

**sportscotland Group and  
sportscotland Lottery Fund**  
Annual Report to the Board and the Auditor  
General for Scotland for the financial year ended  
31 March 2016

24 August 2016



# Key Messages

2015-16 marked the first year of delivery against sportscotland's new 2015-19 Corporate Plan. Looking ahead, like many central government bodies, sportscotland are facing substantial financial pressures due to continued decreases in grant-in-aid funding from the Scottish Government. Continuing to strengthen partnership arrangements will be key for sportscotland, alongside the delivery of the significant capital investment in Inverclyde. As an organisation, sportscotland continue to promote sport, building on Scotland's supporting legacy and providing funding to sporting bodies in a well defined manner.

## ISA 260 requirements: Financial Statements

We have provided an unqualified opinion on both the financial statements of the sportscotland Group and sportscotland Lottery Fund for the 2015-16 financial year. The draft sportscotland Lottery Fund financial statements were provided on 11 May 2016 and were supported by a reasonable standard of working papers. The draft sportscotland group financial statements were provided on 18 May 2016. We did not have any reason to change our audit plan during the year. However, we identified some control weaknesses during the course of our audit, which are set out in the Action Plan at Appendix A. Management accepted and processed one material adjustment and one immaterial adjustment within the sportscotland Lottery Fund accounts. In addition, management processed two immaterial adjustments from our audit work of the sportscotland Group with one minor disclosure issue identified in relation to property, plant and equipment. We also requested some disclosure changes to the narrative of the Accountability report to bring disclosures in line with the 2015-16 FReM.

## Public Sector audit impact dimensions

Our external audit work is undertaken in accordance with the Audit Scotland Code of Practice (May 2011). Our annual report is structured to reflect our wider responsibilities under the Code, and this year we have shaped this around the 4 Public Sector impact dimensions reflected in the Audit Scotland Corporate Strategy 2015-2018.

## Financial management and sustainability

sportscotland continue to prepare budgets annually with timely management and board review. Grant-in-aid (GIA) and National Lottery Distribution Fund monies awarded in year (£88.417million) were applied in accordance with the Direction of Scottish Ministers and National Lottery Distribution Fund. Spending was largely in line with budget with the exception of £7.8million of capital GIA funding that has been rolled forward into 2016-17, due a delay in the receipt of capital Inverclyde Centre funding. Financial sustainability is key focus for management moving forward due to the financial challenges presented by a substantial decrease in GIA funding. GIA funding will decrease by £26.2 million from 2015/16, 84% of this decrease being in relation to capital funding. sportscotland have a short term financial plan in place and with the comprehensive spending review taking place in 2016-17. There is scope for management to continue to look longer term, as they do with their sporting body commitments and priorities.

## Governance and Transparency

The governance statement meets the requirements of the Scottish Public Finance Manual (SPFM). Governance arrangements with partners remain transparent and are reviewed on an annual basis. Governance continues to be a key agenda item for the Board. sportscotland's internal auditors conducted a governance review in year and did not identify any significant control weaknesses

sportscotland reviewed and updated the Board and Audit and Risk Committee's terms of reference in year. sportscotland's risk management framework was further revised and strengthened.

Arrangement to prevent and detect fraud and corruption were reviewed with no issues identified, and these arrangements are in line with our expectations.

Arrangements for standards of conduct are deemed appropriate, with an up to date Code and Registers of Interest declarations for all Board members and Senior Management in place.

## Best Value and Performance

2015-16 was the first full year of operation under the new 2015-19 sportscotland Corporate Plan. Spending in year appeared in line with key plan initiatives. The Corporate Plan has since been revised in April 2016 to reflect Board approved budget decisions for 2016-17.

sportscotland performance measurement and reporting procedures we reviewed and deemed to have appropriate levels of scrutiny and challenge demonstrated by annual Board approval.

With 2015-16 being the first year of performance reporting under the new corporate plan, sportscotland are unable to provide robust prior year comparative figures to analyse performance impact. Performance facts provided within the annual report are not targeted as sportscotland report performance against outcomes in a phased process over the life of the 4 year corporate plan. It is expected that from 2016-17, sportscotland will have the 2015-16 data to more robustly measure change under the investment initiatives of the 2015-19 corporate plan.

sportscotland continue to develop strong partnership networks with community sport hubs by achieving 155 active hubs in 2015-16.

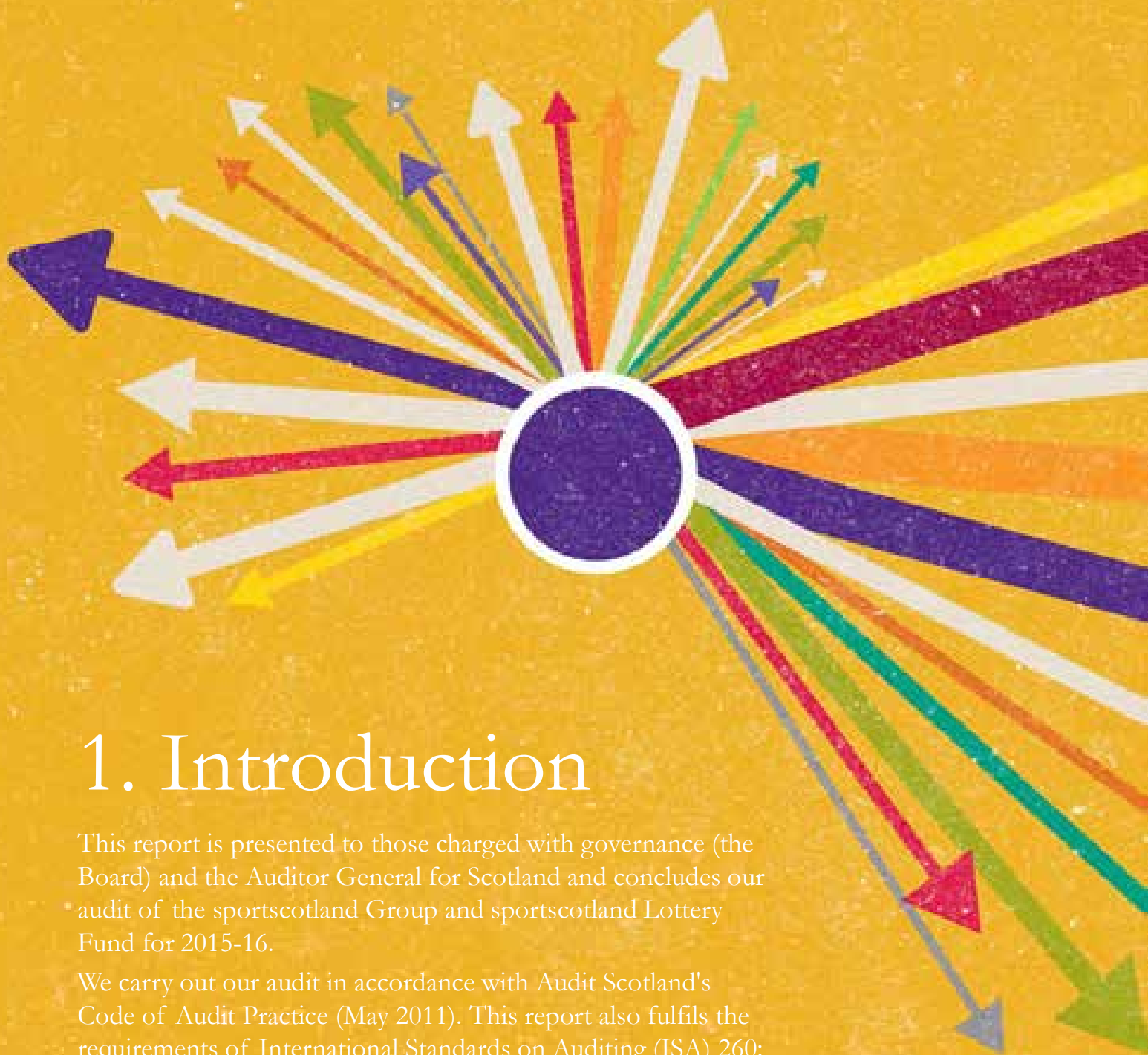
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# 1. Introduction

This report is presented to those charged with governance (the Board) and the Auditor General for Scotland and concludes our audit of the sportscotland Group and sportscotland Lottery Fund for 2015-16.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice (May 2011). This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

# Introduction

## Purpose of this report

The Auditor General for Scotland appointed Grant Thornton UK LLP as auditor of the Scottish Sports Council (commonly referred to as **sportscotland**). Grant Thornton were appointed as the auditor of the **sportscotland** council component of the **sportscotland** Group and the **sportscotland** Lottery Fund ('the Lottery Fund') for the 5 year period 2011-12 to 2015-16. This appointment is made under the Public Finance and Accountability (Scotland) Act 2000.

Our annual audit report is addressed to those charged with governance, agreed to be the Board at **sportscotland**, and the Auditor General for Scotland. The report summarises our opinion and conclusions on significant issues arising from our audit. The scope of our audit work was set out in our Audit Plan, which was presented to the Audit and Risk Committee, and we have not had cause to change our plans.

## sportscotland's responsibilities

It is the responsibility of **sportscotland** and the Accountable Officer to prepare the financial statements in accordance with the HM Treasury Government Financial Reporting Manual (the FReM).

This means **sportscotland** must:

- prepare financial statements which give a true and fair view of the financial position of **sportscotland** and its income and expenditure for the year to 31 March 2016
- maintain proper accounting records which are up to date
- take steps to prevent and detect fraud and other irregularities.

**sportscotland** is also responsible for establishing proper arrangements to ensure that:

- public business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for
- economy, efficiency, effectiveness and Best Value is achieved in the use of resources.

## Our responsibilities

It is a condition of our appointment that we meet the requirements of the Code of Audit Practice ('the Code') which was published in May 2011, and is approved by the Accounts Commission and the Auditor General for Scotland.

The Code highlights the special accountabilities that are attached to the conduct of public business and the use of public money. This means that audits in the public sector must be planned and undertaken from a wider perspective than the private sector. Our responsibilities are outlined in **Figure 1**.

We are required to provide an opinion on the financial statements, consistency of information provided within the Management Commentary and the audited elements of the Remuneration and Staff Report. Under the Code we are also required to review and report on the governance arrangements, Best Value, use of resources, and performance.

Under the requirements of the International Standards of Auditing (UK and Ireland) ('ISA') 260: Communication with those charged with governance, we are required to communicate audit matters arising from the audit of the financial statements to those charged with governance. This annual report to **sportscotland**, together with previous reports to the Audit and Risk Committee throughout the year, discharges our ISA 260 responsibilities.

## Acknowledgements

We would like to take this opportunity to record our thanks for the assistance provided by the Financial Accountant, Head of Finance and Governance, Director of Corporate Services and the finance team during the course of our work.

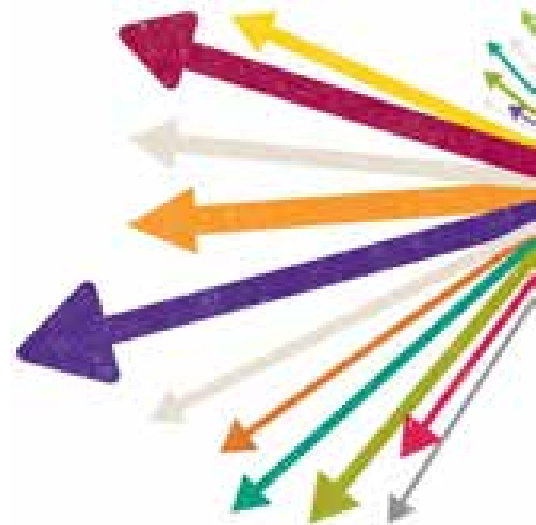
# Introduction

Figure 1: Our responsibilities under the Code of Audit Practice

<p><b>Financial Statements</b> ▶</p>	<p>Provide an opinion on:</p> <ul style="list-style-type: none"> <li>• whether the financial statements provide a true and fair view of the financial position of the <b>sportscotland</b> Group and the <b>sportscotland</b> Lottery Fund.</li> <li>• whether the financial statements have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements</li> <li>• the regularity of expenditure and income</li> </ul>
<p><b>Corporate governance</b> ▶</p>	<p>Review and report on <b>sportscotland's</b> corporate governance arrangements as they relate to:</p> <ul style="list-style-type: none"> <li>• <b>sportscotland's</b> corporate governance and systems of internal control, including reporting arrangements</li> <li>• the prevention and detection of fraud and irregularity</li> <li>• standards of conduct and arrangements for the prevention and detection of corruption</li> </ul>
<p><b>Best Value and performance</b> ▶</p>	<ul style="list-style-type: none"> <li>• The Public Finance and Accountability (Scotland) Act 2000 gives the Auditor General the right to initiate examinations into the economy, efficiency and effectiveness with which <b>sportscotland</b> and other public bodies have used their resources to discharge their functions.</li> <li>• In accordance with guidance issued by Audit Scotland, the Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value.</li> <li>• In accordance with guidance issued by Audit Scotland, auditors may be requested to participate in a performance audit, an examination of the implications of a particular topic for <b>sportscotland</b> at a local level or a review of <b>sportscotland's</b> response to national recommendations. In 2015-16 we have completed an assessment of workforce planning at <b>sportscotland</b>.</li> </ul>

*An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks are only those that have come to our attention during our normal audit work in accordance with the Code and may not be all that exist.*

*Communication of the matters arising from our audit work does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.*



## 2. ISA 260 Requirements: Financial statements



# ISA260 Requirements: Financial Statements

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## Introduction

Within this section of the report, we present our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) (ISA) 260.

We have not had to alter or change our audit approach, which we set out in our audit plan presented to the Audit and Risk Committee.

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## Our Review of the Financial Statements

The draft financial statements of the **sportscotland** Group and Lottery Fund were received later than timetabled and these contained gaps which were later updated by management.

We discussed the delay in receiving the draft financial statements with management at our audit clearance meeting on 31 May 2016. One of the reasons for the delay was the audit timetable overlap with the **sportscotland** Trust Company. We advised going forward that management avoid audit overlaps to ensure a timely audit process. [See appendix A action point 11.](#)

As part of our work on the financial statements we are required to review the narrative elements (including Chair's Foreword, Performance Report, Sustainability Report and the Accountability Report). We review the narrative elements of the financial statements for compliance with required FReM disclosures, for consistency with other areas of the financial statements and our knowledge of **sportscotland**.

We have reviewed the narrative commentary against the requirements of the Government Financial Reporting Manual (the FReM) which resulted in minor disclosure adjustments being made. We acknowledge that 2015-16 was the first effective year of the updated FReM, which introduced alterations to disclosure requirements in the narrative parts of the financial statements. [See appendix A action point 13.](#)

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As part of our work on the **sportscotland** Group, we reviewed the audit findings and adjustments relating to the **sportscotland** Trust Company financial statements. The findings, and our assessment of the impact on the group audit is attached at Appendix B.

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## Financial Statements Opinion

Our audit identified one material adjustment and one immaterial adjustment to the primary financial statements of the Lottery Fund. The adjustments were accepted by management and are detailed at Appendix A.

Our audit identified two immaterial adjustments to the primary financial statements of the **sportscotland** Group with one minor disclosure issue in relation property, plant and equipment. The adjustments were accepted by management and are detailed at Appendix A.

We have issued an unqualified opinion on the financial statements of the **sportscotland** Group and the **sportscotland** Lottery Fund for the year ended 31 March 2016.

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## Regularity

We did not identify any instances of irregular expenditure or non-compliance with laws and regulations.

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## Whole of Government Accounts

**sportscotland** will remain below Audit Scotland's thresholds for submitting audited Whole of Government Account returns. The draft threshold for audit is £350 million. In accordance with guidance, we will complete the prescribed checklist and submit this to the National Audit Office (NAO) once the pack is received from management.



# Our audit plan: a reminder

## Scope of the Audit

Our audit plan outlined that we operate a risk based approach to the audit of the financial statements. We consider the inherent risks to **sportscotland** and how these may result in a material misstatement in the accounts. At the planning stage we identified two areas with increased risk of material misstatement as outlined on pages 10 and 11.

Our audit approach requires increased audit focus on those areas where we have identified an increased risk of misstatement which includes consideration of the control environment for systems linked to those areas. Our substantive procedures include analytical review, confirmations with third parties and sample testing. Where we have identified a significant or other risk we require a higher level of testing to provide assurance. In performing those tests we have due regard to materiality as outlined below.

We recognise that planning is a continuous process and we monitor events at **sportscotland** for any areas which may impact our planned audit work. In 2015-16 we did not identify any new areas of risk which would require us to change from the approach outlined in our Audit Plan. commitment

<p>Significant risk assumed relating to management override of control (fraud risk)</p>	<p>Overall materiality has been set at 2% of gross resource expenditure:</p> <ul style="list-style-type: none"> <li>- - <b>sportscotland</b> council £1.185m</li> <li>- <b>sportscotland</b> lottery fund £0.623m</li> <li>- <b>sportscotland</b> group £1.182m</li> </ul>
<p>Other risk identified for <b>sportscotland</b> and <b>sportscotland</b> Lottery Fund:</p> <ul style="list-style-type: none"> <li>- Operating Expenses</li> <li>- Grant Commitments and Payments</li> <li>- Employee Remuneration</li> <li>- Valuation of Inverclyde Centre</li> </ul>	<p>Performance materiality aims to reduce the possibility of uncorrected/undetected misstatements exceeding materiality and is set at:</p> <ul style="list-style-type: none"> <li>- <b>sportscotland</b> council £0.889m</li> <li>- <b>sportscotland</b> lottery fund £0.436m</li> <li>- <b>sportscotland</b> group £0.887m</li> </ul>

## Application of Materiality

As outlined in our audit plan we apply the concept of materiality in line with the requirements of ISA 320: Materiality in planning and performing an audit. The assessment and application of materiality is a matter of auditor judgement.

The primary focus of the Board is to deliver funding for the purposes indicated by the Royal Charter. As such, we consider gross resource expenditure to be the most appropriate materiality benchmark to meet the expectations of users.

Performance materiality is used to drive the level of testing conducted at **sportscotland**. All balances or transactions that exceed the set level are subject to audit testing. This measure, along with the assessed level of inherent risk, is used to drive the level of sample testing.

In line with ISA 320 we also considered areas where account balances or disclosures for which misstatements lower than materiality could reasonably be expected to influence the economic decisions of users. We identified that cash and cash equivalents, related party transaction disclosures and disclosure of senior management salaries would fall within this category.

In line with ISA 540 we reported in our audit plan an amount below which misstatements would be clearly trivial and would not be reported to the Audit and Risk Committee. We have defined the amount below which misstatements would be clearly trivial to be £59k for the **sportscotland** Group and £31k for the **sportscotland** Lottery Fund.

Materiality reported within our audit plan was based on **sportscotland** 2015-16 budgeted expenditure therefore prior to commencing audit fieldwork, materiality was revised to reflect actual 2015-16 expenditure amounts.

# Audit findings against significant risks

Set out below is our response to the significant risks of material misstatement identified in the Audit Plan. There are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our Audit Plan	Work completed	Assurances and issues arising
<p><b>1 Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> <li>Review of accounting estimates, judgments and decisions made by management</li> <li>Testing of journal entries</li> <li>Review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>
<p><b>2 The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA (UK&amp;I) 240 and the nature of the revenue streams at the <b>sportscotland</b>, we determined the risk of fraud arising from revenue recognition can be rebutted for all revenue streams apart from those separately discussed below, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition</li> <li>the majority of revenues (99.5%) is from grant-in-aid from the Scottish Government which is paid monthly by direct debit and aligns to the award letter and payment profile. There is therefore limited opportunity to manipulate reported revenues</li> <li>The Lottery Fund is entirely funded by proceeds from the National Lottery Distribution Fund.</li> <li>the culture and ethical frameworks of central government, including <b>sportscotland</b>, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We considered the presumed risk to exist within the following classes of group revenue given the nature of how they are generated and received: Hires &amp; Hospitality and Course Fees. These elements of revenue are 100% consolidated from the <b>sportscotland</b> Trust Company therefore we reviewed the work of the Trust Company auditor to gain sufficient assurances. The <b>sportscotland</b> Trust Company auditor regards these revenue streams as significant audit risks.</p>	<p>Our review of the <b>sportscotland</b> Trust Company work confirmed that revenue had been recognised appropriately in the financial statements.</p> <p><b>See appendix B.</b></p>



*Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty*

(ISA (UK&I) 315).

# Audit findings against other identified risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Table 2: Reasonably possible risks identified at the planning stage

Transaction cycle	Description of risk	Work completed	Assurances gained and issues arising
Grants paid to sporting bodies	Completeness of grant payments to institutions  sportscotland award and make payments of grants to sporting bodies. There is an inherent risk that grants paid to institutions are incorrectly recorded in the financial statements.	<p>We gained assurance over the risk through the:</p> <ul style="list-style-type: none"> <li>Review and walkthrough of the processes and controls in operation for payment of grants</li> <li>Sample testing of grant payments made to sporting bodies</li> <li>Review of year end hard and soft commitments for classification (presentation and disclosure).</li> <li>Review of post year end grant payment transactions to determine completeness of year end commitments.</li> </ul>	<p>Our audit work identified issues only in relation to the sportscotland Lottery Fund. We identified one material misstatement and one immaterial misstatement.</p> <p>A material adjustment of £627k was made as a result of grant misclassification between hard and soft commitments, as defined by the Direction of Scottish Ministers. We identified that £627k of hard classified grant commitments did not have a legally binding agreement in place with the grant recipients as at the 31 March 2016. This implied a hard commitment was not in place and the grants should have been regarded as off balance sheet soft commitments. Lottery Fund hard commitments were therefore overstated by £627K.</p> <p>2015-16 is the second year a material adjustment has been raised as a result of grant commitment misclassifications. <b>See appendix A point 1.</b></p> <p>Hard grant commitments are recorded and managed off balance sheet throughout the year and net hard commitments input into the ledger at the year end. We identified that the general ledger and financial statements were £49K understated in comparison to the hard commitments listings. The general ledger and financial statements were adjusted accordingly. <b>See appendix A point 2.</b></p> <p>Our audit work did not identify any issues in relation to the sportscotland Group.</p> <p>The control environment was considered to be operating effectively with numerous controls in place over the payment of grant funding, however controls over managing grant commitments were considered to have weaknesses as stated within appendix A points 1 and 2.</p> <p>Our sample selection covered both sportscotland council and lottery fund payments in year and lottery fund grant commitments made in year.</p>



*"Other risk areas are those which we have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work".*

Table 2: Reasonably possible risks identified at the planning stage

Transaction cycle	Description of risk	Work completed	Assurances gained and issues arising
<b>Creditors</b>	<p><b>Completeness of year end creditors</b></p> <p>The operating expenses cycle includes a vast number of transactions where the risk of material error is heightened on account of their value and cut-off. There is a risk that not all expenditure relating to the 2015-16 year may be recorded in the purchase ledger at the year end date.</p>	<p>We gained assurance over the risk through the:</p> <ul style="list-style-type: none"> <li>• Review and walkthrough of the processes and controls in place within the operating expenses cycle.</li> <li>• Testing of post year end expenditure transactions to determine whether they have been recorded in the correct period.</li> </ul>	<p>We gained sufficient assurance over year end payables and expenditure to conclude that there are no material misstatements.</p> <p>We identified one minor classification discrepancy in regards to 'Regional Partnership Funds' of £374k which are classified as creditors payable within 12 months on the Lottery Fund's Statement of Financial Position.</p> <p>The Regional Partnership funds were given to <b>sportscotland</b> Lottery Fund for management and distribution, from several local authorities in 2010. In order to spend the funds within the set geographic conditions, all regional partners must formally agree the purpose of the spend.</p> <p>This has caused difficulty for <b>sportscotland</b> in gaining the required agreement from all partners to spend the entirety of the funds.</p> <p>As the funds did not significantly decrease from 2014-15, we discussed with management over the short term financial treatment of the funds. Due to the on-going pursuit of <b>sportscotland</b> in distributing the funds, the short-term classification of the funds was not adjusted.</p> <p><a href="#">See appendix A point 3.</a></p>



*"Other risk areas are those which we have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work".*

Table 2: Reasonably possible risks identified at the planning stage

Transaction cycle	Description of risk	Work completed	Assurances gained and issues arising
<b>Employee Remuneration</b>	<p><b>Completeness of employee remuneration accruals</b></p> <p>Payroll accounts for a significant proportion of the Group and Lottery Fund's outgoing expenditure. The nature of payroll includes a large number of transactions and numerous control activities to ensure accuracy within the cycle.</p>	<p>We gained assurance over the risk through the:</p> <ul style="list-style-type: none"> <li>• Review and walkthrough of the processes and controls in operation for the payroll cycle.</li> <li>• Sample testing of payroll transactions to employee contracts and copy payslips to ensure accuracy and existence of the employee.</li> <li>• Analytical procedures including trend analysis to identify areas of potential misstatement.</li> <li>• Review of year end accrual amounts against relevant payroll runs to ensure completeness of liabilities.</li> </ul>	<p>We identified one issue in relation to ledger coding of staff costs within the <b>sportscotland</b> council ledger. £344k of staff costs were incorrectly coded as operating charges. Coding was corrected and no net effect resulted to the primary financial statements.</p> <p><b>See appendix A point 6.</b></p> <p>We gained sufficient assurance over employee remuneration to conclude that there are no material misstatements.</p> <p>We highlight that our work on <b>sportscotland's</b> remuneration report is continuing, following identification of minor disclosure amendments. We do not foresee any further material changes to the draft report.</p>
<b>Valuation of Inverclyde National Centre</b>	<p><b>Valuation of assets under construction</b></p> <p>Given the significant scale of the project and the progress to date on the partly completed asset, we consider there to be a risk around the valuation of assets under construction.</p>	<p>We gained assurance over the risk through the:</p> <ul style="list-style-type: none"> <li>• Review of the amounts capitalised in respect of the work in progress by reference to contractor/surveyor certifications (interim certificates).</li> <li>• Review the amounts capitalised in line with the anticipated building schedule and review the level of retention reflected within the <b>sportscotland</b> council's year end creditors.</li> </ul>	<p>We gained sufficient assurance over valuation and accounting treatment of the Inverclyde National Centre to conclude that there are no material misstatements.</p>



*"Other risk areas are those which we have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work".*

# Accounting estimates and significant judgements

## Assessment

- Marginal accounting policy which could potentially attract attention from stakeholders
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the sportscotland's financial statements.

Table 3: Accounting estimates and significant judgements

Accounting area	Summary of policy	Our comments	Our assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>• The policy noted within the financial statement is as follows: "Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. Where income is received for a specific activity that is to be delivered in the following year, that income is deferred."</li> </ul>	<ul style="list-style-type: none"> <li>• The revenue recognition policies are appropriate under the Government Financial Reporting Manual.</li> <li>• The disclosure in the draft accounts was found to be reasonable and in line with prior years</li> </ul>	<span style="color: green;">●</span>
<b>Property, Plant and Equipment</b>	<ul style="list-style-type: none"> <li>• Land and buildings are revalued from initial recognition in line with guidance (5 year programme, 3 year interim). All other tangible assets are held at cost and depreciated accordingly.</li> <li>• Investment Properties are re-valued annually and included in the Statement of Financial Position at fair value represented by market value.</li> </ul>	<ul style="list-style-type: none"> <li>• During 2015-16, the finance team requested revaluation of Caledonia House which is componentised into Investment Property and Tangible Land and Buildings. Under International Accounting Standard (IAS) 16, all assets within a class of asset should be valued at the same time. Due to the componentisation of Caledonia House, the tangible element was also re-valued in year. Within the group accounts, Caledonia House is the only building to be re-valued in year therefore the full class of assets has not met IAS 16 requirements. Due to the nature of the revaluation an explanatory disclosure within the property plant and equipment note was deemed to be sufficient.</li> <li>• Updating the Property, Plant and Equipment accounting policy to appropriately reflect this overlap with the Investment Property Policy should be considered. <a href="#">See appendix A action point 7.</a></li> <li>• We are satisfied with management's assessment that all assets not re-valued in year are not materially misstated.</li> </ul>	<span style="color: yellow;">●</span>

Table 3: Accounting estimates and significant judgements

Accounting area	Summary of policy	Our comments	Our assessment
Pensions	<ul style="list-style-type: none"> <li>Strathclyde Pension Fund is guaranteed by the Scottish Government. <b>sportscotland</b> receive pension valuations from a third party firm of actuaries, Hymans Robertson LLP, who base their calculations upon existing available data and a series of assumptions.</li> </ul>	<ul style="list-style-type: none"> <li><b>sportscotland</b> accounts for its participation in the Strathclyde Pension Fund in accordance with IAS 19: Employee Benefits, on a defined benefits basis.</li> <li>Our audit of the accounting for employee benefits includes an evaluation of Hymans Robertson, as the Actuarial experts, consideration of the data underlying the actuarial report. It also includes the financial assumptions and the membership data provided to the actuary by <b>sportscotland</b>.</li> <li>The actuaries make a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive anticipated future liabilities and future salary increases.</li> <li>As part of its work for the sector, Audit Scotland commissions PriceWaterhouseCoopers LLP to review the work of actuaries, including Hymans Robertson. Their report found that Hymans Robertson actuaries are appropriately qualified, and the firm is experienced and well-reputed. There are no known circumstances which would impair their objectivity to produce the figures and they have confirmed that their reports are compliant with the relevant Technical Actuarial Standards.</li> <li>Pension liabilities have decreased during 2015-16 and, in common with many public sector organisations, form a significant liability in the Statement of Financial Position. We therefore considered the pension liability as part of our assessment of going concern. Discussions with management highlight that <b>sportscotland</b> hold assurance from the Scottish Government confirming that should the liability crystallise, the debt would be met by the Scottish Government.</li> </ul>	●
Other estimates and judgements	<p>Other key estimates and judgements are:</p> <ul style="list-style-type: none"> <li>Investments in the National Lottery Distribution Fund</li> </ul>	<ul style="list-style-type: none"> <li>The draft <b>sportscotland</b> Lottery Fund accounts include an estimate for the level of investments as at 31 March 2016. The estimate is based on an interim statement from the National Lottery Distribution Fund.</li> <li>We have obtained assurances on the final statement prior to completing our review of post balance sheet events.</li> </ul>	●

# Other areas of audit focus

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## Internal controls

We update our understanding of **sportscotland's** operations and key financial control systems each year and tailor our audit strategy to focus on key risk areas.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. During our interim audit, we conducted control walkthrough testing on the following areas:

- Grants payments and commitments
- Employee remuneration
- Creditors
- Property, Plant and Equipment
- IT control environment.

We did not identify any significant deficiencies or material weaknesses arising from our testing of the systems above, however during the course of our substantive testing we have identified some minor control weaknesses which are detailed at [Appendix A](#) in relation to:

- Property, Plant and Equipment
- Bad Debt Write Off Procedures
- Suspense Accounts
- Bank Reconciliation Procedures
- Account Mappings

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## Going Concern

We considered going concern and obtained assurance through:

- review of financial factors including levels of liabilities, arrears, operating cash flows and reserves
- review of **sportscotland** and **sportscotland Lottery Fund** financial forecasts and the assumptions which underpin the forecasted figures.
- Scottish Government letter confirming pension liabilities and funding.

Overall we conclude that it is appropriate for the **sportscotland** Group and **sportscotland Lottery Fund** to prepare the financial statements on a going concern basis.

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## Related Parties

We are not aware of any related party transactions which have not been disclosed.

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## Sustainability reporting

The FReM requires central government bodies to include a section in their annual report which outlines the economic, social and environmental factors impacting the organisation. This is to be presented in a Sustainability Report.

Public Sector Sustainability Reporting- Guidance on the Preparation of Annual Sustainability Reports was published by the Scottish Government and outlines the minimum reporting requirements covering areas such as:

- greenhouse gas emissions
- waste minimisation and management
- finite resources
- action on biodiversity
- sustainable procurement.

The **sportscotland** annual report was not available for review due to data collection timings from partners. Management have advised this information will be available from August 2016. See [appendix A action point 13](#).



# 3. Financial Management and Sustainability



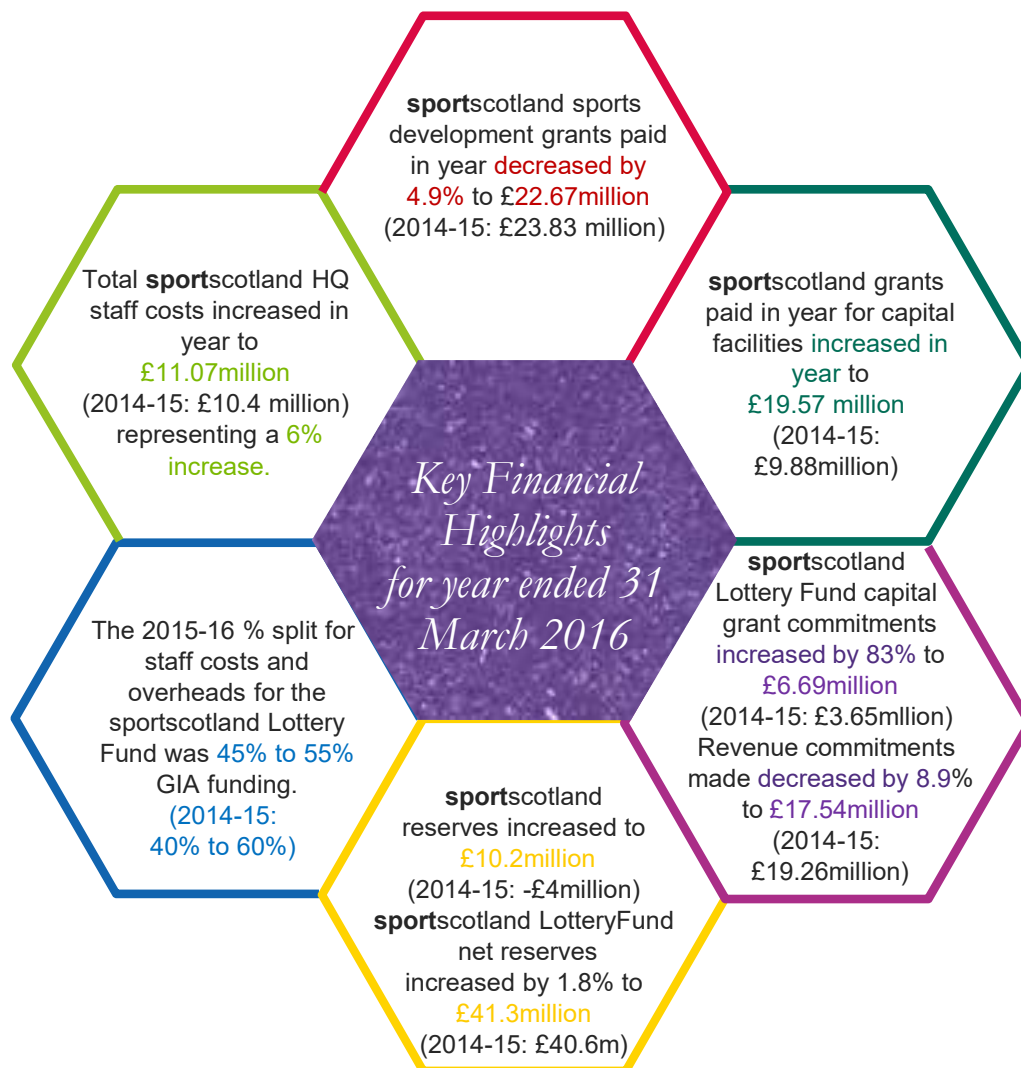
# Financial Management

## Introduction

Good financial management is underpinned by sound budgetary process and a robust control environment. In order to be financially sustainable **sportscotland** will require good financial management in the short term but will also need to look forward to the medium and longer term to establish the ability to deliver services with declining available resources.

In this section we review and comment on the **sportscotland's** achievement of financial objectives and assess **sportscotland's** financial management and sustainability arrangements.

## Key Financial Statement highlights for the financial year ended 31 March 2016 were:



## Use of sportscotland Resources

Investments made via grant contributions equates to 71% of sportscotland Groups total expenditure in 2015-16.

The Statement of Comprehensive net expenditure shows that total sportscotland grants paid to institutions in year has remained largely consistent with prior year at £23 million, representing a marginal 3.5% decrease (2014-15: £22.67million).

Sportscotland grant funding is split between annually paid sports development grants, which consists of four elements shown at figure 1, and capital facilities grants.

In line with sportscotland's 2015-17 business plan, investment in *'clubs and communities'*, *'schools and education'* and *'performance sport'* are the three key target resources, in order to produce forecasted outcomes. sportscotland's investment decisions appear to reflect this with a broadly consistent grant investment from 2012 to 2016.

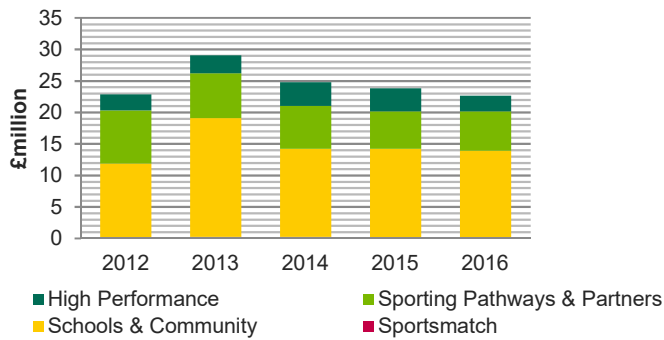


Figure 1: sportscotland sports development grants

sportscotland's 2015-19 corporate plan places emphasis on a *'places'* enabler to *give everyone access to a network of quality facilities where they can get involved in sport*. Figure 2 shows a significant increase in capital investments from 2014-15 to 2015-16 reflecting increased facilities investment.

sportscotland's grant investments have continued to increase from 2014, with 2016 showing the highest investments made in the 5 year period.

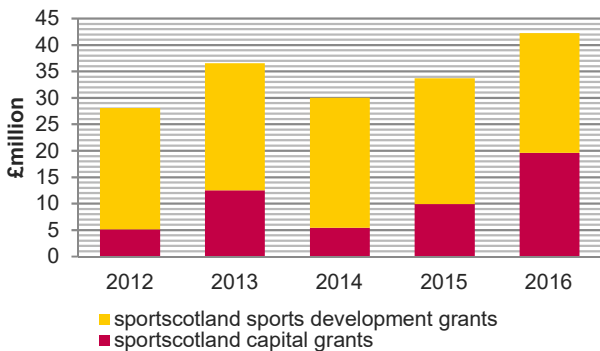


Figure 2: sportscotland grant distribution

To date sportscotland have faced decreasing GIA grant funding via the Scottish Government. These decreases have been managed to date by reducing central costs, for example ICT procurement efficiency savings.

## Use of sportscotland Lottery Fund Resources

sportscotland Lottery Fund grants equate to 77% of total expenditure in 2015-16.

Investment decisions made by the sportscotland Lottery Fund contributed to the sportscotland corporate and business plans.

Lottery Fund grants are distributed as revenue and capital categories and are largely distributed to Local Authorities and Scottish Governing Bodes of Sport (SGBs) around Scotland. The number of investment distributed is influenced by the number of funding applicants received in year.

Figure 3 shows that total distributed grants have marginally decreased from 2012 to 2016 however grant awards have remained largely consistent. Like sportscotland, capital investment has increased from 2014-15 to 2015-16 which further contributes to the *'places'* enabler of the 2015-19 corporate plan.

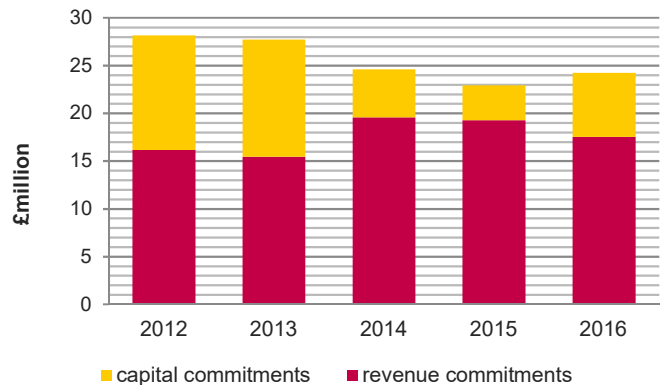


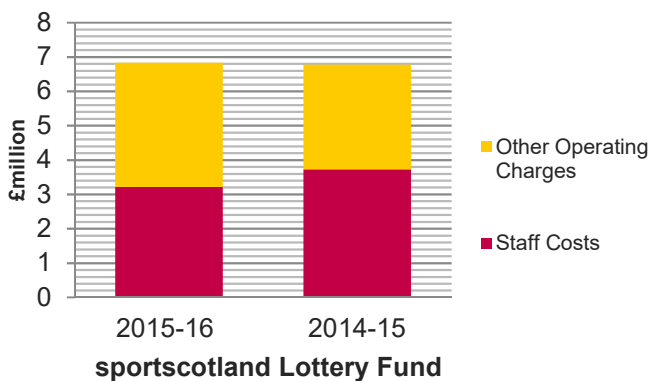
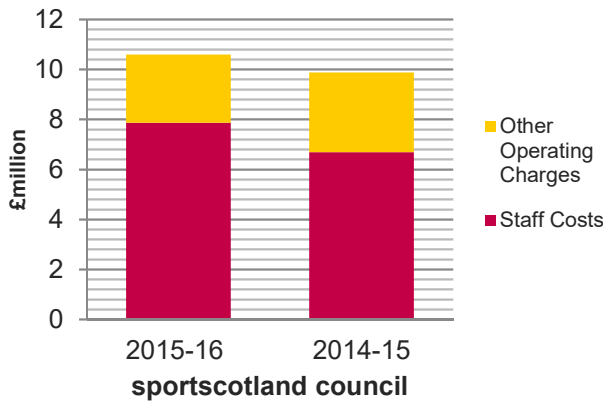
Figure 3: sportscotland Lottery Fund grant distribution

## Running expenditure

Operating expenditure for the **sportscotland** group decreased by 30% (£2.3m) from 2014-15 to £5.6m in 2015-16. The decrease is from a change in overhead split between the **sportscotland** Council and the **sportscotland** Lottery Fund. Prior year impairments of £1.1m also inflate prior year figures.

The overhead split for general admin expenditure was 45% Lottery Fund to 55% **sportscotland** Council, to reflect reduced GIA funding from 2014-15, where the split was 40% Lottery Fund to 60% **sportscotland** Council. Management review and alter the overhead split annually to reflect the amount of GIA and NLDF income to **sportscotland**. The Board approves the overhead split calculation as part of the annual budget setting process. The change in split explains the Lottery Fund's 19% increase in operating expenditure to £3.6million.

Staff costs attributed to **sportscotland** HQ (**sportscotland** Council and **sportscotland** Lottery Fund) increased from 2014-15 by 6% to £11.1m. The slight increase is due to an increase in average staff numbers within **sportscotland** from 136 to 161 (increase of 25 employees). We also noted that the sickness absence rates decreased in year to 1.17% (2014-15: 1.22%).



## sportscotland Financial Position

**sportscotland**'s Group Statement of Financial Position reflects a positive reserves positions, as a result of an in-year decrease in pension liabilities and an increase in capital grant-in-aid funding added to the general fund in year for Inverclyde. The overall reserves increased from a deficit of £4million in 2014-15, to a positive balance of £10.2million in 2015-16. Changes in actuarial assumptions meant that pension liabilities decreased by £8.6million to £5.9million. Our review of the pensions liabilities is explained within the Financial Statements section on page 15.

The Inverclyde Centre re-development appears as an asset under construction within the group financial statements therefore reflecting the £2.3million increase in non-current assets. The group summary figures below show a £2.1million increase in current assets from 2014-15. £1.9million of this increase is from a Scottish Government debtor in relation to recharged Governing Body salaries, that were not received before the 31 March 2016 due to a timing issue.

	Year ended 31 March 2016 (£m)	Year ended 31 March 2015 (£m)
Non-current assets	13,630	11,308
Current assets	3,822	1,633
Current liabilities	1,155	2,298
<b>Total net assets</b>	<b>16,297</b>	<b>10,643</b>
Non-current liabilities	6,079	14,659
<b>Total equity</b>	<b>10,218</b>	<b>-4,016</b>

## sportscotland Lottery Fund Financial Position

The summary figures below highlight that the **sportscotland** Lottery Fund's financial position remains strong. The Statement of Comprehensive Income shows a £0.735 million increase to the General Fund Reserves (2014-15: £2.7m increase). The general fund balance now stands at £41.343million.

	Year ended 31 March 2016 (£m)	Year ended 31 March 2015 (£m)
Non-current assets	0,132	0,085
Current assets	65,136	59,803
Current liabilities	23,947	19,225
<b>Total net assets</b>	<b>41,343</b>	<b>40,663</b>
Non-current liabilities	0	0
<b>Total equity</b>	<b>41,343</b>	<b>40,663</b>

## Financial management and budgetary control

Monthly monitoring of budget to actual is reported internally to management teams (project and divisions). Formal updates are provided to Senior Management on a quarterly basis. The updates identify any variances to budget and highlight any areas of particular significance to senior management, for example in 2015-16 the variances caused by a timing delay in capital GIA for the Inverclyde Centre.

The Head of Finance and Governance annually presents the financial position to the Board for approval, where additional scrutiny, challenge and accountability is provided from Scottish Government representation.

Priority based budgets are set annually and are largely influenced by the 2015-19 sportscotland investment and outcome principles which compliment the sportscotland 2015-19 corporate and business plans.

The investment principles outline sportscotland's approach to making investment decisions with partners: Local Authorities and Scottish Governing Bodies of Sport (SGBs). It details the:

- principles that guide investment decisions,
- changes sportscotland want to see,
- outcomes sportscotland aim to achieve, and
- how sportscotland will measure the impact of the investments.

The investment principles ensure that annual budgetary decisions are made in a consistent manner with the wider sportscotland targeted outcomes at the core. The proposed annual budget is annually scrutinised and approved by the Board.

sportscotland originally budgeted £98.417million of expenditure for 2015-16. Actual expenditure amounted to £89.740million leaving a £8.677million underspend. £7.8 million of the underspend amounts capital delayed GIA funding due to a timing issue in relation to the Inverclyde Centre. The 2015-16 sportscotland budget, which incorporates the Lottery Fund, was largely in line with actual results providing assurances over the forecasting accuracy of sportscotland budgets.

sportscotland is required to operate within the Grant-in-aid (GIA) funding awarded by the Scottish Government and income provided by the National Lottery Distribution Fund. The final allocations for 2015-16 are shown below with National Lottery Distribution Funding drawn down in year.

GIA Awarded	£65,893m
Learn to Play	£1,475m
Total	£67,368m
Capital held back	-£7,800m
GIA drawn down in year	£59,568m
NLDF Funds awarded	£28,850m
2015-16 Total	£88,418m

GIA amounts are drawn down on a monthly basis via resource returns prepared by sportscotland. The Scottish Government authorised sportscotland to carry forward £7.8million of capital funding to 2016-17 for the Inverclyde Centre re-development due to a timing issue.

Overall we have found that financial management arrangements over 2015-16 have continued to operate as expected, with budget monitoring being communicated and monitored by management.



## Financial Planning and Sustainability

sportscotland outlined a revised business plan covering the period 2015-19. The plan contains a 2016-17 budget based on GIA funding awarded, and links to targeted outcomes within the sportscotland investment principles and the 2015-19 corporate plan. The revised business plan was approved by the board in April 2016.

As can be seen from the figures below, sportscotland have faced a significant decrease in total 2016-17 GIA funding, mostly in relation to capital. Total budgeted expenditure in 2015-16 was £98.4 million in comparison to £77.05 million in 2016-17. sportscotland have appropriately responded to the decrease in GIA funding by identifying efficiency savings from procurement management and ICT efficiencies. sportscotland are predicting a draw down from the NLDF of £33.474million (£27.634 for revenue purposes and £6.1 for capital purposes) which represents a 16% increase from 2015-16. A 2015-16 underspend on the Active Children programme has also pulled forward £1.26 million into the 2016-17 budget. sportscotland does not anticipate a significant impact to services and investments made in 2016-17.

sportscotland Grant-in-aid	2015-16	2016-17	£ variance
Revenue	34.243	29.950	-4.293
Capital	32.000	9.500	-22.500
<b>Total Grant-in-aid</b>	<b>66.243</b>	<b>39.450</b>	<b>26.793</b>

There is no foreseeable significant change in National Lottery Distribution Fund contributions for 2016-17.

Despite sportscotland finding efficiency savings in 2016-17 that do not significantly impact services, sportscotland must consider the potential impact of further decline in GIA funding.

sportscotland are currently operating under the new Corporate Plan covering the period 2015-19. The 2015-19 Business Plan includes detailed financial projections for the 2016-17 period. Beyond 2016/17, additional funding on a sport by sport basis is forecast in line with sportscotland corporate objectives, and will be revisited after the 2016/17 Spending Review.

## Workforce Planning

Costs of employment account for 19% of sportscotland and 10.5% of lottery fund total expenditure. With increasing financial pressures, there is a need for sportscotland to have an effective and efficient workforce in order to maintain service delivery while meeting budget requirements. An appropriate skill mix is required to feed into the 'people' enabler in the 2015-19 corporate plan in order for the participation and progression targeted outcomes to be achieved.

Sportscotland does not have a formalised workforce plan however operates an organisational development toolkit to assist with workforce planning where required. The toolkit has a flowchart of workforce planning considerations that all change schemes must use and consider.

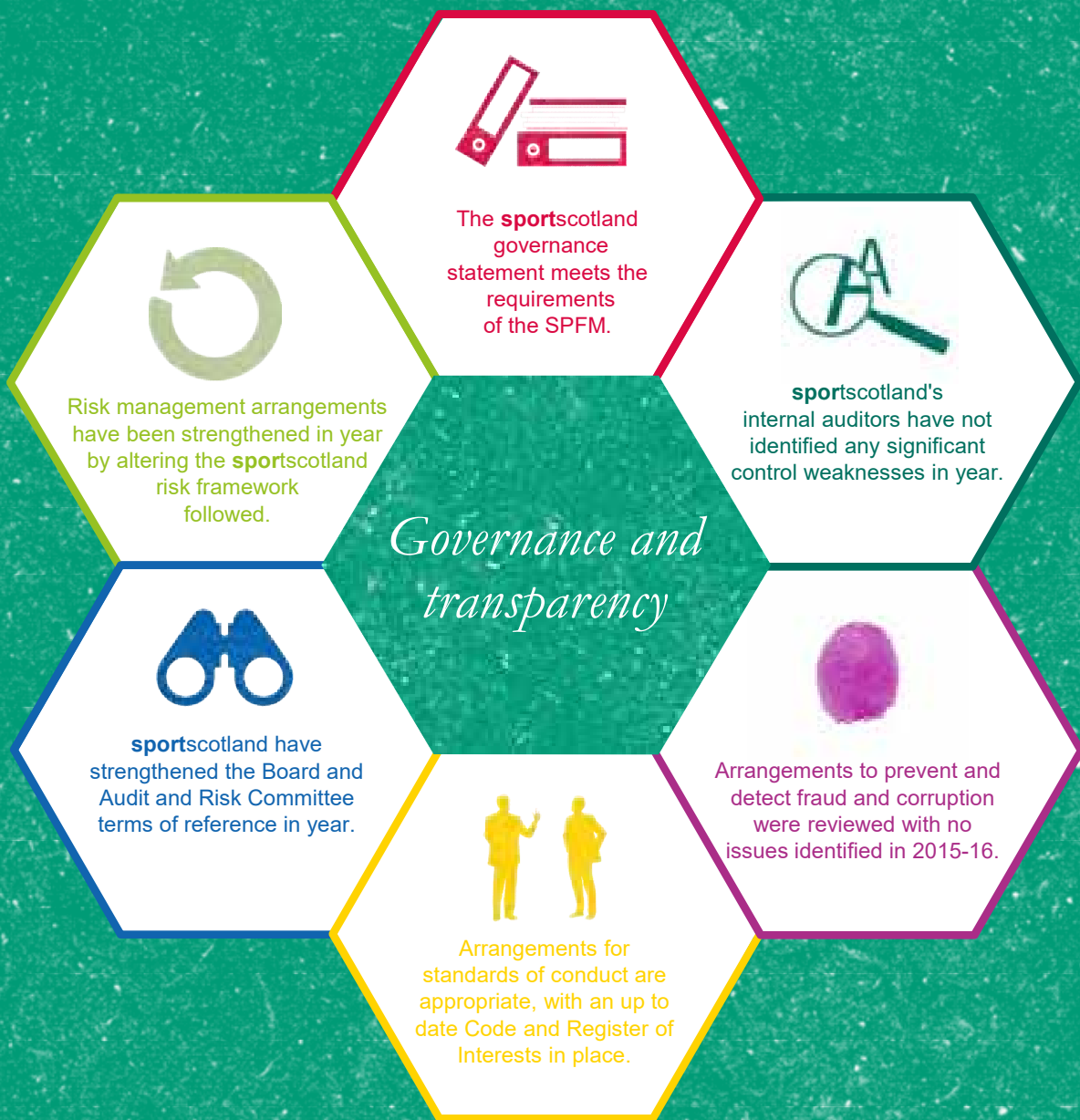
Whilst it is not included within a formal workforce plan, sportscotland undertake a workforce succession planning exercise twice per year under the supervision of the Remuneration Committee.

Skill mix requirements and staff costs are considered as part of the four year corporate plan setting process however an analysis of expected required staff numbers is not part of this process.

sportscotland should consider the implications of the changing workforce requirements and how this fits with the corporate plan targeted outcomes when preparing their annual budget .

[See appendix A action point 10](#)

# 3. Governance and transparency



# Governance and transparency

## Governance Statement

Under the Treasury's Financial Reporting Manual (FReM), **sportscotland** must prepare a Governance Statement within the Annual Report and Financial Statements. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the Governance Statement as it forms a key summary of the **sportscotland** governance ethos, and provides assurances around the achievement of the organisation's strategic objectives.

The SPFM does not prescribe a format for the Governance Statement, but sets out minimum reporting requirements and methodology for obtaining assurance for central government bodies. In line with the SPFM the Directors complete a self assessment on an annual basis using the Scottish Government Internal Control Checklist.

We have reviewed the **sportscotland** Governance Statement as part of our audit procedures and concluded that disclosures are in line with the requirements of the FReM and guidance issued from Scottish Ministers, though the SPFM. The statement is sufficiently balanced, reflecting key aspects of the **sportscotland** governance structure and key issues in year.

## Governance and scrutiny arrangements

The corporate governance framework within **sportscotland** is centred around the full **sportscotland** Council Board consisting of 11 non-executive members. The Chair of the Board retired from duties effective from June 2016, and Mel Young, a non-executive member, has taken over as Chair from June 2016.

The Board is supported by three committees:



The Board, supported by its committees, meets every 2 months and is responsible for the strategy, performance and internal control framework of **sportscotland**. The Board aims to fulfil the legislative powers of the organisation along with those outlined by the Direction of Scottish Ministers.

The Board consistently has a standard Governance agenda item to update members on any governance developments or concerns.

An in year Governance review by Internal Audit recommended that **sportscotland** update and strengthen the terms of Reference of the Board and Committees. The updated terms have been developed from a range of sources and primarily from the Framework Document (formerly the Management Statement & Financial Memorandum), which was published in March 2015. This document sets out the broad framework within which **sportscotland** will operate and defines the key roles and responsibilities underpinning the relationship between **sportscotland** and the Scottish Government. The draft of the Board's Terms of Reference also takes account of the provisions set out in the Scottish Sports Council's Royal Charter 1971.

The Board have delegated responsibility for scrutiny to the Audit and Risk Committee which meet on a quarterly basis. In 2015-16 the Audit and Risk Committee met on 3 occasions instead of 4 due to a light agenda of 1 planned meeting. Grant Thornton are in attendance at the meetings and we have noted that scrutiny is exercised across a number of key areas including:

- Financial health of sportscotland
- Internal audit work programme and report
- External audit reports
- Whistle blowing and fraud
- Legislative compliance.

In year the terms of reference for the Audit and Risk Committee was updated to highlight the committees explicit responsibility for the review of the corporate risk management framework and risk register (hence the change in committee title from the prior year from Audit to Audit and Risk). The terms further strengthened the provisions regarding the relationship with the Trust Company Audit Committee.



## Governance and scrutiny arrangements cont.

The Board has strengthened its self review process in year.

In September 2015, Board members were invited to complete a short questionnaire to self-assess their individual contribution to the Board and the assess the overall strategic and operational impact of the Board. The questionnaire was developed from Audit Scotland report. A report analysing the results of the review was issued to the board in October 2015.

The conclusion of the self-review was:

- Overall members feel that the board is having an impact on **sportscotland**'s strategic direction and that the operations of the Board are effective.
- Generally the Board is receiving the right information to make decisions, although there are some differences of opinion about the level of detail regarding some aspects of the information being presented to the Board.

The Board will continue to conduct this development process annually, putting improvement plans in place and reporting areas of potential improvement to the Chief Executive and those charged with governance.

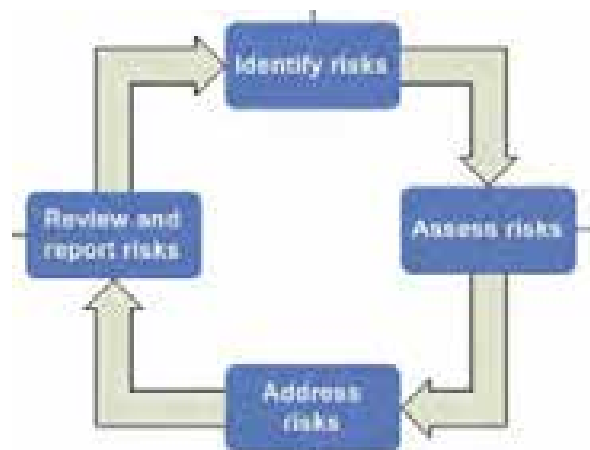
## Risk Management

In April 2016 as a result of the new 2015-19 corporate plan, **sportscotland** risk management framework was reviewed and improvements applied. The Board approved the updated sportscotland risk management framework in April 2016.

The framework to address risks has been updated as follows:

- To ensure that opportunity risks are given greater focus alongside those risks which relate to threats, the option to 'Take' an informed risk has been incorporated.
- The application of the five T's approach (Tolerate, Treat, Transfer, Terminate and Take) was not consistently applied across all risk registers. **sportscotland** will look at a phased reapplication of this approach beginning with the corporate risk register.
- To enhance the risk registers, and provide greater transparency and challenge on risk scores, the guidance for mitigating actions now requests consideration of preventative controls, which affect the risk likelihood score, and remedial controls which affect the risk impact score.  
**See Appendix C for the graphical framework and the risk escalation process.**

The risk management framework follows the following principle:



## Risk Management continued

The Audit and Risk Committee and **sportscotland** Board both maintain an overview of the corporate risk register. The register is reviewed six-monthly by the Audit and Risk Committee (at the January and June committee meetings) and annually by the **sportscotland** Board (at the April Board meeting).

Key areas of high risk within the corporate risk register are:

- The sportscotland pension fund is in deficit and could increase, particularly in volatile markets, resulting in an on-going deficit in annual accounts.
- Poor EQIA adoption and practice in sportscotland exposes the organisation to a risk of challenge under the Equality Act 2010.
- Change in policies and priorities of, and/or relationships with organisations (e.g. government at Scottish or UK level and/or other sports bodies such as UK Sport) adversely affects ability to deliver sportscotland's corporate plan.
- Failure of partners to deliver agreed outcomes linked to sportscotland investment resulting in failure to deliver corporate plan outcomes due to poor governance or ineffective leadership and management.
- Breaches of any anti doping, gambling/betting or other regulations governing ethical sport leading to reputation issues for sport and sportscotland.
- Reduced political and financial support for sport adversely impacts sportscotland's ability to deliver its corporate plan.

Planned action for high risks identified are currently in progress.

**sportscotland's** strengthened risk management framework appear well communicated across **sportscotland** and are routinely reviewed.

## Internal Audit

The Board's internal audit function is provided by BDO LLP. Internal audit provide an annual opinion to the Audit and Risk Committee on the assurance framework. In 2015-16, they issued the following opinion:

*"In our view, based on the reviews undertaken, the follow up audits completed during the period, and in the context of materiality:*

- *The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements by the end of the period under review.*
- *Risk management, control and governance arrangements were operating with sufficient effectiveness (based on our verification reviews and sample testing), to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved by the end of the period under review."*

The internal audit reports throughout the year highlight a high level of compliance, with substantial or moderate assurance achieved for each review. No high risk recommendations were made. At the time of writing this report, the 2016-17 areas of internal audit focus were not yet confirmed.

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## Prevention and detection of fraud and irregularity

The integrity of public funds is a key concern for the organisation and for auditors. As external auditors, we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.

sportscotland's fraud prevention/whistleblowing policy was reviewed during 2015-16 as part of a new annual process on the reporting of fraud and whistleblowing. No whistleblowing calls occurred in year and no significant changes were made to the policy which is published on the sportscotland website.

Our enquiries of management and the sportscotland's internal auditors found that there were no internal frauds during 2015-16.

sportscotland also participates in Audit Scotland's National Fraud Initiative. We followed up on the 2014-15 cycle as part of our audit process. We note that good progress has been made and all matches were closed off or under investigation by late 2015. One duplicate payment error of £18,000 was noted and followed up for recovery.

From our work in 2015-16 we have concluded that sportscotland has effective arrangements in place for the prevention and detection of fraud.

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## Arrangements for maintaining Standards of Conduct and detection of corruption.

In line with the Ethical Standards in Public Life etc (Scotland) Act 2000, sportscotland has established a Code of Conduct for Board Members, which was approved by Scottish Ministers. A register of interests is available for each Board member on the sportscotland website, and declarations of interest are made at each Board meeting. Upon commencement of our audit fieldwork, registers were outdated on the sportscotland website however these were updated accordingly when flagged to management. Management were reminded of sportscotland's required compliance to keep registers up to date.

In accordance with the Code of Audit Practice we have reviewed the arrangements in place for the prevention and detection of corruption and concluded that sportscotland has appropriate arrangements in place. We are not aware of any specific issues that we need to record in this report.



# 4. Best Value and Performance



# Best value and Performance

## Demonstrating Best Value

2015-16 marks the first year of operation under sportscotland's 2015-19 corporate plan. With the mission *'to build a world class sporting system for everyone in Scotland'*, sportscotland identified the resources, enablers and environments that are required to result in the target outcomes of *participation* and *progression*. The priorities underpinning the sporting system as a whole to drive further improvement over 2015-19, are *equalities and inclusion, collaboration and impact* and *people development*. The corporate plan is supported by a planning and accountability framework, which links to the Scottish Government's Active Scotland Outcomes Framework.

See the summarised 2015-19 corporate plan below. The plan is annually reviewed and updated by senior management to reflect annual investment budget decisions before formal Board approval.



All public sector Accountable Officers have a duty to secure Best Value in public services as set out by the SPFM. sportscotland has a range of mechanisms for securing Best Value in its investments and these are considered to be part of business as usual and embedded in the sportscotland investment governance principles.

## Performance Measurement and Reporting

The planning and accountability framework sets out reporting timescales and responsibilities. The Board has adopted the Covalent performance management system, which is updated against each programme throughout the year.

sportscotland's performance measurement and reporting against the corporate plans outcomes and priorities is focused on 2 key elements:

- Key highlights of progress over the year to achieve corporate plan outcomes; and
- Indicators of change through qualitative and quantitative measurement.

With 2015-16 being the first year of performance reporting under the new corporate plan, sportscotland are unable to provide robust prior year comparative figures to analyse performance impact. Performance facts provided within the annual report are not targeted as sportscotland report performance against outcomes in a phased process over the life of the 4 year corporate plan. It is expected that from 2016-17, sportscotland will have the 2015-16 data to more robustly measure change under the investment initiatives of the 2015-19 corporate plan. [See appendix A action point 12.](#)

sportscotland's contribution to the sporting system is measured using these elements through contribution to impact measures aligned against the following 7 programme areas:

- 1) Partnerships
- 2) Schools and Education
- 3) Clubs and Communities
- 4) Performance
- 5) People
- 6) Places
- 7) Our Organisation

All programme areas were reported financially on track for 2015-16 against budget performance, with the exception of 'places'. This exception was caused by the timing delay of the Inverclyde National Centre Redevelopment which is discussed within Key Performance Highlights.

# Key Performance Highlights

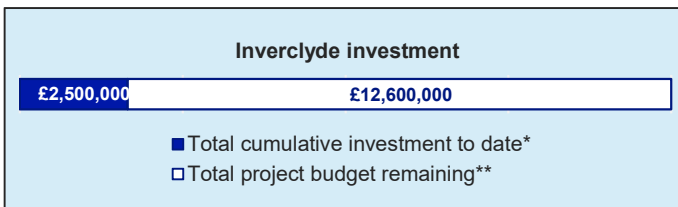
## Inverclyde Development

One of **sportscotland** key activities in 2015-16 has been the redevelopment of the Inverclyde National Training Centre.

Considerable project support has been deployed using a range of internal resources and expertise and has ensured effective planning and procurement procedures.

The development has been managed through an internal project board with representatives from various work streams set up to delivered clearly defined elements of this project within an agreed governance framework. The project board has been restructured in year to recognise the progression from planning to implementation stage.

The Inverclyde Development is the largest single investment made by **sportscotland** (£15.1million) to its own estate with the focus of creating a world class accessible sports centre. The project is on track for completion by 31 March 2017. The 2015-16 investment was £7.8m less than anticipated due to a timing delay in capital Grant-in-aid payments, which has been received in 2016-17. This caused a flagged exception for the 'places' budget performance in year.



In April 2015 it was agreed that Internal Audit would review the transition planning arrangements in place. The scope of their review was to assess whether an effective project management methodology is in place and a clear transition plan has been developed describing risks, impacts and mitigations.

No significant issues were identified from the review and good practise arrangements were highlighted. However internal audit recommended that **sportscotland** develop and implement a project management framework for application to all future projects, defining the core project management arrangements to be applied. Management agreed and implemented this finding.

The governance arrangements surrounding the Inverclyde Centre continue to be appropriate and reflective of the implementation stage of the development.

## Partnership Working

A wide range of partners contribute their time, expertise, investment and information into Scotland's sporting system. Working effectively with partners is critical for **sportscotland** in joining up the Scottish sport system. **sportscotland** continue to invest in schools, club and communities in order to strengthen Scotland's sporting system.

**sportscotland** have continued to develop a robust network of community sport hubs (CSH) across Scotland. In 2015-16 **sportscotland** achieved 155 active CSH's, exceeding the set target of 150 for the year. **sportscotland** have now pledged a new target of 200 active CSH's by 2020. Within this new target, **sportscotland** plan to expand support to partner CSH's within the bottom 5% of the Scottish Index of Multiple Deprivation (SIMD) areas to further impact the 'equalities' priority of improvement within the 2015-19 corporate plan. By working closely with five local authority partners in year, additional support was successfully provided to five SIMD hubs.

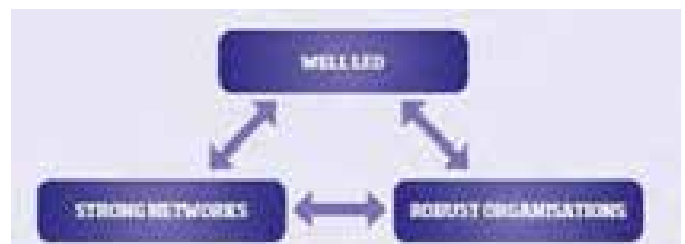
Additionally, **sportscotland** continue to support clubs through direct club investment revenue and capital grants and have invested in SGBs to deploy regional managers to support clubs. **sportscotland** delivered two national training days in 2015-16 to 29 CSH officers, in order to develop and share information and encourage learning and networking opportunities amongst CSH's. Developing people within the CSH's will be a focus of **sportscotland**'s in 2016-17 by continuing to deliver national training and coaching training days.

In 2015, **sportscotland** developed a Governance Framework for working with Sports Governing Bodies (SGBs).

The overarching aim of the framework is:

*"to enhance governance in SGBs ensuring they are well led; robust and legally compliant; and are effective and efficient in their operations, fostering strong partnerships. SGBs will be Investment ready, positioned for growth and best placed to deliver outcomes for the sport. They will provide real results and return on Investment to their members, sportscotland and other strategic partners."*

The framework is therefore based on three principle areas:



Source: SGB Governance Framework, **sportscotland** 2015

# Appendices

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# Appendix A- Action Plan

The table below provides details of issues or changes identified during the audit which have been made in the final set of financial statements.

	Issue and Risk	Priority	Recommendation
1.	<p><b>Classification of Hard Grant Commitments</b></p> <p>As stated within audit findings, £627k of hard grant commitments were re-classified to soft grant commitments. Creditors were therefore overstated by £627K.</p> <p>The material amount was made up of three capital grants which did not have legally binding contracts in place pre 31 March 2016.</p> <p>In accordance with the Direction of Scottish Ministers, if a grant commitment has an agreement of principle (agreed at panel), but no legally binding contract between sportscotland and the grant recipient is in place as at 31 March 2016, the grant commitment is classed as soft. Soft Commitments are off balance sheet but are required to be disclosed in a note within the financial statements.</p> <p>2015-16 is the second year a material adjustment of this nature has been made .</p> <p>Grant Commitment schedules were reviewed to ensure tracking procedures of grant commitments were sufficient to capture when a commitment turns from soft to hard. We did not identify any issues and procedures were deemed to be appropriate.</p> <p>We identified the issue as arising from a lack of sufficient staff training that specified the cut-off accounting treatment of the grant commitments.</p> <p><b>Risk:</b> There is a risk that grant commitments will continue to be misclassified.</p>	High	<p>In order to prevent continued misclassification of grant commitments, we would recommend that staff training is provided to the grants team that fully addresses the cut-off issue.</p> <p>We would further recommend that a senior member of the finance team reviews the grant commitments schedules at the year end to ensure commitments are correctly classified.</p> <p><b>Management Response:</b> Agreed. Management intends to review the process for classifying grant commitments at the year end and add a further senior management review check.</p> <p><b>Action Owner:</b> Head of Finance and Governance</p> <p><b>Date of Completion:</b> 30 September 2016</p>
2.	<p><b>Reconciliation of Grant Commitment schedules to the Ledger</b></p> <p>As stated within audit findings, a £49k net understatement of hard grant commitment opening balances were identified and adjusted. We recognised this variance as being historically pulled forward from the prior year and the route of the variance was unknown.</p> <p><b>Risk:</b> There is a risk of misstatement in the financial statements if the grant commitment schedules are not properly reconciled to the general ledger on a timely basis.</p>	Medium	<p>We recommend that at the year end grant commitment schedules are fully reconciled to the general ledger and financial statements in order for any discrepancies to be identified and appropriately adjusted.</p> <p><b>Management Response:</b> Agreed. Management intends to review the process at the year end and add a further senior management review check.</p> <p><b>Action Owner:</b> Head of Finance and Governance</p> <p><b>Date of Completion:</b> 30 September 2016</p>
3	<p><b>Lottery Fund - Regional Partnership Funds</b></p> <p>As stated within audit findings, a classification discrepancy in relation to the £374k regional partnership funds was identified. The funds are currently classified as creditors payable within 12 months within the Lottery Fund financial statements. The Regional Partnership funds were given to sportscotland Lottery Fund for management and distribution, from several local authorities in 2010. In order to spend the funds within the set geographic conditions, all regional partners must formally agree the purpose of the spend. This has caused difficulty for sportscotland in gaining the required agreement from all partners to spend the entirety of the funds.</p> <p>As the funds did not significantly decrease from 2014-15, we discussed with management over the short term financial treatment of the funds. Due to the on-going pursuit of sportscotland in distributing the funds, the short-term classification of the funds was not adjusted.</p> <p><b>Risk:</b> If the funds are not awarded in the 2016-17 financial year, there is a risk the funds will be inaccurately classified as a short term liability.</p>	Medium	<p>We recommend that sportscotland inform all regional partners of the difficulties experienced in making fund allocations and make it a priority to appropriately distribute the regional funds in their entirety within the next 12 months.</p> <p><b>Management Response:</b> Agreed. Sports Development management are actively working with the regional partners and will seek to find a resolution of this issue in 2016-17.</p> <p><b>Action Owner:</b> Head of SGB's</p> <p><b>Date of Completion:</b> 31 December 2016</p>



	Issue and Risk	Priority	Recommendation
4	<p><b>Bank Reconciliation Procedures</b></p> <p>The sportscotland Lottery Fund year end bank reconciliation listed 6 un-cleared cheques which were all over 6 months old, 2 dating back to issue in 2014. All 6 cheques should have been written back as it was doubtful these would now be cashed.</p> <p><b>Risk:</b> There is a risk that bank reconciliation procedures are not appropriately reviewing the aging of un-cleared cheques.</p>	Low	<p>We would recommend that <b>sportscotland</b> routinely review the ageing of issued cheques as part of standard bank reconciliation procedures.</p> <p><b>Management Response:</b> Agreed . This is normally part of <b>sportscotland</b> procedures and will be tidied up as part of the June bank reconciliations</p> <p><b>Action Owner:</b> Financial Accountant</p> <p><b>Date of Completion:</b> 31 July 2016</p>
5	<p><b>Fixed Asset Register</b></p> <p>The fixed asset register provided by the finance team was split across numerous spreadsheet tabs. The audit team faced difficulty reconciling the register to the general ledger and financial statements as a result. The robustness of the register was not sufficient and one minor error below triviality in depreciation calculations was identified.</p> <p><b>Risk:</b> There is a risk of future misstatement.</p>	Medium	<p>We would recommend that <b>sportscotland</b> adopts a more robust software for the recording and management of fixed assets.</p> <p><b>Management Response:</b> Agreed. The intention is to utilise the Fixed assets module in the new PSF finance system.</p> <p><b>Action Owner:</b> Financial Accountant</p> <p><b>Date of Completion:</b> 30 September 2016</p>
6	<p><b>Accounts Mappings</b></p> <p>The accounts mappings provided by the finance team were difficult to trace in order to gain a listing of all general ledger account codes that made up a balances within the financial statements. Many figures were also typed manually into the mappings, instead of linking directly to the trial balance. This decreased the transparency of the audit trail and presented difficulties obtaining testing populations for our key risk areas. We identified a minor error (£4k) below triviality which resulted from a spreadsheet error within account mappings and expenditure miscoding's which were corrected by the client.</p> <p><b>Risk:</b> There is a risk of future misstatement.</p>	Medium	<p>We would recommend that the transparency of the account mappings are improved next year. We acknowledge that the new financial system that is now in place will improve this.</p> <p><b>Management Response:</b> Agreed. Management recognises that the mapping can be difficult to follow, however the changes dictated by movement to the new accounts system will resolve this issue.</p> <p><b>Action Owner:</b> Financial Accountant</p> <p><b>Date of Completion:</b> 30 September 2016</p>
7	<p><b>Property, Plant and Equipment</b></p> <p>As stated within accounting estimates and significant judgements, the group financial statements were not fully IAS 16 compliant due to the re-valuation of only 1 asset within the tangible land and buildings class. This occurred as a result of the componentisation of Caledonia House, which is split between investment property and tangible buildings. The investment property accounting policy states annual re-valuations should occur, therefore an additional disclosure within the group accounts to explain the buildings element of the re-valuation was required.</p> <p><b>Risk:</b> There is risk that the current property, plant and equipment accounting policy does not fully inform the reader that an element of Caledonia House will be re-valued annually.</p>	Low	<p>We would recommend that <b>sportscotland</b> update the property, plant and equipment accounting policy to take account of the tangible buildings element of Caledonia House which is re-valued annually.</p> <p><b>Management Response:</b> Agreed. Management will review the policy concerned to take account of the specific circumstances in this case.</p> <p><b>Action Owner:</b> Financial Accountant</p> <p><b>Date of Completion:</b> 30 September 2016</p>

	Issue and Risk	Priority	Recommendation
8	<p><b>Suspense Accounts</b></p> <p>Our audit work identified two suspense accounts within the sportscotland council and two suspense accounts within the sportscotland Lottery Fund that had closing balances at the 31 March 2016.</p> <p>This was identified as a timing issue for three of the suspense accounts with net amounts below triviality, however one suspense account within the Lottery Fund held a £7million balance at the year end. This balance was identified as the 2014-15 post year end grant commitments journals which had not been re-coded to reserves. This did not have an impact on the reserves figures within the financial statement as was included within the reserves reconciliations. It is however good accounting practise to clear all suspense accounts on a timely basis.</p> <p><b>Risk:</b> There is a risk that suspense accounts are not cleared on a timely basis.</p>	Low	<p>We would recommend that sportscotland ensure timely clearing of all suspense accounts. It is expected that timing issues will arise for payables and receivables suspense accounts.</p> <p><b>Management Response:</b> Agreed. All suspense accounts are reviewed on a regular basis, the suspense account mentioned should have been cleared into reserves but as it was a year end adjustment had no effect on results throughout the year, sportscotland will however ensure this is cleared in future.</p> <p><b>Action Owner:</b> Financial Accountant</p> <p><b>Date of Completion:</b> 30 June 2016</p>
9	<p><b>Bad Debt Write Off Procedures</b></p> <p>Our audit work identified that several trade debtors within the trade debtors listings for sportscotland and the sportscotland Lottery Fund where over 6 months old (2 invoices dating back to 2014).</p> <p>Although these debts totalled a small immaterial amount below triviality, management confirmed that these debts where doubtful and should be written off.</p> <p><b>Risk:</b> There is a risk that doubtful debts are not being reviewed and where required written off on a timely basis.</p>	Medium	<p>sportscotland should ensure that trade debtor listings are monitored and reviewed on a timely basis in to identify and appropriately treat doubtful debts.</p> <p><b>Management Response:</b> Agreed. sportscotland will tighten up procedures on trade debtors going forward.</p> <p><b>Action Owner:</b> Financial Accountant</p> <p><b>Date of Completion:</b> 30 September 2016</p>
10	<p><b>Workforce Planning</b></p> <p>Skill mix requirements and staff costs are considered as part of the four year corporate plan setting process however an analysis of expected required staff numbers to support is not part of this process.</p> <p><b>Risk:</b> There is a risk that sportscotland are not fully considering the impact of required staff numbers in regards to the corporate plan targeted outcomes during the annual budget setting process.</p>	Low	<p>sportscotland should consider the implications of the changing workforce requirements and how this fits with the corporate plan targeted outcomes when preparing their annual budget.</p> <p><b>Management Response:</b> Agreed. HR management is looking to develop enhanced work force planning as part of he introduction of the new HR system.</p> <p><b>Action Owner:</b> Head of HR</p> <p><b>Date of Completion:</b> 31 December 2016</p>
11	<p><b>The Audit Process</b></p> <p>We received the draft financial statements later than agreed and timetabled which caused delays to our audit progress. One of the reasons for the delay was the audit timetable overlap with the sportscotland Trust Company.</p> <p><b>Risk:</b> If audit timetables are not revised there is a risk of future delay in the audit process.</p>	High	<p>sportscotland should consider revising the audit timetables going forward.</p> <p><b>Management Response:</b> Agreed . It is planned to move the date of the Audit and Risk Committee back by two weeks to enable us to extend the audit timetable. This should help to minimise the overlap between the 2 audits and allow further time for review and scrutiny of results and finalising of annual report and accounts.</p> <p><b>Action Owner:</b> Head of Finance and Governance</p> <p><b>Date of Completion:</b> 31 July 2016</p>

	Issue and Risk	Priority	Recommendation
12	<p><b>The Performance Report</b></p> <p>From 2015-16 the updated FReM requires additional and changed narrative disclosures. The FReM now requires a Performance Report and Accountability Report. From our review of the working draft of the Performance report , it was not clear or understandable to the reader of the financial statements what the key performance messages were. We identified with management that as 2015-16 is year 1 of reporting under the new corporate plan, there are no robust prior year comparatives as performance against outcomes will be established in a phased process over the course of 2015-19. <b>sportscotland</b> report to outcomes and not targets therefore the narrative of the performance report was altered to reflect this early stage of 2015-16 .</p> <p><b>Risk:</b> There is a risk that moving forward key performance messages are not clear and understandable to the reader of the financial statements.</p>	High	<p>Management should consider drafting a clear plan of what and how performance information can be reported within the performance report, in the remaining 3 years of the 2015-19 corporate plan, to appropriately reflect <b>sportscotland's</b> performance against outcomes.</p> <p><b>Management Responses:</b> Agreed . This is the first year of the Corporate Plan and the first year of gathering a new set of indicators to measure more effectively the outcomes of our activities against our key objectives</p> <p><b>Action Owner:</b> Head of Strategic Planning</p> <p><b>Date of Completion:</b> 31 July 2016</p>
13	<p><b>Sustainability Reporting</b></p> <p>The <b>sportscotland</b> annual report was not available for review at the time of audit fieldwork due to data collection timings from partners. We were therefore unable to assess <b>sportscotland's</b> sustainability reporting as required by the FReM.</p> <p><b>Risk:</b> There is a risk that external audit are unable to identify non compliance with the FReM's sustainability reporting requirements during the audit process. The auditors annual report presented to the June Audit and Risk committee cannot provide a complete assessment regarding sustainability reporting.</p>	Low	<p><b>sportscotland</b> should consider if there is a possibility for sustainability reporting to be brought in line with the preparation timings of the annual audit report.</p> <p><b>Management Response:</b> As noted, there are timing challenges with gathering data for this report in such a tight timescale. It is intended that this report will be completed ahead of the approval of the annual report and accounts and posted on our web-site, as has happened in prior years.</p> <p><b>Action Owner:</b> Head of Finance and Governance</p> <p><b>Date of Completion:</b> 24 August 2016</p>

# Appendix B – Review of Trust Company Audit

The financial results of the Scottish Sports Council Trust Company (the Trust Company) are consolidated into the sportscotland Group financial statements. ISA (UK&I) 600 requires that as group auditors, we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The audit of the Trust Company is carried out under a separate engagement by a separate engagement team with Grant Thornton UK LLP. The Audit Findings Report has been reported to the Trust Company Audit Committee. The findings from the audit are detailed below. Overall, we were provided with sufficient assurance and the audit work did not identify any further risks or issues.

## 1. Findings from Significant Risks

	Risks identified in the audit plan	Commentary	Group impact
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 (UK and Ireland) there is a presumed risk that the risk that revenue may be misstated due to the improper recognition of revenue</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We undertook a review of revenue recognition policies to ensure revenue was being consistently recognised across all three sites and in line with disclosed policies. We also confirmed there have been no changes to the treatment of revenue recognition in the year. We are comfortable that the revenue recognition policy is compliant with the SORP and FRS 102.</li> <li>As revenue items do not hold one consistent attribute, we selected a statistical sample of items and tested these to invoice/cash receipt/booking form. No issues were noted from testing completed.</li> <li>Please refer to the internal control points raised for details of findings in relation to the new systems implemented in the previous year and due to be rolled out across all sites.</li> </ul>	<p><b>Noted</b></p> <p><b>No material impact</b></p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 (UK and Ireland) there is a presumed risk that the risk of management over-ride of controls is present in all entities</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We considered management estimates, judgements and decisions in material areas, such as assumptions in respect of bad debt provisions and depreciation policies. As in previous years we have proposed an adjustment to the depreciation charge for the historical Asset ware issue. Apart from the historical issue we have not noted any further points.</li> <li>We obtained a full listing of all journal entries in the year and using specialist audit software we selected a sample to trace to supporting documentation. No issues arose from the testing performed.</li> </ul>	<p><b>Noted</b></p> <p><b>No material impact</b></p>
3.	<p><b>FRS 102 conversion</b></p> <p>FRS 102 conversion gives rise to a pervasive risk of material misstatement in financial reporting. There will be changes in accounting policies, accounting disclosures and the primary statements.</p>	<p><b>Auditor commentary</b></p> <ul style="list-style-type: none"> <li>We undertook a review of the FRS 102 conversion workings provided by management to ensure all appropriate adjustments and disclosures had been made in accordance with the updated accounting policies</li> <li>The change to the valuation of the gain/(loss) on the pension scheme was the only change to figures within the financial statements. We have agreed the assumptions used in the actuarial reports are reasonable and the accounting is inline with FRS 102. Apart from this, there were increased disclosure requirements which have been implemented through out the financial statements, no issues noted, all updated disclosure appears to have been included in the financial statements.</li> </ul>	<p><b>Noted</b></p> <p><b>No material impact</b></p>

Source: sportscotland Trust Company Audit Findings Report

## 2. Findings from Other Risks

	Risks identified in the audit plan	Commentary	Group impact
1.	<p><b>Revenue existence and deferred income completeness</b></p> <p>We have identified a risk that income may be overstated due to future course income not being correctly deferred at the balance sheet date.</p>	<p><b>Trade Debtors</b></p> <ul style="list-style-type: none"> <li>• A statistical sample of year end trade debtors balance has been tested to post year end cash receipts and sales invoices/cash receipts. For those debtors that had not settled, we traced the sale to a booking confirmation/purchase order. No issues have been noted with regard to receipts of post year end cash.</li> <li>• We completed aged trade debtor testing and a high level provision review. Due to the low level of risk held within public sector debtors, we were comfortable with the lack of provision in the year.</li> </ul> <p><b>Deferred Income</b></p> <ul style="list-style-type: none"> <li>• A statistical sample of sales in the year was obtained with each invoice being tested to ensure management have correctly identified and deferred any future revenue. Our testing highlighted no issues.</li> </ul>	<p><b>Noted</b></p> <p><b>No material impact</b></p>
2.	<p><b>Creditor completeness</b></p> <p>We have identified a risk that costs may be understated due to high transaction volumes.</p>	<p><b>Creditors</b></p> <ul style="list-style-type: none"> <li>• Post year end purchase invoices and bank statements reviewed to identify any unrecorded liabilities.</li> <li>• Cheque cut off testing completed to identify any unrecorded reconciling items. A cheque for £60 was identified as not being recorded as a payment within the bank reconciliation. Please see the control points raised on page 8 for our recommendations.</li> <li>• Post year end purchase invoices have been reviewed to ensure they are allocated to the correct period, no issues have been identified from this testing.</li> <li>• Accruals tested for completeness by using our audit software. No issues identified from testing.</li> </ul>	<p><b>Noted</b></p> <p><b>No material impact</b></p>

Source: sportscotland Trust Company Audit Findings Report

### 3. Internal Control Issues identified

	Assessment	Issue and risk	Recommendations	Group Impact
1.	●	<p>Bank Reconciliations</p> <p>It was identified from our testing within creditors and bank that bank reconciliations were not completed accurately. A cheque totaling £60 was not recognised as an outstanding payment and there was a reconciling balance of £16k that could not be identified at a transaction level.</p>	<p>We would recommend that bank reconciliations are completed on a timely basis and these are reviewed by head office until the processes are being completed accurately and consistently.</p> <p><b>Management response:</b> It was confirmed a full review of the issue relating to bank systems will be undertaken during June 2016 to ensure these issues are addressed.</p>	Noted
2.	●	<p>Fixed Asset Register</p> <p>Testing within fixed assets highlighted deficiencies within the working asset register: additions are not added to the register at time of purchase, errors when noting disposal amounts and locating specific written down assets proved problematic for management.</p>	<p>We understand that management plan to move to an asset management system but until this point we would recommend that a consolidated document is rolled out, pulling all information into one working document and this is updated in a consistent and timely manner.</p> <p><b>Management response:</b> It was noted that the current fixed asset documents are an interim solution due to issues with the system previously used. It is anticipated that migration to a fixed asset register linked to the new finance system is to take place within the next few months.</p>	Noted

Source: sportscotland Trust Company Audit Findings Report

### 3. Internal Control Issues identified (continued)

	Assessment	Issue and risk	Recommendations	Group Impact
3.	●	<p>Revenue Systems It was identified from our testing of revenues that a lack of software understanding is evident across all three working sites. Each sites operates independently from head office and currently sites work on different finance systems. It was also noted that a transaction listing by invoice was not available.</p>	<p>We would recommend that further training is under taken by all site staff to ensure the systems are being used correctly and being fully utilised. We also note that currently head office have no oversight of the new booking system, we would recommend that head office undertake the same training as site staff in order to be able to access and use the system for reporting purposes when needed. Reporting functionality should be discussed with the software provider to ensure all reporting functionality within the system can be utilised by staff to improve data availability and efficiency.</p> <p><b>Management response:</b> It has to be appreciated that the old Legacy systems operated by two of the centres (Cumbrae and Inverclyde) are not easy to interrogate for analytical review. The ESP system has been implemented during 2015/16 at Glenmore Lodge providing a web-enabled booking system that links directly into the finance system to record turnover and debtors. Following the pilot running of this system, plans are underway to introduce the ESP system into Cumbrae and Inverclyde during 2016. Going forward, enhanced training will be provided for the new booking system to centre staff. It is also planned that head office staff will be trained to allow a full overview of the ESP system as it is being rolled out across the other two centres.</p>	Noted

Source: sportscotland Trust Company Audit Findings Report





# Appendix D - Follow-up of prior year actions

Set out below is our follow up of the 2014-15 Annual Report to members recommendations.

Recommendation	Priority	Action taken
<p>1 The grant team should ensure that a register of outstanding grants is maintained to ensure that those with no legally binding contract at the year end are identified as soft commitment.</p> <p>Management responded that it would be ensured a review is completed at year end to ensure all commitments are correctly categorised.</p>	High	<p><b>In progress:</b> The grant commitment schedules recording the current classification of commitments has improved. However, the same material issue was identified in the current year audit.</p> <p><a href="#">See appendix A action point 1</a></p>
<p>2 sportscotland should review the useful economic lives used for plant and equipment to ensure it is as accurate as possible. The finance team should also review nil book entries to ensure that the fixed asset register remains accurate and up to date.</p>	Low	<p><b>Implemented:</b> The finance team conducted a cleansing exercise of the fixed asset register in year and removed all nil net book value assets that are no longer in use. The useful economic lives of all assets were also reviewed and considered to be appropriate.</p>
<p>3 The finance team should review the use of suspense account and ensure they are cleared or reconciled as part of year end processes.</p>	Low	<p><b>In progress:</b> Due to timing issues, 3 suspense accounts were not cleared by the year end. One Lottery Fund suspense account contained a brought forward balance of the prior year grant commitments journal.</p> <p><a href="#">See appendix A action point 8</a></p>
<p>4 The prior year Annual Report should be updated to include a specific link to the 2014-15 Sustainability Report.</p>	Medium	<b>Implemented</b>
<p>6 The Head of Finance should review the arrangements in place to process NFI matches to ensure that they are reviewed at an appropriate level and within expected timescales.</p>	Medium	<b>Implemented</b>

# Appendix E - Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
<b>sportscotland Group audit</b>	25,020	25,020
<b>sportscotland Lottery Fund</b>	18,660	18,660
<b>Total audit fees</b>	<b>43,680</b>	<b>43,680</b>

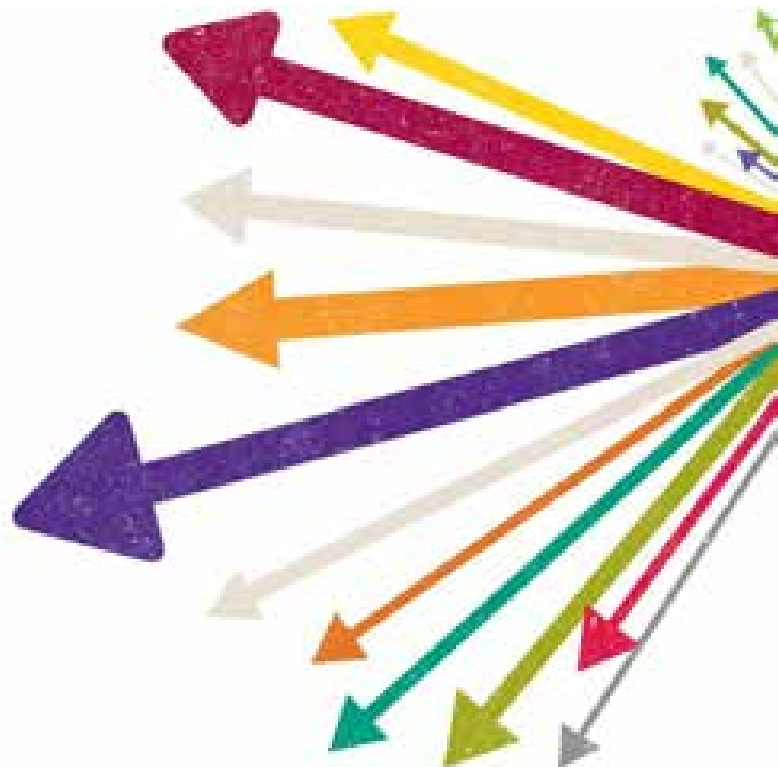
## Fees for other services

Service	Fees £
Audit of Trust Company, performed by another Grant Thornton audit team.	15,500

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practice Board's Ethical Standards.





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