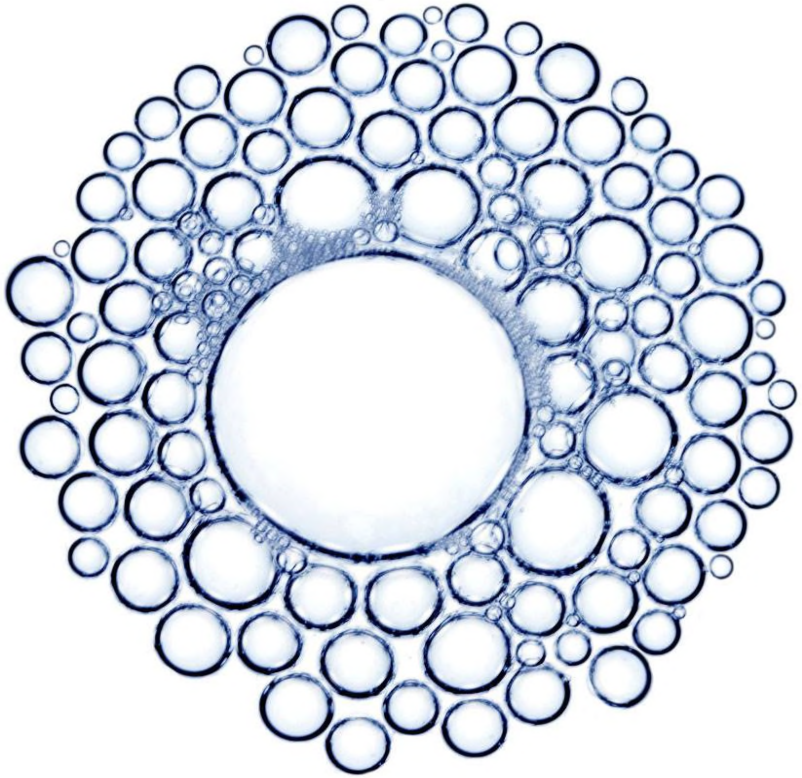
Deloitte.



Bòrd na Gàidhlig

Report to the Audit & Risk Management Committee, the Board and the Auditor General for Scotland on the 2018/19 audit

Issued 6 August 2019 for the meeting on 14 August 2019

Contents

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit & Risk Management Committee (‘the Committee’) of Bòrd na Gàidhlig (‘BnaG’) for the 2018/19 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2019.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the **four audit dimensions** that frame the wider scope of public sector audit requirements as illustrated in the following diagram. This includes our consideration of the Accountable Officer’s duty to secure best value.

Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

Following amendments to points identified through the audit process, the performance report and accountability report comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of BnaG.

A number of changes were made to the auditable parts of the remuneration and staff report to ensure that these were in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 8. BnaG met its financial targets for 2018/19, with a slight overspend, following audit adjustments, of £3k (0.2%).

A number of misstatements in excess of our reporting threshold of £5.4k or which are qualitatively material and disclosure deficiencies have been identified up to the date of this report. We are pleased to note that these have all been corrected by management and are listed for information on pages 27 – 28.

Status of the financial statements audit

Outstanding matters to conclude the audit include:

- Finalisation of internal quality control procedures;
- Receipt of final financial statements;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2019.

Conclusions on audit dimensions

As set out on page 3, our audit work covered the four audit dimensions. This incorporated the specific risks highlighted by Audit Scotland, in particular, the impact of EU withdrawal, the changing landscape for public financial management, dependency on key suppliers and increased focus on openness and transparency.

Our detailed interim report, presented to the Committee in June 2019, set out our findings and conclusions on a number of these areas, specifically relating to Governance and Leadership, but containing reference to areas of each of the dimensions as appropriate. In this report, we have considered areas of financial sustainability, financial management and value for money which were not addressed in our interim report. Our overall conclusion on each dimension is summarised on page 5.

The key messages in this report (continued)

Conclusions on audit dimensions (continued)

Financial sustainability

BnaG has achieved short-term financial balance. However, the financial position of BnaG is extremely challenging given the cap on running costs. BnaG should develop a Medium-Term Financial Plan ('MTFP'), linked to the Scottish Government Medium-Term Financial Strategy ('MTFS') and quantifying any medium-term funding gap, setting out actions to address this. A workforce plan needs to be developed for BnaG, which should be linked to the MTFP.

Financial management

BnaG has effective financial management processes in place. However, there is room for improvement in the budget setting process, specifically relating to scenario planning and sensitivity analysis.

Governance and transparency

Our audit has identified a number of significant issues which require urgent action by the Board, management and the Scottish Government Sponsor Division ('the Sponsor Division'). These were considered and accepted by the Committee in June 2019. A detailed improvement plan has been agreed to move this forward. This covers areas such as the vision of BnaG; staff engagement; collaboration, clarity and consistency in leadership; training and development; change management; openness and transparency; the governance framework; self-assessment procedures; roles and responsibilities of the Board, SMT and Sponsor Division; management of risk and maintaining high standards of conduct and behaviour.

Value for money

BnaG should prepare a clear and concise annual improvement plan. This improvement plan should be informed by self-assessments, staff surveys, stakeholder surveys and national reports.

The concept of awarding multi-year grants to Gaelic organisations is appropriate. However, BnaG should enhance the process for awarding future multi-year awards by ensuring that the potential impact on the wider Gaelic community and the effectiveness of the organisations receiving funding is assessed.

BnaG should review the targets agreed as part of the multi-year agreements, ensuring that continuous improvement is embedded within them. BnaG should ensure that targets are linked to specific outcomes in the Corporate Plan to enable better internal monitoring of the impact that the use of resources is having on outcomes achieved.

Detailed findings are included on pages 17 – 23 and in our interim report (referred to as appropriate throughout this report). An agreed improvement plan has been attached as a separate paper.

We will consider progress with the agreed actions as part of our 2019/20 audit.

Added value

Our aim is to add value to BnaG by providing insight into, and offering foresight on, financial sustainability, governance, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help BnaG promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout this report and our separate interim report. In particular, we have added value through our work with BnaG on developing a detailed improvement plan to improve governance and leadership and by sharing best practice on medium-term financial planning, workforce planning and how to demonstrate value for money in decision making. We also believe that our input has encouraged a constructive discussion of the BnaG's governance arrangements, its approach to openness and transparency and how it works to improve outcomes for the Gaelic community.

Pat Kenny
Audit Director

Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered how you are addressing the four audit dimensions:

- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

Final audit report

In this report we have concluded on the audit risks identified in our planning report and any other key findings from the audit.

Key developments in your business

As noted in our planning and interim reports, BnaG continues to face significant financial challenges and improvements are required in workforce management, governance and leadership.

Materiality

Materiality of £108k and performance materiality of £81k have been based on the benchmark of gross expenditure and are slight increases from what we reported in our planning paper due to updated final figures.

We have used these as the basis for our scoping exercise and initial risk assessment. We have reported to you all uncorrected misstatements greater than £5.4k.

Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 8 provides a summary of our risk assessment of your significant risks.

Quality and Independence

We confirm we are independent of Bòrd na Gàidhlig. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Scope of the audit

We have audited Bòrd na Gàidhlig's financial statements for the year ended 31 March 2019.

Timeline 2018/19

November 2018 – January 2019
Meetings with management and other staff to update understanding of the processes and controls

5 March 2019
Presented planning paper to the Committee

February – April 2019
Completion of wider scope work on Governance & Leadership

31 March 2019
Year end

May 2019
Review of draft accounts, testing of significant risk and performance of substantive testing of results.

20 June 2019
Presented Governance & Leadership report to the Committee

28 June 2019
Audit close meeting

14 August 2019
Final Committee meeting

12 September 2019
Accounts sign-off

Financial statements audit

Significant risks
Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Achievement of expenditure resource limits	✓	✓	D+I	Satisfactory	+	Satisfactory	9
Management override of controls	✓	✓	D+I	Satisfactory	+	Satisfactory	10

Overly prudent, likely to lead to future credit — Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Risk 1 – Achievement of expenditure resource limits

Risk identified

There is a key financial duty for BnaG to comply with the Departmental Expenditure Limit (‘DEL’) set by the Scottish Government to cover cash expenditure and non-cash costs such as depreciation and amortisation. Given the pressures across the whole of the public sector, there is an inherent risk associated with the occurrence and completeness of recording of expenditure as there is an incentive for management to either over or under accrue expenditure at the year end, depending on the forecast position, in order to meet the allocation.

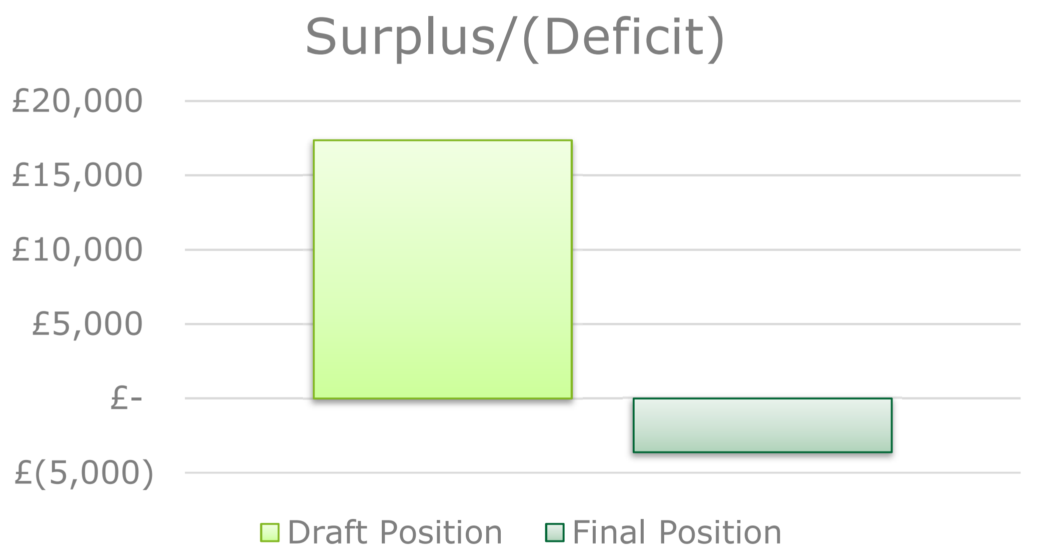
Key judgements and our challenge of them

Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and expenditure around year end.

Deloitte response

We have evaluated the results of our audit testing in the context of the achievement of the target set by the Scottish Government. Our work in this area included the following:

- evaluating the design and implementation of controls around monthly monitoring of financial performance and journal entry postings;
- obtaining independent confirmation of the resource limits allocated to BnaG by the Scottish Government;
- performing focused testing of accruals and expenditure incurred at the year end; and
- performing focused cut-off testing of invoices received and paid around the year end.



Deloitte view

We have concluded that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Ministers.

A number of audit adjustments (totally £21k) were identified which impacted on the achievement of expenditure resource limits (per the above chart), as set out on page 27. Following these adjustments being corrected by management, we confirmed that BnaG has performed within the limits set by the Scottish Government, within tolerable thresholds, and therefore is in compliance with the financial targets in the year.

Significant risks (continued)

Risk 2 - Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override BnaG's controls for specific transactions.

The key judgements in the financial statements includes those which we have selected to be significant audit risks around achievement of expenditure resource limits. These are inherently the areas in which management has the potential to use their judgement to influence the financial statements. Our challenge is discussed on page 9, with our challenge of other estimates set out on page 11.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- BnaG's results throughout the year were projecting cash underspends in operational areas. This was closely monitored and whilst projecting underspends, the underlying reasons were well understood and regular discussions were held with Scottish Government; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for journal approval, with no issues noted.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

Accounting estimates

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud.

We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements (including accruals, consideration of any adjustments required for the transition to the new standards (IFRS 15 Revenues from contracts with customers and IFRS 9 Financial Instruments) and pension liabilities), focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

A number of adjustments – in relation to accruals and accrued income – were identified through our work and corrected by management, as set out on page 27.

Deloitte view

We have not identified any significant bias in the key judgements made by management. As above, a number of errors were identified in accruals (which have been corrected by management) and we have made recommendations in relation to year end processes to address these on page 13.

We have not identified any instances of management override of controls in relation to the specific transactions tested.

Other matters

Defined benefits pension scheme

Background

The Bòrd participates in the Highland Council pension scheme.

The net pension liability has increased from £756k in 2017/18 to £1,258k in 2018/19 as a result of an increase in the pension increase rate and the salary increase rate and a reduction in the discount rate.

Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts;
- We assessed the reasonableness of the BnaG's share of the total assets of the scheme with the Pension Fund financial statements;
- We assessed the reasonableness of the assumptions used by engaging our internal pension specialists;
- We reviewed the disclosures within the accounts against the FReM; and
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.

	BnaG	Benchmark	Comments
Discount rate (% p.a.)	2.40	2.43	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.50	2.17	Prudent
Salary increase (% p.a.) (over CPI inflation)	1.00	0.50	Prudent
Pension increase in payment (% p.a.)	2.40	2.05	Reasonable, slightly prudent
Pension increase in deferment (% p.a.)	2.50	2.22	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.90	21.20	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	23.30	23.00	Reasonable

Deloitte view

We have reviewed the assumptions and, on the whole, the set of assumptions is reasonable and the valuation is carried out by a suitably qualified, independent and regulated actuary. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

An adjustment has been posted to reflect the impact of the McCloud judgement on the Local Government Pension Scheme. A revised report to account for this impact was obtained from the actuary and assessed as part of our audit, with an adjustment of £47k posted (page 27) to reflect this.

Other matters (continued)

Implementation of IFRS9 and IFRS15

Matter identified	Bòrd na Gàidhlig is required to adopt the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from contracts with customers* in the year ended 31 March 2019. In both cases, Bòrd na Gàidhlig is using a modified retrospective approach to implementation where effectively the cumulative impact of transition to 1 April 2018 is posted as an adjustment to reserves. No opening adjustments were posted with regards to the adoption of either IFRS 9 or IFRS15 as no material impact was identified.
Response	Following requests during the audit, management prepared a memorandum on IFRS 9 and IFRS 15, setting out the key areas of impact of both of these standards. These memorandums and discussion with management confirmed no transitional issues with respect to either IFRS 9 or IFRS15. The key element impacted by IFRS 9 is the accounting for the bad debt provision, which must move to a methodology of expected credit losses – a practical expedient available for portfolios of debt such as that at Bòrd na Gàidhlig, is to use a matrix based on past experience, and modified in specific cases where more information is available, in order to provide at a suitable percentage. This method has been adopted by Bòrd na Gàidhlig and has resulted in no provision being identified given the low level of debtors held by the organisation. For IFRS 15, a central analysis was prepared of Bòrd na Gàidhlig's main contracts, for which no significant changes are required under IFRS 15. The vast majority of Bòrd na Gàidhlig's income comes from the Scottish Government and is therefore treated under IAS 20, rather than IFRS 15. From our review, we agree with management's assessment that there is no material impact from transition to IFRS 15.

Deloitte view

We have not identified any material impact from transition to IFRS 9 and IFRS 15 in 2018/19. Management assessed the impact appropriately. Management will need to ensure that they continue to assess the potential for an expected credit loss provision if the debtor position increases in any given year.

Other significant findings

Internal control and risk management

During the course of our audit we have identified an internal control and risk management finding, which we have included below for information.

Area	Observation	Priority
Review of financial statements	Through testing, we noted a number of errors as documented on page 27, which evidence that insufficient review and challenge have been performed by management of amounts posted and recorded in the financial statements, particularly relating to areas which involve a degree or judgement or estimation. Management have confirmed that this issue arose due to changes in the finance function in the year with preparation of the financial statements outsourced for 2018/19. Management have confirmed that additional internal reviews will be put in place for the 2019/20 audit.	

The purpose of the audit was for us to express an opinion on the financial statements. The 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. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the financial statements

Based on our work completed to date, we anticipate that our opinion on the financial statements will be unmodified.

Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

While BnaG is faced with financial sustainability issues (as discussed on page 18), it met its financial targets in the year and there is a general assumption set out in Practice Note 10 (Audit of financial statements of public sector bodies in the United Kingdom) public bodies will continue in operation, therefore it is appropriate to continue as a going concern.

Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 15.

Your annual report

We are required to provide an opinion on the auditable parts of the remuneration and staff report, the annual governance statement and whether the management commentaries are consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines Bòrd na Gàidhlig's performance, both financial and non-financial. It also sets out the key risks and uncertainty facing the organisation.	We have assessed whether the performance report has been prepared in accordance with the accounts direction. We are pleased to note that a revised approach to preparation of the report was adopted in the year, in line with the good practice recommendations we made in 2017/18. We have also read the performance report and following amendments made by management, we have confirmed that the information contained within it is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. A number of areas for improvement were identified during our audit and these have been addressed by management.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the governance statement is consistent with the financial statements and has been prepared in accordance with the Scottish Public Finance Manual. We have also read the accountability report and confirmed that the information contained within it is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. Following amendments being made by management, we confirm that it is consistent with the financial statements and in accordance with the accounts direction and our knowledge of the organisation. We have also audited the auditable parts of the remuneration and staff report and identified a number of amendments to be made. These amendments have been corrected by management and so we confirm that it has been prepared in accordance with the accounts direction.
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	We have confirmed that the 2019/20 budget was approved by the Board prior to the start of the year and included draft budgets for 2020/21 and 2021/22. BnaG has forecast a breakeven position over the three year period. We have concluded that the plan is sufficiently robust to demonstrate that BnaG will be a going concern for at least 12 months from signing the accounts.

Audit dimensions

Audit dimensions

Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our conclusions on our audit work covering the following areas, with a number of our detailed findings and conclusions reported to the Committee in June 2019 as part of our **Interim Report** (as highlighted throughout the following pages). Our report is structured in accordance with the **four audit dimensions**, but also covers our specific audit requirements on Best Value and specific risks as summarised below.

Financial sustainability | **Financial management** | **Value for money** | **Governance and transparency**

Audit Dimensions

Best Value (BV)

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Government have a specific responsibility to ensure that arrangements have been made to secure best value.

We have considered the accountable officers' duty to secure BV as part of the governance arrangements considered as part of the wider scope audit work.

Specific risks

As set out in our Annual Audit Plan, Audit Scotland had identified a number of specific risks faced by the public sector which we have considered as part of our work on the four audit dimensions.

- EU Withdrawal
- Changing landscape for public financial management
- Dependency on key suppliers
- Openness and transparency

Our conclusions on the above are set out on page 24.

Audit dimensions (continued)

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Our interim report looked at the following areas of financial sustainability:

- Short-term financial challenges
- Workforce planning
- Contribution towards national outcomes

Short-term financial balance

BnaG has achieved financial balance in 2018/19 and expects to do so in 2019/20. In 2017/18, BnaG overspent against the grant-in-aid by £10k (0.2%). There is a £4k (0.07%) overspend in 2018/19. In both 2017/18 and 2018/19, BnaG expected to break even. We note that in 2019/20, BnaG anticipates breaking even. Given the history of spending in alignment with the overall budget, we are satisfied that BnaG can achieve financial balance within the thresholds set by the Scottish Government.

Medium-term financial sustainability

We are pleased to note that BnaG develops multi-year budgets. This goes some way to addressing the Corporate Plan 2018-23 aim of developing a "long-term financial strategy".

Having reviewed the multi-year budget, we consider it to be optimistic in a number of areas (such as staff costs, training expenditure and assumed savings on travel and subsistence). Other areas need additional detail on how savings will be achieved (e.g. translation costs and PR and marketing).

BnaG should go one step further and develop a standalone MTFP in addition to an annual budget. The following approach is best practice, which would address the aim set out in the Corporate Plan.

1. The plan should cover a period of five years and be updated annually.
2. The plan should include scenarios - a "best case" and "worst case" of reasonable possibilities, with the case demonstrated in the plan being the mid-point of these.
3. The plan should not be "made" to balance. If there is a funding gap, the plan should quantify how much this is on an annual basis, Future budgets and annual savings plans to close the funding gap should then be linked to the MTFP.
4. There should be clear links between the MTFP and the Corporate Plan, demonstrating how BnaG plans to use its resources over the medium term to achieve its objectives and deliver improved outcomes as set out in its Corporate Plan.

In order to develop a culture where long-term financial sustainability is at the forefront of decision makers' minds, BnaG should include the impact that decisions will have on the organisation's position against the in-year budget and the funding gap identified in the MTFP, so that it is clear to everyone who is making the decision the longer-term financial impact that decisions are expected to have, rather than simply understanding the impact in the short term.

Overall conclusions

While it has achieved short-term financial balance, we note that the financial position of BnaG is extremely challenging given the cap on running costs, as highlighted in our 2017/18 audit report. BnaG has stayed within the running costs cap primarily by not filling vacant posts.

Given the difficulties of remaining within the running costs, we recommend that a proposal is prepared and formally presented to the Sponsor Division for an increase in the running costs cap offset by a decrease in the development budget requirements, with this to take effect from 2019/20. If approved, the increase in running costs should be used to implement the recommendations of the improvement plan accompanying this report.

A workforce plan needs to be developed for BnaG, which should be linked to the MTFP. The creation of a 'People Strategy' is a welcome first step in this area, but work must begin on the development of a standalone workforce plan for the organisation.

BnaG should develop a standalone MTFP, covering a period of five years, including scenario analysis and links to the Corporate Plan and Scottish Government MTFS and quantifying any medium-term funding gap, setting out actions to address this. The annual budget should be linked to the MTFP.

Audit dimensions (continued)

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Our interim report looked at the following areas of financial management:

- Capacity of the finance function
- Effectiveness of financial management and governance systems

Budget setting

BnaG should have a detailed, standalone annual budget other than the MTFP (discussed on page 18). This annual budget should make clear links to the MTFP and the impact the budget has on the funding gaps identified in the MTFP.

BnaG needs to ensure it makes clear links to the Corporate Plan in its budget. There should be an analysis of how the budget links in quantitative terms to the priorities set out in the Corporate Plan.

Further, the budget needs to consider the outcomes it aims to achieve in the year. There should be information of the outcomes the organisation expects to be progressed (and to what extent) by the budget, to enable Board members to assess to what extent budgetary decisions are impacting on outcomes achieved. This can be addressed to some degree by linking the budget to the Operational Plan, which is in turn linked to the Corporate Plan which then addresses outcomes. This will enable the Board to adopt a more priority-based approach to budgeting as it can demonstrate where the use of resources is most effective in delivering improved outcomes.

Although BnaG has, overall, reached a position with a minimal variance from the budget of £4k (0.07%), there are significant variances within sections of the budget. For example, there are variances of 12% (£146k) in staff costs, 40% (£8k) in training and premises costs, 28% (£23k) in IT costs, 14% (£13k) in shared service costs and 75% (£36k) in other costs. However, we are satisfied that these variances were, in the main, unforeseeable and the budget was appropriately prepared based on the best available information.

Overall conclusions

Throughout the year, BnaG was forecasting to breakeven against budget, with the actual position achieved being on target (0.07% overspend). This demonstrates that financial management processes are operating effectively.

Improvements to the budget setting process, as first identified in our 2017/18 audit, need to be implemented. This includes embedding clear links to the Corporate Plan in the budget, setting out the outcomes the budget is expected to progress, as well as linking the budget to BnaG's MTFP (when developed) setting out the impact the budget has on any funding gap identified in the MTFP.

There have been numerous changes in the finance function in recent years. From April 2019, the former Head of Internal Audit left his post and assumed the Head of Finance role on a part time basis.
However, there needs to be consideration about whether the former Head of Internal Audit is the correct person long-term given his long association with BnaG and the implications that this has for succession planning.

We have raised concerns that there is no committee in the organisation which has formal responsibility for assessing financial performance. We recommended that the terms of reference of the Audit and Risk Management Committee be reassessed to include explicit reference to monitoring ongoing financial performance and planning of the organisation, or that a separate Finance Committee is established, if considered appropriate.

Audit dimensions (continued)

Governance and transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our interim report looked at the following areas of governance and transparency:

- The vision of BnaG
- The appropriateness and effectiveness of governance arrangements
- The governance framework
- Roles and responsibilities of the Board and management
- Management of risk
- Internal audit
- Openness and transparency

Overall conclusions

Improvements in the reporting and communication of progress against the vision, both internally and externally, are needed. There is significant room for improvement with regards to meaningful engagement with staff on the direction of the organisation. Improvements in organisational cohesiveness, a collective endeavour to drive progress against the vision and achieve the objectives of the organisation are required.

There is substantial development required in the leadership of BnaG, particularly in relation to clarity, consistency and capacity of leadership. While training has been provided to the SMT, a formal review to identify training needs of the SMT needs to be carried out. The SMT needs to improve their skills and competencies in relation to change management and organisational change, in order to respond to the issues facing the organisation.

There needs to be considerable changes in BnaG's attitude in relation to openness and a clear focus on transparency. There is general consensus that the existing Committee structure and governance arrangements are not fit for purpose. In order to address these issues and ensure they do not recur, the Board needs to establish a programme for reflecting on its own performance and of the performance of the Committees in the organisation, in addition to assessing the performance of management.

BnaG needs to address the lack of clarity on the roles and responsibilities of Board members, the SMT and the Sponsor Division. This is important to ensure the effectiveness of governance, decision-making and scrutiny. The Board needs to institute clear procedures for compliance with, and monitoring of, its Code of Conduct and Standing Orders, given the breaches of these key governance documents identified through our work.

Following recommendations made in our 2016/17 and 2017/18 annual audit reports, we are pleased to note that improvements have been made to BnaG's management of risk. However, there remain areas for improvement, particularly in relation to financial matters. In addition, there is concern that BnaG is not able to assess the severity of the risks and appropriately prioritise actions.

Board members and officers in general observe high standards of conduct and behaviour. The CEO is to be commended for her dedication to the organisation. However, there are several instances where standards of behaviour have fallen below acceptable levels with insufficient action to address these taken by the SMT or the Board itself. Such issues need to be dealt with appropriately to ensure that they do not recur.

Each of the above points were considered as part of our interim report, accepted by the Committee and management have agreed an improvement plan to address these areas.

Audit dimensions (continued)

Value for money

Value for money is concerned with using resources effectively and continually improving services.

Our interim report looked at the following areas of value for money:

- Commitment to, and prioritisation of, improvement

Demonstrating value for money in the use of resources

In 2018/19, BnaG approved three-year funding agreements with a number of Gaelic organisations who receive regular funding from BnaG, known as Main Funded Organisations ('MFOs'). In theory, moving to three-year funding agreements would suggest a more efficient use of BnaG's time: instead of having to consider grant applications from organisations on an annual basis, this can be done tri-annually. Management have confirmed that there were informal discussions held with the MFOs for over a year prior to progressing with the funding agreements. Throughout this period, the Board was kept informed of progress. The benefits to the MFOs of moving to three-year agreements are obvious, primarily relating to security of funding and enabling them to plan over the medium-term and better align their plans to BnaG's Corporate Plan. All of these are welcome improvements.

There are a number of areas for improvement with the process employed by BnaG which would better demonstrate the effectiveness and the economy of the resources used.

1. There should have been discussions at a wider-stakeholder level, considering the impact that moving bodies onto three-year funding agreements could have on other bodies which may apply for funding, as it essentially reduces the pool from which they can be awarded funding. This will become particularly important if BnaG's funding continues to be restricted or is reduced in any way. The reason for this is that in the agreements, BnaG has committed to abiding by these agreements to the extent that they have "available funds" and it has "obtained sufficient funding from its Sponsoring Departments at the Scottish Government". Consequently, any reduction in funding available to BnaG will impact the bodies not included in these agreements first and these bodies only thereafter. Given this and the potential impact this could have on those organisations and community groups, they should have been consulted on the proposed change in approach.

2. BnaG should have carried out a review of the effectiveness of the use of resources by the bodies applying for three-year funding, compared with other organisations. BnaG should be able to link the desired aims of grant funding with its Corporate Plan outcomes and should be able to monitor the impact that grant funding is having on delivering those outcomes. In order to justify the move to three-year funding agreements - with a potential reduction in funding for other bodies – BnaG should be able to demonstrate that for every pound awarded to the MFOs, the outcomes achieved are better than for every pound awarded to other organisations and community groups. BnaG has a greater demand for grants than it has funding available, and so being able to determine which organisations - or which types of organisation - have a history of being more effective is an important metric on which to base the awarding of grants.

3. In the paper presented to the Board and the accompanying presentation, it should have been made clear what the history of compliance with grant conditions and requests for information from the applicant MFO was. In the absence of this information, it is difficult for the Board to assess whether approving a three-year funding agreement represents a good use of resources.

4. The level of funding provided to each body in the three-year funding agreements remains static year-on-year. While BnaG has included a requirement to report on how the body is delivering against its Corporate Plan - and this is welcome - it has not noted specifically what areas of the Corporate Plan it expects to be progressed by each grant each year. It would be more beneficial to identify where each MFO is expected to contribute against the Corporate Plan - and what % of the funding is expected to be used towards each outcome - so that the Board can identify how much is expended against each outcome each year. This, combined with #2 above, will enable the Board to identify areas of under performance and to understand them (whether under performance is due to a lack of resources or a lack of effectiveness) and to prioritise and align resources accordingly, demonstrating an economic use of resources.

Audit dimensions (continued)

Value for money (continued)

Demonstrating value for money in the use of resources (continued)

Before entering any further multi-year agreements, BnaG should:

1. Carry out a wider stakeholder consultation on the revised approach to grant funding and assess the potential impact on wider Gaelic organisations and the wider Gaelic community.

2. As part of the monitoring of the three-year funding agreements, management should review the effectiveness of the grants awarded to the MFOs against grants awarded to other bodies, in order to inform future decision making. This analysis should be updated on an ongoing basis to enable more informed decision making.

3. When management or the Board are considering applications for grant funding, there should be explicit reference to the history with the applicant: how much they have previously been awarded; what they were expected to achieve, what they actually achieved, how that contributed to BnaG's Corporate Plan, and whether there were any issues in the past. It should not be assumed that management or the Board are aware of these matters, it should be explicitly considered and weigh on the decision making process.

Finally, in the annual review of the three-year funding agreements, BnaG should reconsider specifically which elements of the Corporate Plan it expects to be progressed through each three-year funding agreement, and to what extent. KPIs - which link back to outcomes, as opposed to outputs as currently included in the agreements - for monitoring of the three-year funding agreements should be agreed to improve monitoring of performance and to enable the Board to identify areas of under performance and take action as necessary.

Improvement of outcomes

From review of the three-year funding agreements, we note the following:

1. Only 18 of the 96 requirements included in the three-year funding agreements include any element of improvement year-on-year. For some bodies, this means that the targets remain the same from 2019/20 through to 2021/22, whereas for others there is improvement expected across over half their targets each year. Given that, as discussed on page 21, the funding for each body is essentially static throughout the three-year period, it is not clear why only a small number of the bodies are expected to demonstrate improvement and achieve higher targets throughout the period covered.

2. A number of the targets are vague - including terminology such as "aim to", arranging "work experience" with expected length not specified, "new resources" but not specified what these should be, what they should relate to or how extensive they should be, "developing" but not defining what would be sufficient to meet this criteria, etc.

3. The funding agreements include reference to the Corporate Plan but the outcomes expected to be improved are not set out. The three-year funding agreements do not themselves need to have anticipated outcomes included - as BnaG can monitor compliance through outputs - but the Board should monitor the value for money of the agreements against outcomes. This will enable better monitoring as, for example, if the Board note that a high proportion of the 96 requirements relate to improving the number of people who agree with the statement "Gaelic makes a difference to my life" and yet the KPI in that area is either not achieved or under achieved by comparison to other KPIs and the level of resources expended against it, this would suggest to the Board that either the targets are not effective, not being met, or the bodies are not using the resources effectively and the Board could then align resources accordingly to ensure it achieves against the outcomes in its Corporate Plan.

Audit dimensions (continued)

Value for money (continued)

Improvement of outcomes (continued)

As part of the annual review of the three-year funding agreements, BnaG should:

1. Consider whether the targets for each body demonstrate a commitment to continuous improvement, as required under the duty to secure Best Value. Where targets do not include an element of improvement, the reason for this should be clearly set out.

2. Ensure that the targets set for each body are clear and measurable, with an agreed understanding between BnaG and the body receiving funding.

3. Set out which element of the Corporate Plan each target is expected to progress.

Overall conclusions

BnaG has developed an improvement plan drawing together our findings and recommendations from other reports. In line with good practice, we recommend that BnaG maintain this clear and concise improvement plan, updating it on a continuous basis and presenting it to the Board on an annual basis at a minimum. This improvement plan should be informed by self-assessments, staff surveys, stakeholder surveys and national reports.

The adoption of new three-year funding agreements with Gaelic organisations is an innovative approach which has been implemented by BnaG for 2019/20. In order to ensure that these agreements demonstrate value for money, BnaG should enhance the process for awarding future multi-year awards by ensuring that: the potential impact on the wider Gaelic community is assessed through stakeholder consultation; the effectiveness of the organisations receiving funding is assessed and compared and the history of grant applicants is explicitly considered in the decision making process.

In order to demonstrate a commitment to continuous improvement, BnaG should review the targets agreed as part of the multi-year agreements, ensuring that appropriate improvements are embedded into any agreements and justification is provided where targets are static. Targets should be clear and measurable and BnaG should ensure that they are linked to specific outcomes in the Corporate Plan to enable better internal monitoring of the impact that the use of resources is having on outcomes achieved.

Audit dimensions (continued)

Other specific risks

As set out in our Audit Plan, Audit Scotland identified a number of areas as significant risks faced by the public sector. We have considered these as part of our audit work on the four audit dimensions and summarised our conclusions below.

Risk	Areas considered	Conclusion
EU Withdrawal	We have assessed what work BnaG has done to prepare for the impact of EU withdrawal, specifically considering people and skills, finance, and rules and regulations.	BnaG does not anticipate being impacted directly by EU Withdrawal to any significant degree. BnaG has identified that there will be no direct impact on its employees or recruitment prospects, no direct impact on its finances and no direct impact on its operations arising from changes in rules and regulations. The primary impact on BnaG is anticipated to be through other Gaelic bodies and Gaelic communities, which may require additional support to replace the potential loss of EU funding. The loss of support for Gaelic communities could reduce the future pool of potential recruits through emigration from Gaelic speaking areas. Given the low direct impact anticipated and the level of uncertainty, we are satisfied that BnaG has appropriately prepared for EU Withdrawal and has appropriate arrangements in place.
Changing landscape for public financial management	As part of our audit work on financial sustainability (see page 18) we have considered how the Board have reviewed the potential implications of the Scottish Government's MTFS for its own finances, including long term planning.	Within BnaG's Corporate Plan and budget, the Scottish Government's MTFS is not mentioned. It is not clear from reviewing BnaG's plans how they are consistent with the MTFS and such a link needs to be made clearer in any revised versions. Further, BnaG's Corporate Plan and MTFP should make reference to the key principles of public service reform - prevention, performance, partnership and people - and how these key principles contained within the MTFS are reflected in BnaG's financial planning, and how BnaG intends to align its resources to these key principles or monitor progress against them.
Dependency on key suppliers	We obtained a detailed breakdown of expenditure by supplier and performed and performed an analysis to identify if there were any risks of dependency on key suppliers.	No specific risks of key supplier dependency have been identified. While BnaG has a number of key suppliers, these are in relation to bodies receiving grant funding from BnaG or public bodies providing services to the organisation and their functions would be assumed by another body if they ceased to exist.
Openness and transparency	We have considered BnaG's approach to openness and transparency as part of our work on governance and transparency (see page 20).	This has been considered in detail in our interim report, with overall conclusions set out on page 20 of this report.

Appendices

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit & Risk Management Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report;
- Our internal control observations; and
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit & Risk Management Committee and Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Pat Kenny

for and on behalf of Deloitte LLP

Glasgow

6 August 2019

Audit adjustments

Summary of corrected and uncorrected misstatements and disclosure deficiencies

Corrected misstatements

		Debit/(credit) SoCNE £k	Debit/(credit) in net assets £k
Misstatements identified in current year			
Classification of payables	*[1]*	-	-
Classification of debtors	*[2]*	-	-
Classification of accruals	*[3]*	-	-
Under-accrual of audit fee	*[4]*	2	(2)
Under-accrual of year end expenses	*[5]*	4	(4)
Over-accrual of grant income	*[6]*	15	(15)
McCloud judgement	*[7]*	-	-
Total		**21**	**(21)**

[1] We identified creditors balances within the accruals ledger. An extrapolation has been performed and an adjustment of £26,011 raised to correct the misclassification. This is purely a classification issue and has no impact on net achievement of financial targets or the net asset position.

[2] We identified debtors balances within the prepayments ledger. An adjustment of £5,000 to correct this misclassification has been posted. This is purely a classification issue and has no impact on net achievement of financial targets or the net asset position.

[3] An error was identified whereby the full credit card liability was recorded as a payable (£9,004), despite an invoice only being received for £5,780 - the remainder therefore should correctly be recorded as an accrual. An adjustment of £3,224 has been posted to correct this misclassification. This is purely a classification issue and has no impact on net achievement of financial targets or the net asset position.

Audit adjustments (continued)

Summary of corrected and uncorrected misstatements and disclosure deficiencies (continued)

Corrected misstatements (continued)

[4] The amount recorded in relation to the audit accrual was understated by £2,095 due to an incorrect recording of the amount paid to date. Although individually clearly trivial, the error has been posted as the amount is qualitatively material and impacts on the achievement of financial targets.

[5] We identified three invoices which were not recorded in year end liabilities or expenditure, for which a total adjustment of £3,790 has been posted.

[6] BnaG received funding of £25,000 from Creative Scotland to put towards the Gaelic Arts Fund. From this funding, BnaG awarded funding to a number of projects spanning 2018/19 and 2019/20. BnaG accrued the full £25,000 grant funding from Creative Scotland as it has not yet received the grant. However, as BnaG is funding projects from this award spanning 2018/19 and 2019/20, a portion of the income should not be treated as accrued for the year ended 31/3/2019. It should not be recorded at all as BnaG has neither received nor earned the income. An adjustment of £15,099 has been posted to correct this misstatement.

[7] The McCloud judgment has been confirmed as final following the Supreme Court's refusal of leave for the UK Government to appeal the ruling. This has resulted in the pension liability being adjusted to account for the impact of this judgment, with a corresponding increase in the pension reserve. The impact of this is a £47,000 increase in both the liability and the reserve.

Uncorrected misstatements

No uncorrected misstatements have been identified from our audit work performed to date.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable the Committee to evaluate the impact of those matters on the financial statements. While we have identified a number of changes in relation to the remuneration report, these have been corrected by management. We have noted no uncorrected material disclosure deficiencies in the course of our audit work to date.

Improvement plan

Recommendations for improvement

We have prepared a detailed improvement plan, in conjunction with management, as set out in our separate paper accompanying this report. In this improvement plan, we made 44 recommendations, as follows:

Wider audit dimension	Recommendations made
Financial sustainability	6
Financial management	3
Governance and transparency	29
Value for money	6

We will follow up these recommendations and report to the Committee on progress as part of our 2019/20 audit.

No recommendations have been made arising from our financial statements audit. This is because management have already instituted changes to address the internal control finding regarding the preparation of the financial statements, as set out on page 13.

Improvement plan (continued)

Follow-up 2017/18 improvement plan

We have followed up the recommendations made in our 2017/18 annual and are pleased to note that four of the total six recommendations made have been fully implemented and one has been partially implemented. The remaining recommendation's target date has been revised in light of changes in the year. We will continue to monitor outstanding recommendations as part of our 2019/20 audit work.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2017/18 Update
Risk Register	The Senior Management Team and Audit & Risk Management Committee should consider each of the risks and the actual likelihood of these risks materialising at each point in time, rather than leaving a constant 'likelihood' score without amending for new evidence/matters arising.	Management confirmed that a new risk management process is in the final stages of development.	CEO	30/09/18	High	*Fully implemented:* A revised risk register and risk management process has been developed.
Fraud Policy	We recommend that BnaG consider implementing an anti-fraud policy, outlining the roles and responsibilities of all staff, processes for identifying and responding to any fraud (alleged, suspected or actual) and other related issues.	Management acknowledged this and has agreed that an anti-fraud policy should be developed, in addition to the anti-bribery and anti-corruption policies already in place.	CEO	31/09/19	Medium	*Fully implemented:* Policy considered by the Audit & Risk Management Committee in March 2019 and approved by the Board in June 2019.
Budget Setting	Budgets should be based on the latest available actual figures, rather than prior budgets. Further, sensitivity analysis and scenario planning should be carried out to ensure the robustness of the budget given the tight financial constraints in place.	Management have acknowledged that improvements could be made to the budget setting process and agreed to implement these recommendations going forward.	Head of Finance	31/01/19	Medium	*Partially implemented:* The 2019/20 budget was agreed based on actual spend in 2018/19, adjusted as appropriate. Scenario planning and sensitivity analysis still need to be embedded into the budget setting process. This will be monitored as part of our updated recommendation on medium-term financial planning made in 2018/19.

Improvement plan (continued)

Follow-up 2017/18 improvement plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2017/18 Update
Fraud	BnaG should require that all changes in payment details for suppliers/grant organisations are accompanied by a written confirmation of the new banking details from the main contact at the supplier/grant organisation. Until this confirmation is received, BnaG should refrain from making payments to the new bank.	Management agreed that this is an issue which is topical and a process which should be implemented.	CEO	30/09/18	Medium	*Fully implemented:* A system is in place whereby any changes in payment details are verified in writing and follow up by a phone call by the Finance Administrator.
Grants	A consistent control approach should be developed for grants.	Management agreed that a consistent policy should be instituted.	Finance Administrator	30/09/18	Low	*Fully implemented:* A consistent policy and control is now applied across all grants awarded by BnaG.
Leases	In preparing for IFRS 16, BnaG should consider the potential benefit of renegotiating the agreement with Scottish National Heritage so as to render the lease a year-to-year agreement rather than two years, thus allowing BnaG to continue the current practice of expensing rent as it is incurred.	Management confirmed that compliance with IFRS 16 will be considered in 2018/19 and consideration given to the possibility of renegotiating the agreement with SNH.	CEO	31/03/19	Low	*Not due:* Negotiations are in progress and have been followed up in April 2019. As the implementation of IFRS 16 has been delayed until 2020/21, the target date for implementation of this recommendation has revised. We will follow up progress on this recommendation in our 2019/20 audit. **Updated target date:** 31/03/20

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning we identified the achievement of expenditure resource limits and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit & Risk Management Committee on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No concerns have been identified regarding fraud.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	The audit fee for 2018/19, is £40,000 as broken down below: £ Auditor remuneration 37,130 Audit Scotland fixed charges: Pooled costs 2,300 Audit support costs 570 **Total agreed fee** **40,000** No non-audit fees have been charged by Deloitte in the period.
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We are not aware of any relationships which are required to be disclosed.

Deloitte perspectives

Talking Public Sector: Our podcast series on government and public services

Our podcast explores the big challenges facing the public sector, how citizens want the public services to be run and what the future holds by drawing on expert opinion and exclusive research. Aimed at anyone who works in or with the public sector, this podcast brings together leaders from government and the public services, industry experts and commentators to provide an insights on the big issues facing public bodies in the UK and around the world.

Listen and subscribe to Talking Public Sector:

https://www2.deloitte.com/uk/en/pages/public-sector/articles/talking-public-sector.html

Tech Trend 2019: A Government and Public Services Perspective

Our recently published 10th edition of the Tech Trends report reflects on a decade of disruptive change and demystifies the future of digital transformation. The story of technology trends is inseparable from the story of the public sector.

Technology can help make government more effective by protecting and maintaining infrastructure, creating more personalised and secure citizen interactions, or automating tasks so workers can focus on more value-added jobs.

As leaders work to reshape their organisations and realise these possibilities, they rely on fresh, relevant insights. We are delighted to share our perspective which provides a UK Government and Public Services lens on Deloitte's *Technology Trends 2019: Beyond the digital frontier.*

https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-tech-trends.html

Digital government: It's all about the people *a view from Government and Public Sector Lead Partner, Rebecca George*

Deloitte has published our third Digital Disruption Index. Based on a survey of the UK's most senior digital leaders from both private and public sectors, the index explores levels of digital maturity in their organisations. The results reinforce my belief that the defining factor in getting digital right is not the technology – which of course needs to deliver – but is people: the people who lead digital transformation and the people with the skills to make it happen.

Read Rebecca's full view at:
https://www2.deloitte.com/uk/en/pages/public-sector/articles/digital-government-all-about-people.html

The Digital Disruption Index is available online:
https://www2.deloitte.com/content/campaigns/uk/digital-disruption/digital-disruption/digital-disruption-index.html

One of the key insights is around Artificial Intelligence (AI) which is increasingly a strategic priority. After Cloud, Cyber-security and Data analytics – three foundational digital pillars – respondents to our survey rated AI as the most important technology to their digital strategy.

The use of advanced data science, whether explicitly AI or a combination of AI, Robotic & cognitive automation (RCA) and Data analytics, is at the centre of much current debate about ethics and the societal impact of digital technology. A significant number of senior leaders seem unaware of these ethical considerations. We believe that what is unethical in the real world is unethical in the digital world, and we explore how organisations are able to make AI decision-making as transparent as human decision-making.