these activities was £65.16 million</p> <p>Expenditure is aligned with specific projects which have been approved in line with VisitScotland overall objectives.</p>	<p>We gained assurance over the risk through:</p> <ul style="list-style-type: none"> Review and walkthrough of the processes and controls in operation over purchase ordering, general payment and recording of expenditure. Reconciliation of the creditors system to the general ledger and financial statements. Statistical sample of 13 post year end transactions for unrecorded liabilities. 	<p>We gained sufficient assurance over the operating expenditure control environment. At the year end we concluded that there are no material misstatements.</p>
Employee remuneration	<p>Employee remuneration accruals understated</p> <p>Employee costs accounted for 36% of resource expenditure in 2014-15. There are a large number of transactions processed throughout the year and VisitScotland relies on numerous controls including monthly reconciliations and segregated duties when compiling employee remuneration batches to ensure that the employee costs are recorded correctly in the financial statements.</p>	<p>We gained assurance over the risk through:</p> <ul style="list-style-type: none"> Review and walkthrough of the processes and controls in operation for payment of staff. Substantive testing of employee remuneration accruals at the year end. Judgemental sample testing of 15 staff members to HR system, recalculation of employer costs. Analytically review employee remuneration expenses in comparison to expectations and investigate any significant variances. Review of the relevant disclosures relating to staff costs within the financial statements. 	<p>We gained sufficient assurance over employee remuneration processes from our review of the control environment. At the year end we concluded that there are no material misstatements.</p>

Accounting estimates and significant judgements

Assessment

- Marginal accounting policy which could potentially attract attention from stakeholders
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with VisitScotland's financial statements.

Table 3: Accounting estimates and significant judgements

Accounting area	Summary of policy	Our comments	Our assessment
Revenue recognition	<ul style="list-style-type: none"> • Grants receivable: Grants and contributions are recognised in the period to which they relate. • Income from sales: Income from the sale of products, goods and services is recognised in the period in which ownership transfers or the service is provided to the extent that the income has become receivable. • Other Income: Other income is received from a variety of retail and commercial operations, business combinations and other sources and is recognised in the period in which it is receivable. 	<ul style="list-style-type: none"> • The revenue recognition policies are appropriate under the Government Financial Reporting Manual. • The disclosure in the draft accounts was found to be reasonable and in line with prior years. 	●
Property, Plant and Equipment	<ul style="list-style-type: none"> • The fair value of all land and buildings is assessed by performing a full valuation at least every five years and an interim valuation in year three. Interim valuations are carried out in years one, two and four where it is deemed likely that there has been a material change in value. • Buildings are depreciated on a straight line basis over their expected useful lives between 30 – 50 years. Other assets have a range of useful lives from 4 – 25 years. • Additions to assets over £2,000 are capitalised. 	<ul style="list-style-type: none"> • The revaluation programme is deemed to be reasonable. The current year is year four of the cycle and review was conducted by Graham and Sibbald and DVS Property Specialists, who are both firms of RICS qualified chartered surveyors. • Depreciation and capitalisation policies are considered to be reasonable and in line with the FReM. 	●
Pension fund valuations and liabilities	<ul style="list-style-type: none"> • In accordance with International Accounting Standards VisitScotland is required to account for retirement benefits when it is committed to giving them. This involves recognition in the Statement of Financial Position of VisitScotland's share of the net pension asset or liability together with a pension reserve. • Estimation of the net liability to pay pensions depends on a number of complex judgements. Actuaries are engaged to provide VisitScotland with expert advice about the assumptions to be applied. 	<ul style="list-style-type: none"> • We have reviewed the accounting policies and confirmed they are in line with the guidance in the FReM and IAS 19. • We have reviewed the competence, capability and objectivity of Hymans Robertson and Xafinity who have been used as management's expert in year. • We have relied on an auditors expert, PWC, to provide assurance over the reasonableness of assumptions and judgements provided by Hymans Robertson. • We have relied on our internal actuarial team to provide assurance on the reasonableness of the assumptions and judgements provided by Xafinity. • We have no concerns which we wish to highlight to members. 	●
Other accounting policies	<ul style="list-style-type: none"> • We have reviewed VisitScotland's policies against the requirements of the FReM and accounting standards. 	<ul style="list-style-type: none"> • Disclosures were in line with the FReM and considered reasonable. 	●

Other areas of audit focus

Internal controls

We update our understanding of VisitScotland's operations and key financial control systems each year and tailor our audit strategy to focus on key risk areas.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. During our interim audit, we conducted testing on the following areas:

- non-grant revenues
- operating expenses
- employee remuneration
- IT control environment.

We did not identify any significant deficiencies or material weaknesses arising from our testing of the systems above. Overall, the results of our testing provided sufficient assurance for our planned audit procedures.

Going Concern

VisitScotland have prepared their accounts on a going concern basis. We have considered this and obtained assurance over going concern through:

- review of financial factors including levels of borrowing, liabilities, arrears and operating cash flows
- review of financial forecasts and the assumptions which underpin the forecasted figures.

Related Parties

VisitScotland are required to disclose material transactions with bodies that have the potential to control or influence VisitScotland or to be controlled or influenced by VisitScotland.

In line with the FReM VisitScotland have recognised the Scottish Government as a related party, however, there is no requirement to disclose amounts to and from the Scottish Government in the related parties note.

In year VisitScotland have disclosed related party transactions of £0.65 million.

We have used computer aided audit techniques to search for material undisclosed related parties and did not identify any material omissions. After discussion with management a further £0.09 million transactions with related parties were included in the revised draft of the financial statements.

Sustainability reporting

The FReM requires central government bodies to include a section in their annual report which outlines the economic, social and environmental factors impacting the organisation. This is to be presented in a Sustainability Report.

Public Sector Sustainability Reporting- Guidance on the Preparation of Annual Sustainability Reports was published by the Scottish Government and outlines the minimum reporting requirements covering areas such as:

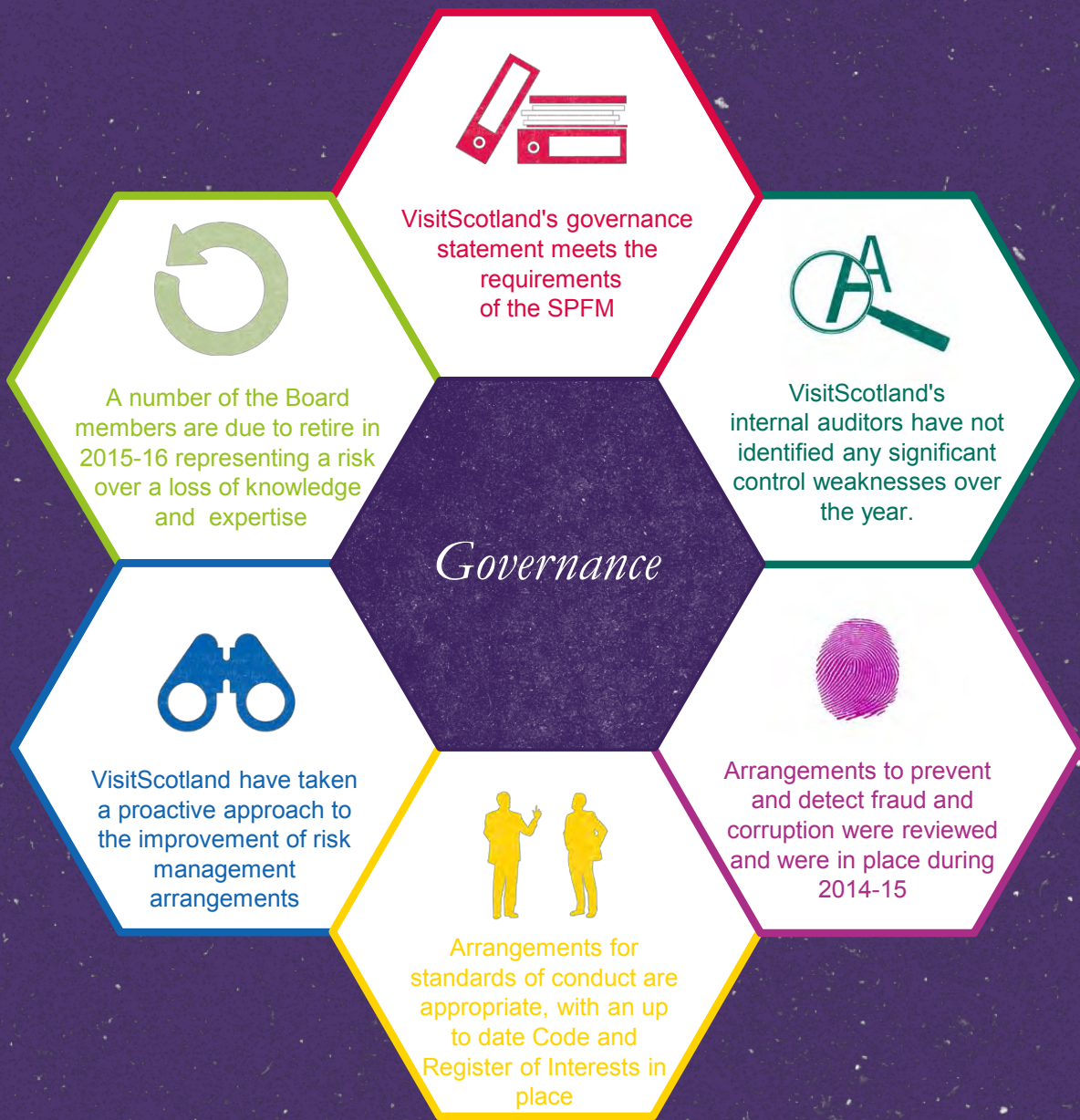
- greenhouse gas emissions
- waste minimisation and management
- finite resources
- action on biodiversity
- sustainable procurement.

VisitScotland publish the Sustainability Report as a separate report accessible via their website and linked to in the financial statements. The Sustainability Report continues to exceed the minimum reporting requirements as outlined by the Scottish Government.

VisitScotland have increased the disclosures in the Annual Report and Financial Statements to include summary sustainability information within the body of the report which is in line with the minimum reporting requirements of the Scottish Government.



3. Governance



Governance

Introduction

Under the Code of Audit Practice, we have a responsibility to review VisitScotland's corporate governance arrangements.

In May 2015, the Scottish Government published the updated [On Board](#) guidance for Board members, which provides support on key areas including corporate governance, ethics and standards of behaviour and effective financial management.

Governance Statement

Under the Treasury's Financial Reporting Manual (FRoM), the Board must prepare a Governance Statement within the Annual Report and Financial Statements. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the Governance Statement as it forms a key summary of VisitScotland's governance ethos, and provides assurances around the achievement of the organisation's strategic objectives.

The statement should be informed by work undertaken throughout the period to gain assurance about performance and risk management, providing an insight into the organisation's risk profile and its responses to identified and emerging risks.

The SPFM does not prescribe a format for the Governance Statement, but sets out minimum requirements for central government bodies. We reviewed VisitScotland's Governance Statements as part of our audit procedures and concluded that the disclosures were in line with the FRoM and our knowledge of VisitScotland.

Each Director completes an annual self-assessment return against the Scottish Government's Internal Control Checklist to certify that they are content with the assurances provided by their managers and that there are no significant matters that should be raised specifically within the Governance Statement.

The Accountable Officer also refers to the work of internal and external audit when forming his view on the strength of internal controls.

Review of Governance and Scrutiny Arrangements

As part of our annual audit processes we are required to review the governance arrangements in place at VisitScotland. VisitScotland operate a Board supported by two Committees:

- Audit and Risk Committee
- Remuneration Committee

The Board is responsible for approving the strategic direction and its delivery. VisitScotland has an appropriate framework in place to support the Board.

The Board currently consists of eight non-executive members and the Chair of the Board. Five non executive members are due to retire from the Board in November 2015 as they reach the end of their second term in office. In addition to this the Chair is due to retire in March 2016.

VisitScotland have recognised this as a significant risk in their Risk Register and are taking steps to mitigate the risk.

The Scottish Government have commenced the recruitment process for Board members with applications received in July 2015 and proposed start dates between October and December 2015.

VisitScotland should consider the induction and transition processes for new non-executive members to retain expertise and transfer knowledge.

[Refer to Audit Action Plan point 2](#)

VisitScotland's Board have delegated responsibility for scrutiny to the Audit and Risk Committee (and Remuneration Committee for remuneration matters). The Audit and Risk Committee replaced the Audit Committee from June 2014 with Terms of Reference approved in October 2014.

The key change in the responsibilities of the Audit Committee related to increased responsibility for monitoring and scrutiny of operational risk arrangements.

Following concerns from Committee members over the ability to meet the quorum of two at all meetings, the revised Terms of Reference also changed the required number of members of the Audit and Risk Committee from three to four. In August 2014, a fourth non-executive member joined the Audit and Risk Committee. However, there was a resignation from the Committee in June 2015 meaning current membership has reduced to three and below the requirements of the Terms of Reference. VisitScotland plan to increase the membership of the Audit and Risk Committee as part of the new appointments to the Board.

[Refer to Audit Action Plan point 3](#)

A further requirement of the Terms of Reference is that the Audit and Risk Committee will conduct a self-assessment of its effectiveness. To date there has been no self evaluation of the effectiveness of the Audit Committee for 2014-15. We recommend that a self-assessment against the requirements of the Scottish Public Finance Manual is conducted on a timely manner on an annual basis.

[Refer to Audit Action Plan point 4](#)

Risk Management

VisitScotland's Annual Governance Statement discloses its approach to risk management. The organisation has a Risk Management Policy in place. A risk register is in place at a corporate level, which is supported by specific sub-Risk Registers linked to key projects and events.

Risks are reviewed by the Senior Management Team at each meeting. In addition the Audit and Risk Committee review the corporate risk register as a standing item for each meeting.

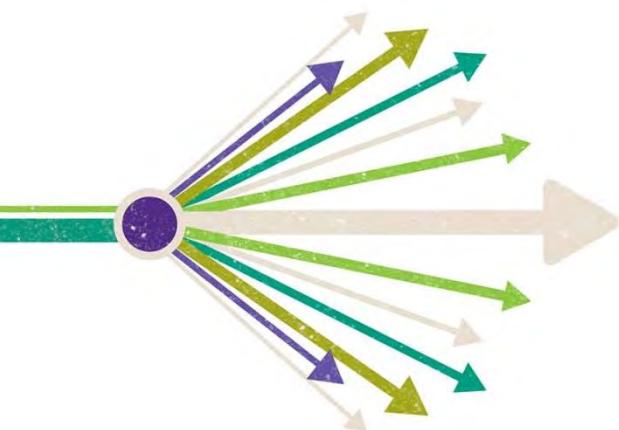
Key areas of continuing high risk on the corporate risk register include:

- the risk of a loss of knowledge and expertise at the Board level due to retirement of Board members
- the risk that VisitScotland marketing budgets will be reduced as a result of Scottish Government allocations
- the risk that there will be a requirement for a significant increase in employer contributions to the pension schemes in place at VisitScotland
- the risk that key skills are not retained by the organisation.

The management team decided in year to review the operation of the Corporate Risk Register. Although it was recognised the current arrangements were good practice, they felt there was scope for improvement.

Following this decision VisitScotland developed an online database which will enable risks to be linked from the Project Initiation Documents to risks associated with the VisitScotland's eight core strategic objectives. In May 2015 the Audit and Risk Committee were presented with proposed Operational and Strategic Risk Registers which were near completion and will feed into the management review of the Risk Universe.

We will review the revised risk management arrangements as part of our 2015-16 audit work.



Internal audit

VisitScotland's internal audit function is provided by Scott Moncrieff an external firm of accountants. Internal audit provide an annual opinion to the Audit and Risk Committee on the assurance framework. In 2014-15, they issued the following opinion:

"In our opinion, VisitScotland has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks.

Proper arrangements are in place, in the areas we have reviewed, to promote value for money, deliver best value and secure regularity and propriety in the administration and operation of the organisation."

The internal audit reports throughout the year highlight an adequate level of compliance, with no major weaknesses in any of the reviewed systems.

In 2015-16, the internal auditors will focus on areas of risk, including:

- Procurement
- Risk management arrangements
- Regularity compliance
- EPOS implementation
- ICT governance review.

Prevention and Detection of Fraud and Irregularity

The integrity of public funds is a key concern for the organisation and for auditors. As external auditors, we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.

VisitScotland have a Fraud Policy which is designed to promote an anti fraud culture. This is supplemented by a Whistleblowing policy which has been designed in line with the requirements of the Public Interest Disclosure Act 1998. The Audit and Compliance Officer has overall responsibility for ensuring there are adequate controls in place for managing the risk of fraud.

VisitScotland also participates in Audit Scotland's National Fraud Initiative. During 2014-15 the data matching exercise found 548 matches of which 548 were completed in year.

Our enquiries of management and VisitScotland's internal auditors found that there were no internal frauds during 2014-15.

Arrangements for maintaining Standards of Conduct and detection of corruption

In line with the Ethical Standards in Public Life etc (Scotland) Act 2000, VisitScotland has established a Code of Conduct for Board Members, which was approved by Scottish Ministers. A register of interests is available for each Board member on VisitScotland's website, and declarations of interest are made at each Board meeting.

4. Best Value, Use of Resources and Performance



Best value and Performance

Strategic Planning

VisitScotland's Corporate Plan 2013-16 outlines how VisitScotland will meet the Scottish Government's National Performance Framework. The plan supports the core objective of contributing to the Tourism 2020 Strategy ambition of growing tourism revenues by £1.00 billion by 2020 from a baseline of £4.50 billion.

The Corporate Plan is updated on an annual basis and there were a number of revisions in 2015. Key changes were to align the Corporate Plan to *Scotland's Economic Strategy*, published by the Scottish Government, and to maximise the opportunities arising from key events in 2014 including the Ryder Cup, Homecoming events and the Commonwealth Games.

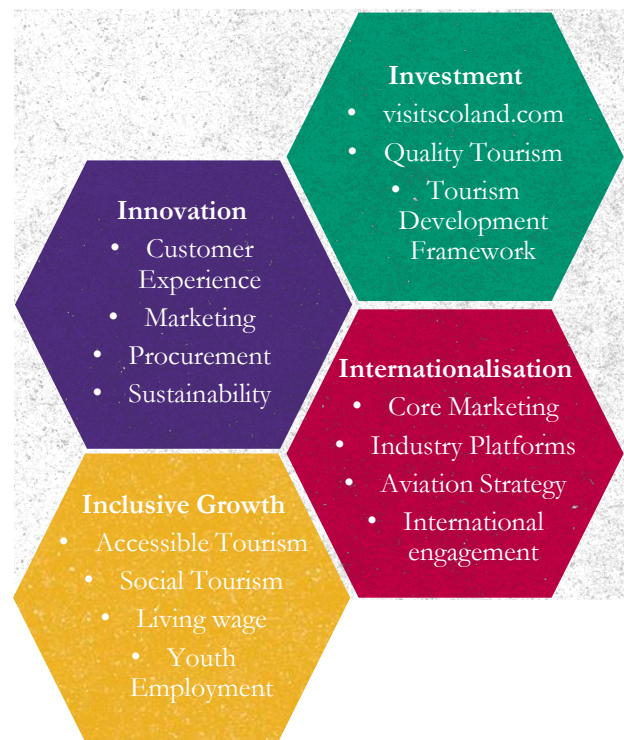
The Scottish Government laid out four priorities in *Scotland's Economic Strategy* as:

- **Investing** in our people and our infrastructure in a sustainable way
- Fostering a culture of **innovation** and research and development
- Promoting **inclusive growth** and creating opportunity through a fair and inclusive jobs market and regional cohesion
- Promoting Scotland on the **international** stage to boost our trade and investment, influence and networks.

VisitScotland created a *Road Map to Success* which shows how the strategies in their Corporate Plan 2013-16 align to the economic priorities set out by the Scottish Government.

Figure 2 shows the activities VisitScotland are implementing under each pillar set out in *Scotland's Economic Strategy*.

Figure 2: The 2015 update to the 2013 – 16 has been updated to align to Scotland's Economic Strategy



Source: Corporate Plan 2013-16 2015 Update

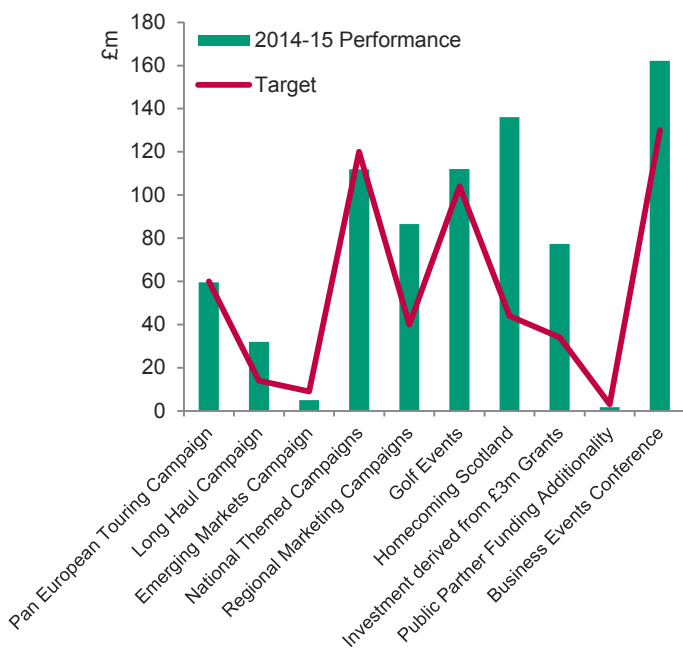
Performance

VisitScotland supplement the Corporate Plan with an Annual Operating Plan which sets out the planned projects for the year along with revenue sources and trade activities. The Operating Plan sets out the targets for each project and key performance measures.

Performance measures are monitored by the Senior Management Team on a monthly basis and are reported to the Board as a standing item.

The Annual Report summarises performance against VisitScotland's Key Project Measures in year. As Figure 3 shows, VisitScotland met or exceeded the target across the majority of economic activity performance indicators.

Figure 3: Key performance measures against target



Source: Annual Report and Financial Statements for the year ended 31 March 2015

The most significant variances from the target amounts are as follows:

- National themed campaigns which had attributable economic activity in Scotland of £111.90 million against a target of £120.00 million

VisitScotland also monitor performance of internal targets in addition to the external activity reported above (outlined in table 3 below). The only area where the target was not met from the internal targets was in relation to visitor footfall to VICs. VisitScotland note that this performance measure is demand lead and achievement to within 5% of the target is deemed reasonable.

It is noted that although targets were not met for individual indicators across categories VisitScotland exceeded the target in all areas, excluding visitor footfall.

Table 3: Summary Performance Measures

	Achieved	Target
International Marketing	£96.6m	£83.0m
UK and Ireland Marketing	£198.7m	£160.0m
National and International Events Programme	£327.0m	£185.1m
Cumulative Bid Fund Conversion	£162.1m	£130.0m
Visitor footfall to VICs	4.26m	4.49m
Cumulative efficiency Savings	£13.4m	£6.2m
Level of CO2 emissions	1,777 tonnes	not to exceed 2,288 tonnes

Source: Annual Report and Financial Statements for the year ended 31 March 2015

Use of resources

Purpose

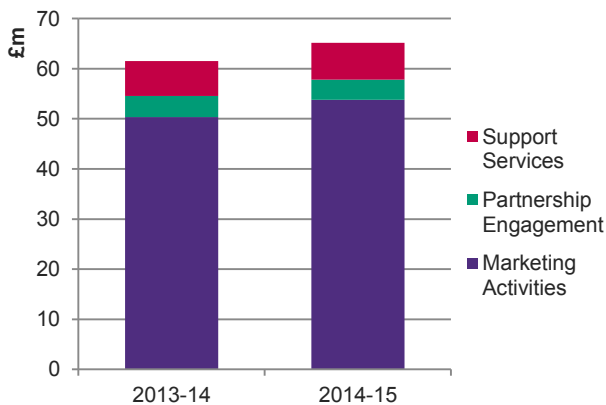
VisitScotland's core priority is to grow and develop Scotland's visitor economy through core activities of marketing, working in partnership with business and communities, and events.

VisitScotland are positioned as a marketing specialist and a key economic development agency driving growth in the visitor economy.

Resource Expenditure in 2014-15

During 2014-15, VisitScotland incurred resource expenditure of £65.16 million an increase of £3.62 million from the prior year (2013-14: £61.53 million).

Figure 4: A total of £65.16 million was spent across VisitScotland's core activities in year



Source: Annual Report and Financial Statements for the year ended 31 March 2015

The most significant area of movement across the years was in marketing activities which increased by £3.50 million to £53.824 million.

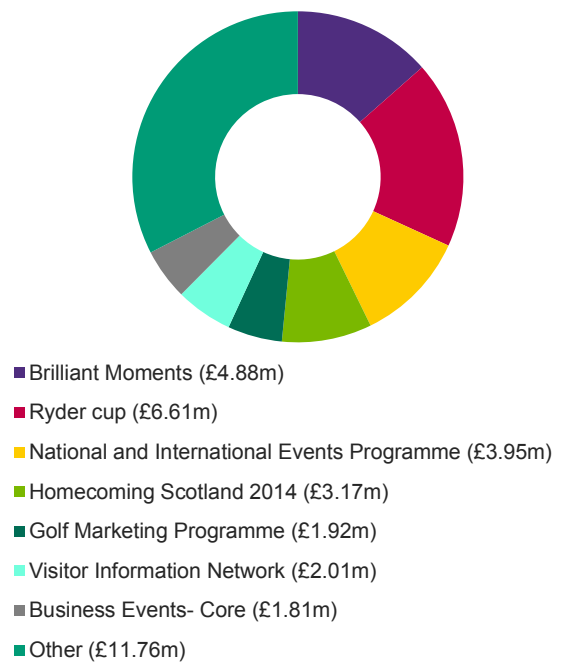
Marketing activities mainly relate to spend relating to specific core projects. The spend on projects is monitored on a project by project basis. VisitScotland projects operate on a calendar year basis rather than a financial year basis.

As part of each Project Initiation Document a budget for the project is agreed but the budget may span a number of financial years. For example 2015 is the Year of Food and Drink and the budgeted expenditure will be incurred in both 2014-15 and 2015-16.

As projects cover more than one financial year there may be movement in the timing of the spend across the project. VisitScotland therefore manage the budget as a whole and moving expenditure to take advantage of any underspend against budget or to off set areas of overspend.

The most significant projects which occurred in 2014-15 were the Ryder Cup, Homecoming Scotland (including Bannockburn Live), Brilliant Moments, the National and International Events Programme and the Golf Marketing Programme.

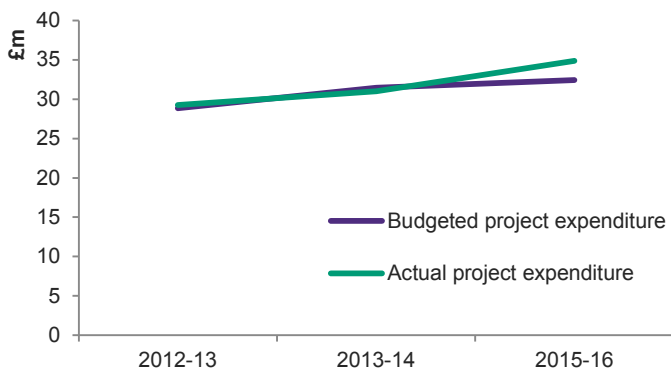
Figure 5: Key project expenditure 2014-15



Source: Senior Management Team Performance Report 2014-15

VisitScotland have a good track of delivering project expenditure close to budget. Figure 6 shows that VisitScotland have managed the expenditure to within 1% of the budgeted figure with the exception of the current year, which has been flexed due to increased income.

Figure 6: VisitScotland manage their project expenditure to ensure a breakeven position

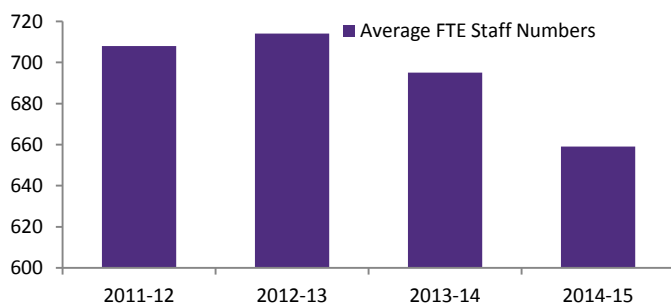


Source: Senior Management Team Performance Report 2014-15

In the current year the total project expenditure exceeded the budget by 7%. However, this was in response to an increase in income in the Autumn and Spring Revisions to the Scottish Government budget. The net resource adjustment to the grant received from the Scottish Government was £2.19 million. VisitScotland monitor income and expenditure on a monthly basis at the Senior Management Team level and take action to ensure a break even position is achieved. VisitScotland have consistently managed the overall budget within the departmental expenditure limits set out by the Scottish Government.

During 2014-15, VisitScotland offered a voluntary redundancy scheme. VisitScotland has also reviewed its structures to ensure that they are as effective as possible, and key changes to the VIC network. As a result, as Figure 7 highlights, the staffing resources of VisitScotland has fluctuated, but are generally reducing. This is reflected in a reduction in staff costs (excluding severance costs) from £18.31 million (2013-14) to £17.98 million (2014-15).

Figure 7: Staff numbers are generally falling, which is part of VisitScotland's plans to improve efficiency

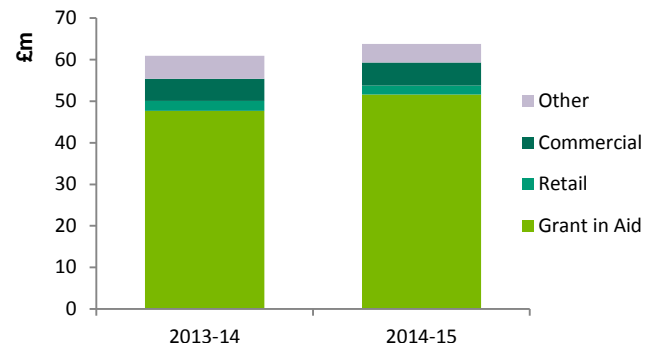


Source: Annual Report and Financial Statements for the year ended 31 March 2015

Income

The primary source of income for VisitScotland is grant-in-aid received from the Scottish Government. However, in 2014-15 a proportion of this was ring fenced for key projects such as the Ryder Cup.

Figure 8: Sources of income at VisitScotland



Source: Annual Report and Financial Statements for the year ended 31 March 2015

The retail, commercial and other income have remained stable with little movement from 2013-14 (a reduction of £1.06 million). Non-grant revenues accounted for 18% of the total income in 2014-15 (21% in 2013-14).

VisitScotland are reliant on grant-in aid income from the Scottish Government to support project expenditure. There is a risk that if this level drops significantly VisitScotland will be unable to maintain current services. VisitScotland are in regular contact with the Scottish Government and consider projects based on indicated funding levels and the overall strategic aims. There is an opportunity for VisitScotland to consider financial planning over the medium to long term (3-5 years) which would comply with best practice within the sector.

[Refer to Audit Action Plan point 5](#)

Financial Position

VisitScotland's statement of financial position reflects a £14.25 million increase in net liabilities during 2014-15 from £20.81 million to £35.06 million.

Table 4: Statement of Financial Position

	Year ended 31 March 2015 (£m)	Year ended 31 March 2014 (£m)
Non-current assets	8.494	9.752
Current assets	7.240	8.603
Current liabilities	(8.947)	(9.822)
Non-Current Liabilities	(41.845)	(29.341)
Total net liabilities	(35.058)	(20.808)

Source: Annual Report and Financial Statements for the year ended 31 March 2015

The movement in non-current assets takes account of additions, disposals and the annual depreciation charge.

The movement in current assets is due to a reduction in the trade and other receivables figure which has fallen by £1.10 million in year. The reduction relates to a fall in prepayments of £0.56 million and gross trade receivables of £0.88 million. The majority of the reduction in trade receivables is due to a one of debtor in 2013-14 with Glasgow City Council which was £0.48 million.

The other significant movement on the financial position reflects a further increase in pension liabilities, included in non-current liabilities. The pension liability now stands at £39.81 million (2014: £26.82 million).

The increasing pension liability represents a risk to VisitScotland, particularly as a proportion of the liability attributable to the Local Government Pension Scheme (£11.31 million) could crystallise due to members leaving individual schemes (there are currently three out of twelve schemes with a higher risk of membership reducing to nil). VisitScotland have identified this risk and are considering mitigating actions.

[Refer to Audit Action Plan point 6](#)

Financial Capacity

During 2014-15, Audit Scotland asked auditors to collect baseline data on finance departments and the control environment within individual bodies. As part of the audit we therefore gathered data on the:

- organisational structure and influence of the most senior finance professional
- financial strategy and sustainability
- budget monitoring and reporting
- the quality and finance capability of the operational finance function.

Organisational structure

VisitScotland's most senior finance officer is the Director of Corporate Services. He is a core member of the Senior Management Team (SMT) and regularly attends Board meetings. The finance function within VisitScotland therefore has sufficient status at a strategic level to deliver expected financial management.

The Director of Corporate Services attends each Audit and Risk Committee meeting. In conjunction with the Head of Finance and the Audit and Compliance Officer, he is responsible for presenting VisitScotland's annual accounts and other relevant papers including updates to financial procedures and risk registers.

The Director of Corporate Services also oversees the work of three departments in addition to Finance:

- IT and Corporate Planning
- Facilities and Procurement
- Digital Development and Delivery

Financial strategy and sustainability

The Board has an approved Corporate Plan 2013-16, which is supported by annual Operating Plans.

The Corporate Plan drives future strategies and priorities, including continuing to support the Scottish Government in the ambition to grow tourism revenues by £1 billion by 2020 from a baseline of £4.5 billion.

VisitScotland's current financial plans project expenditure and income to 2015-16. We recognise it is difficult to make longer term plans for financial sustainability due to the nature of funding settlements, and uncertainty about future policy announcements. VisitScotland should consider their approach to financial planning on a medium to long term basis to identify whether there is scope to move to best practice.

[Refer to Audit Action Plan point 5](#)

Budget Monitoring and Reporting

Progress against budgets is monitored and reported monthly to the Senior Management Team. In addition, comprehensive progress reports on performance and budget are provided to the Board as a standing item. Monitoring reports to the Board also include performance against targets outlined in the Operating Plan and the risk register.

The Audit and Risk Committee scrutinises the Annual Report and Financial Statements, before they are passed to the Board for approval.

Quality and finance capability of the operational finance function

There has been no reduction in professionally qualified and support staff across the finance function since 2011-12.

During the period of our appointment we have observed improvements in financial professionalism, including the financial statements and the quality of working papers. We have not identified an increase in either the number and/ or value of financial errors within the unaudited accounts since 2011-12.



Appendices

Contents	Page
Appendix A – Action Plan	26
Appendix B – Misclassification and disclosure changes	28
Appendix C – Other communication requirements	30
Appendix D– Fees, non audit services and independence	32
Appendix E – Draft Independent Auditors Report	34
Appendix F– Letter of Representation	37



Appendix A



Action Plan

The table below provides details of issues changes identified during the audit which have been made in the final set of financial statements.

	Issue and Risk	Priority	Recommendation
1.	<p>During 2015-16, there will be significant changes to FReM requirements, including the adoption of a Performance Report and Accountability Report. VisitScotland therefore has an opportunity to review the content and focus of the financial statements.</p> <p>Risk There is a risk that financial statements may not meet the future Financial Reporting Manual requirements, or focus on key outcomes for VisitScotland.</p>	Medium	<p>The Finance Team should review the structure and content of the Statement of Accounts, in consultation with key stakeholders such as the Chief Executive and Chair of the Audit and Risk Committee.</p> <p>Management Response This will be undertaken as part of the review process for the Year Ended 31 March 2016</p>
2.	<p>During 2015-16 six members of the Board (including the Chair) will retire from VisitScotland as a result of their second term in office coming to an end.</p> <p>Risk There is a risk that the Board does not operate effectively due to a loss of expertise and knowledge at this level.</p>	High	<p>VisitScotland should consider the induction and transition processes for new non-executive members to retain expertise and transfer knowledge.</p> <p>Management Response It is expected that three new members will be appointed in October, followed by two more in December. The induction process for all five will begin simultaneously, and they will all be invited to a strategy session and Board meeting in November to assist the transfer of knowledge. It has also been proposed that outgoing Board members act as ‘buddies’ to the incoming members to further assist the process of transition.</p>
3.	<p>Audit and Risk Committee membership reduced to three in June 2015 due to a resignation. This is below the required membership as outlined in the revised Terms of Reference.</p> <p>Risk This could result in issues with the quorate level of two being achieved at all Audit and Risk Committee meetings.</p>	Medium	<p>VisitScotland should seek to appoint a new member to the Audit and Risk Committee.</p> <p>Management Response The current membership position will be addressed following the appointment of the new board members.</p>

Action Plan

The table below provides details of issues changes identified during the audit which have been made in the final set of financial statements.

	Issue and Risk	Priority	Recommendation
4.	<p>A requirement of the Terms of Reference of the Audit and Risk Committee is that there will be a self -assessment exercise each year to review the effectiveness of the Committee.</p> <p>Risk</p> <p>There is a risk that the Audit and Risk Committee does not comply with the SPFM requirements on the operation of Audit Committees.</p>	Medium	<p>VistScotland should ensure there is a timely annual assessment of the Audit and Risk Committee to ensure compliance with the SPFM and good practice.</p> <p>Management response</p> <p>During 2014 there were a number of changes to the membership, and as a consequence, a new self-assessment exercise will be carried out prior to 31 March 2016.</p>
5.	<p>VisitScotland are currently operating under the 3 year Corporate Plan covering the period 2013-16. Currently financial projections cover up to 31 March 2016. While VisitScotland have considered the financial position from 2016-17 onwards, due to uncertainties surrounding grant settlements there is no formalised medium to long term financial plan.</p> <p>Risk</p> <p>There is a risk that monies are not used to create long term benefits and are used to manage immediate pressures.</p>	Medium	<p>VisitScotland should consider their approach to longer term financial planning to identify if there is scope for improvement in line with best practice.</p> <p>Management response</p> <p>In addition to the financial plans prepared based on the funding visibility (maximum 3 years) provided by the Scottish Government, VisitScotland does have longer term plans in place (3+ years) that relate to Efficiency Programs (i.e. asset management, property and organisational change) , Marketing Programs (i.e. themed years and aviation), Major Events (i.e. Ryder Cup) and Business Events (i.e. Bid fund). These plans are costed and often require forward commitments which are entered into with the approval of the Scottish Government and their assurance of future funding.</p> <p>The above are consolidated into 3 year financial plans. We will review the merit of extending the planning period.</p>
6.	<p>VisitScotland have significant liabilities relating to their pension schemes. VisitScotland are members of a number of Local Government Pension Funds and amounts become payables when there are no longer contributions being paid into the fund.</p> <p>Risk</p> <p>There is a risk the liabilities attributable to pension funds will crystallise.</p>	Medium	<p>VisitScotland should consider the options available to mitigate the risk.</p> <p>Management response</p> <p>Consultation with the SPPA and our SG sponsor department has taken place with the objective of identifying a long term solution that does not involve a lump sum payment of a debt on cessation</p>

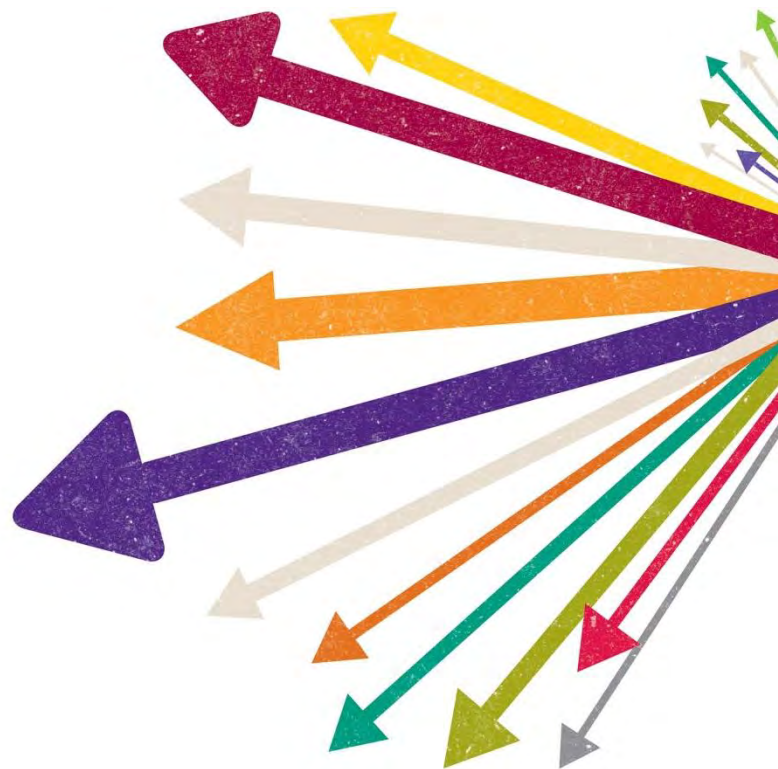
Appendix B



Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value of change £'000	Proposed new balance £'000	Account balance	Impact on the financial statements
1 Disclosure	-3,785	21,463	Median Remuneration	A requirement of the Employee Practice Note 430 is that a median figure for staff remuneration is required. In the course of the audit we agreed an appropriate methodology for calculating this figure. The figure in the draft accounts has been revised to comply with the guidance.



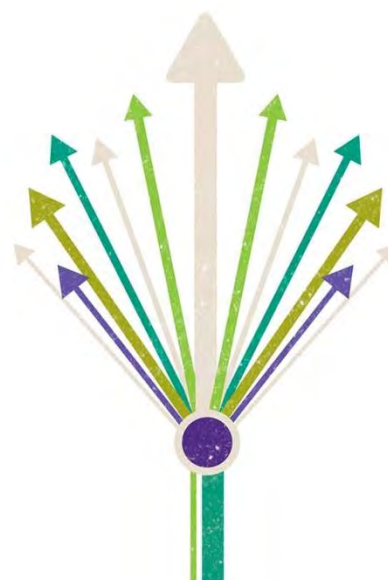
Appendix C



Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards to communicate to those charged with governance.

Issue	Commentary
1 Written representations	<ul style="list-style-type: none"> • A letter of representation has been requested from VisitScotland • In particular, representations will be requested from management in respect of: <ul style="list-style-type: none"> – Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable – Responsibility for the design and implementation of internal control to prevent and detect error and fraud – Related party relationships and transactions being appropriately accounted for and disclosed in accordance with the requirements of the Government Financial Reporting Manual and the Scottish Public Finance Manual – All events subsequent to the date of the financial statements and for which the Government Financial Reporting Manual and International Financial Reporting Standards requires adjustment or disclosure having been adjusted or disclosed
2 Disclosures	<ul style="list-style-type: none"> • Our audit work identified no material omissions in the financial statements
3 Matters in relation to fraud	<ul style="list-style-type: none"> • We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
4 Matters in relation to laws and regulations	<ul style="list-style-type: none"> • We are not aware of any significant incidences of non-compliance with relevant laws and regulations
5 Matters in relation to related parties	<ul style="list-style-type: none"> • We are not aware of any related party transactions which have not been disclosed
6 Going Concern	<ul style="list-style-type: none"> • We have considered managements assessment of going concern. Our work has identified no significant issues in relation to going concern



Appendix D



Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
VisitScotland Audit	71,000	71,000
Total audit fees	71,000	71,000

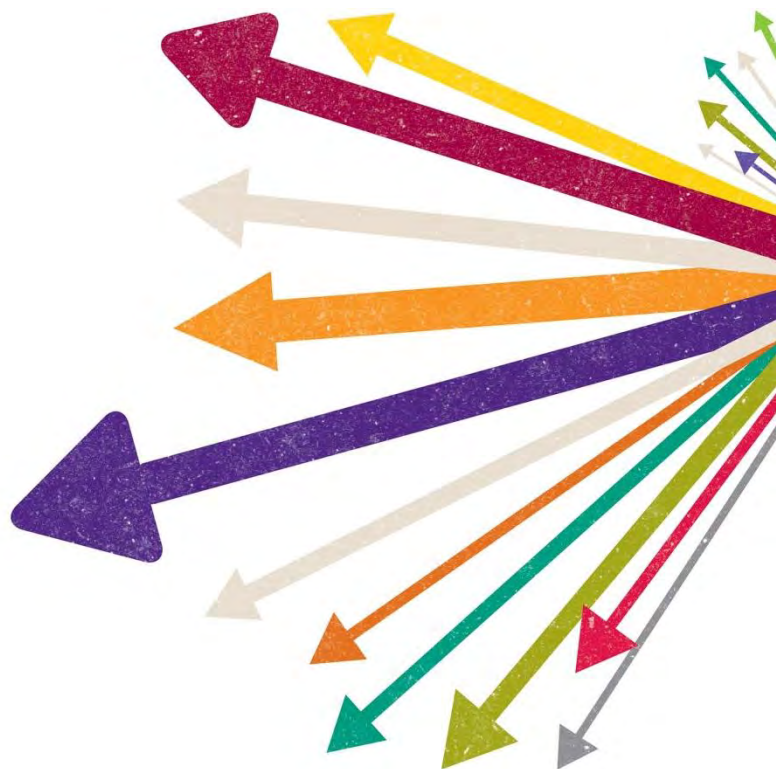
Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



Appendix E



Draft Independent Auditors Report

Independent auditor's report to the members of VisitScotland, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of VisitScotland for the year ended 31 March 2015 under the Development of Tourism Act 1969. The financial statements comprise Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Cash Flow Statement, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2015 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the Development of Tourism Act 1969 and directions made thereunder by the Scottish Ministers.

Independent Auditors Report

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records;
or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

Robin Baker, (for and on behalf of Grant Thornton UK LLP)

7 Exchange Crescent

Edinburgh

EH3 8AN

September 2015

Appendix F



Letter of Representation

Grant Thornton UK LLP
7 Exchange Crescent
Edinburgh
EH3 8AN

Date- Same date as accounts

Dear Sirs

VisitScotland
Financial Statements for the Year Ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of VisitScotland for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000, the Development of Tourism Act 1969, the Government Financial Reporting Manual (the FReM) and the Scottish Public Finance Manual (SPFM).

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Development of Tourism Act 1969 for the preparation of the financial statements, the Public Finance and Accountability (Scotland) Act 2000, the FReM and International Financial Reporting Standards. In particular the financial statements give a true and fair view of VisitScotland's state of affairs in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting VisitScotland and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error and fraud.
- iv. We are satisfied that the material judgments used in the preparation of financial statements are soundly based, in accordance with International Financial Reporting Standards and the FReM, and adequately disclosed in the financial statements. There are no other material judgments that need to be disclosed.
- v. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of VisitScotland have been assigned, pledged or mortgaged
 - c. there are no material prior year changes or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vi. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the FReM and International Financial Reporting Standards.
- vii. All events subsequent to the date of the financial statements and for which the FReM and International Financial Reporting Standards requires adjustment or disclosure have been adjusted or disclosed.
- viii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the FReM.
- ix. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

- x. We have provided you with:
 - a. access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the entity from whom you determine it necessary to obtain audit evidence.
- xi. We have confirmed there were no deficiencies in internal control of which management is aware
- xii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xiii. We have considered the risk that the financial statements may be materially misstated as a result of fraud and am not aware of any such fraud or misstatement.
- xiv. We are not aware of any fraud or suspected fraud affecting the entity involving:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xv. We have confirmed we have no knowledge of any allegations of fraud, or suspected fraud, affecting VisitScotland's financial statements communicated by employees, former employees, regulators or others.
- xvi. We have confirmed to you there are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xv. We have disclosed to you the identity of all of VisitScotland's related parties and all the related party relationships and transactions of which we are aware.
- xvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

Annual Report

- xix. The disclosures within the Annual Report fairly reflect our understanding of VisitScotland's financial and operating performance over the period covered by the financial statements.

Annual Governance Statement

- xx. We are satisfied that the Annual Governance Statement (AGS) fairly reflects VisitScotland's risk assurance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by VisitScotland's Board at its meeting on 27 August 2015.

Yours faithfully

<Name and title>

Date:

Signed on behalf of the Board



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grant-thornton.co.uk

GRT100964