

VisitScotland

2019/20 Annual Audit Report



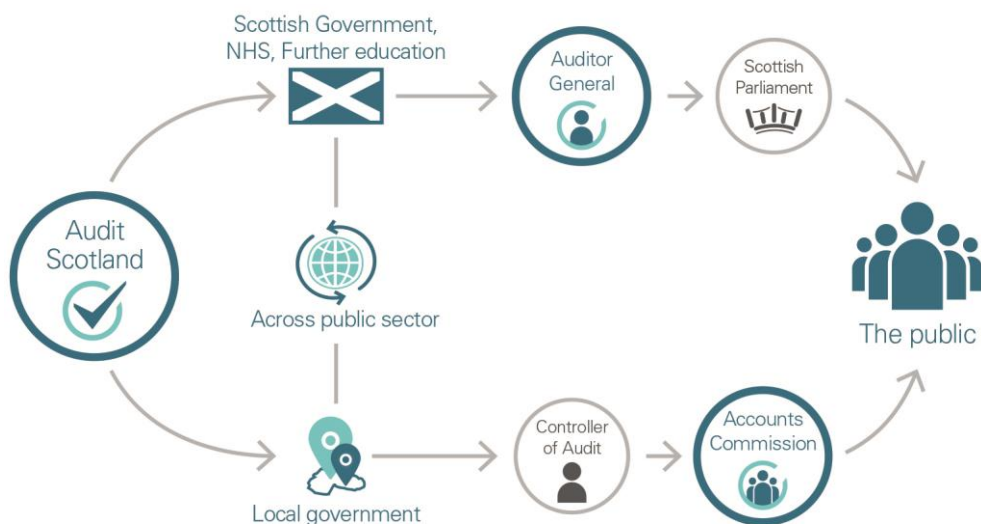
Prepared for VisitScotland and the Auditor General for Scotland

December 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual report and accounts

- 1 The financial statements of VisitScotland and its group give a true and fair view of the financial position as at 31 March 2020 and of the net expenditure for the year.
- 2 Income and expenditure were applied or incurred in accordance with enactments and guidance. The other information in the annual report is consistent with the financial statements and meets the requirements.
- 3 The preparation and submission of the 2019/20 annual report and financial statements for audit was delayed by about two months, in line with revised agreed timescales, due to the impact of Covid-19.

Financial management

- 4 VisitScotland has appropriate and effective financial management in place.
- 5 Systems of internal control operated appropriately and effectively in 2019/20.
- 6 VisitScotland refunded and waived around £1 million of commercial income at year end to support the tourism industry through the Covid-19 pandemic. This was partially offset by a reduction in spending on marketing campaigns.

Financial sustainability

- 7 VisitScotland has appropriate and effective financial planning arrangements.
- 8 Work to develop the 2020-23 corporate plan, strategic framework and workforce plans was delayed due to the impact of the Covid-19 pandemic. This work will support VisitScotland's consideration of the longer-term financial challenges it faces.

Governance and transparency

- 9 VisitScotland has appropriate and effective governance arrangements in place. It made changes to its governance arrangements to ensure business continuity during the Covid-19 pandemic.

Value for money

- 10 VisitScotland continues to demonstrate good practice by assessing Best Value and reporting findings to governance boards.
- 11 VisitScotland has appropriate performance management arrangements in place. Further work is required to assess how it has performed in providing funding to support businesses through the Covid-19 pandemic.

Introduction

1. This report summarises the findings from our 2019/20 audit of VisitScotland.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2020 meeting of the Audit and Risk Committee. An updated version was issued to ARC members in August 2020. This report comprises the findings from:
 - an audit of VisitScotland’s annual report and accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2019/20 have been:
 - an audit of VisitScotland’s 2019/20 annual report and financial statements including the issue of an independent auditor’s report setting out our audit opinions
 - a review of the VisitScotland’s key financial systems
 - consideration of the four audit dimensions.

4. In common with all public bodies, VisitScotland has had to respond to the global coronavirus pandemic. This affected the final month of the 2019/20 financial year and will continue to have significant impact in 2020/21. This has had significant implications for the services VisitScotland delivers, its support for the tourism industry in Scotland, the income it generates and for its staff. Some activities had to be paused and processes adapted which are likely to affect future years.

5. For our part, we had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider audit dimensions.

Adding value through the audit

6. We add value to VisitScotland through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

7. VisitScotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and financial statements that are in accordance with the accounts direction from the Scottish Ministers.

8. VisitScotland is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable the board to successfully deliver its objectives.

9. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts.

10. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

11. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officer(s) and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor independence

13. Auditors appointed by the Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £71,750 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

15. This report is addressed to both VisitScotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

16. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit, particularly given the current challenges presented by the impact of Covid-19.

Part 1

Audit of 2019/20 annual report and accounts



Main judgements

The financial statements of VisitScotland and its group give a true and fair view of the state of affairs of the body and its group as at 31 March 2020 and of the net expenditure for the year then ended; and have been properly prepared in accordance with the financial reporting framework.

The income and expenditure in the financial statements were applied or incurred in accordance with applicable enactments and guidance. The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

The preparation and submission of the 2019/20 annual report and financial statements for audit was delayed by about two months, in line with agreed revised timescales, due to the impact of Covid-19.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual report and financial statements are unmodified

17. The annual report and financial statements for the year ended 31 March 2020 were approved by the board on 10 December 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- expenditure and income were regular and in accordance with applicable enactments and guidance.
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The annual report and financial statements were signed off within agreed timescales

18. A complete annual report and financial statements was presented for audit, in line with our agreed revised timetable, on 7 September 2020. This helped ensure a more efficient process. The audit team received good support from finance staff which helped ensure the final accounts audit ran smoothly.

19. VisitScotland and Audit Scotland staff worked remotely during the audit. This presented challenges for both teams in resolving queries and providing supporting evidence. Overall, the arrangements worked well, and we would like to thank the finance team for their work and assistance in delivering our audit under difficult circumstances.

20. Our initial review of the annual report and financial statements identified presentational and disclosure errors which were subsequently corrected. We recognise this was a result of the impact of Covid-19 and the competing pressures on the finance team at the time.

21. Due to Covid-19 restrictions, we were unable to obtain the original approval forms for the write-off of uncollectable debts (around £25,000) and disposal of obsolete IT equipment (with a net book value of £3,600). We received assurances via email from the director of corporate services that these actions were approved and have no concerns in this area. Going forward, management has taken action to retain approvals in digital form.

Overall materiality is £0.602 million

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and the nature of a misstatement in the financial statements.

23. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and concluded that they remained appropriate ([Exhibit 2](#)).

Exhibit 2 Materiality values

Materiality level	VisitScotland Group £	VisitScotland Single Entity £
Overall materiality	622,400	602,400
Performance materiality	404,560	391,560
Reporting threshold	30,000	30,000

Source: VisitScotland Annual Audit Plan 2019/20

Main risks of material misstatement and how we addressed these

24. [Appendix 2](#) provides our assessment of audit risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions.

25. In line with auditing standards and professional advice, including the Financial Reporting Council's Covid-19 bulletin published in March 2020, we reviewed our assessment of audit risks and the planned audit work in August 2020 and

concluded that they remained relevant. There have not been any changes to audit risks or our audit approach.

Significant findings to report on the annual report and accounts

26. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Provision for liabilities in relation to the McCloud ruling</p> <p>The McCloud ruling found that the transitional protection provided as part of the 2015 public service pensions scheme changes discriminate on the grounds of age. In 2018/19, VisitScotland's actuary estimated a 'worse case' impact of a liability for VisitScotland of £110,000. As a result, finance created a provision for this amount in the 2018/19 accounts.</p> <p>In the expectation that the actuary would include the estimated impact in the 2019/20 IAS 19 figures, VisitScotland 'released' the £110,000 provision this year. However, the actuary had not allowed for the McCloud liability, and so the removal of this provision was not appropriate.</p>	<p>VisitScotland requested and received from its actuary a revised estimate of McCloud liabilities, which was updated to £37,000. Finance reinstated and reduced the provision to this amount.</p> <p>We are content with this accounting adjustment</p> <p>This is Annually Managed Expenditure (AME) and is a non-cash transaction.</p>
<p>2. Valuation uncertainty due to Covid-19</p> <p>VisitScotland's land and buildings, which have a net book value of £1.4 million, are revalued annually by an external valuer, Graham and Sibbald. The valuer's report contains a 'material valuation uncertainty' clause regarding the impact of Covid-19. It points out that a higher degree of caution should be attached to the valuation than would normally be the case.</p> <p>The unaudited accounts did not refer to this material uncertainty. We discussed this with finance staff who agreed to include an appropriate disclosure in the accounting policy on critical accounting estimates and judgements.</p>	<p>Management added an appropriate disclosure within the accounting policies.</p> <p>We are content with the disclosure.</p> <p>We have sought and received the Accountable Officer's assurances on management's assessment of the fair value of land and property in the ISA 580 representation letter.</p>

Source: Audit Scotland

27. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no unadjusted errors above the reporting threshold.

28. We did not identify any material adjustments to the unaudited financial statements arising from our audit. We identified one non-cash monetary error which exceeded our reporting threshold relating to the McCloud provision, which is described in [Exhibit 3, item 1](#). As indicated, we are content with the adjustment to the accounts.

Other matters arising from the audit of the financial statements

Group accounts

29. Disclosures in 2019/20: In March 2020, a subsidiary company, Cycling World Championships 2023 Ltd (CWC) was formally created as a wholly owned subsidiary of VisitScotland. As a consequence, the transactions and balances of CWC are consolidated into the group accounts of VisitScotland. As 2019/20 was a transitional year, and given the low volume of transactions, we agreed with management that combined financial statements were acceptable, with appropriate disclosure footnotes.

30. From 2020/21, VisitScotland will be required to produce full group and single entity financial statements. Accounting standard IFRS 8- Operating segments also needs to be considered. For VisitScotland, this could include segments relating to specific events or areas of the business, for example CWC. Management agreed to include additional narrative in the 2019/20 accounts in relation to operating segments.

31. Intra-group transactions: Details of the CWC transactions included within the group accounts were included in footnotes to the financial statements and notes. We identified that the CWC figures included did not exclude intra group transactions of £123,000 (amounts owed between CWC and VisitScotland). This only impacted the disclosures in the footnotes in the main financial statements, and we are content that management has corrected this.

32. Accounting and banking structure: As a separate entity, it is important that CWC holds separate accounting records on the financial ledger, and a separate bank account is maintained for the subsidiary company. Management recognises this, but due to time pressures and the Covid-19 pandemic causing delays at the bank administrators, the finance team was unable to create a separate accounting unit on the ledger and official bank account in time for the preparation of the group accounts. As an interim measure, all CWC transactions were entered into a separate cost centre and an existing dormant bank account was repurposed for CWC use. A permanent bank account was in place by mid November 2020.

Recommendation 1

VisitScotland will need to produce full group financial statements in 2020/21. This will include separate financial statements for the group position and VisitScotland as a single entity. It should consider how best to provide segmental information.

Other matters

33. Pension liabilities following year end: Management engaged the actuary to assess the ongoing impact of the Covid-19 pandemic on VisitScotland's pension schemes. The actuary's professional estimate, as at end of August 2020, was that the net liability had increased from £26.7million at 31 March 2020 to 39.3million, an increase of £12.6 million (47 per cent). This was an estimate at that time and not a full valuation. Management chose to disclose a non-adjusting post balance sheet to this effect. We are content with this disclosure.

34. Goodwin tribunal: the Goodwin tribunal case changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005 and affects the pensions of male spouse survivors whose entitlement arose on or after this date. VisitScotland has added a contingent liability note to its accounts to disclose this matter. We are content with this disclosure.

35. Remuneration report: Normally, the cash equivalent transfer value (CETV) of pension benefits increases for individuals year on year. In some cases, due to prevailing economic conditions, the real increase in CETV can be negative. In other words, there can be a real decrease. The real-terms movement in cash equivalent transfer values for 2019/20 was negative for some members of the leadership group and board. Initially, the "real increase" was disclosed as zero, consistent with the actuary's report. In order to provide more clarity, VisitScotland discussed this with its actuary and amended the note to disclose negative figures once confirmed.

36. Related party transactions: Our search of the financial ledger and Companies House data identified related party transactions which had not been included in the note to the draft financial statements. All of these were of low monetary value. These were discussed with management and the disclosure note was amended to include these.

37. Working remotely presents new challenges for external audit, in particular obtaining explanations and clarifications on working papers. As a result, we have identified some areas where there is scope to improve the audit trail from supporting documentation to the disclosures in the accounts. We will continue to collaborate with the finance team in this regard for the 2020/21 audit of the annual report and financial statements.

Progress has been made on prior year recommendations

38. VisitScotland has made progress in implementing our prior year audit recommendations, although the impact of Covid has placed additional demands on the organisation. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management



Main judgements

VisitScotland has appropriate and effective financial management.

VisitScotland refunded around £1 million of commercial income at year end to support the tourism industry through the Covid-19 pandemic. This was partially offset by a reduction in spending on events and marketing campaigns.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

VisitScotland operated within budget in 2019/20

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

40. VisitScotland reported an outturn of £57.904 million, remaining within its overall budget for 2019/20 with an underspend of £0.002 million. The financial performance against Departmental Expenditure Limits (DEL) is shown in [Exhibit 4](#).

Exhibit 4 Performance against DEL in 2019/20

Performance	Initial budget £m	Final budget £m	Capital receipts applied £m	Outturn £m	Over/(under) spend £m
Resource DEL ¹	39.6*	54.356	-	54.354	(0.002)
Capital DEL ²	3.0	3.5	0.05	3.55	-
Total cash DEL	42.6	57.856	0.05	57.904	(0.002)
Non-cash DEL	1.4	1.8	-	1.99	0.19
Total DEL	43.6	59.656	0.05	59.894	0.188

Source: 2019/20 VisitScotland annual report and financial statements and Scottish Government

¹ The initial RDEL budget did not include additional ringfenced funding for events such as the Solheim Cup. ² The Capital DEL allocation included £1.8 million to be disbursed by VisitScotland as part of the Rural Tourism Infrastructure Fund

Note: Non-cash DEL is less predictable and does not involve the transfer of cash.

41. VisitScotland overspent its non-cash DEL budget by £0.19 million. Non-cash DEL can be unpredictable, and does not include the transfer of funds, but allows

for monitoring of accounting costs such as the depreciation of non-current assets. The Scottish Government sponsor directorate confirmed it was content with this.

2019/20 financial position

35. The Statement of Financial Position summarises what is owned and owed by VisitScotland and its group. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of assets.

42. The financial statements show that the VisitScotland Group has:

- Net liabilities of £24.447 million, a reduction of £3.431 million from 2018/19, mainly due to a decreased overall net pension liability position at 31 March 2020.
- Total assets of £17.365 million, an increase of £2.231 million from 2018/19. This increase in assets is due to a higher cash balance at year end, which now includes CWC monies, and an increased carrying value of intangible assets (development of websites).
- Pension liabilities have reduced from £30.305 million in 2018/19 to £26.704 million, reflecting actuarial valuations as at 31 March 2020.
- CWC is now incorporated into the group financial statements. As at 31 March 2020, the subsidiary had £2 million in assets (cash), with £1.9 million in corresponding payables. This reflects the timing of the establishment of the company in March 2020. As a limited amount of transactions had taken place at this stage, VisitScotland provided footnotes to disclose the relevant transactions and balances.

Budget and financial monitoring processes were appropriate, but finances were impacted due to Covid-19

43. Budget processes and financial monitoring arrangements operated effectively during the year. From our review of budget monitoring reports, review of board and committee papers and attendance at Audit and Risk Committee, we concluded that senior management and board members receive regular and timely information on VisitScotland's financial position.

44. In March 2019, VisitScotland approved a balanced budget for 2019/20 of £62.3 million, a 12 per cent increase on the 2018/19 outturn (£55.6 million). Core resource Grant-in-Aid increased from £46.9 million in 2018/19 to £52.4 million in 2019/20. The budget allocation included funding of £13.5 million to deliver major sporting events in 2019/20 such as the Scottish Opens and the Solheim Cup, plus £2 million of expenditure for CWC 2023.

45. In March 2020, VisitScotland took the decision to refund and waive nearly £1 million in Quality Assurance (QA) income in an effort to support the tourism industry. Around £740,000 in refunds and credit notes were issued to around 4,500 individuals and businesses as a result of this and the cancellation of EXPO 2020. National and international marketing campaigns were paused which helped to counter this loss of income.

Financial systems of internal control are operating effectively

46. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial

statements. Our objective is to gain assurance that VisitScotland has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

47. Our [management report](#) presented to the Audit Committee on 5 March 2020 concluded that the key controls tested were operating effectively. No significant internal control weaknesses were identified during the audit which could affect the ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

48. Our report identified the following points which we followed up during our year-end audit of the financial statements, these included:

- An error in pension scheme contributions. Management resolved this issue and refunds totalling £8,328 were paid to 101 staff affected. We did not find any further errors in our year-end testing.
- Delays in clearing suspense accounts. We did not identify any significant issues at year-end.

49. The year-end accounts completion and audit during the Covid-19 pandemic highlighted areas where paper-based authorisation and controls processes still existed. VisitScotland is implementing digital authorisation of documentation such as contract approvals, authorisation of write offs, and electronic updates of gifts and hospitality registers. In addition, all suppliers now submit electronic invoices. As well as saving on cost and time, this has the potential to improve workflow processes and increase accuracy. We will review these arrangements as part of future audits.

Internal audit

50. A firm of accountants provided VisitScotland's internal audit function in 2019/20. We reviewed VisitScotland's internal audit arrangements in terms of International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent to which we could use the work of internal audit. As recorded in our 2019/20 Annual Audit Plan, there were no areas in which we planned to place formal reliance but we considered the following reviews for our 2019/20 financial statements and wider dimensions audit responsibilities:

- iCentre audit programme
- Post-implementation reviews of the ERP and Information Strategy
- Whistleblowing
- Review of the governance arrangements for 2023 CWC Ltd. ([paragraph 77, Governance and Transparency](#)).

51. The Public Sector Internal Audit Standards (PSIAS) require an annual internal audit opinion and report that can be used to inform the annual governance statement. The opinion for 2019/20 is that of 'reasonable assurance' on the governance framework, internal controls, effective and efficient achievement objectives and the management of key risks. For the above reviews, only minor recommendations and areas of improvements were identified.

Financial capacity

52. The preparation of the financial statements coincided with the Scottish Government's requests for budget revisions reflecting the impact of the Covid-19 pandemic. The team was also coordinating the delivery of business support grants and implementing operating and governance arrangements for 2023 CWC Ltd.

VisitScotland took on additional temporary staff within the team to deal with these pressures whilst continuing to deliver business-as-usual activities.

53. VisitScotland has a key role in the Scottish Government's post Covid-19 economic recovery plans, in particular supporting the tourism and events industries. As with other public sector bodies, 2020/21 will be a challenging year for VisitScotland and it should ensure it has the capacity in its finance team to deal with new work, day-to-day financial management and year-end financial accounting. Management is reviewing the structure of the finance team. This will help address these concerns and ensure corporate structures are fit for the future. We will keep this area under review.

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

54. VisitScotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

55. We reviewed the arrangements in place to maintain standards of conduct including fraud and other related policies. We also considered Internal Audit's review of the whistleblowing policy. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

56. We concluded appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities. We are not aware of any specific issues that we need to bring to your attention.

57. We had planned to review VisitScotland's arrangements to counter fraud and corruption in respect of procurement activities during April 2020. Due to Covid-19, we will now cover this as part of our 2020/21 audit.

58. Audit Scotland published its [National Fraud Initiative 2018/19 report](#) in July 2020. We published a supplementary report alongside this which highlights some of the [emerging fraud risks](#) during the Covid-19 pandemic. It provides examples of the increased risks around governance, procurement, funding, payroll/recruitment, IT/cyber, and health and wellbeing as well as examples of how to mitigate these.

Part 3

Financial sustainability



Main judgements

VisitScotland has appropriate and effective financial planning arrangements.

Work to develop the 2020-23 corporate plan, new strategic framework and workforce plans was delayed due to the Covid-19 pandemic. This work will support VisitScotland's consideration of the longer-term financial challenges it faces.

VisitScotland continues to make progress in addressing the financial uncertainties arising from its participation in pension schemes.

Financial sustainability looks forward to the medium and longer term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

VisitScotland's budgets for 2020/21 and beyond will have to be managed carefully to deal with the ongoing impact of Covid-19

59. In March 2020, the VisitScotland board approved a balanced budget for 2020/21 but recognised this would need to be revisited as a result of the Covid-19 pandemic. [Exhibit 5](#) sets out the original and revised budget for 2020/21, including planned Grant-in-Aid (GIA) for 2023 CWC Ltd. The budget was adjusted based on the assumption of there being no commercial income from activities such as quality assurance, and product sales from icentres in 2020/21. Staff, marketing and estate expenditure was also reassessed over the summer.

Exhibit 5 2020/21 Budget revisions

	2020/21 March 2020 £m	2020/21 Revised £m
GIA	41.10	41.10
GIA Ringfenced	5.36	13.84
Ringfenced GIA allocated to 2023 CWC Ltd.		(1.0)
Commercial and other income	4.51	0
Total income	50.97	53.94
Payroll	23.10	22.59
Other expenditure	27.87	31.35
Total Expenditure	50.97	53.94

Source: VisitScotland board papers

60. VisitScotland is working with the Scottish Government and industry stakeholders to assess the likely impact. It reconvened the Scottish Tourism Emergency Response Group (STERG) in March 2020 to help develop an industry action plan and recovery budget.

61. VisitScotland presented a recovery budget to its July 2020 board meeting. This forecast that £142.5 million in additional funding may be required across 2020/21 to 2022/23 to enable VisitScotland to support and stimulate the industry's recovery. This was at a time when the tourism industry was about to reopen for business. The situation has been volatile since and budgets will have to be constantly reviewed as the situation evolves.

VisitScotland will need to reassess its operating model, transformation and workforce plans and incorporate these into its new strategic framework and corporate plan

62. VisitScotland has had to develop and adapt its operating model, moving to fully remote working and redeploying staff to business-critical activities. Its immediate focus is on continuing to support the tourism industry through various support grants and continuing to develop and revise a longer-term action plan with stakeholders. Recognising the impact this would have on VisitScotland's immediate plans, it has yet to update its corporate plan from 2020 and related corporate documentation.

63. In developing its next corporate plan, VisitScotland will need to reassess its current operating model, transformation and workforce plans. Processes and procedures have had to adapt, with plans for digital processes brought forward. These changes may have enabled a change in culture and practices that will benefit the organisation going forward.

64. We have previously highlighted the importance of medium-term financial planning, particularly scenario planning. VisitScotland is committed to producing a

longer-term financial strategy and is continuing to develop this. Longer-term financial planning would help support consideration of VisitScotland's finances in 2020/21 and beyond.



Recommendation 2

VisitScotland should assess what changes have enabled it to respond to the Covid-19 pandemic and what this means for its future operating model, strategic framework and corporate plan. An annual plan and corporate plan is needed to set out its short and medium-term response and priorities and how this will be achieved.

VisitScotland, along with other partner bodies, has helped distribute around £160 million to the tourism and events sector so far in 2020

65. VisitScotland had to redeploy staff to deal with enquiries from the tourism and events industry and help plan, forecast and distribute a variety of business support grants. As at 31 October 2020 it has played a key role in distributing around £160 million in support grants and refunds, either directly or indirectly, including:

- around £1 million through refunding and waiving Quality Assurance fees for 2019/20 to around 4,500 individuals and businesses
- around £520,000 distributed from the Destination Support Fund to 83 sector groups
- £1.5 million through the Self-Catering Support Fund
- £6 million through the Events Industry Supply Chain Fund

66. Along with Creative Scotland, the Enterprise Agencies and councils, VisitScotland has helped deliver:

- £30 million through the Creative, Tourism and Hospitality Enterprise Hardship Fund
- £120 million through the Pivotal Enterprise Fund
- around £1 million through the Bed and Breakfast Fund

67. Planning for and distributing these funds has required a considerable effort from VisitScotland staff. It is likely that further funds will need to be distributed in the current and subsequent financial years. VisitScotland will need to ensure it has the capacity and right processes in place to continue to deliver these funds and any future funds, securely and effectively.

68. VisitScotland has developed customer portals on its website for customers to apply for some of these grants. It reports that these have worked well and has enabled teams to assess and process claims quickly.

69. We will review the funds that VisitScotland is directly responsible for distributing as part of our 2020/21 audit of the financial statements.

Progress has been made in addressing the financial sustainability of pension schemes

70. We reported in 2018/19 that VisitScotland was exploring options to help ensure value for money and the longer-term sustainability of its pension schemes. VisitScotland was a member of several Local Government Pension Schemes (LGPS), the majority of which had reducing membership amongst existing staff. VisitScotland also faced additional employer contribution costs as a result of the relatively small number of participants.

71. In August 2020, the Scottish Public Pensions Agency (SPPA) approved a Direction Order allowing VisitScotland to consolidate and transfer all existing LGPS schemes into the Lothian Pension Funds. VisitScotland anticipates this will result in significant savings on the amount it pays as employer contributions, while still providing the same level of benefit to members. Existing funds will be moved in tranches, with the aim of completing the transfer of all funds by 31 March 2021.

72. Sectionalisation of the British Tourist Board (BTB) scheme was agreed by all parties in June 2019. This ringfences VisitScotland's assets and liabilities in the scheme. The Statutory Funding Objective valuation of the fund as at 31 March 2020, as required by the pension regulator, is underway. This will determine the value of assets and the level of deficit, and, in turn, the level of contributions that will be required.

73. There is always a degree of uncertainty surrounding pension scheme valuations. The Covid-19 pandemic is likely to cause increased volatility in markets going forward. VisitScotland is actively exploring its options to ensure costs are as sustainable as possible.

Part 4

Governance and transparency



Main judgements

VisitScotland has appropriate and effective governance arrangements in place. Governance arrangements for 2023 CWC Limited will be finalised by the end of 2020.

VisitScotland made changes to its governance arrangements to ensure fast decision making during the Covid-19 pandemic.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Overall governance and transparency arrangements were appropriate

74. The corporate governance framework within VisitScotland is centred around the board which provides overall strategic direction, set within the policy and resources framework agreed with Scottish Ministers. The board is responsible for overseeing delivery and monitoring performance against targets.

75. VisitScotland has appropriate governance arrangements in place. The board met 8 times during throughout 2019/20, with 2 members leaving and 2 new members joining. Board and ARC members provide an appropriate level of scrutiny and challenge and are provided with sufficiently detailed information to support them in their role.

76. Governance arrangements for VisitScotland's subsidiary, 2023 CWC Ltd., were agreed at the VisitScotland board meeting on 11 June 2020. Internal audit performed an initial review of the arrangements and no reportable weaknesses were identified. Governance, funding and service level agreements are expected to be in place by December 2020. This includes the appointment of a permanent Chief Executive and independent board members. We will continue to monitor arrangements as part of our audit of the 2020/21 audit of VisitScotland group financial statements.

VisitScotland made changes to its governance arrangements to help it deal with the impact of the Covid-19 pandemic

77. The impact of Covid-19 from March 2020 is highlighted in the governance statement in VisitScotland's annual report and financial statements. Established business continuity arrangements were adapted and allowed VisitScotland to manage the unprecedented risks to its staff and operations.

78. The majority of staff were able to work from home when offices closed on 17 March 2020. iCentre staff were redeployed to other areas of the business until centres could be safely reopened in July 2020.

79. The following steps were taken to prioritise its response to the outbreak:

- Meetings of governance groups and committees moved online
- Daily meetings of VisitScotland senior staff and the business continuity group.
- Reprioritisation of the IT department's activities to ensure staff had the right equipment and support to work from home.
- Paper processes, such as authorisation of write offs and invoice processing were moved to electronic
- VisitScotland staff worked with key stakeholders to help support the tourism and events industry.

80. VisitScotland's response was rapid and arrangements allowed it to continue operating effectively with minimal disruption. VisitScotland should keep arrangements under review and identify what lessons can be learned for the future. For example, how effective online meetings have been and what elements of its response have enabled it to deliver more quickly.

Openness and transparency

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

82. As we have reported previously, in contrast to some other public bodies, VisitScotland board meetings are not open to the public. VisitScotland board minutes and STERG minutes and action plans are published on its website. Board and committee papers and committee meeting minutes are not publicly available. In addition, performance against KPIs is not regularly reported on its website.

83. We continue to hold the view that additional information about finances and performance should be published where it is reasonable to do so. This is ultimately a matter for VisitScotland and it should keep this under review.

Performance reporting

84. In addition to the opinion on the performance report covered in [Part 1](#) of our Annual Audit Report, we also consider the qualitative aspects of the body's performance report. The performance report should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

85. The performance report should be prepared alongside the other components of the annual report and financial statements. By taking an integrated approach, bodies can identify and highlight relationships between the performance report and items in other sections. Telling the organisation's story and performance against its

corporate plan, strategic objectives and how it is contributing to the achievement of Scottish Government National Outcomes is equally important.

86. This year, VisitScotland included a specific section on the impact of Covid-19 in its performance report. This highlighted the role VisitScotland has had in supporting the tourism and events sectors during the pandemic and how it is managing some of the associated risks.

87. VisitScotland made improvements to the performance report during the audit process. The most significant of these was the addition of a section covering the national policy context and VisitScotland's contribution to National Outcomes.

88. We recognise the work that VisitScotland has put in to developing this report, particularly during this challenging year. We will continue to work with VisitScotland during 2020/21 and prior to the preparation of the next year's group annual report and financial statements.

89. In our opinion the performance report could be further enhanced, for example, by providing a more coherent picture of what VisitScotland has spent and what this has achieved. Segmental reporting ([paragraph 30](#)) of the operating segments that are contributing to the delivery of VisitScotland's strategic pillars may help with this. More could also be done to demonstrate trends in financial and economic performance over time. We have previously made recommendations in this area ([Appendix 1- prior year recommendation 1](#)). We will continue to work with VisitScotland to further enhance the performance report.

Part 5

Value for money



Main judgements

VisitScotland continues to demonstrate good practice by assessing Best Value and reporting the findings to governance boards.

VisitScotland has appropriate performance management arrangements in place. There is an opportunity for VisitScotland to review its Key Performance Indicators and update these to reflect the important role it has in the economic recovery from the Covid-19 pandemic.

Value for money is concerned with using resources effectively and continually improving services.

The body has developed an appropriate Best Value framework

90. *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key principles of best value and the requirement to have a systematic approach to self-evaluation and continuous improvement.

91. VisitScotland has a robust approach to gaining assurance in this regard. It assesses itself against guidance, including the Audit Scotland Best Value toolkits. Management carried out this exercise in 2013 and 2016, and again in 2019.

92. In July 2020, this approach was embedded in VisitScotland's new Best Value policy. The policy states that VisitScotland will undertake a review of Best Value every three years. It also states that management will seek to improve performance in a minimum of at least two areas with the intention that this will help to instil a culture of continuous improvement in the organisation. Every three years, the results of the scoring of the toolkits are to be reported to the Leadership Group, ARC and Board. This demonstrate a commitment to continuous improvement which is embedded within the organisation.

The reporting of the economic impact of some KPIs has not been possible due to Covid-19

93. The VisitScotland board and management regularly monitor the progress and performance of programmes against lower level indicators. Overall, we concluded that arrangements for monitoring and reporting performance are appropriate. The board is provided with comprehensive information in a variety of reports which supports scrutiny.

94. VisitScotland reports its performance in several ways:

- Through Key Performance Indicators (KPIs) and narrative in the annual report and financial statements
- To the board through regular key performance measures reports and operational updates on areas such as finance, IT, facilities, procurement and social media reach.
- Internally, through presentations and reports to individual departments and staff.

95. The KPIs in the annual report and financial statements focus on the economic impact of VisitScotland's main programmes. They are derived from the VisitScotland's Economic Measurement Framework, which it reviews annually. It is difficult to compare and contrast performance because no targets or prior year figures are provided. We recognise that comparing economic performance over time can be challenging as there are many variables and assumptions involved. However, in our opinion, providing trend analysis (for economic and financial performance) with some narrative to explain the economic conditions would enhance performance reporting.

96. In 2019/20, there were 15 (11 in 2018/19) economic measures, with the winter festival, clan and Scottish Golf Tourism week (two year's events) added. The Covid-19 pandemic meant that the longer-term impact of the golf programme and Expo 2019 could not be measured. With the exception of these programmes and route development, Net Economic Impact (NEI) was broadly in line with prior year. The economic impact of the International Programme increased significantly, largely due to the Solheim Cup.

Exhibit 6

Key performance indicators – Net economic impact (NEI) trend analysis

	2018/19 NEI £m	2019/20 NEI £m
Consumer Marketing		
International consumer marketing Short Haul/Europe	13.4	14
International consumer marketing Long Haul	11.6	8.8
Rest of UK and Ireland	20.5	20
Scotland	0.8	1.2
Total	46.3	44
EventScotland		
International programme*	60.6	80.1
Beacon programme	1.6	1.5
National programme	2.6	1.1

	2018/19 NEI £m	2019/20 NEI £m
Golf programme*	72.4 ¹	2.9
Clan events (new 2019/20)	-	1.1
Scotland's winter festival (new 2019/20)	-	1.4
Total	137.2	88.1
Expo	3.9	3.8 estimated
National Bid Fund (20 conferences 2018/19; 19 in 2019/20)	28.1	30
Route Development	32.4	18.8
Scottish Golf Tourism week (2018 and 2019)	1	1.9 estimated
Quality Assurance (2017-2019)	-	9.1

*- Solheim Cup impact is included within the international programme

1- The 2018 Open Championship was held at Carnoustie Links

For some interventions, the measurement does not align to the financial year.

Source: VisitScotland annual report and financial statements

97. The Covid-19 pandemic will have a significant impact on the economic impact of all VisitScotland's programmes during 2020/21 and beyond. We highlighted in [paragraphs 65 and 66](#) that VisitScotland has had a key role in planning and distributing various business support grants to support the tourism and events industries during the Covid-19 pandemic. VisitScotland should consider how it will measure how it has performed in delivering those funds it has directly administered. This provides an opportunity for it to consider how it reports and measures its performance more broadly.



Recommendation 3

VisitScotland should consider how it will measure and report on the impact of the business support funds that it is directly responsible for. This could include the number of businesses awarded grants, the effectiveness of processing as well as the economic impact.

Advancing equalities

98. During 2019/20, we undertook a review of how VisitScotland demonstrates its compliance with the Equality Act 2010, and how it advances equalities within the organisation and in its business activities. We reported our findings in our [management report](#) in March 2020.

99. Overall, our review found that VisitScotland complies with the specific duties of the Equality Act and we found no areas of concern. We concluded that it can successfully demonstrate that equalities and diversity have a prominent place at the centre of the business. The environment and way VisitScotland conducts its business has changed significantly since we performed this review. It will be important for the organisation to keep under review what impact this change in operating model has on advancing equalities.

National performance audit reports

100. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 several reports were published which are of direct interest to the body. These are outlined in [Appendix 4](#).

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>In March 2020, a subsidiary company, Cycling World Championships 2023 (CWC) was formally created as a wholly-owned subsidiary of VisitScotland. As a consequence, the transactions and balances of CWC are consolidated into the group accounts of VisitScotland. As 2019/20 was a transitional year, and given the low volume of transactions, we agreed with management that combined financial statements were acceptable, with appropriate disclosure footnotes. From 2020/21, VisitScotland will be required to produce full group and single entity financial statements.</p> <p>There is a risk that the 2020/21 financial statements may not be fully compliant with accounting standards sector requirements and that disclosures are not transparent.</p>	<p>VisitScotland will need to produce full group financial statements in 2020/21. This will include separate financial statements for the group position and VisitScotland as a single entity. It should consider how best to provide segmental information</p> <p>Paragraph 29-31</p>	<p>Full group financial statements will be prepared for 2020/21 as planned.</p> <p>Head of Finance</p> <p>31/03/21</p>
2	<p>VisitScotland has had to develop and adapt its operating model, moving to fully remote working and redeploying staff to business-critical activities. Its immediate focus is on continuing to support the tourism industry through various support grants and continuing to develop and revise a longer-term action plan with stakeholders. One consequence of this is that it has yet to update its corporate</p>	<p>VisitScotland should assess what changes have enabled it to respond to the Covid-19 pandemic and what this means for its future operating model, strategic framework and corporate plan. An annual plan and corporate plan is needed to set out its short and medium-term response and priorities and how this will be achieved.</p> <p>Paragraph 62-64</p>	<p>Management will continue the recovery planning work and publish the medium-term response and priorities as part of the corporate plan</p> <p>Director of Corporate Services</p> <p>31/03/21</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>plan from 2020 and related corporate documentation.</p> <p>We have previously highlighted the importance of medium-term financial planning, particularly scenario planning.</p> <p>There is a risk that without a corporate plan and revised strategic framework in place that governance boards do not have a complete picture of VisitScotland's priorities, how these will be achieved and measured.</p>		
3	<p>VisitScotland has had a key role in planning and distributing various business support grants to support the tourism and events industries during the Covid-19 pandemic. VisitScotland should consider how it will measure and report the impact of the funds it has been directly involved in delivering. This provides an opportunity for it to consider how it reports and measures its performance more broadly.</p> <p>There is a risk that performance is not fully measured and transparently reported.</p>	<p>VisitScotland should consider how it will measure and report on the impact of the business support funds that it is directly responsible for. This could include the number of businesses awarded grants, the effectiveness of processing as well as the economic impact.</p> <p>Paragraphs 65 and 97</p>	<p>Agreed. Management will review measurements that can be put in place.</p> <p>Director of Corporate Services 31/03/21</p>

Follow up of prior year recommendations

1	<p>Performance report</p> <p>VisitScotland has been developing its performance report in the annual report and financial statements over the last two years.</p> <p>There is an opportunity to enhance this report by providing more financial performance information to demonstrate what VisitScotland has achieved with the public funds made</p>	<p>Management could further develop its performance report to include more detail on targets, risks and financial performance and outcomes.</p>	<p>In progress</p> <p>Management continually look to improve on the Performance report as an ongoing piece of work. Management will discuss with Audit Scotland how this recommendation can be taken forward in the 2020/21 report.</p> <p>Director of Corporate Services 31/03/21</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>available to it and how this is contributing to national outcomes.</p>		
2	<p>Financial strategy</p> <p>VisitScotland has taken significant steps to improve longer-term financial planning, with the development of a strategic framework and three-year horizon planning.</p> <p>Management should build on this and create a standalone financial strategy, which pulls together all key relevant financial information.</p> <p>Without this, there is a risk that relevant information is not accessible for key decision-makers.</p>	<p>Management should further develop medium to longer-term financial plans against the findings of our 'Scotland's public finances' report, which sets out the important elements that should feature in an overarching financial strategy.</p>	<p>In progress</p> <p>Agreed. Longer-term planning has been impacted by Covid-19. Management will prepare a multi-year recovery budget with scenarios and spend priorities.</p> <p>Head of Finance</p> <p>31/03/21</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements.</p> <p>Reviewed accounting estimates for biases.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p> <p>Focused testing of accruals and prepayments including testing of the regularity and cut-off assertions during the financial statements audit.</p> <p>Considered the impact of Covid-19 in this area including.</p>	<p>No issues were identified from our controls and year-end testing that would indicate management override of controls.</p> <p>We identified that some authorisations processes were paper based. Due to Covid-19 restrictions we were unable to review the original copies but we received management assurances of the amounts and authorisation. Management has taken action to digitise these processes.</p> <p>We concluded that significant 2019/20 journal entries, transactions, and accounting estimates and judgements that we reviewed were appropriate and that appropriate disclosures were made.</p> <p>Satisfactory.</p>
<p>2 Risk of material misstatement caused by fraud in income and expenditure recognition.</p> <p>ISA 240 requires auditors to presume a risk of fraud where income streams are significant. In 2018/19, VisitScotland received £6.15 million (11 per cent) of its income from sources other than Scottish Government funding, including retail and commercial income.</p>	<p>Performed analytical procedures and confirmed controls on income and expenditure.</p> <p>Performed detailed testing of income and expenditure focusing on the areas of greatest risk.</p> <p>Performed cut-off testing of income and expenditure.</p> <p>Considered arrangements to prevent and detect fraud.</p>	<p>No significant issues were identified from our controls or year-end testing.</p> <p>Appropriate counter fraud arrangements are in place and budget control and monitoring processes are robust and properly reported to governance boards.</p> <p>We postponed our planned work on procurement practices due to</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>The extent and nature of income means that, in accordance with ISA 240, there is an inherent risk of fraud that requires an audit response.</p> <p>The Financial Reporting Council's Practice Note 10 (revised) expands the ISA 240 assumption in the public sector to cover expenditure. The extent and nature of expenditure, such as grant payments to third parties, means that there is an inherent risk of fraud.</p>	<p>Reviewed budget monitoring and reporting arrangements.</p> <p>Reviewed assurance statement, prepared by a firm of accountants, and corresponding consolidation pack for of 2023 CWC Ltd.</p> <p>Considered the impact of the Covid-19 pandemic on these areas.</p>	<p>Covid-19 and plan to return to this in 2020/21.</p> <p>Satisfactory.</p>
<p>3 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of pensions, non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p> <p>VisitScotland is consolidating legacy Local Government Pension Scheme interests into the Lothian Pension Fund, with the aim of reducing employer contribution levels. In addition, VisitScotland has achieved sectionalisation of the British Tourist Board Pension Scheme, effectively ringfencing VisitScotland's assets and liabilities in the scheme.</p> <p>Management is currently working to conclude and implement new arrangements for these pension schemes. In view of these complex and significant changes, there is a risk that these are not appropriately disclosed or accounted for in the financial statements.</p>	<p>Examined the accuracy, completeness and valuation disclosures in the 2019/20 annual report and financial statements.</p> <p>Focused testing on related expenditure and calculations.</p> <p>Discussions with management and review of supporting evidence.</p> <p>Considered the impact of pensions issues on the amounts and disclosures in the financial statements, with referring to specialise technical advice when required.</p> <p>Completed a 'review of the work of management expert' in respect of the valuer and actuary, including a review of the actuarial assumptions.</p>	<p>Appropriate disclosures were added to the 2019/20 annual report and financial statements to indicate any uncertainties and likely impact of Covid-19.</p> <p>A 'Post Balance Sheet Event' disclosure was added to the financial statements in recognition of updated information received from the actuary.</p> <p>Satisfactory.</p>
<p>4 Establishment of a subsidiary</p> <p>In October 2019, VisitScotland approved the establishment of a Special Purpose Vehicle</p>	<p>Reviewed board and committee papers relating to the establishment of the subsidiary.</p>	<p>Appropriate disclosures were added to the 2019/20 annual report and financial statements.</p> <p>Due to timing and the impact of Covid-19 a separate bank account and entity on the ledger</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>(SPV) to manage the 2023 UCI Cycling World Championships, hosted in Scotland.</p> <p>2023 Cycling World Championships Limited (CWC Ltd.) was incorporated on 28 February 2020 as a private company limited by guarantee.</p> <p>This means that VisitScotland will have to prepare group accounts as at 31 March 2020. There is a risk that transactions or new business arrangements are not accounted for or disclosed appropriately.</p>	<p>Considered Internal Audit review of 2023 CWC Ltd. governance arrangements.</p> <p>Reviewed assurance statement, prepared by a firm of accountants, and corresponding consolidation pack for 2023 CWC Ltd.</p> <p>Reviewed inter-entity transactions and balances.</p>	<p>had not been put in place by year end. A dormant VisitScotland bank account and new cost centre on the ledger were used as an interim measure.</p> <p>This was a transitional year with the creation of the subsidiary in March 2020, and very few transactions. 2020/21 annual report and financial statements will require full group and single entity statements with corresponding notes.</p> <p>We have recommended that VisitScotland produces full group and single entity accounts in 2020/21 and consider how best to include segmental information.</p> <p>Appendix 1 action point 1</p> <p>Satisfactory.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>4 Financial management - resource planning</p> <p>There are a range of factors which affect VisitScotland's financial management, including in-year changes to the budget which the Scottish Government allocates to VisitScotland, and planning for pensions liabilities. Core and ringfenced funding is confirmed through the Autumn and Spring budget revisions.</p> <p>VisitScotland has committed to developing a medium to longer-term financial strategy and workforce plan that are aligned to the organisation's strategic outcomes.</p> <p>There is a risk that financial management and workforce planning do not keep pace with VisitScotland's wider financial context and environment.</p>	<p>Reviewed minutes, budget monitoring and financial update reports to governance boards.</p> <p>Reviewed papers and reports relating to pension funds.</p> <p>Reviewed progress with workforce planning.</p> <p>Discussions with senior management.</p>	<p>VisitScotland's plans to develop medium- and longer-term financial plans was paused due to the Covid-19 pandemic. Various scenario plans have been developed for VisitScotland recovery budget, and the recovery budget for the Tourism and events industry.</p> <p>The current situation demonstrates the value of having medium term financial plans in place based on a number of scenarios.</p> <p>Progress has been made with consolidating the pension funds.</p> <p>Workforce and resource planning were progressing but will need reviewed in light of the Covid-19 pandemic and what this means for VisitScotland's operating model.</p> <p>We have recommended that VisitScotland assess the impact of Covid-19 on its operating model and what this means for future strategic framework, corporate and workforce plans.</p> <p>Appendix 1 action point 2</p> <p>Satisfactory.</p>
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Appendix 3

Summary of national performance reports 2019/20

		 2019/20 Reports	
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

Central Government relevant reports

[*Social security: Implementing the devolved powers*](#) – May 2019

[*Enabling digital government*](#) – June 2019

[*Scotland's City Region and Growth Deals*](#) – October 2019

[*Privately financed infrastructure investment: The Non-Profit Distributing \(NPD\) and hub models*](#) – Jan 2020

[*Early learning and childcare: follow-up*](#) – March 2020

VisitScotland

2019/20 Annual Audit Report

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