

# Bòrd na Gàidhlig

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Bòrd na Gàidhlig and the Auditor General for Scotland

October 2024

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# Key messages

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## 2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 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 February 2024. 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 of a good standard.

## Wider scope

- 4 Bòrd na Gàidhlig overspent their Grant-in -Aid budget by £78,000 in 2023/24 on a cash basis. When cash carried forward from the previous financial year is included there is an overall cash underspend of £21,000.
- 5 The budget approved by the Board includes five-year financial projections. These projections are prudent by only including the baseline budget rather than additional funding that has been received in recent financial years.
- 6 Bòrd na Gàidhlig has appropriate arrangements in place to secure Best Value.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 annual audit of Bòrd na Gàidhlig. The scope of the audit was set out in an Annual Audit Plan which was shared in February 2024 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 current [Code of Audit Practice](#), 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](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment

**3.** Brian Battison has appointed by the Auditor General as auditor of Bòrd na Gàidhlig for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of my five-year appointment.

**4.** We would like to thank Audit and Assurance Committee members and staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the remaining 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 2023/24 audit fee of £18,180 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Adding value through audit

**10.** The annual audit adds 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.

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# Part 1. Audit of 2023/24 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.

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## Main judgements

Audit opinions on the annual report and accounts are unmodified.

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 February 2024. There are no significant matters from that work to draw to the attention of the Board.

The unaudited annual accounts and working papers were of a good standard.

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## 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 2024 in September 2024 and recommended these statements to Bord na Gaidhlig's Board for approval on 10 October 2024.

**12.** 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 £113,000

**13.** 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.

**14.** 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.

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£113,000
Performance materiality	£85,000
Reporting threshold	£6,000

Source: Audit Scotland

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**15.** The overall materiality threshold for the audit of the annual report and accounts of Bòrd na Gàidhlig was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**16.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of no significant matters arising, audit recommendations, adjusted or unadjusted errors.

**17.** 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.

**18.** There are no uncorrected misstatements to report.

### Significant findings and key audit matters

**19.** 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.

**20.** 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.

**21.** There are no significant findings from our 2023/24 audit.

## Audit work responded to the risks of material misstatement identified in the annual report and accounts

**22.** We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2023/24 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 2

#### Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>Risk of material misstatement due to fraud caused by management override of controls</b></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"> <li>Assess the design and implementation of controls over journal entry processing.</li> <li>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.</li> <li>Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>Consider the need to test journal entries and other adjustments throughout the year.</li> <li>Evaluate significant transactions outside the normal course of business.</li> <li>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> <li>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> </ul>	<ul style="list-style-type: none"> <li>We have assessed the design of key controls over journal processing. No issues identified.</li> <li>Enquiries made of relevant individuals about inappropriate or unusual activity relating to processing of journal entries and other adjustments. No issues were identified.</li> <li>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.</li> <li>We reviewed management's estimates and accounting policies, no issues were identified.</li> <li>We reviewed the accruals and prepayments and did not identify any issues.</li> <li>We tested a sample of expenditure transactions around the year end. No significant issues identified.</li> </ul>



Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> <li>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>Focused testing of accounting accruals and prepayments.</li> </ul>	<ul style="list-style-type: none"> <li>There were no significant transactions identified which were outside the normal course of business during our audit testing.</li> <li>Our testing of related parties' disclosures was satisfactory.</li> </ul>
<p><b>2. Presumed risks of fraud over expenditure recognition under PN 10</b></p> <p>As most public sector bodies are net expenditure bodies, and in line with the Practice Note 10, there is a presumed risk of fraud over expenditure recognition.</p> <p>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"> <li>Evaluation of the design and implementation of controls over grant expenditure.</li> <li>Analytical procedures on grant expenditure streams.</li> <li>Detailed testing of grant expenditure to ensure all conditions met prior to payment being made.</li> </ul>	<ul style="list-style-type: none"> <li>We have assessed the design of key controls over journal processing and grant payments and confirmed controls operated as expected.</li> <li>We carried out analytical review of grants streams to identify areas that may require further investigation. No issues identified.</li> <li>We completed substantive testing of grants expenditure to confirm conditions of grants were being met. No significant issues were identified.</li> </ul>

**23.** In addition, we identified an “area of audit focus” in our 2023/24 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:

- Estimates and judgements in the valuation of the pension costs and pension fund asset:** There is a significant degree of subjectivity in the measurement and valuation of the pension fund asset and the pension costs. The valuation is based on specialist actuarial assumptions and estimates, and changes can result in material changes to the valuation. This subjectivity represents an increased risk of misstatement in the financial statements. 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. We concluded that, for 2023/24, the body's approach to recognising a pension asset and applying an asset ceiling in the accounts was appropriate.

## **There were no identified misstatements**

**24.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

**25.** Our audit identified no misstatements above our reporting threshold.

## **The unaudited annual report and accounts were not received in line with the agreed timetable**

**26.** The unaudited annual report and accounts were not received in line with our agreed audit timetable on 17 June 2024. Bòrd na Gàidhlig was unable to deliver unaudited financial statements in accordance with the agreed audit timetable due to the delay in receiving pension information from the Highland Pension Fund's actuary. The overall impact was minimal as audit work could be undertaken on other areas of the audit until a full set of accounts could be presented.

**27.** The annual report and accounts provided were of a good standard. The working papers provided to support the audit process were also of a good standard and management provided support to the audit team during the audit.

## **Good progress was made on prior year recommendations**

**28.** Bòrd na Gàidhlig has made good progress in implementing the audit recommendations identified in our 2022/23 Annual Audit Report, as set out in [Appendix 1](#).

## 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 £78,000 in 2023/24 on a cash basis. When cash carried forward from the previous financial year is included there is an overall cash underspend of £21,000.

The budget approved by the Board includes five-year financial projections. These projections are prudent by only including the baseline budget rather than additional funding that has been received in recent financial years.

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

### Bòrd na Gàidhlig reported an overspend on its budget for 2023/24

29. 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 £5,602,000 against its overall budget for 2023/24 of £5,524,000, an overspend of £78,000 on a cash basis. When the cash carried forward from the previous financial year is included there is an overall cash underspend of £21,000. Permission was provided by the Scottish Government sponsor branch to carry this forward to 2024/25.

### Exhibit 4

#### Performance against funding allocation in 2023/24

Performance	Final budget £'000	Outturn £'000	Over / (under) spend £'000
Core Grant-in-Aid (running costs)	1,734	1,813	79
Fund for Gaelic Development	2,650	2,646	(4)
Gaelic Language plans Implementation Fund	1,140	1,143	3
<b>Total</b>	<b>5,524</b>	<b>5,602</b>	<b>78</b>

Source: Bòrd na Gàidhlig annual report and accounts 2023/24

## The draft budget 2024/25 was presented for approval to Bòrd na Gàidhlig's Board in March 2024 and includes projections to 2028/29

**30.** Scottish Government budgetary allocations and ministerial policy decisions significantly influence Bòrd na Gàidhlig's financial decisions. The detailed budgets are therefore set on an annual basis in line with the Scottish Government budget announcements.

**31.** 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 2024, the 2024/25 budget assumed the baseline budget of £5,125,000. Subsequently, the Scottish Government confirmed a baseline Grant in Aid of £5,125,000 plus additional funding for 2024/25 of £99,000, which is a reduction in subsequent additional funding received by Bòrd na Gàidhlig in recent financial years.

**32.** The 2024/25 budget process includes budget projections for five years to 2028/29. 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 continues to take a prudent approach when considering their future funding allocations.

## Cyber security arrangements are adequate

**33.** 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 2023/24, we considered Bòrd na Gàidhlig's arrangements for managing and mitigating cyber security risks.

**34.** A cyber resilience report was presented to the Audit and Assurance Committee in February 2024 which provided an update on the work being undertaken and ongoing in relation to Bòrd na Gàidhlig's cyber resilience. Bòrd na Gàidhlig successfully obtained re-certification of its Cyber Essentials Plus accreditation in February 2024. Bòrd na Gàidhlig also has annual testing of their business continuity plans.

**35.** It is important to note that cyber-attacks are designed to circumvent existing controls and recent attacks on public bodies have occurred despite a robust control environment. We are satisfied that Bòrd na Gàidhlig has appropriate arrangements in place with regard to cyber resilience and that Bòrd na Gàidhlig recognises the need to be vigilant and demonstrate continuous improvement.

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

**36.** 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.

**37.** 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 2024 Audit and Assurance Committee meeting. We are content that Bòrd na Gàidhlig has appropriate arrangements in place to secure best value.

### **2023-28 Corporate Plan**

**38.** The Board approved the Draft Corporate Plan 2023-28 at its meeting in May 2024. This was approved by the Scottish Government 10 September 2024 and this allows Bòrd na Gàidhlig to move forward with priorities from the corporate plan.

# Appendix 1. Action plan 2023/24

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action / timing
<p><b>Grant documentation</b></p> <p>We identified scope for Bòrd na Gàidhlig to improve documenting grant approval processes.</p> <p><b>Risk</b> – 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><b>Complete.</b></p> <p>Bòrd na Gàidhlig have added a step to the verification process and included this change in the Desk Notes.</p>
<p><b>NAO disclosure guide checklists</b></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 (FRoM). The disclosure guides are designed to ensure that audited bodies have prepared an account in the appropriate form and 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><b>Risk</b> – There is a risk that the annual report and accounts do not include all appropriate disclosure requirements.</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><b>Complete.</b></p> <p>Bòrd na Gàidhlig completed the checklists as part of Annual Report and Accounts preparations for 2023/24 but didn't find them of additional benefit and don't intend to use them in future years.</p>

# Bòrd na Gàidhlig

## 2023/24 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](http://www.audit-scotland.gov.uk/accessibility)



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