

Bòrd na Gàidhlig

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Bòrd na Gàidhlig and the Auditor General for Scotland
November 2023

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Key messages

2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 Significant risks arising from the audit of Bòrd na Gàidhlig's accounts in our Annual Audit Plan were shared with the Audit and Assurance Committee in March 2023. There are no significant matters from that work to draw to the attention of the board.
- 3 The unaudited annual accounts and working papers were provided within the agreed timescale and were of a good standard.

Wider scope

- 4 Bòrd na Gàidhlig overspent their Grant-in -Aid budget by £56,000 in 2022/23 although when the cash carried forward from the previous financial year is included there is an overall cash underspend of £98,000.
- 5 The budget approved by the board includes five-year financial projections. These projections included Bòrd na Gàidhlig's baseline budget rather than additional funding that has been received in the last three years.
- 6 Bòrd na Gàidhlig has appropriate arrangements in place to secure Best Value.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Bòrd na Gàidhlig. The scope of the audit was set out in an Annual Audit Plan which was shared in March 2023 with members of Audit and Assurance Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of Bòrd na Gàidhlig's annual report and accounts
- wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability

2. This report is addressed to Bòrd na Gàidhlig's board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Brian Battison, have been appointed by the Auditor General as auditor of Bòrd na Gàidhlig for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) (the Code) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank audit committee members and staff, particularly those in finance and grants, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. Bòrd na Gàidhlig has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. Bòrd na Gàidhlig is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

7. The weaknesses or risks identified in this report 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.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. 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 2022/23 audit fee of £17,150 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to Bòrd na Gàidhlig by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Adjustments have been made to the annual report and accounts as a result of the audit process.

The unaudited annual accounts and working papers were provided within the agreed timescale and were of a good standard.

Audit opinions on the annual report and are unmodified

11. The Audit and Assurance Committee considered the annual report and accounts for Bòrd na Gàidhlig for the year ended 31 March 2023 in November 2023 and recommended these statements to Bòrd na Gàidhlig's board for approval on 14 December 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income are 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.

Overall materiality was assessed on receipt of the annual report and accounts as £122,000

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered

material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). The revised materiality did not have an impact on the audit approach.

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the audited body's operations. For the year ended 31 March 2023, we have set our materiality at 2% of gross expenditure.	£122,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.	£92,000
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£6,000

Source: Audit Scotland

14. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance. There are no uncorrected misstatements to report.

Significant findings and key audit matters

15. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to the Audit and Assurance Committee, including our view about the qualitative aspects of the body's accounting practices.

16. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

17. The significant findings and key audit matters are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Restricting the value of the pension asset</p> <p>For the first time, the unaudited accounts included a pension asset rather than a liability.</p> <p>This amounted to £611,000 and was calculated by Bòrd na Gàidhlig's actuary. The pension accounting standard (IAS 19) however limits any pension asset to the lower of the surplus and what is described as an asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the pension fund or reductions in future contributions to the fund.</p> <p>Further guidance on calculating the asset ceiling is provided in IFRIC 14. It refers to the impact of a 'minimum funding requirement' which stipulates a minimum amount of contributions that must be paid over a given period. The existence of a minimum funding requirement limits the ability of a body to reduce future contributions.</p> <p>Where there is a minimum funding requirement for contributions relating to future service, IFRIC 14 explains that the asset ceiling is the present value of the future service cost less the present value of the minimum funding requirement contributions.</p> <p>Bòrd na Gàidhlig applied an asset ceiling which restricted the pension asset to £433,000 in the Statement of Financial Position as at 31 March 2023.</p> <p>However, the asset ceiling provided by the actuary was £178,000 rather than the £433,000 included in the unaudited accounts. An adjustment of £255,000 was processed in the accounts to correct the misstatement.</p>	<p>After Bòrd na Gàidhlig corrected the accounts to apply the asset ceiling of £178,000, we reviewed the actuary's assumptions and Bòrd na Gàidhlig's assessment of the actuary's assumptions and calculation in conjunction with IAS 19 and the application of IFRIC 14.</p> <p>We concluded that, for 2022/23, the body's approach to recognising a pension asset and applying an asset ceiling in the accounts was appropriate.</p>

Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

18. We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures

we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments. 	<ul style="list-style-type: none"> • We have assessed the design of key controls over journal processing. No issues identified. • Enquiries made of relevant individuals about inappropriate or unusual activity relating to processing of journal entries and other adjustments. No issues were identified. • A sample of journal entries processed were reviewed and no issues were identified. The journals testing covered entries at year end and post-closing, with focus on risk areas. • We reviewed management's estimates and accounting policies, no issues were identified. • We reviewed the accruals and prepayments and did not identify any issues. • We tested a sample of expenditure transactions around the year end. No significant issues identified. • There were no significant transactions identified which were outside the normal course of business during our audit testing. • Our testing of related parties' disclosures was satisfactory.
<p>2. Risk of material misstatement caused by fraud in grant expenditure</p>	<ul style="list-style-type: none"> • Walkthrough of controls over grant payments • Analytical procedures on grant expenditure streams. 	<ul style="list-style-type: none"> • We have assessed the design of key controls over journal processing and grant payments and confirmed

Audit risk	Assurance procedure	Results and conclusions
<p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. Bòrd na Gàidhlig incur significant expenditure on the award of grants, and this creates an inherent risk of fraud over expenditure.</p>	<ul style="list-style-type: none"> Detailed testing of grant expenditure to ensure all conditions met prior to payment being made. 	<p>controls operated as expected.</p> <ul style="list-style-type: none"> We carried out analytical review of grants streams to identify areas that may require further investigation. No issues identified. We completed substantive testing of grants expenditure to confirm conditions of grants were being met. No significant issues were identified. <p>A recommendation has been made relating to grant documentation and payment approval evidence kept on file.</p> <p>Recommendation 1: see Appendix 1, Action Plan</p>

19. In addition, we identified an “area of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be a risk of material misstatement to the financial statements. The area of specific audit focus was:

- Measurement and judgements applied to the valuation of pension liabilities:** There is an inherent risk within pension transactions and balances due to the extent of assumptions actuaries use in calculations and the impact they can have on the financial statements. This subjectivity represents an increased risk of misstatement in the financial statements. We have concluded on this area in [Exhibit 2](#).

There was one identified material misstatement above the reporting threshold

20. As reflected in the ISA 260 [Exhibit 2](#), there was one material misstatement relating to the pension asset, which has been corrected.

21. There was a corrected non-material misstatement above the reporting threshold which totalled £11,876. This related to an adjustment for amounts that were prepaid in the year but had not been reflected as such in the accounts.

The unaudited annual report and accounts were received in line with the agreed timetable

22. The unaudited annual accounts were provided within the agreed timescale and were of a good standard, including a package of supporting working papers. Due to audit resources, we were unable to commence the audit as per the original timetable. New dates were agreed for commencing the audit in October 2023.

23. We noted that the Finance team did not use the National Audit Office (NAO) disclosure guide checklist for entities who prepare financial statements in accordance with the Government Financial Reporting Manual (FReM). Disclosure guides are designed to ensure that audited bodies have prepared an account in the appropriate form and have complied with all disclosure requirements and should prove useful in confirming all appropriate disclosures are made. We did not identify any significant omissions from the accounts presented for audit but completion of the checklist would form best practice.

Recommendation 2

The completion of the NAO checklist would help enhance the finance team preparation and production of the annual report and accounts.

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Conclusion

Bòrd na Gàidhlig overspent their Grant-in -Aid budget by £56,000 in 2022/23 although when the cash carried forward from the previous financial year is included there is an overall cash underspend of £98,000.

The annual budget approved by the board includes five-year financial projections. These budgets projections include Bòrd na Gàidhlig's baseline budget rather than additional funding that has been subsequently received.

Bòrd na Gàidhlig has appropriate arrangements in place to secure Best Value.

Bòrd na Gàidhlig reported an overspend on its budget for 2022/23

24. The main financial objective for Bòrd na Gàidhlig is to ensure that the financial outturn for the year is within the budget allocated by the Scottish Government. Bòrd na Gàidhlig has reported an outturn of £5,735,000 against its overall budget for 2022/23 of £5,679,000, an overspend of £56,000. When the cash carried forward from the previous financial year is included there is an overall cash underspend of £98,000. Permission was provided by the Scottish Government sponsor branch to carry this forward to 2023/24.

Exhibit 4

Performance against Funding allocation in 2022/23

Performance	Final budget £'000	Outturn £'000	Over/(under) spend £'000
Core Grant-in-Aid (running costs)	1,934	1,754	(180)
Fund for Gaelic Development	2,605	2,729	124
Gaelic Language plans Implementation Fund	1,140	1,252	112
Total	5,679	5,735	56

Source: Bòrd na Gàidhlig annual report and accounts 2022/23

The draft budget 2023/24 was presented for approval to Bòrd na Gàidhlig's board in March 2023 and includes projections to 2027/28

25. Bòrd na Gàidhlig's annual budget is presented to the board each year prior to commencement of the relevant financial year. At the time of approval of the annual budget by the board in March 2023, the 2023/24 budget assumed the baseline budget of £5,179,000. Subsequently, the Scottish Government confirmed a baseline Grant in Aid of £5,179,000 plus additional funding for 2023/24 of £345,000.

26. This provision of additional funding follows a pattern from the previous two years. In 2021, Bòrd na Gàidhlig submitted a business case to the Scottish Government for additional funding. Bòrd na Gàidhlig received additional funding of £400,000 and £500,000 for 2021/22 and 2022/23, respectively, to support additional posts and the extension of Gaelic Development Officer posts.

27. The 2023/24 budget process includes budget projections for five years to 2027/28. As funding allocations from the Scottish Government are provided annually with no indications of future funding, the projections provided in the annual budget are based on the baseline budget. Forecasts in the annual budget are based on several assumptions such as inflationary pressures. Bòrd na Gàidhlig has taken a prudent approach when considering their future funding allocations.

Senior Management change

28. The previous Ceannard (Chief Executive Officer) officially retired at the end of September 2023, but left the Board on 9 September 2023, after seven years in post. The new Ceannard officially started on the 11 September 2023.

Cyber security arrangements are adequate

29. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we considered Bòrd na Gàidhlig's arrangements for managing and mitigating cyber security risks.

30. A cyber resilience report was presented to the Audit and Assurance Committee in February 2023 which provided an update on the work being undertaken and ongoing in relation to Bòrd na Gàidhlig's cyber resilience. This included a report by Internal Audit in October 2022 which provided 'substantial' assurance on Bòrd na Gàidhlig's cyber security and their associated policies, procedures and controls. The report confirmed Bòrd na Gàidhlig successfully obtained Cyber Essentials Plus accreditation for the first time in February 2022 and then reassessed and certified on 23 February 2023. Bòrd na Gàidhlig also has annual testing of their business continuity plans. We are content that Bòrd na Gàidhlig has appropriate arrangements in place with regard to cyber resilience.

Bòrd na Gàidhlig has appropriate arrangements in place for securing Best Value

31. For sectors other than local government, the [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Ministerial guidance to Accountable Officers](#) for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

32. Bòrd na Gàidhlig has a cyclical best value review aimed at enhancing their culture of continuous improvement. Their best value actions are in line with best practice standards developed by Audit Scotland and are under continuous monitoring and review. An annual best value statement was presented to the May 2023 Audit and Assurance Committee meeting. We are content that Bòrd na Gàidhlig has appropriate arrangements in place to secure best value.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>Grant documentation</p> <p>We identified scope for Bòrd na Gàidhlig to improve documenting grant approval processes.</p> <p>Risk – There is a risk that payments are made before grant conditions are met and that there is no consistent approach to grant payments.</p>	<p>There needs to be a clear and consistent trail linking grant conditions specified in the grant agreement to supporting documentation provided by grantees and documenting that officers are satisfied that all requirements are met before payments are authorised.</p> <p>Exhibit 3</p>	<p>For review of reports submitted, we will implement a new form in the grant management system that the reviewing officer will complete to record that compliance with grant conditions has been reviewed and is satisfactory, and if not satisfactory that this is raised with the organisation and a response provided.</p> <p>This can then be reviewed and approved by the officer providing final approval for the report before payment is authorised.</p> <p>Desk instructions for the operation of grant schemes will be updated.</p> <p>Steven Kellow 31 January 2024</p>
<p>NAO disclosure guide checklists</p> <p>Bòrd na Gàidhlig does not use the National Audit Office (NAO) disclosure guide checklist for entities who prepare financial statements in accordance with the Government Financial Reporting Manual (FReM). The disclosure guides are designed to ensure that audited bodies have prepared an account in the appropriate form and</p>	<p>The completion of the NAO checklist would help enhance the finance team preparation and production of the annual report and accounts.</p> <p>Paragraph 23</p>	<p>We will incorporate the NAO checklist to the Bòrd na Gàidhlig year-end checklist to ensure best practice.</p> <p>Nicola Pearson 31 March 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>have complied with all disclosure requirements.</p> <p>We did not identify any significant omissions from the accounts presented for audit but completion of the checklist would form best practice.</p> <p>Risk – There is a risk that the annual report and accounts do not include all appropriate disclosure requirements.</p>		

Bòrd na Gàidhlig

2022/23 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



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