

Malcolm Roughead
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VisitScotland
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22 June 2021

Dear Malcolm

VisitScotland – 2020/21 Interim audit management letter

1. This letter summarises the key issues identified during our 2020/21 interim audit at VisitScotland.
2. Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that VisitScotland:
 - has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
 - has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
 - complies with established policies, procedures, laws and regulation.

Overall conclusion

3. On the basis of the work undertaken we concluded that appropriate and effective controls were in place for the key financial systems, identified in [Table 1](#). With the exception of the Covid Business Support grants, all systems were operational for the full financial year. We did not identify any significant control weaknesses relating to these key financial systems and processes.
4. Our early substantive testing of Covid Business Support grants confirmed that payments had been processed in accordance with individual fund criteria.
5. We will report on our wider dimension audit work as part of our 2020/21 annual audit report.

Audit coverage

6. [Table 1](#) summarises the key systems that we tested during our interim audit for financial year 2020/21. We confirmed that there had been no significant changes to the control environment by performing walkthrough testing of the key systems. As a result of the Covid-19 pandemic and staff having to work from home, VisitScotland has responded quickly in adapting its operating procedures to make them suitable for remote working. No significant issues were identified as a result of the change to remote working.

Table 1

Key System	Audit coverage
Payroll	√
General Ledger	√
Trade Payables	√
Covid Business Support Grants	√
Cash & Banking	√

7. As part of our interim review we examined the governance and financial arrangements put in place by VisitScotland to deliver the overall programme of financial support. We reviewed key documentation and interviewed a wide range of staff, including a number of Project Leads and staff from HR, Finance, IT and Procurement. Where relevant we liaised with the Internal Auditor and reviewed their work to gain the necessary assurance.

8. During the past year VisitScotland has transformed its normal business operations. Moving from activities primarily concerned with the marketing, promotion and support to the Scottish tourism sector, both home and abroad, to an organisation substantially concerned with processing high volume transactional grant payments.

9. In 2020, VisitScotland was tasked by the Scottish Government to deliver a range of financial support packages to businesses within the Scottish tourism and leisure industry. The processing of grant claims started in June 2020, with the launch of the DMO fund, followed shortly thereafter by the Self-Catering Fund. A larger tranche of funding became available in the Autumn with the launch of the ESIF fund. However, the bulk of the funding was received in December 2020, for an additional 14 schemes, which ran in the first quarter of 2021.

10. The process of refocusing the organisation has been significant:

- 220 VisitScotland staff were reassigned duties and became directly involved in the design and delivery of 19 specific funds totalling £80.4m.
- Governance structures were created, including a Programme Steering Group and Programme Management Office, to manage key relationships with the Scottish Government and industry stakeholder groups, as well as providing strategic oversight and management of the delivery of the funding support programme.
- A new administrative procedure was designed and implemented to process over 5,000 applications.
- A new computer system (Caspio) was sourced, configured and implemented within a very short timescale (a few weeks) to help record key decisions and administer the grant payment process.
- Additional resources were procured through the engagement of external financial accountants to aid the assessment of grant claims and enhance financial due diligence controls.

11. The main grant application system used by VisitScotland for processing claims is an effective document handling system. It manages the on-line application process and provides a clear audit trail of actions leading to assessment decisions and approvals. There is segregation of duties between key tasks and appropriate independence is applied in the consideration of appeals to enhance transparency and fairness to the assessment of decisions. However, there are limitations within the system for performing some financial related tasks and checks for potential duplicate payments or fraudulent claims. These checks are completed on Excel spreadsheets along with full reconciliations. The Caspio system does not integrate with the main Oracle financial system.

12. There has been a substantial amount learned by VisitScotland about the individual business types and specialist sectors which contribute to the tourism industry in Scotland. This information will only help to

enhance mutual understanding and contribute to the future development of the sector in the forthcoming years.

Internal audit

13. Internal audit is provided by the Azets. Auditing Standards require us to complete an annual review of the Internal Auditor's compliance with the Public Sector Internal Audit Standards (PSIAS). We have completed this work and have concluded that the internal audit function operates effectively and there are no issues that would prevent reliance being placed on their work.

14. We intend to place reliance on internal audit's work in relation to Covid Business Support Grants. At the time of writing we have undertaken a full review and reperformance of some of their work to gain the appropriate assurances. We will complete our review once Internal Audit work is finalised.

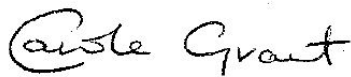
15. We will continue to consider other internal audit reports relevant to our audit.

Acknowledgement

16. The issues identified in preparing this management letter are only those which have come to our attention during the course of our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to VisitScotland. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

17. The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from VisitScotland staff is gratefully acknowledged.

Yours sincerely



Carole Grant

Audit Director

Cc (email): Ken Neilson, Director of Corporate Services, Michelle Lavery, Head of Governance & Performance.