

VisitScotland

Management report 2019/20



 **AUDIT SCOTLAND**

Prepared for VisitScotland

March 2020

Audit findings

Introduction

1. This report summarises the key issues identified during our interim audit at VisitScotland. We will use the results of this testing to inform our approach to the 2019/20 year-end financial statements audit.
2. Our responsibilities under the [Code of Audit Practice](#), require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:
 - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
 - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
 - complies with established policies, procedures, laws and regulations.
3. Under the Code of Audit Practice we are also required to carry out work on the 'wider dimension' aspects of public audit such as financial sustainability and governance and transparency.

Conclusion

4. Our audit testing confirmed that overall controls are operating as expected. We identified some control risks, and these are summarised in [Exhibit 1](#). Our preliminary substantive testing of transactions identified one error which management has addressed or will address ([paragraph 13](#)).
5. In terms our 'wider dimension' audit work, we carried out a high-level review of VisitScotland's compliance with the Equalities Act 2010. We found that VisitScotland demonstrates ongoing commitment to equalities in its activities and has achieved significant outcomes in promoting equalities.

Work summary

6. Our 2019/20 tests of controls involved walkthrough of core financial systems and review of key controls to confirm that they were operating as expected. This included accounting reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details, IT access controls, budget monitoring and control, and controls for preventing and detecting fraud.
7. In addition, we carried out interim substantive testing of income and expenditure transactions. This included reviewing invoiced purchases, grants to third parties, cost of sales from iCentres, payroll calculations and staff expenses. We also reviewed income from sources other than grant-in-aid.
8. Our interim audit also included follow-up of points we highlighted previously about the implementation of Oracle ERPS (Enterprise Resource Planning System).
9. As part of our work on the 'wider dimension' aspects of public audit, we reviewed VisitScotland's compliance with the Equalities Act 2010, and how it advances equalities.

10. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during our audit is gratefully acknowledged.

11. Any weaknesses identified represent those that have come to our attention during our routine audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to VisitScotland.

Interim substantive testing

12. We carried out interim substantive testing of income and expenditure transactions. We will carry out further testing during our year-end audit work, focusing on transactions in the latter part of the financial year.

13. We found one error in our interim testing:

- The employee contribution deduction rate for the National Employment Savings Trust pension scheme was set at 4.8% in the payroll system. The deduction rate should have been 4%. Management has indicated that the overall amount to be corrected will be around £7,000. This is likely to result in refunds to those staff affected.

14. In our 2018/19 management report, we noted that the Oracle ledger system allowed the posting of unbalanced journals, where the debits and credits do not match. We recommended that VisitScotland investigate reconfiguring the system to prevent this. We have confirmed with management that system controls exist and are operating effectively to prevent an unbalanced journal from being authorised and posted. As part of our year-end audit we will test a sample of journals to assess whether controls operated effectively.

Exhibit 1

Interim audit 2019/20 – key findings and action plan

Issue identified	Management response	Responsible officer and target date
<p>Audit findings</p> <p>Recording invoiced income</p> <p>During 2019/20 there have been two invoice raising systems in place, Sage CRM (April to October) and Stakeholder CRM (October onwards), which was developed in-house. Neither the old nor new module was fully integrated with Oracle. Transactions to be posted to the ledger from invoices raised in SCRM are uploaded manually via an Oracle template. The finance team checks the data before it is accepted by the system. SCRM then must be updated to show that the invoice has been paid.</p> <p>Bulk invoicing (c 5,000 invoices) in February for the Quality Assurance scheme required significant manual staff intervention to process.</p> <p>Currently there are no reconciliations between the SCRM application and the financial ledger. Management intend to carry out this work in time for the preparation of the year-end accounts.</p>	<p>In 19/20 VisitScotland moved from Sage CRM to SCRM for all AR order processing. The manual integration between Sage CRM and Oracle was replicated between SCRM and Oracle. All bulk invoicing is now complete. Full reconciliations will be completed at the year end.</p> <p>In addition to this, a review of the order and invoicing process is underway to ensure the process is as efficient as possible.</p>	<p>Head of Finance June 2020</p>

Issue identified	Management response	Responsible officer and target date
<p>There is a risk of errors in transferring information between SCRM and Oracle, which could result in errors in the financial statements. In addition, processing may not be as efficient as it could be if systems were fully integrated, requiring less manual processing by the finance team.</p>		
<p>Purchase invoices (expenditure made by VisitScotland)</p> <p>During 2019/20, 645 invoices, with a total value of £3.47 million, were posted to a suspense account when the system could not find and match the approved invoice to the corresponding approved purchase order. This was caused by goods not being correctly receipted on the system. Functionality existed that allowed the receipting step to be missed. In addition, the suspense account was not cleared out on a monthly basis.</p> <p>Management is confident that approvals and controls for both purchase orders and invoices remained in place and that there were no unauthorised or duplicate payments. Our audit testing did not find evidence of expenditure being authorised inappropriately. The finance team identified this error and is in the process of clearing the suspense account and re-posting these transactions to the correct ledger categories. Management has also deactivated the functionality that allowed this to happen.</p> <p>There is a risk that if suspense accounts are not regularly cleared, errors and mispostings are not identified and rectified timeously.</p>	<p>Since identifying the issue, management have removed this functionality from the system.</p> <p>Reallocations were completed manually through budget reports but were not posted to Oracle in a timely manner. All postings to the default account have now been reallocated to the correct GL coding in Oracle and the default account has been cleared.</p>	<p>Head of Finance February 2020</p>

Source: Audit Scotland

Oracle ERPS system

15. In our 2018/19 audit, we concluded that VisitScotland had made good progress in implementing its ERPS (Enterprise Resource Planning System). We also reported that, until financial systems are integrated, there remained a risk that working practices are inefficient, and that financial data is not transferred correctly.

16. We reviewed progress as part of this year's interim audit. We acknowledge that work to improve system processes and functionality continues to be assessed and developed iteratively. There remains an opportunity to improve the financial reporting functionality of the system, which VisitScotland is currently considering. This includes the development of dashboards to provide quicker and better information to budget holders. Routine analysis of budgets, costs and income continues to be carried out on data extracted from the system as opposed to directly by the system itself. As a result, some of the potential benefits of the new system are yet to be realised. This arrangement also carries an inherent risk of errors occurring during data extraction which may lead to inaccurate budget analysis and monitoring.

17. The ERPS project initially involved a small group of VisitScotland staff with third party consultants providing specialist knowledge and support. VisitScotland staff

continue to familiarise themselves with the system as new processes are embedded. VisitScotland is in the process of expanding its knowledge base to support staff, strengthen controls and to support effective use of ERPS. It has established a Functional Leads Group and created two new posts to enable VisitScotland to identify and assess possible additional system functionality. In addition, VisitScotland will complete a 'one year on' benefits review, the findings from which will be reported to the June meeting of the Audit and Risk Committee.

18. The ongoing development of Oracle and further system integration is one of the priorities for VisitScotland's finance function. Other significant projects include further improvements in the presentation of the annual report and accounts and work to establish a subsidiary company to deliver the Cycling World Cup. We will continue to monitor the capacity of VisitScotland's finance team to deliver these important corporate developments alongside the routine annual accounts process.

Advancing equalities

19. Public sector bodies must be able to demonstrate how they are fulfilling their duties under the Equality Act 2010. We have reviewed how VisitScotland demonstrates its compliance with the Act, and how it advances equalities within the organisation and in its business activities.

20. VisitScotland established eight equality outcomes in 2015, progress against which is assessed in its recent Equality and Diversity Mainstreaming Report. For 2019-21, it has re-framed these to focus on four key outcomes, centred around 'Our People', 'Inclusion and confident management', 'Inclusion and industry' and 'Inclusion and services for the public'.

21. VisitScotland has established several staff groups with the aim of promoting a workplace culture of equality and diversity. This includes the Future Leaders Group (for younger staff members), the Staff Equality Group, the Mediation Partnership Team, the LGBT+ Group and the Dyslexia & Dyspraxia Group.

22. The Mainstreaming Equalities report identifies achievements, including:

- Increasing levels of staff engagement, such as the creation of the new internal support groups noted above, and training for employees
- Achieving the Investors in Young People gold award for supporting and mentoring its younger workforce
- Developing the Inclusive Tourism Programme, designed to make Scotland a destination recognised as 'inclusive'. VisitScotland provides free online training modules for stakeholders and other businesses in the tourism industry, focused on accessibility, inclusivity and equality.
- Working with Euan's Guide, a review site for disabled people and their family and friends, to expand accessible information to visitors to Scotland. Accessibility assessments are undertaken as part of VisitScotland's Quality Assurance visits.
- Working with the Family Holiday Association to help more than 1,000 families, including 2,300 children, to take a short break in Scotland.

23. VisitScotland undertakes Equal Pay audits. Its gender pay gap analysis shows a reduction in the gap from 25.9% to 21.2% since the previous Mainstreaming Report and a reduction to 10.6% on a median measurement.

24. VisitScotland monitors the gender composition of its senior management team and its Board. Initiatives to improve the gender balance on the Board have been successful in securing more women members.

25. VisitScotland undertook a full Equality Impact Assessment for the Glasgow 2018 European Championships/Festival in partnership with the Scottish Government, and this is available on VisitScotland's website. VisitScotland expects to publish further Equality Impact Assessments in future.

26. VisitScotland acknowledges that since recent changes to the internal Human Resource systems there is limited available information relating to voluntary personal data. It also recognises an inability to capture and report accurate and comparable data in relation to the profile of staff applying for employment with the organisation. VisitScotland plans to rectify this for its 2021 Mainstreaming Report.

27. Overall, our high-level review found that VisitScotland's complies with the specific duties of the Equality Act and we found no areas of concern. We conclude that VisitScotland can successfully demonstrate that equalities and diversity have a prominent place at the centre of its business.

28. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

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