

Statement on Internal Control

1. Scope of responsibility

As Accountable Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Scottish Tourist Board's policies, aims and objectives, set in conjunction with the Scottish Executive, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Management Statement.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Scottish Tourist Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Scottish Tourist Board for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Scottish Executive guidance.

3. Capacity to handle risk

The Board approved a Risk Policy in 2002 setting out the process for identifying and evaluating risk. The policy includes regular assessment of risk by senior management, the maintenance of a risk register and annual reporting to the Audit Committee and Board. A designated risk manager is responsible for maintaining and updating the register and reporting annually on risk, and for promoting awareness across the organisation.

4. The risk and control framework

The risk register identifies the high level risks which impact on the whole organisation and are likely to affect the achievement of objectives contained in the annual business plan. It also contains lower level risks which affect specific areas of operation within the Board.

An owner is assigned for each risk and is responsible for monitoring that risk and ensuring that any identified actions to mitigate it are implemented. As new or changed risks emerge they are identified and reported to senior management and added to the risk register together with an action plan to address the risk.

Risk management has been fully incorporated into the corporate planning and decision making processes of the organisation. Preparation of the annual business plan includes a review of existing risks and discussion of any potential new risks. Scenario planning is a key component in this process. It assists in identifying global factors which may affect the business and aids planning to mitigate them. Risks are also identified and managed at project level and managers are required to make regular reports on the steps they are taking to manage risks in their areas of responsibility.

5. Review of effectiveness

As Accountable Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Board who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Scottish Tourist Board has an internal audit function, which operates to standards defined in the Government Internal Audit Manual. Internal auditors submit regular reports which include their independent opinion on the adequacy and effectiveness of the Board's system of internal control together with recommendations for improvement. The work of the internal auditors is informed by an analysis of the risk to which the Scottish Tourist Board is exposed. Annual and cyclical audit plans are based on this analysis and cover the whole range of activities within the organisation. The plans include regular review of the risk strategy and risk register and a follow up of action points from the previous audit.

The Audit Committee of the Board meets twice a year. They consider and comment on the annual internal audit plan, review the reports from both internal and external auditors and review and endorse the annual risk report. They report to the full meetings of the Board on audit and risk matters. In addition the Board reviews and approves the annual risk report and receives regular reports on progress against key performance and risk indicators.

Philip Riddle

Chief Executive
Scottish Tourist Board
5 July 2004