

Bòrd na Gàidhlig

Annual report on the 2013/14 audit



Prepared for Members of Bòrd na Gàidhlig and the Auditor General for Scotland
23 June 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key Messages

2013/14

We have given an unqualified opinion that the financial statements of Bòrd na Gàidhlig (the Bòrd) for 2013/14 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

Overall the Bòrd's arrangements for the prevention and detection of fraud were satisfactory during 2013/14. From our review of the key controls within the main financial systems, we concluded that the Bòrd's systems of internal control are operating effectively.

Outlook

We confirm the financial sustainability of the Bòrd on the basis of its financial position and projected three-year financial summary. The financial position going forward is becoming even more challenging than previous years with limited increases in funding coupled with increasing cost pressures. This represents a major issue for the Bòrd and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage. The significant financial challenges will make maintaining or improving on the performance targets set by the Scottish Government even more difficult.

Introduction

1. This report is the summary of our findings arising from the 2013/14 audit of Bòrd na Gàidhlig. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management. However this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Bòrd and no responsibility to any third party is accepted.
3. Appendix 1 is an action plan setting out the high level risks we have identified from the audit. 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 the Bòrd understands its risks and has arrangements in place to manage these risks. Bòrd Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report will be published on our website after consideration by the Bòrd and after the financial statements have been laid before parliament.
5. 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

Conduct and scope of the audit

6. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Audit Committee on 4th February 2014, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
7. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2013/14 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

8. We have given an unqualified opinion that the financial statements of the Bòrd for 2013/14 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 12 June 2014.
9. We received the unaudited financial statements on 25 April 2014 in accordance with the agreed timetable. The working papers were of a high standard and the staff provided excellent support to the audit team which enabled us to complete our on-site fieldwork by the target date of 2 May 2014. Bòrd na Gàidhlig is required to follow the 2013/14 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Presentational and monetary anomalies found in the unaudited accounts

10. Due to a late change in the Financial Reporting Manual (FReM), management had not included a separate Strategic Report and Directors Report in the draft 2013/14 Report and Accounts. In addition, a small number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements. There were no unadjusted misstatements.

Financial position

2013/14 Outturn

11. The main financial objective for Bòrd na Gàidhlig is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers.
12. The Bòrd operated within the resource budgets for 2013/14 as detailed in Table 1.

Table 1: Resource Budget

	Allocation (£m)	Actual Outturn (£m)	Under / (Over) spend
Resource DEL	1.400	1.394	0.006
Gaelic Language Plans Implementation Fund	1.140	1.128	0.019
Gaelic Development Fund	2.614	2.595	0.012
Total	5.154	5.117	0.037

Source: Bòrd na Gàidhlig 2013/14 Report and Accounts

2013/14 Financial position

13. The 2013/14 financial statements show that on a cash basis the Bòrd's outturn was £5.117 million, representing an underspend of £0.037 million against their Grant-in-Aid allocation for the year of £5.154 million.
14. On an income and expenditure basis, the financial statements show a deficit of £0.148 million. This is the difference between the net operating cost for the year as shown in the Statement of Comprehensive Net Expenditure of £5.302 million and the annual funding received from the Scottish Government of £5.154.
15. The closing balance on the general fund was £0.085 million, which when netted off against the pension liability, leaves a net liability of £0.482 million on the Statement of Financial Position. This has arisen mainly due to the liability on the Pension Reserve having increased by £0.230 million from 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.
16. 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 £0.155 million efficiency savings sought by the Scottish Government. Against this target the Bòrd achieved efficiency savings of £0.229 million (4.4%).
17. The arrangements for budget setting and monitoring in place at the Bòrd are sound, with management exercising close control over expenditure and reporting financial results quarterly to the Bòrd.

Financial planning

18. The 2014/15 revenue budget was approved by the Bòrd at its meeting in December 2013. Grant in Aid funding for 2014/15 allocated to the Bòrd by the Scottish Government is £5.154 million. This is consistent with the funding allocated in 2013/14.

19. Since the budget was approved, the finance team identified £59,000 of savings in grants payable to Gaelic organisations and these were approved by the Bòrd in March 2014. The savings were then reallocated to National Gaelic Language Plan priorities.
20. The Bòrd operates a rolling three year budget, using the assumption of Grant in Aid remaining constant and adjusting for inflationary pressures. We do not have any concerns over the ongoing sustainability of the Bòrd's financial position in 2014/15.

General ledger system

21. At the beginning of 2014/15 the Bòrd commenced the changeover from the 'Quickbooks' accounting system to SEAS (the Scottish Government accounting system). The Finance Manager has created the coding structure for the new system and continues to run both systems during the changeover period. At the time of writing the changeover is not progressing as planned due to operational issues identified with the new system. The previous system remains the lead system in terms of releasing payments and management information.
22. We have been advised that weekly issues logs are being maintained and the team are currently having daily conference calls to address issues. It is anticipated that some of the Bòrd's processes will need to adapt to ensure the new system fits their needs. This includes some of the key controls in the overall financial management system.
23. The Bòrd are aware of the high risk associated with the changeover with this being appropriately recognised in the risk register. The Finance Manager is taking a risk based approach to the changeover and is keeping the audit team informed of progress.

Action point 1

Corporate governance and systems of internal control

Overall governance arrangements

24. 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.
25. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Bòrd had sound governance arrangements in place which included a number of standing committees overseeing key aspects of governance.

Processes and committees

26. The members of the Bòrd are appointed by the Scottish Ministers. The current Bòrd has ten members including the Cathraiche (Chairperson).
27. A number of committees are in operation and meet regularly throughout the year, namely the Audit, Remuneration, Policy & Finance and Gaelic Development. During 2013/14, the Gaelic Development committee replaced and took over the roles of the former Gaelic Usage and Education & Learning committees.
28. 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.

Accounting and internal control systems

29. 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.
30. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
31. Internal audit is an important element of the Bòrd's governance structure. Our review established that the work of internal audit is of a good quality allowing us to place reliance on a number of areas including grant payments. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.

Prevention and detection of fraud and irregularity

32. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

Standards of conduct and arrangements for the prevention and detection of corruption

33. 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. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Best value

34. The Bòrd have considered Scottish Government guidance on Best Value and have been proactive in their approach. The duty of Best Value is also incorporated into the assessment of applications for funding.
35. The Bòrd continues to review the organisations to which it awards grant funding. For 2014/15 the approach to this review has changed, with a greater focus on the financial information provided by organisations. The grant funded organisations are to submit quarterly financial returns to Bòrd na Gàidhlig. This is to ensure the information provided by each is consistent and to allow the Bòrd to carry out analytical review and create profiles across the organisations. We have been advised that four organisations have been selected, based on a high risk/ high value criteria, for more detailed review in 2014/15. This is considered good practice and continues the work of the Bòrd in 'following the public pound'.

Action point 2

Acknowledgements

36. We would like to express our thanks to the staff and Members of Bòrd na Gàidhlig for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Appendix 1: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Issue	Planned Management Action	Responsible Officer	Target Date
1	23	<p>New financial ledger system</p> <p>The Bòrd have changed from the Quickbooks financial management system to SEAS, the Scottish Government accounting system. Operational issues have been identified in the new system during the changeover process. This has resulted in the implementation not progressing as planned. The Finance Manager has taken a risk based approach, relying on the existing system for management information and for releasing payments. Management should monitor the operational issues identified and take appropriate action to address them before making the full changeover to SEAS.</p>	Management will continue to monitor progress with development and implementation of new finance system, and will not abandon the existing system until they are completely satisfied that the new system is fully operational, safe and delivering the required information and controls.	Head of Finance & Corporate Services	31/3/15
2	35	<p>Review of Gaelic Organisations</p> <p>The Bòrd has been proactive in 'following the public pound' with regards to providing grant funding to</p>	A more focussed revised approach is planned in reviewing best value from grant funded organisations with a concentration on	Head of Finance & Corporate Services	31/3/15

Action Point	Refer Para No	Issue	Planned Management Action	Responsible Officer	Target Date
		<p>Gaelic organisations.</p> <p>In 2014/15 the review of Gaelic organisations is changing to focus more on financial information.</p> <p>The Bòrd should continue this process to ensure the grant funding provides value for money.</p>	<p>a smaller number of annual reviews on organisations with a high degree of financial dependence on the Bòrd and/or where there is a perceived higher level of risk.</p>		