

# Bòrd na Gàidhlig

## Annual report on the 2012/13 audit



Prepared for Bòrd na Gàidhlig and the Auditor General  
July 2013

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# Key messages

## Financial Statements

We have given an unqualified opinion on the financial statements of Bòrd na Gàidhlig ("the Bòrd") for 2012/13. We have also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

## Financial Position

The 2012/13 financial statements show that on a cash basis the Bòrd's outturn was £5.151 million, representing an underspend of £0.005 million against their Grant-in Aid allocation for the year of £5.156 million.

On an income and expenditure basis, the financial statements show a deficit of £0.262 million. This is the difference between the net operating cost for the year as shown on the Statement of Comprehensive Net Expenditure of £5.418 million and the annual funding received from the Scottish Government of £5.156 million.

## Governance and Accountability

We concluded that the Bòrd's main financial systems had a good level of control and we were able to take assurance that the Bòrd has a sound internal control environment. The Ceannard carried out a follow up review in the Autumn of 2012 to our Role of Boards report initially issued in September 2010. The Bòrd's response to this report has been positive with a number of improvements being made.

The Bòrd has further strengthened its governance arrangements by proactively approving a number of new policies including an ICT strategy, Acceptable Use Policy for IT systems, Environment Policy and an Equalities policy.

## Use of Resources and Performance Management

The Bòrd has a well established framework for managing performance against its key corporate objectives and there is a robust system of performance reporting in place.

## Outlook

2012/13 saw a general weakening in the recovery from the 2008 global financial crisis, with growth in the Scottish economy remaining very muted and Scotland's public sector under continued financial pressure. There will be limited increases in funding, increasing cost pressures and demanding savings targets. These pressures will present a challenge to the Bòrd in striving towards successful delivery of the National Gaelic Language Plan.

# Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Bòrd na Gàidhlig ("the Bòrd"). The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. This report focuses on the financial statements and any significant findings from our wider review of the Bòrd. Other reports which we have issued in relation to the 2012/13 audit are listed at Appendix A.
3. An action plan setting out the high level risks we have identified from the audit is included at Appendix B. Management have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that Bòrd na Gàidhlig understands its risks and has arrangements in place to manage these risks. The Bòrd and Ceannard (Accountable Officer) should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to Bòrd na Gàidhlig and the Auditor General and should form a key part of discussions with the audit committee, either prior to or as soon as possible after the formal completion of the audit of the financial statements. The report should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the Bòrd and after the financial statements have been laid before parliament.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
  - the regularity of the expenditure and income.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, annual governance statement and remuneration report. This section summarises the results of our audit on the financial statements.

## Audit opinion

10. We have issued an unqualified audit opinion that the 2012/13 financial statements give a true and fair view of the Bòrd's affairs including its net operating cost for the year.
11. We have also concluded that in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

## Annual governance statement and remuneration report

12. In our opinion, the audited part of the remuneration report has been properly prepared and is consistent with the financial statements.
13. We also confirm that we have no issues to report to you on the annual governance statement and its compliance with Scottish Government guidance.

## Accounting issues

14. The Bòrd is required to prepare its financial statements for 2012/13 in accordance with the 2012/13 Government Financial Reporting Manual (FReM). We confirm that the financial statements have been prepared properly in accordance with the 2012/13 FReM.

## Accounts submission

15. The initial draft financial statements and working papers were made available for audit on 26 April 2013 in accordance with a pre agreed timetable. The audit fieldwork was completed in

May 2013 and matters arising from the audit were discussed on a regular basis with management.

## Presentational and monetary anomalies found in the unaudited accounts

16. Various presentational amendments were required to the initial draft of the financial statements received by us. These were updated for the final version of the financial statements. It should be noted that the supporting documents received this year continue to be of a high standard.

## Outlook

17. A new financial ledger system was planned to be introduced during financial year 2012/13. However, due to initial delays within the Scottish Government, and the need to safeguard against potential risks, the Bòrd have agreed to liaise with the Scottish Government throughout 2013/14 with a revised implementation date of 1 April 2014. The new Finance Manager will project manage the system implementation on behalf of the Bòrd and undertake parallel running of the two systems for a period of 3 months. However, there still remains a risk that the system may not be implemented in the anticipated timeframe. This may have an adverse effect on financial reporting of 2014/15.

**Refer action point 1**

18. No significant changes are currently expected to the reporting framework applicable to the Bòrd (i.e. the FReM) for next year (2013/14).

## Audit appointment

19. Audit appointments are made by the Auditor General for Scotland, either to Audit Scotland staff or to private firms of accountants for a five year term. We were appointed as the Bòrd's external auditors for a five year period starting in 2011/12 and 2012/13 is year two of our audit appointment.
20. We have developed excellent professional working relationships with staff, management and members and look forward to working with the Bòrd in future years.

# Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
22. Auditors consider whether audited bodies have established adequate arrangements and examine:
  - financial performance in the period under audit
  - compliance with any statutory financial requirements and financial targets
  - ability to meet known or contingent, statutory and other financial obligations
  - responses to developments which may have an impact on the financial position
  - financial plans for future periods.
23. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

24. The 2012/13 financial statements show that on a cash basis the Bòrd's outturn was £5.151 million, representing an under spend of £0.005m against their Grant-in Aid allocation for the year of £5.156 million.
25. On an income and expenditure basis, the financial statements show a deficit of £0.262 million. This is the difference between the net operating cost for the year as shown on the Statement of Comprehensive Net Expenditure of £5.418 million and the annual funding received from the Scottish Government of 5.156 million.
26. The closing balance of the general reserve was £0.155 million, which when netted off against the pension liability, leaves a net liability of £0.182 million on the Statement of Financial Position. This has arisen mainly due to the liability on the Pension Reserve having increased by £0.292 million in the previous year. Although a net liabilities position has been reported, the accounts are prepared on a going concern basis which is in accordance with the Government's Financial Reporting Manual.
27. The Scottish Government required public bodies to make efficiency savings of at least 3% in their running costs. By implementing an efficiency delivery plan and tight control of expenditure the Bòrd was able to make changes to meet the £0.153m (3%) efficiency savings sought by the Scottish Government. Against this target the Bòrd achieved efficiency savings of £0.217m (4.2%).
28. We found arrangements for budget setting and monitoring in place at the Bòrd to be sound, with management exercising close control over expenditure and reporting financial results quarterly to the Bòrd.



## Partnership working

29. The Bòrd recognises the importance of partnership working to achieving its strategic priorities and the essential contribution required from stakeholders in their delivery of the National Gaelic Language Plan. Partnership working has also assisted the Bòrd in its drive for efficiencies. In March 2011, the Bòrd entered a Memorandum of Agreement with Scottish Natural Heritage (SNH) for the provision of ICT services and support.
30. The Bòrd moved its offices in Darach House to Great Glen House in December 2012 and the move is expected to contribute to future efficiency savings.

## Outlook

### 2013/14 Budget

31. The 2013/14 revenue budget was approved by the Bòrd at its meeting in February 2013. Grant in Aid funding for 2013/14 allocated to the Bòrd by the Scottish Government is £5.154 million. This represents a slight decrease from the 2012/13 funding of £5.156 million.
32. In addition to grant in aid funding the revenue budget also includes funding of £0.033 million. This relates to funding from Creative Scotland of £0.025 million and NGAS Grants of £0.008 million. The total income receivable for 2013/14 is therefore budgeted to be £5.187 million.
33. We do not have any concerns over the ongoing sustainability of the Bòrd's financial position in 2013/14.

# Governance and accountability

34. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
35. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
36. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
  - corporate governance and systems of internal control
  - the prevention and detection of fraud and irregularity
  - standards of conduct and arrangements for the prevention and detection of corruption.
37. In this part of the report we comment on key areas of governance.

## Corporate governance

### Processes and committees

38. The members of the Bòrd are appointed by the Scottish Ministers. The current Bòrd has ten members including the Cathraiche (Chairperson). In March 2012 the incumbent Cathraiche resigned and a new person was appointed in March 2013.
39. A number of committees are in operation and meet regularly throughout the year, namely the Audit, Remuneration, Finance and Planning, Education and Gaelic Usage Committees.
40. The Audit Committee has the direct responsibility for overseeing the Bòrd's arrangements for corporate governance and provides the Accountable Officer with assurance as to the Bòrd's compliance. The committee considers all internal and external audit reports and ensures any issues raised are addressed.

### Financial memorandum

41. The Bòrd did not have an up to date Financial Memorandum agreed with its Sponsor Division during 2012/13. However, we have been advised that a replacement document, the Executive NDPB Model Framework Document, was received in May 2013 and agreed to by the Bòrd on 18th June 2013.

## The Role of Boards

42. The Ceannard, in consultation with the Cathraiche and Bòrd Members, carried out a follow up review in the Autumn of 2012 of our Role of Boards report which was initially issued by Audit Scotland in September 2010. The review was based on consideration of the self-assessment checklist included in Audit Scotland's Report and we note the Bòrd's positive response.
43. Management have set aside some time in 2013/14 to consider the role of the Bòrd and how they can further strengthen and develop it.

## Corporate Credit Cards

44. As part of our audit work for the year we undertook a high level review on the use of corporate credit cards. This involved us establishing the volume and value of card transactions during the year and the number of cards in use and expenditure limits for these cards. We also reviewed the controls in place regarding the use of this payment method. The Bòrd spent £0.057m (£0.064m in 2011/12) using corporate credit cards in 2012/13. The cards were used mainly for travel and accommodation costs and we did not identify any issues with the related controls.

## Internal control

45. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
46. As part of our 2012/13 audit, we have carried out a review of the main financial systems, focusing on the key controls in place within each system along with arrangements for governance and accountability. The main purpose of this work was to obtain audit assurances on the existence and proper operation of the controls within those main systems which inform the production of the financial statements. Our review covered: payroll, the financial ledger, trade payables and cash. Based on the results of our review we concluded that the Bòrd's main financial systems had a sound level of control for our purposes. Areas where controls in the main financial systems could be further strengthened were reported to management in May 2013.
47. The internal audit service for the Bòrd is provided by Tirard Mackenzie. Each year we review the adequacy of the internal audit function to confirm that we can place reliance on their work. Our review concluded that internal audit had effective standards and reporting procedures. This allowed us to take assurance from the work of internal audit in 2012/13 for the financial statements. We placed formal reliance on internal audit's review of grant payments.
48. Tirard Mackenzie is a small firm and as part our review we discussed the arrangements for management review of their work. During 2012/13 an external quality assessment on the internal audit service provider was carried out by a suitably qualified person. The review

concluded that, in accordance with the International Standards for the Professional Practice of Internal Auditing, Tirard MacKenzie delivers a high quality internal audit service.

49. We have concluded that good governance arrangements are in place at the Bòrd.

### **Prevention and detection of fraud and irregularities**

50. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
51. There were no instances of fraud or corruption reported by the Bòrd in 2012/13.
52. The Bòrd has appropriate processes in place to prevent and detect fraud and irregularities, including policies and codes of conduct for staff and members.

### **Standards of conduct and arrangements for the prevention/ detection of bribery and corruption**

53. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
54. The Bòrd has codes of conduct for staff and members. We have concluded that the arrangements are effective and we are not aware of any specific issues that we need to identify in this report.

# Best Value, use of resources and performance

55. This section provides a commentary on the Best Value/ performance management arrangements within the Bòrd.

## Best Value

56. As in previous years, the Bòrd has considered Scottish Government guidance and have been proactive in their approach to ensuring Best Value. Reports presented at Bòrd meetings include a Best Value section in the opening pages which requires officers to confirm they have due consideration to Best Value. The duty of Best Value is also incorporated into the assessment of applications for funding. In terms of a written policy, the Bòrd has included a Best Value Statement as an appendix to their Financial Policies and Procedures which were approved by the Bòrd.

## Performance management and overview of performance 2012/13

57. The Bòrd operates within a well established hierarchy of strategic plans. The Gaelic Language (Scotland) Act 2005 establishes the statutory framework within which Bòrd na Gàidhlig operates. This is supported by the National Gaelic Language Plan and the Corporate Plan which outlines the way in which the Bòrd will deliver the National Gaelic Language Plan and the Scottish Government's objectives for the language. An operational plan is also produced which sets out in practical terms the tasks for taking forward each priority action in the Corporate Plan.
58. Under section 2 of the Gaelic Language (Scotland) Act 2005, the Bòrd is required to submit a National Gaelic Language Plan to ministers every five years. The National Gaelic Language Plan 2012-17 is the key strategic document. The final draft was issued to the Minister for Learning, Science and Scotland's Languages in March 2012, and the Bòrd is in the process of striving towards its successful delivery.
59. Bòrd na Gàidhlig has identified the following strategic priorities:
- Language Acquisition - to increase the number of Gaelic speakers
  - Language Usage - to encourage greater use of Gaelic
  - Language Status - to increase the visibility and audibility of Gaelic
  - Language Corpus - to strengthen the relevance and consistency of Gaelic
60. Progress against these priorities is measured by a number of key performance indicators. Reports detailing the progress against the Corporate Plan 2012/13 are presented at quarterly board meetings.

# Appendix A: audit reports

## External audit reports and audit opinions issued for 2012/13

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan	16 January 2013	29 January 2013
Report on financial statements to those charged with governance (ISA 260 report)	20 May 2013	28 May 2013
Audit opinion on the 2012/13 financial statements	17 June 2013	17 June 2013*
Annual report on the 2012/13 audit	11 July 2013	13 August 2013

\*Presented to the Bòrd

# Appendix B: action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	17	<p><b>Introduction of new financial ledger system</b></p> <p>A new financial ledger system is planned to be introduced on 1 April 2014. There remains a risk that the system may not be implemented in the anticipated timeframe. This may have an adverse effect on the financial reporting of 2014 /15.</p>	<p>A new Financial Manager has been appointed to oversee the transition and to continue liaisons with Scottish Government finance officers to ensure a smooth implementation. Further, it is expected that the two systems will be run in parallel for a period of 3 months to ensure consistency of reporting.</p>	Head of Finance and Corporate Services	1 April 2014