Bòrd na Gàidhlig

Report to the Audit and Risk Management Committee – Leadership and Governance

Issued on 30 May for the meeting 20 June 2019

Contents

Introduction

The key messages in this report

I have pleasure in presenting our report to the Audit and Risk Management Committee of Bòrd na Gàidhlig ('the Bòrd', 'BnaG') as part of our 2018/19 audit responsibilities. I would like to draw your attention to the key messages from this paper:

Background

As set out in our plan which was presented to the Audit and Risk Management Committee in March 2019, we identified a number of risks that we have considered as part of our 2018/19 wider audit dimensions work, with particular focus on the audit dimension "governance and transparency".

These risks were not identified as part of our 2017/18 audit work and as a result applied the small bodies' exemption in line with the Code of Audit Practice. Following the release of a staff survey in early 2018/19, with subsequent actions by the Bòrd (including an independent HR review, all-staff meetings and changes in the governance structure), changes in senior management team and concerns being raised with us through our audit planning work, we concluded that a full wider scope audit should be applied in 2018/19.

Scope of review

The scope of our review, as agreed with the Chief Executive Officer ('CEO'), focused on the following key areas.

Vision and Leadership:

- vision and objectives of the organisation; and
- capacity, skills and resources to deliver the strategic objectives.

Governance and Accountability:

- effectiveness of governance, decision-making and scrutiny;
- Board members and senior management's roles and responsibilities;
- management of risk; and
- Board members and management behaviour.

As part of this review we met with each member of the Senior Management Team ('SMT'), a sample of Board members, the Head of Internal Audit, a sample of staff and the Trade Union Representative. In total, 36% of Board members and 56% of employees were interviewed. We observed an SMT meeting and a meeting of the People Committee in January 2019, and a Board meeting in February 2019. Through these meetings and attendance at various meetings, two thirds of those working in BnaG have been involved in informing this audit. The views attributed to Board members and staff throughout this report are the views communicated to us through these interviews, corroborated by evidence as outlined below.

Following our detailed interviews as noted above, representing two thirds of all those in the organisation, we obtained and reviewed evidence – both complementary and contradictory – to support our judgements and conclusions which are contained within this report.

We have structured our report to cover each of the bullets above under two key areas:

"Vision and Leadership"

"Governance and Accountability"

Overall Conclusion

While not within the scope of this audit, the Bòrd has reported making a positive contribution to Gaelic and significant achievements in recent years. However, the 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'). While we recognise work recently commenced in response to many issues raised in this report, fundamental change is needed to ensure that the Bòrd is fit for purpose.

A summary of our conclusions against each area considered as part if this audit is provided on page 4.

Introduction

The key messages in this report

Overall conclusion (continued)

Vision and objectives - While the vision is accepted and agreed by all relevant parties, improvements in the reporting and communication of progress against it, both internally and externally, is needed. This would enhance the ability of the Board to properly hold management to account for their performance. There needs to be a greater focus on the vision and improvement in awarding grant funding. This was raised in an independent review in 2013/14, but meaningful progress has not been made. There is significant room for improvement with regards to meaningful engagement with staff on the direction of the organisation. All of these issues manifest themselves in a lack of cohesiveness and a lack of collective endeavour to drive progress against the vision and achieve the objectives of the organisation.

Capacity, skills and resources – There is substantial development required in the leadership of BnaG, particularly in relation to clarity and consistency of leadership. This is as a result of the SMT failing to work corporately and collaboratively as a team, compounded by a lack of capacity within the SMT and the lack of administrative support for them as a management team – with these latter two issues being as a direct result of a lack of any future-focussed workforce considerations or succession planning. 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 significantly improve their skills and competencies in relation to change management and organisational change, in order to respond to the issues facing the organisation. The Board, SMT and staff should work together to create a clear, concise, organisation-wide Improvement Plan to prioritise the action needed to drive change, with appropriate governance structures put in place to monitor this.

Governance, decision-making and scrutiny – There needs to be considerable changes in BnaG's attitude in relation to openness and a clear focus on transparency. We note that there have been numerous changes to the governance framework and financial governance arrangements in recent times. However, these were on an ad-hoc basis, rather than as a result of a systematic review of the effectiveness of the governance framework. 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.

Roles and responsibilities – 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, of which we have raised concerns throughout this report. 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.

Management of risk – 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. There has been no progress in addressing the issues represented by the running costs cap which is increasingly unsustainable, and there also needs to be increased consideration of the value for money requirements when issuing grants (particularly to the main funded Gaelic bodies). In addition, there is concern that BnaG is not able to assess the severity of the risks and appropriately prioritise actions.

Board members' and management behaviour – 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. The overriding need to protect the organisation from negative attention meant that these issues were ignored and tolerated, rather than dealt with appropriately to ensure that they do not recur.

Our detailed findings and conclusions are included on pages 6 to 42 of this report.
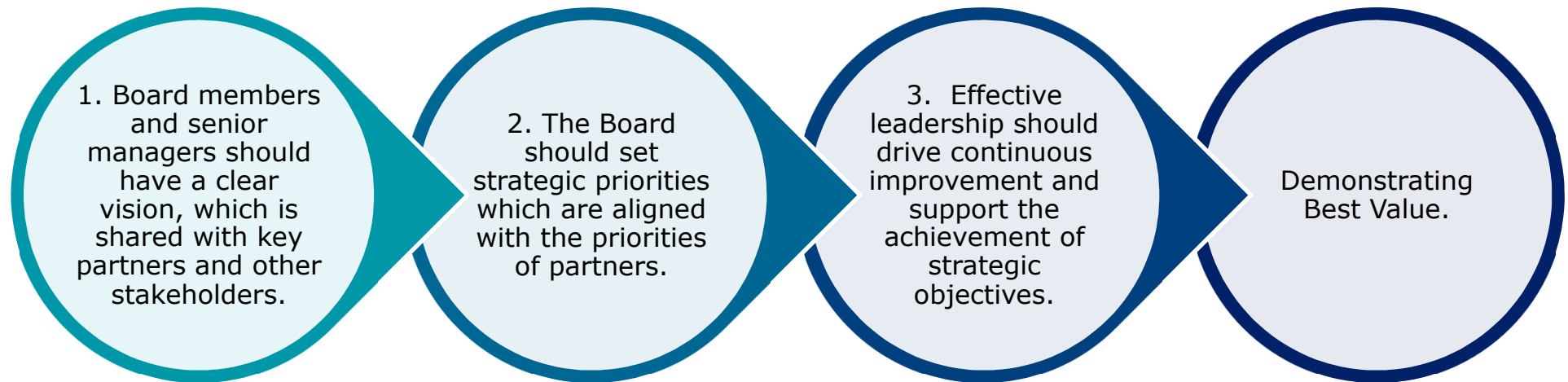
Next steps

Given the serious nature of the findings of this report, it is imperative that BnaG works together to develop a detailed improvement plan – including but not necessarily limited to the recommendations throughout this report – with an associated implementation framework and a clear governance structure to oversee improvement at the organisation.

Pat Kenny
Audit Director

Vision and Leadership
Introduction

Effective Board and managerial leadership is central to delivering best value, through setting clear priorities and working effectively in partnership to achieve improved outcomes. Leaders should demonstrate behaviours and working relationships which foster a culture of co-operation and a commitment to continuous improvement and innovation.

1. Board members and senior managers should have a clear vision, which is shared with key partners and other stakeholders.

2. The Board should set strategic priorities which are aligned with the priorities of partners.

3. Effective leadership should drive continuous improvement and support the achievement of strategic objectives.

Demonstrating Best Value.

Vision and Leadership (continued)
Vision and objectives

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Areas considered

The vision and objectives of the Bòrd. We have assessed the commitment of the Board and SMT to the vision and objectives agreed by the organisation and the direction they provide on it. We have considered whether the vision and objectives of the Bòrd are reflected on and progressed by partner organisations, the communication of the vision and progress against it to staff, and the engagement of staff in the Bòrd.

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Partners' objectives and performance

Although the vision is communicated by BnaG in grant award letters, it is unclear to what extent funded bodies and other stakeholders reflect the vision of BnaG in their own delivery plans. While funded organisations have always been required to delivery quarterly or six-monthly reports, we have seen no evidence of checks being carried out by BnaG against the corporate plan, which raises value for money concerns. We do note, however, that included in the recently approved three year funding agreements is a requirement for funded bodies to present quarterly reports on how they are delivering BnaG's Corporate Plan. This change is to be welcomed and enforcement of this will be key.

An independent review was commissioned by BnaG in 2013/14 and noted that "the role and relationship of the Main Gaelic Organisations with the Bòrd requires review as it is possible the current arrangement may not be providing optimal support in implementing the NGLP (National Gaelic Language Plan) or best value for money". There is no evidence of such a review being carried out.

Given these issues, and the fact that the 'main' funded bodies which are currently funded have received unbroken funding since BnaG was established in 2003, it is unclear how BnaG is actively developing the wider Gaelic organisations and community in line with its strategic priorities. The move towards three year funding agreements will allow these bodies to plan better, but carries a risk that they will fail to improve services as funding has already been agreed in principle and is more difficult to withdraw. The targets included in the three year agreements are flat, with no requirement for ongoing improvements by the funded bodies.

The three year funding agreements have been progressed, following the example of a similar organisation. However, this does not take into account the different obligations that BnaG has as an NDPB for Best Value which do not apply to other organisations. It also fails to take into account the differences in norms for grant funding (applicable to BnaG). We will consider the value for money implications of these funding agreements as part of our wider scope audit work and will report on this in our report to the Audit and Risk Management Committee in August 2019.

> "The role and relationship of the Main Gaelic Organisations with the Bòrd […] may not be providing optimal support in implementing the NGLP or best value for money."

- Independent review, August 2013

Communication and reporting

From our interviews with management, we note that the SMT - which reports to the Board members – is of the view that the vision is appropriately communicated and progress sufficiently reported on; whereas Board members feel that a greater focus on the vision is needed. The focus of Board reporting needs to be prioritised to ensure that progress on the vision is considered as a standing item at each Board meeting, particularly through review of progress against the Operational Plan for the year.

Given the importance of staff in delivering the vision, it is equally important that such progress is communicated with staff. This can be addressed to some degree by changing Committee and Board meetings from being private to public (see page 24). There also needs to be a formal structure for reporting back to staff on how progress is being made. From interviews with staff, there is no evidence of this currently happening. We note that staff are informed that Board and Committee papers are available for their perusal, but this is not sufficient and does not constitute "communication" of progress. We welcome recent initiatives by management (such as holding an all-staff workshop to develop the 2019/20 Operational Plan and review the Corporate Plan). The benefit of such events can be improved by making agendas and documents available prior to the day (page 7), a recommendation we made to BnaG through our work and which we are pleased to note was addressed for a similar event in April.

Vision and Leadership (continued)

Vision and objectives (continued)

Employee engagement

There are significant areas for improvement with regards to employee engagement. There is an increasing expectation gap between the Board, SMT and staff on what level and type of engagement is appropriate. This has reflected itself in high levels of staff dissatisfaction, turnover, difficulties in filling vacancies and staff absence. Absence levels increased in 2017/18 from 3% to 4.3% (which is slightly above the UK public sector average), with vacancies at management level increasing from none in 2017/18 to 3 in 2018/19 on a comparable basis. We note that the Head of Finance role was not considered a management position in 2018/19 (due to outsourcing) but this has been filled in 2019/20, and that a decision was taken by the Board in February 2019 to outsource the Head of Communications & Promotions role following the vacancy arising in December 2018.
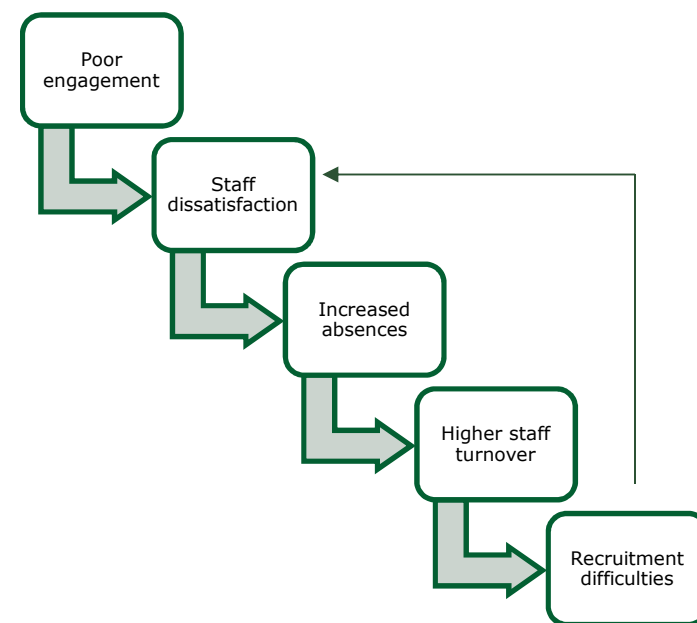
The CEO agrees that there is an expectation gap in the organisation on what information staff should and do have. The Board is aware of this disconnect and acknowledges that there are obvious communication issues, as highlighted in the staff survey in May 2018. We note from the high-level findings of the staff survey in May 2019 that only minor improvements have been noted in the year.

It is apparent from our work that there is a lack of understanding on the part of management of what 'engagement' actually means, and how workforce expectations have evolved with regards to this in recent years. Actions are done to, rather than with, staff. For engagement to really be meaningful, management need to listen to staff and there has been limited action to date on addressing this key point. While the organisation has started a number of initiatives – such as re-instating the staff surveys, Investors in People, a 'People Committee', a 'Values' working group, staff conferences – the Board has only recently started a consultation with the Trade Union representative on agreeing how management and staff can work together to develop the organisation further. The number of initiatives started by management without consultation with staff – and the slow pace of progress with them, with the Board missing a number of its own targets – risks undermining progress made, as discussed further on page 21.

Prior to all-staff meetings, agendas and papers should be provided in a timely manner to allow for appropriate contributions at the meeting. Following our recommendation while carrying out this review, we are pleased that management have taken action to improve in this area, with agendas and papers circulated to staff in a timely manner ahead of an April all-staff meeting, having not done so for similar meetings in October, January or March. Following all-staff meetings, contributions from staff should be collated and feedback provided to staff on how their discussions have impacted decisions made, or if not, why that is the case. Staff feel that they are not treated with respect, and these simple steps can help to resolve that.

There needs to be a higher level of engagement between Board members and staff, which can be addressed by opening up Committee and Board meetings to the public (page 24), while still respecting the boundary between strategic and operational responsibility. However, it is for management to ensure that employees are appropriately engaged, not the Board, particularly as the latter are not as informed of general staff feeling as management.

The importance of respecting the boundary between the Board and employees is evidenced by the ex-Chair not accepting staff collective decision making at an all-staff meeting, which demonstrated a lack of understanding of staff and had a significant detrimental impact on staff attitudes towards the Board and management, undermining the actions taken by the Board and management to address staff concerns.

Poor engagement

Staff dissatisfaction

Increased absences

Higher staff turnover

Recruitment difficulties

Impact of poor employee engagement

Vision and Leadership (continued)
Vision and objectives (continued)

Direction of Bòrd na Gàidhlig

There is a marked difference of opinion in BnaG on whether or not the leadership provide clear direction for the organisation. The SMT themselves understandably feel that they do provide such direction and leadership. Board members are split on whether or not effective leadership is provided, with some noting that it is and others feeling that it isn't. By contrast, staff are united in their feeling that the organisation is directionless, simply reacting and drifting from one crisis to the next.

From our audit work in previous years, we consider that a clear direction is provided by the CEO, who draws that direction from the NGLP and BnaG's own Corporate Plan. The key issue is a lack of consistency and cohesion in the direction and messages provided by the leadership. This is more an issue of the leadership not working collaboratively or corporately as a team (page 13) and failing to adhere to and provide a direction which is consistent with that set by the CEO, as evidenced by our interviews with staff. This raises questions about the influence of the CEO within the organisation (page 41).

It is important that the SMT are clear, provide a united front and dispel with the perception of inconsistencies in the direction of the organisation. Similar to 'collective responsibility' at government level, where there are disagreements on the direction of the organisation, this should be aired and considered at SMT level, with the direction decided arising from that and being respected by those who are responsible for providing it.

Communication of strategic choices

The leadership – both Board and management - believe that the strategic choices necessary to achieve the vision of BnaG have been identified and communicated with relevant stakeholders. For example, the Corporate Plan and Operational Plan involve staff in their development and are publicly launched and available. Board members are of the view that there has been a loss of focus on strategic choices, and staff note that communication on these issues has been reactive and only recently forthcoming. Although the Corporate and Operational Plans are useful starting points, BnaG as an organisation need to evaluate on an ongoing basis whether these remain appropriate and what actions it is taking to deliver them, or what further action will be taken if needed. Progress on these points should be communicated wider than just to Board meetings.

It is apparent from our work that decision making and communication is occasionally impacted by the fear of potential negative attention on the organisation. Decisions and communication are based on what will cause the least controversy, rather than what is best for the organisation. This cultural issue needs to be addressed to ensure that the organisation is taking the best steps possible to achieve its goals, rather than simply taking the choices which cause the least upset.

Private SMT discussion	→	Disagreements aired and decision reached at SMT level	→	All members of SMT publicly promote and adhere to agreed position

Collective responsibility of the SMT

Vision and Leadership (continued)

Vision and objectives (continued)

Holding management to account

The SMT are of the view that they are sufficiently held to account, with this improving in recent times. By contrast, those who are responsible for holding them to account (the Board) disagree with this. Staff do not feel that the SMT are held to account for their performance at all, with there being a clear disconnect between how staff performance and how SMT performance is managed. Although staff have appraisals performed by their line manager and have regular discussions on performance, there is limited evidence of this occurring for members of the SMT – as discussed below.

Board members are of the view that they are unable to properly scrutinise the performance of the SMT - as this could be seen as crossing into operational matters, and they are concerned of how the SMT would react and the potential negative consequences that would have on BnaG as an organisation. This is another example of how the decision which will cause the least controversy is the decision which is taken by BnaG (page 30) - even when it is evident that such a decision is causing harm to the organisation. This undernotes a wider issue of the lack of awareness of the role of the Board which can result in the Board being unnecessarily risk averse, discussed further on page 31.

Through our work, we found evidence of the Board failing to properly hold SMT to account – for example, the Chair failed to carry out a documented annual appraisal of the CEO in either 2016/17 or 2017/18 (i.e. since the current CEO took up post). As such, the CEO failed to have any documented appraisal throughout her tenure at the organisation. We are pleased to note that an appraisal of the CEO was conducted by the Interim Chair in February 2019, with this set to be reviewed in 2019/20. It is important that this is continued by the Interim Chair (or their successor).

We are aware of a change in the appraisal process which has been approved by the Board in 2018/19 (page 16). In order to improve scrutiny of performance of the SMT, comments arising from the new 360 degree appraisals and ongoing feedback should be collated for the SMT as a group, anonymised and shared with the Board and staff within BnaG, outlining points of strength and development points which have been identified. For the development points, the SMT as a body should outline how they will be addressing those areas so that staff and the Board can see how they are able to hold management to account for their performance.

Awareness and acceptance of the vision

The vision is sufficiently wide – colloquially referred to within BnaG as 'more people speak more Gaelic more often in more settings' - that it is easy to see how those working in the field of Gaelic preservation and development could agree with it. It is evident that the vision is agreed with and accepted by all relevant parties.

At the time of our audit work, the vision of the organisation as outlined on BnaG's website did not match the vision as set out in the Corporate Plan. Although the two 'visions' did not contradict each other, the agreed vision of BnaG should be the same in the Corporate Plan and elsewhere.

"Gaelic is seen and heard on a daily basis across Scotland, such that it is widely recognised as an integral part of Scottish life and a national cultural and economic asset."

'Our Vision' - Corporate Plan 2018-23

"A sustainable future for Gaelic as a healthy, vibrant language, increasingly used and respected in a modern, multicultural and multilingual Scotland."

'Our Vision' - Bòrd na Gàidhlig website

Vision and Leadership (continued)

Vision and objectives (continued)

Deloitte View

It is evident that the vision of BnaG is agreed with and accepted by all relevant parties. However, clarity in communication of the vision needs to be strengthened. There are questions about whether the relationship between BnaG and the main funded organisations is best placed to deliver the vision of BnaG and whether it represents value for money, with these concerns being raised separately in 2013/14, but no action was taken. The lack of embedded improvement requirements in the new three year funding agreements raises these value for money concerns again.

The reporting and communication of progress against the vision needs to be improved at all levels in the organisation. In general, there has been a breakdown of communication between the Board, SMT and staff in the organisation, driven largely by the lack of a culture of openness and transparency. There is a clear need to focus on meaningful employee engagement at BnaG, to help address the organisation's high levels of staff turnover, absence and vacancies.

Although clear direction for the organisation is provided by the CEO, there is an evident lack of cohesion at SMT level in driving this direction. It is important that the decisions and direction taken by the SMT – and the Board – are driven by what is best for the organisation and best achieves the vision of BnaG, rather than being driven by what is the least controversial option, as is occasionally evident at present.

The Board needs to implement clear processes to hold management to account for their performance. The Board historically provided a more supportive role to the CEO rather than one of constructive challenge. This is evidenced by the lack of appraisals of the CEO carried out by the Board in 2016/17 or 2017/18, although we are aware an appraisal has latterly been carried out in February 2019 following our comments in this area. It is important that the SMT are more open about their performance and we suggest that the SMT communicates development points and progress against them to the wider organisation as part of the change in the appraisal process instituted for 2019/20.

Vision and Leadership (continued)

Capacity, skills and resources

> **Areas considered**
> The capacity, skills and resources within the Bòrd to deliver the strategic objectives. We have considered the development of leadership skills and capacity, the awareness of and actions taken to address gaps in skills and resources, and the ability of the management team to work effectively as a corporate unit.

Size and structure of the SMT

At the time of the audit, the SMT consisted of three people - the CEO, the Head of Corporate Services, and the Director of Language Planning and Community Development. Historically, there have been a further three positions filled - Director of Gaelic Education, Head of Communications and Promotions and Head of Finance. While the Head of Finance role has now been filled (on a part-time basis), and the Board has agreed to outsource communications and promotions, and there is interim part-time support in Gaelic Education, these actions took a long time to address and this caused other issues (i.e., there was no internal audit function in place in April/May 2019 as the Head of Finance was the ex-Internal Auditor and there were delays in tendering for the internal audit service.) Where vacancies arise or are anticipated to arise, the Board needs to be clear on who has responsibility for all aspects of these roles on an interim basis and a clear plan needs to be developed as a matter of priority to address vacancies on a permanent basis.

We note with concern that management reached an agreement for the previous Head of Communications and Promotions and Head of Finance to leave BnaG without any plan in place for their replacement or who would carry out their functions following their departure. While alternative means for providing some of their responsibilities were implemented, this displays a general lack of foresight and planning for foreseeable consequences.

BnaG recognises that there is a need to develop the capacity of management in the organisation. There needs to be a clear progression of plans to address this as opposed to sticking by existing policies and procedures, expecting different outcomes. There needs to be an innovative approach to addressing the issues that BnaG faces at this level. For example, the SMT need to critically evaluate their workload and identify areas of work which can be delegated to staff in the interim, empowering staff and enabling them to step up and become the next generation of leaders for the organisation.

BnaG needs to review its management structure against its remit, and have clear roles and responsibilities laid out. This must involve a critical evaluation of the current roles within SMT, whether those roles are appropriate or would be better split into other roles (or merged), and the level at which those roles sit (i.e. whether or not there is a case for having a layer of 'middle management'). This review should be carried out by a person independent of the organisation. We are pleased to note that during our audit work, a tender for a review of the management structure was presented to and approved by the Board in February 2019. Further, there was encouraging evidence of effective challenge and scrutiny of the remit of the scope of the proposed review by Board members.

Given the nature of the vacancies at SMT level (notwithstanding the temporary, part-time, lower-level posts filled by management) - and across BnaG as a whole - and the historically high level of turnover at BnaG, the requirement for Gaelic as a prerequisite for working at BnaG needs to be reconsidered. Whilst we understand that it is important that the body responsible for Gaelic development is seen to be 'living' the message, it is more important, especially in difficult times such as this, that the roles are being filled and the work is being carried out effectively. Further, insofar as those who join make a commitment to learning the language - and that commitment is enabled and supported by BnaG as an employer - then it is arguable that BnaG is taking active steps to deliver its own vision of "more people speak more Gaelic more often" by attracting new learners of the language. This change, however, will need careful management in how it is presented - both internally and externally.
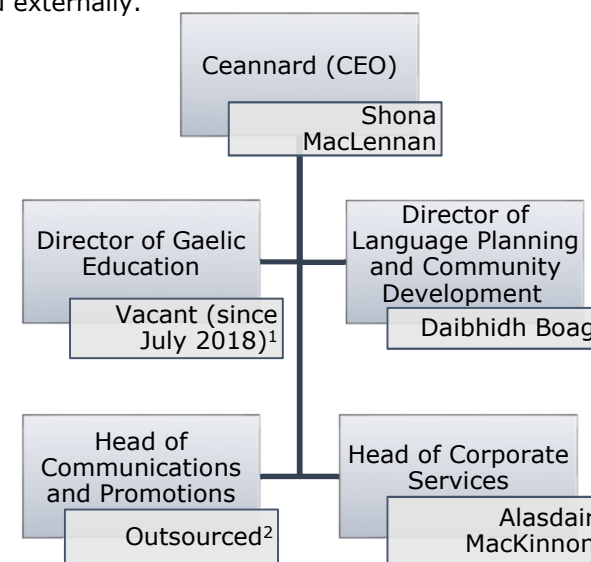

SMT structure 2018/19

1. External interim support being provided on a part-time basis; not a member of SMT.
2. The functions of the Head of Communications/Promotions were carried out by a Communications & Events Manager until from May 2017 to December 2018, with the role being outsourced from March 2019.

Vision and Leadership (continued)

Capacity, skills and resources (continued)

Comparable SMTs

To inform discussion at BnaG, we have included below a comparison between BnaG and eight other public bodies (specifically other Non-Departmental Public Bodies and Commissioners) in terms of the size of their SMT and the percentage of overall staff costs which are spent on SMT posts. This comparison is based on 2017/18 information.

SMT to staff ratio

Legend: ☐ SMT : Staff (FTE)   ☐ SMT : Staff (Spend)
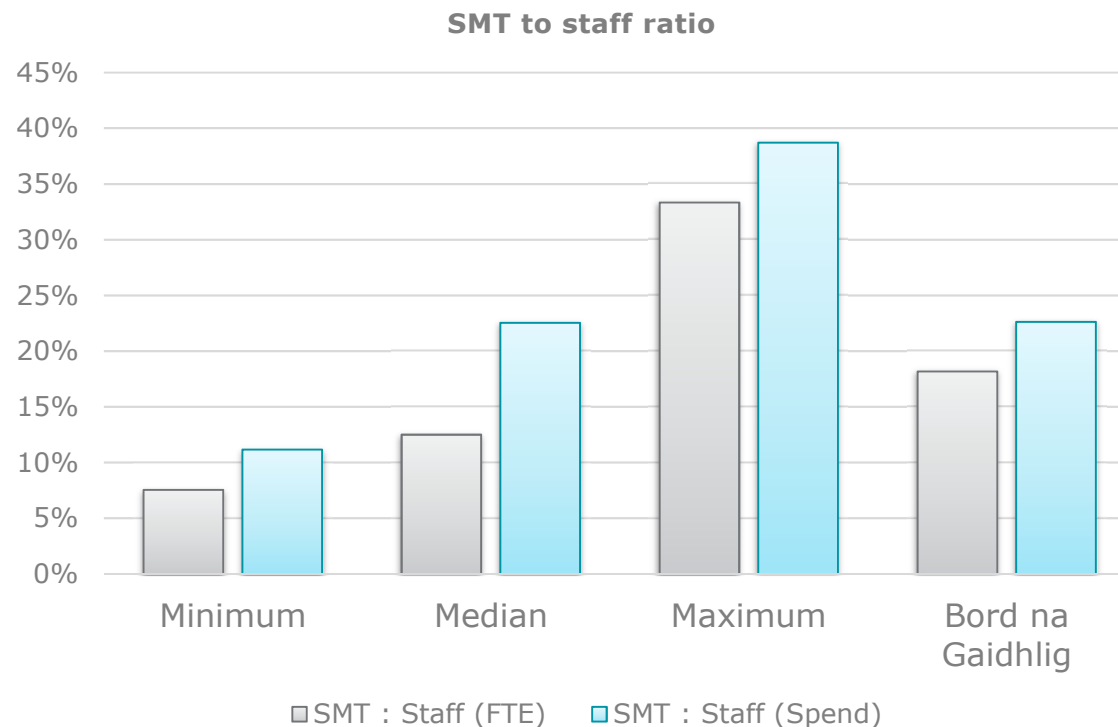
This analysis demonstrates that in comparable bodies, the size of the SMT is between 8% and 33% of the total workforce, with the median being 13%. For BnaG, the SMT is 18% of the total workforce. In terms of spend, the amount spent on the SMT is between 11% and 39% of total payroll costs, with the median being 23%. For BnaG, the amount spent on the SMT is 23% of total payroll costs.

The fact that BnaG has a structure which is approximately the same size and incurs the same spend as comparable bodies, yet has the issues it does, suggests that there is something wrong in the organisation – this could be due to the competence of those who make up the SMT, the remit of the SMT, the ability of the SMT to work together, support for the SMT, or a combination of all of these factors. It is not simply a case, however, of adding more people to the SMT and assuming that that will address the issues affecting the organisation. This information should be used by the organisation as it reflects on organisational contexts and structures through a process of self-evaluation to meet current and future challenges.

Vision and Leadership (continued)
Capacity, skills and resources (continued)

Support for the SMT

Augmenting the issues with the need for increased capacity in the SMT is the lack of any effective operational support for management. Immediate steps should be undertaken to recruit an Executive Assistant to the SMT (as opposed to being for any specific member of SMT).

It is important that when this role is filled, the Executive Assistant is empowered to do their job effectively through appropriate delegation of relevant tasks from SMT.

Work environment

We received comments that the remote working arrangements with some employees – particularly at leadership level – are unsustainable and were inappropriately agreed to. It is the view of some in BnaG that these arrangements undermine the ability of the SMT to work together and lead to insufficient support for staff. Interestingly, the staff themselves noted no issues whatsoever with the remote working arrangements – they noted that those who work remotely are available by phone, and physically present on enough occasions and at important times.

Given the changing work environment at a macro economic level, flexible working arrangements are likely to become increasingly common. This needs to be respected by Board members (who themselves work flexibly) and the SMT. Given this, we welcome management's assurance that the organisation has recently approved an application for flexible working arrangements from a member of staff, which they note is working successfully. Going forward, we would recommend that management focus on developing further supports to enable flexible working: for example, a move towards using Skype for conference calls, improving the availability and use of teleconference.

Collaborative working

There is an urgent need for sustained improvements in relation to collaborative working within the SMT. At times, members of the SMT essentially act as individuals within the team (page 8), working without effective input, support or challenge from others in the team. From attendance at an SMT meeting and review of minutes from all meetings in the year, we have seen evidence that where there is disagreement amongst the SMT on what needs to be done in a given area (e.g. where the CEO and Head of Corporate Services disagree on a strategy/policy), the disagreement is acknowledged and minutes taken, but no practical recommendations are made during the meeting nor are solutions arrived at and the SMT member appeared to be sent away to address the issue on their own. We have seen evidence that there has been direction provided in some instances in advance and follow-up by members of the SMT to provide input and clarity, but this should occur in the meeting and be an agreed SMT position.

We are also aware of an instance whereby the CEO was unhappy with the quality of work carried out by a member of the SMT and believed that the People Committee – where the work was to be presented – would be disappointed with it (and, by proxy, with the member of SMT as the CEO noted it would be under his name.) This concern was raised with others, but the report was nonetheless presented to the Committee, rather than being delayed and the SMT working together as a team to improve the work and present high-quality information to the Committee. While there was input from the CEO in this instance, the effectiveness of this and the provision of support is questionable given the concerns raised by the CEO and the outcome of the presentation to the Committee.

The SMT meeting structure is appropriate, but not supplemented by any extent of informal engagement between SMT members as a collective unit - there is an apparent fear of acting outside set processes and procedures, caused by a culture of secrecy and distrust amongst the SMT. Professionalism is evident, but not indicative of a working relationship. This is noticed by Board members, the SMT themselves, and staff.

There is an evident straining of relationships within the SMT, which can be addressed to some degree by the recommendation made on page 14. In addition to this, the SMT needs to establish a culture of openness and honesty, where challenge is constructive and support ongoing. Discussions out with the formal meeting structure should be used to improve relationships, but those discussions should be communicated as appropriate to all members of the SMT, and the recommendations for increased use of digital and mobile technology can support this.

Vision and Leadership (continued)
Capacity, skills and resources (continued)

Acting as a corporate team

As discussed on page 11, there have been numerous changes in the SMT in recent years, with half of the SMT (excluding CEO) vacant for significant periods of 2018/19. This had an obvious impact on the SMT's workload and their effectiveness as a unit. There is a risk of further departures from the SMT further undermining its effectiveness as a body and creating further challenges for the organisation.

As outlined on page 8, the SMT do not operate as a team. Through our work, it is clear that the CEO and Head of Corporate Services actively work against each other, with both sides laying blame on the other for this. As evidence of this, we note in the revised Scheme of Delegated Authority (amended following the departure of the Head of Finance), any expenses claimed by the CEO must be approved by the Director of Language Planning and Community Development, as opposed to reverting to the Head of Corporate Services as was previously the case. It is unusual to change who can authorise expenses with no clear business reason to do so - it would be more appropriate for any member of the SMT to be able to approve the expenses of the CEO. Although this was presented to the Board 'for information' only, this should have been challenged. We note that the report presented to the Board had portions highlighted in red, suggesting these are the areas which have been changed – but did not highlight all changes (and in particular, did not highlight the change to who can approve the CEO's expenses). We are also aware of concerns raised at a meeting of the People Committee that the SMT had amended an agreed report without highlighting the change to the Committee. The change was subsequently identified and questioned by the Chair of the People Committee. These issues, occurring in short succession to each other, raise serious concerns about the Board being misled and directed away from potentially contentious points by the SMT.

The SMT must improve communication and develop transparent decision-making processes to enable the growth of a culture of trust and respect. The successful delivery of this may require the support of external evaluation and training. A systematic performance and appraisal structure must now be implemented across the organisation, with clarity around key aspects such as targets, support and training, timelines and evidence of impact agreed and embedded into the performance and appraisal system.

There has been a breakdown of trust within the SMT, leading to a culture of secrecy and poor communication. The appointment of an Executive Assistant to the SMT (page 13) who can keep each member of the SMT informed and generate open communication can help with this.

A more open culture and style of communication would increase the organisation's ability to foster trust and respond to the wider issues afflicting it. Board members commented that the Board is paralysed, having been told by the CEO that they cannot intervene to address issues within the SMT. It is curious that the Board did not seek any independent advice on this.

While it is important that any ongoing performance issues with individual staff are dealt with through normal practices, it is imperative that the organisation looks forward to implementing the changes needed. All parties in the SMT - and the Board - need to work together to address the wider issues affecting the organisation. Performance of the individual members of the SMT should be considered against how these issues are addressed going forward, and how the SMT operate in 'normal' times. In order to provide confidence to the SMT that this is being done fairly, the expectations of each member of the SMT (their annual targets) should be agreed between the member of the SMT and their line manager, with HR or another suitably competent and independent person subsequently being asked to note the targets, and provide input where appropriate, arbitrating where there is a dispute over whether targets are realistic.

Vision and Leadership (continued)
Capacity, skills and resources (continued)

Skills and resources

The SMT do not have the skillset or the resources required to carry out their roles effectively. The SMT recognise that these are issues which need to be addressed. Staff also think that some members of the SMT are lacking in the necessary skills – but which members of SMT this relates to differs from the thoughts of those in SMT. Board members also feel that there is a skills gap within SMT, and again there is a difference of opinion on where exactly that lies. The Board has recently commissioned a firm to advise on an appropriate management structure and to provide training and coaching for all members of the SMT.

Board members and staff have expressed that, at this moment in time, they do not have confidence in the SMT. There is the possibility, however, that this confidence can be restored. That said, given the lack of confidence at the present time, particularly in light of the difficult situation BnaG finds itself in, the Board needs to consider what actions it can take to give itself, management, and staff the necessary confidence that the difficult decisions which will be needed to address the issues afflicting BnaG are taken. There is a risk that the lack of confidence in management will result in any actions taken being seen as 'tick box' rather than as a sign of meaningful change.

It is important in considering this that the Board considers the difficulties of recruiting to BnaG, the fact that confidence can be restored and the fact that the SMT have found themselves having to deal with a difficult situation while dealing with vacancies and resourcing issues. Simply put, knee-jerk reactions should be avoided.

The Board should consider liaising with the Scottish Government for the appointment of a temporary support to BnaG at (or above) SMT level, to provide ongoing operational support and challenge to the SMT, to progress the necessary actions to address the issues at the organisation, and to provide confidence to the Board, management, staff and wider stakeholders that such actions are being appropriately prioritised and progressed.

Roles and responsibilities

The lack of clear roles and responsibilities - as a result of out of date job specifications and no formal consideration of how vacant posts are split between management - increases the workload of those in the organisation, leads to an expectation gap between management on who is responsible for what, and causes issues with perceptions of work quality. There is an apparent lack of appreciation for these causative factors of perceived poor quality of work in some instances.

Job descriptions are out of date and do not include how roles and responsibilities are assumed by other employees when vacancies arise. This needs to be addressed as part of the recommended review of the SMT structure at page 15. Job descriptions need to be tailored to BnaG - the job descriptions reviewed as part of our audit work make references to "the company" and "the authority", suggesting that they have been copied and pasted from companies or Councils, rather than specifically created for or tailored to BnaG.

Vision and Leadership (continued)
Capacity, skills and resources (continued)

Development of skills and capacity

A detailed induction is provided to those who join BnaG, with there being agreement across staff, SMT and Board members that this was sufficient to meet their needs. It is promising to note that BnaG have engaged with their HR advisors to produce a refreshed staff handbook, taking proactive steps to improve this specific area given the large number of changes in policies applied by BnaG in the year.

The organisation has recently taken steps to provide additional training to members of the SMT, in response to concerns raised in the staff survey about leadership skills and capacity. Although this is to be welcomed, there needs to be a fully thought out training and development plan for key personnel in BnaG. Training should be proactive. We note that the annual appraisal form specifically includes a section to identify ongoing training needs, however, the effectiveness of this is undermined by the lack of consistency in the carrying out and documentation of appraisals (page 9). This is despite there being a requirement in the Training and Development policy for a Training and Development plan to be created by employees in conjunction with their line manager. This appears to be another case of the policy being appropriate, but compliance with it being an issue. We consider it a step in the wrong direction that the requirement to have a personal development plan is not included in the Learning and Development Policy, which replaced the Training and Development Policy in December 2018.

Although training is available for all staff, it needs to be better utilised. There are a number of reasons for training not being fully utilised - primarily lack of time and lack of resource. BnaG needs to consider training plans for each member of staff (or, at a higher level, for each grade), with sufficient time to receive this training built into the individual work plans of staff which are being developed for 2019/20 onwards.

Leadership training should be provided to those outside the current leadership, in order to develop the leaders of the future. The difficulty which BnaG has had in filling senior positions needs to be seen as an opportunity for the organisation to develop its own workforce and fill positions internally, rather than looking for the 'perfect candidate' externally.

A 'training manager' should be appointed (this can be added to an officer's existing responsibilities, rather than being a separate post) who assumes responsibilities for identifying the training needs of those in the organisation working closely with line managers, arranging for them to attend that training, and assessing the effectiveness of training. This should be done for staff, leadership, and Board members. There is no one in BnaG who currently has responsibility for this.

Soft skills

There is an acknowledgement within BnaG that the 'soft skills' of those in leadership needs to be developed, with this accepted by all. However, there is a feeling within the SMT that such things are nebulous, that it is difficult to identify what needs to change.

BnaG needs to be commended for recently providing additional soft skills training to management (with a new managerial development programme commencing in late-2018), with improving this area being a key focus of the organisation. However, training is only as good as the subsequent implementation and further work is required in this area as neither staff nor Board members have perceived a noticeable improvement in soft skills in the year. This underlines the need for monitoring the effectiveness of training provided which should be conducted by the training manager, discussed across.

There is a strong relationship between the HR representative (outsourced from SNH) and SMT/staff. BnaG should consider engaging the HR representative or an independent consultant to shadow members of the SMT for a period of time, to provide on-the-job feedback and identify practical improvements which can be made. A report should be provided to the Board following this exercise, which identifies strengths - dispelling perceptions of weakness in all areas - but also includes areas for further development in the SMT which will allow future training on soft skills to be tailored to their specific needs.

Further to this, we note that the appointment of a mentor to the CEO has been evidently successful, and is to be welcomed. Given the success of this approach, it would be sensible for the Board to consider mentorship arrangements for other members of the SMT with their peers in comparable organisations.

Vision and Leadership (continued)

Capacity, skills and resources (continued)

Performance management

The historical approach to performance management - being an annual appraisal - was formally instituted through the establishment of an appraisal policy, but it was not adhered to with any consistency by the SMT, as outlined on page 16. Even amongst the SMT, there was no documentation of appraisals or other non-disciplinary performance management meetings.

The process has been thoroughly amended to now focus on regular, informal discussions and feedback, linked with the employees individual work plan, which is subject to an annual review. For leadership, there will be a 360 degree appraisal process. These changes are to be welcomed, although yet to be fully implemented. In order to achieve the benefits of the changes to this system, both managers and staff need to be trained in how it works, and the importance of it. Monitoring of the process needs to be ongoing - e.g. by staff/management documenting as appropriate when meetings took place, and anything which arises from that.

Empowering employees

From observations during our audit work, we noted a clear lack of enabling staff to carry out their functions effectively. The distrust between the SMT has permeated through to staff, and causes distrust amongst them and their leadership. The SMT needs to promote consistency in management styles, particularly given the size of the organisation. It does not appear that any member of SMT has managed to get the balance right between being too hands off and too micro managing - each member appears to be at one end of the extreme on this.

We noted that there is a general lack of praise for staff in the workplace and efforts to address this by management are seen as being reactive, rather than genuine and meaningful.

There is substantial talent within the organisation, with this recognised by management and Board members. This talent needs to be upskilled and trained (page 19), allowed to make mistakes and learn from them, allowed appropriate autonomy to deliver their role effectively, and provided with sufficient ongoing support. The SMT and Board need to consider the opportunities for development of staff, career progression and job management as part of the structure review recommended on page 20, in order to make the most of the opportunity that provides to empower staff within the organisation.

Vision and Leadership (continued)
Capacity, skills and resources (continued)

Awareness of and actions to address gaps in skills and resources

There are gaps in skills and resources which permeate the organisation, with this being recognised by the organisation. A recent recommendation by the SMT for the establishment of a graduate recruitment/apprenticeship programme is to be welcomed as a new way of addressing the recruitment difficulties the organisation faces. It is important that this recommendation is now progressed, particularly given that when this recommendation was first made by the CEO – in November 2017 – no action was taken.

Although work is ongoing to address the gaps in skills - as discussed in on page 16 - this needs to be prioritised and progressed further. In order to address the skills gaps, the organisation needs to significantly increase investment in training, accept that potential recruits may be appropriate on a probationary or fixed-term basis even if certain skills are missing, and reconsider restrictions on non-Gaelic speakers from joining the organisation.

Communication of the work underway to address these issues needs to be significantly enhanced. Although vacancies have a direct impact on staff through increased workloads, staff are not kept informed on what is being done to address the issues. From attendance at an SMT meeting, we noted that the explanation provided to the Trade Union representative was that "processes are underway", but "not at a stage where an offer can be made". No further detail was provided, and staff were left in the same position of being completely unaware of what - if anything - was being done to address the issues which are affecting them. There is no reason for this level of secrecy in communication. The SMT need to improve the level of detail and information they provide to staff on key issues such as this whilst maintaining confidentiality.

Despite clear issues with the 'cap' on running costs (and difficulties spending the full development budget) - raised as being unsustainable in the 2017/18 audit - no formal requests to revisit or remove the cap have been made by BnaG to the Sponsor Division. A business case needs to be immediately prepared for the removal or raising of the cap to allow the organisation to address the fundamental issues affecting it, which can only be addressed through increasing spend (particularly in the short term) on running costs, and reducing the amount of grants awarded to other organisations. This should take into account the review of the BnaG remit as discussed on page 20.

Despite the apparent issues with the running costs and the vacancies in staff, we noted that BnaG is seeking approval from the Sponsor Division to reallocate some running costs in 2018/19 to development costs. It would be far better, in our view, that an agreement was reached to allow BnaG to 'carry forward' running costs into 2019/20 to help address the issues raised in this report, rather than reallocate it to development costs in 2018/19.

A review into the structure of BnaG was carried out by TKM consulting in 2013/14. It found that "existing staff are already overstretched and have an unsustainable workload." At the time, there were 21 staff (excluding the CEO) in the organisation, a level which BnaG has since fallen below. The review recommended that BnaG would have an 'ideal' structure of 29.5 FTE (43.5 FTE including Early Years officers). Similar to the issues we have identified in this review, TKM identified that "there needs to be more extensive cover for key staff members within the organisation with better opportunities for career progression for staff." It is a matter of concern that despite the clear, evidence based findings of this review, there was no restructuring of BnaG to bring it even remotely in line with what was suggested in the report. If these recommendations were actioned in 2013/14, it is possible that many of the issues facing BnaG currently could have been averted.

Vision and Leadership (continued)

Capacity, skills and resources (continued)

Workforce planning

There is no workforce plan for the organisation, therefore this needs to be developed, as highlighted in Best Value audit reports carried out by Audit Scotland across the public sector. This would provide steps to address vacancies in key posts that are not appropriately prioritised, training is not planned, roles and responsibilities of staff are not regularly considered to ensure they're still appropriate, and there is a lack of any real workforce development strategy. 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.

This plan needs to consider the needs of the organisation and those of its workforce, ensuring it is sufficient to meet its legal obligations and objectives. Workforce planning provides a basis for understanding workforce behaviours, considering areas such as recruitment, promotion and turnover, as well as looking at causes of absenteeism and changes in productivity. Understanding these issues can allow the organisation to plan appropriately. Workforce planning is an ongoing process, and should be considered for appropriateness by the Board on an annual basis.
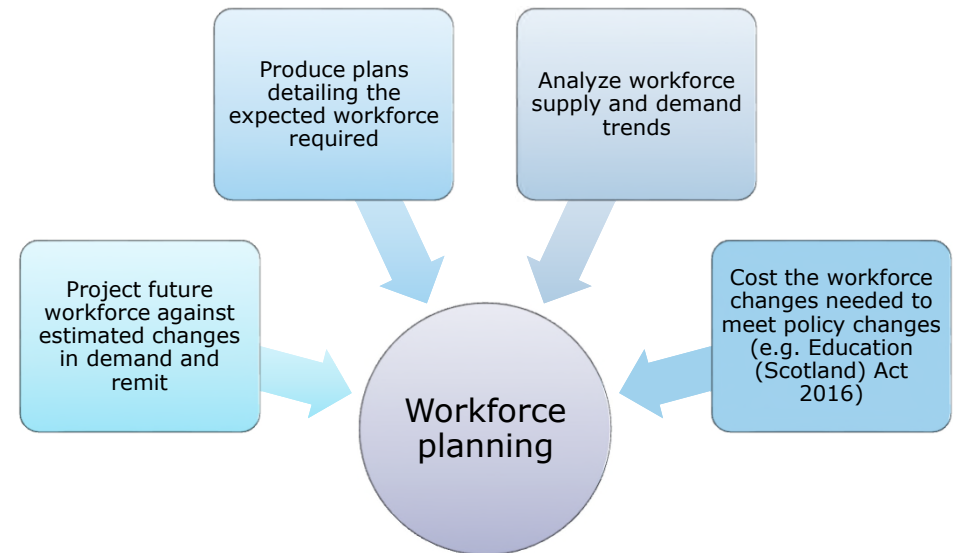
Audit Scotland has produced reports on workforce planning in the NHS in Scotland, identifying key areas which need to be considered for effective workforce planning. Although not directly applicable, the overarching principles here should be used to guide BnaG's workforce planning.

Succession planning

The current structure of the organisation - whereby there is no middle management - means that it is difficult to have effective succession planning. It is unclear how BnaG could fill senior roles if any member of the SMT were to leave the organisation on short notice, with these issues being evident in the difficulties filling the current and past vacancies.

Succession planning needs to be included in the workforce plan which needs to be developed by the organisation, which in turn needs to be linked to the proposed restructuring of the staffing and management structure in the organisation (page 12 and page 20). This needs to include clear promotion opportunities within the organisation, effective delegation to staff, and tailored training plans to enable staff to carry out more senior roles.

From our interviews with Board members, SMT and staff, we are aware of the feeling that there is a lack of succession planning across Gaelic organisations. Taking the steps outlined above and across enables BnaG to be a leader in the field and to set an example for other Gaelic bodies to follow, helping it to deliver its vision. We welcome that the SMT have recently agreed (in April 2019) how to progress this point, with work expected to be started in the near future.

Produce plans detailing the expected workforce required

Analyze workforce supply and demand trends

Project future workforce against estimated changes in demand and remit

Cost the workforce changes needed to meet policy changes (e.g. Education (Scotland) Act 2016)

Workforce planning

Vision and Leadership (continued)
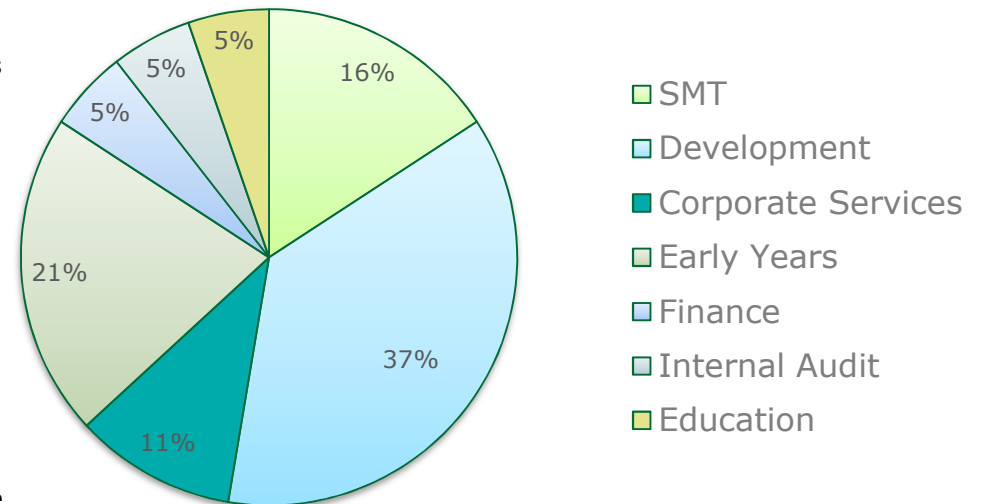
Capacity, skills and resources (continued)

Staffing structure

The staffing structure in BnaG is inappropriate and unsustainable, both in terms of the size of the workforce and the structure of it. The current and recent vacancies in key posts increase this problem. As this is acknowledged by the SMT, a paper on staffing should be presented to the Board and a business case should be made for the level of staff needed and presented to the Sponsor Division for movement on the running costs cap. This will be helped by the development of a workforce plan (page 19).
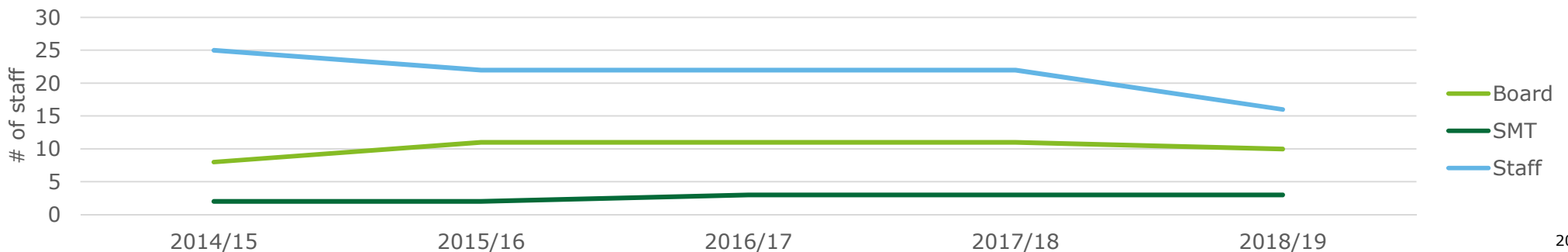
In the TKM review in 2013/14, it was noted that "it is not envisaged that the level of support required for Early Years would fall within the Bòrd's remit in the long term", however, BnaG has assumed this remit and continues to deliver it, despite there being a clear lack of resources within the organisation to provide it and it having a detrimental impact both on the staff within the Early Years team and on the ability of BnaG to deliver its statutory obligations.

The Board and SMT need to consider what is actually the remit of BnaG - the legal framework within which it operates, and what staff it needs to deliver those responsibilities. We note that the Board has recently commissioned work to consider this. If there are other services it provides, it needs to consider if it can continue to provide those services or if a withdrawal from non-statutory services needs to be considered to focus on the organisation's legal obligations and wider vision, and ensure that staffing is sufficient to achieve those. It is pivotal that staff are meaningfully engaged in this process if it is to succeed. BnaG needs to ensure that the review approved by the Board in February 2019 addresses each of these key points.

Staffing structure (January 2019)

Legend:
- SMT
- Development
- Corporate Services
- Early Years
- Finance
- Internal Audit
- Education

Size of the workforce 2014/15 – 2018/19

Vision and Leadership (continued)

Capacity, skills and resources (continued)

Managing organisational change

A large number of processes have been put in place to address the issues raised in the staff survey in 2018. While this is to be commended, it is clear that the SMT and Board are simply doing too much - starting a range of processes, but not seeing any to an adequate conclusion which has actually had a noticeable impact on the organisation. There needs to be an acceptance that sometimes, it is better to do less, but do it well.

Despite the amount of issues affecting the organisation (e.g. regulatory change, staff turnover, workforce issues), there is no clear plan of what change is needed, what change will be prioritised and how the changes will be implemented and communicated. Decisions taken appear to be reactive and individual, rather than keeping the 'whole picture' in mind. Decisions seem to be taken out with the appropriate processes (e.g. within SMT as a team/at Board and Committee level). The Skills and Growth review and action plan set out actions, timetables, owners and review methods, but this is limited and doesn't include everything we would expect.

The organisation needs to stop, step back, and take stock of what needs to change in the organisation, and in what order. There needs to be an acceptance by everyone that not everything can be done at once, and some things will take time to implement. Key to this is communication - it is vital that the Board and staff are kept informed on an ongoing basis of how change is being managed. Matters in this regard should not be kept confidential unless there is a clear legal or commercial sensitivity basis for it. It is important that management are open in their communication - sharing the good and the bad - in order to restore trust in their ability to manage the organisation through this period.

The management of this change needs to involve staff representation to ensure that they are bought into the need for fundamental organisational change and appreciate and can explain to the wider workforce what change is happening and why identified necessary changes are occasionally not implemented in the time staff expect. We are pleased to note recent changes in this area – with staff representation on the Investors in People Implementation Board, the newly-established 'Values' and 'Environment' working groups and in attendance at People Committee meetings.

BnaG needs to develop a complete, concise, organisation-wide Improvement Plan setting out clear actions which have been prioritised, assigned to individuals and which are then monitored on a regular basis. This does not necessarily need to add to the level of meetings, but there should be clear governance arrangements in place for monitoring this, such as an 'Improvement Board' delegated from the Board, or added to the remit of the Audit and Risk Management Committee.

Use of external expertise

Similar to many public bodies in Scotland, BnaG makes use of a number of external supports - for HR, IT and finance, for example. There has been a noticeable move to making greater use of external expertise since the current CEO has assumed her role. From our audit work, we consider that the increased use of external support is reasonable and proportionate, specific to areas where there are clear gaps of expertise within the organisation and where there is an insufficient business case to have staff provide the service internally. There is scope for improvement of transition to outsourcing services, including staff engagement in the transition process (particularly for those staff who will be directly affected by the outsourced services).

Given the specific risk highlighted by Audit Scotland on the risk of exposure of public bodies to key suppliers, it is important that the organisation does not become too heavily reliant on external expertise, and does not use these services as an excuse to avoid investing in the training and development of staff.

Focus on key posts

There have been recent concerns in the organisation about the lack of a Head of Finance in the organisation. There have been numerous changes in the finance function in recent years. In 2016/17, a new Head of Finance was appointed. Following extended absence, they left the post in 2017/18 and it sat vacant from January 2018 to August 2018. At that point, a service level agreement with MG ALBA to provide financial oversight and support to BnaG was agreed. This was not seen as a long term solution, and ceased in October 2018 due to capacity issues within MG ALBA to deliver the support required. From October 2018 to January 2019, there was again a vacancy. Saffery Champness were engaged from January 2019 to March 2019 and to prepare the 2018/19 annual accounts. From April 2019, the former Head of Internal Audit left his post and assumed the Head of Finance role on a part time basis.

Despite the amount of changes, we are satisfied that has been appropriately prioritised: vacancies have been comparatively quickly actioned and addressed - although the amount of time which elapsed without any Head of Finance (or equivalent external support) is concerning. Given the simple nature of the organisation, a part time Head of Finance to provide financial oversight and strategic financial planning is considered appropriate. 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 has for succession planning.

Vision and Leadership (continued)

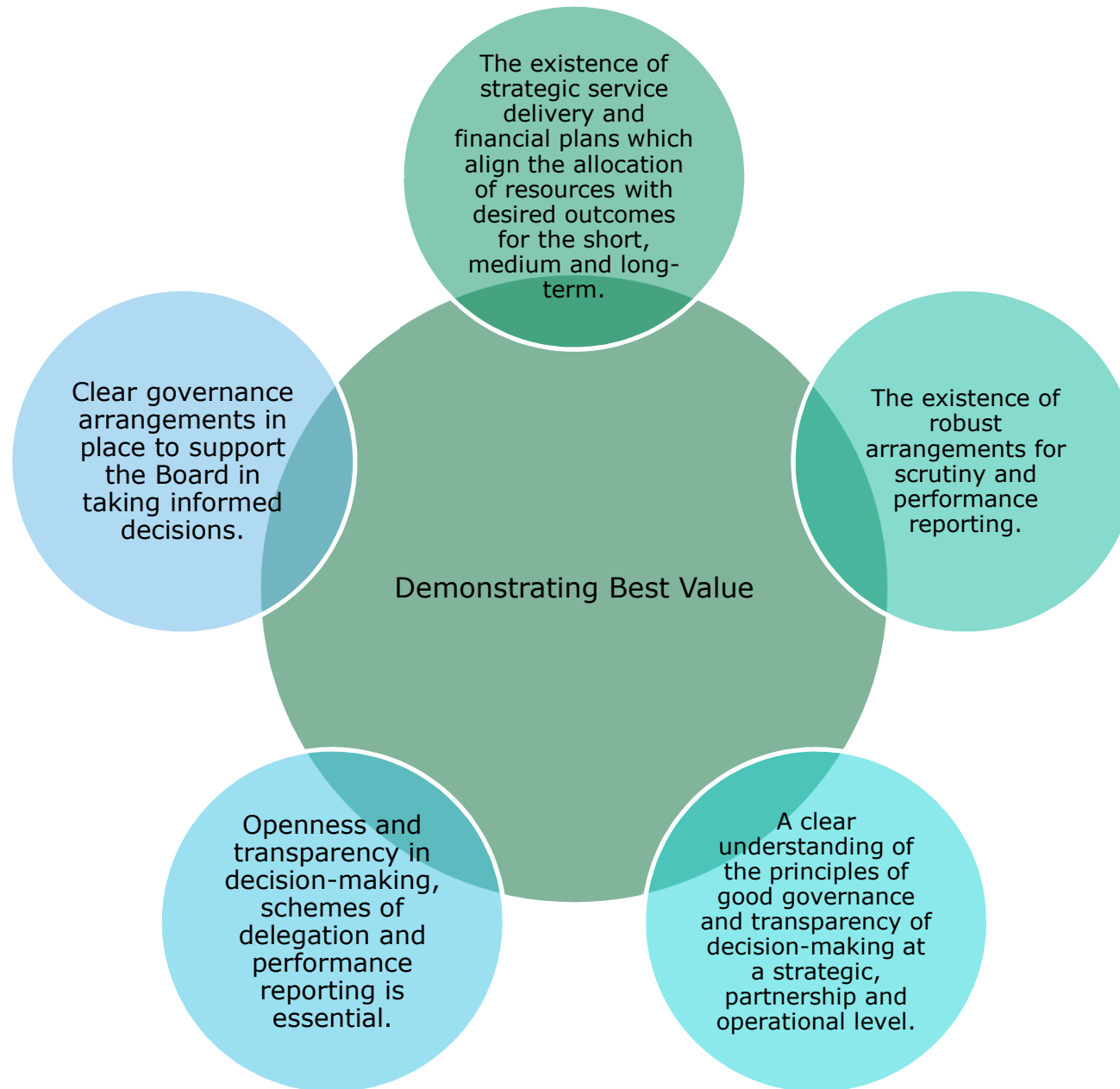## Capacity, skills and resources (continued)

Deloitte View

There is a need for clear and consistent leadership within the Bòrd. The current SMT structure is not fit for purpose and does not have the required skills and resources to do their jobs effectively. These issues are compounded by the fact that the current SMT does not work together collaboratively. Although BnaG mutually agreed the departure of holders of positions in the SMT, this was done without a clear plan for how these vacancies would be addressed or how the functions would be provided by remaining members of management, notwithstanding the part-time interim support in place, which had consequences for the workload and effectiveness of SMT and staff across the organisation.

There is a lack of capacity or effective administrative support for management which is acknowledged and accepted by all. While some work is ongoing to address the gaps in skills, this needs to be prioritised and progressed. There is currently no workforce plan for the organisation nor is there any consideration of succession planning (although we note management have recently agreed on how to address this area going forward, with work expected to start shortly). The current staffing structure is inappropriate and unsustainable to deliver on the vision and priorities of the Bòrd. Given these issues, BnaG needs to review the structure and remit of the management team and the wider organisation. As part of this, there needs to be consideration of whether the requirement for Gaelic language skills remains appropriate given the difficulties in recruiting to key posts in the organisation.

The Bòrd has recently taken steps to provide additional training to members of the SMT. This needs to be complemented by a fully thought out training and development plan for key personnel, proactively identifying training requirements. There is no one in the organisation responsible for ensuring training needs are met and there is a lack of consistency in the appraisal process for identifying and organising training. Appointing an officer within the organisation as a 'training manager' would help to address these issues.

There needs to be substantial improvement by the SMT in how it manages organisation change. A clear picture of what change is required and when it will be delivered is needed, with communication of change to those within and outwith the organisation on a continuous basis. A concise but comprehensive organisational improvement plan needs to be developed to consider the wider issues in the organisation and have a defined structure for progressing change, with a clear governance framework, actions assigned to responsible officers, achievable timelines and communication on progress against the improvement plan.

Governance and Accountability

The existence of strategic service delivery and financial plans which align the allocation of resources with desired outcomes for the short, medium and long-term.

The existence of robust arrangements for scrutiny and performance reporting.

Clear governance arrangements in place to support the Board in taking informed decisions.

Demonstrating Best Value

Openness and transparency in decision-making, schemes of delegation and performance reporting is essential.

A clear understanding of the principles of good governance and transparency of decision-making at a strategic, partnership and operational level.

Governance and Accountability (continued)
Governance, decision-making and scrutiny

Areas considered
The effectiveness of governance, decision-making and scrutiny. We have reviewed decision-making processes, the governance framework, the approach to openness and transparency and the extent to which BnaG itself considers these areas.

Openness and transparency

Although there is no requirement either for the Board to hold meetings in public or private, it is standard practice that it holds Committee and Board meetings in closed sessions, with only the SMT invited. We welcome a recent step in the right direction whereby specific staff are invited to attend certain meetings, although further improvements in staff attendance are required (page 7). We note instances where certain members of the SMT were inexplicably refused permission to attend meetings. Further, there is an excessive use of ad-hoc sessions which are held in continuation of meetings, where not all those who attended the formal meeting can attend, occasionally with no record of what occurs, and no rules for deciding when such sessions should be held (from our observations, it appears they are held when it is convenient to do so). Given the short notice involved in arranging these meetings, they are essentially private (which should only be held where there is a clear legal or commercial reason for doing so). These clearly contradict the recommendations of the Nolan Report which states that information should be restricted "only when the wider public interest clearly demands". This is also included in BnaG's Code of Conduct, but has not been adhered to.

Evidence from Audit Scotland makes clear that applying openness and transparency well builds confidence and trust in the organisation and in those leading it. Audit Scotland note that where problems emerge in the public sector, there is "often some failure in openness and transparency" at fault. BnaG needs to find an appropriate balance between the need for appropriate discussion opportunities and the need for decisions to be made in public.

BnaG should immediately apply the recommendations of the Audit Scotland 2017/18 guidance on Openness and Transparency (see Appendix on page 46). Although BnaG's policies comply with regulations, it's practices do not. It needs to carry out a self evaluation of where BnaG can become more transparent in its processes (holding public Committee and Board meetings is an obvious first step). Following this, it needs to continually seek out opportunities to become more transparent - in decision making, evaluating performance, and engaging with the public. A culture of always "striving for more" needs to be fostered.

The overarching objective needs to be that decisions are made in public, and the material underpinning that decision is also made public. Where there is a need for privacy (e.g. commercially sensitive items), the reason the decision and papers are not public should be set out. There needs to be a clear process for deciding when private sessions are needed and this needs to be adhered to in every meeting.

Audit Scotland: Openness and transparency

Governance and Accountability (continued)

Governance, decision-making and scrutiny (continued)

Availability of key documents

The information on the website on the current Committees (and their terms of reference) is out of date and incomplete. Although agendas and minutes are available online, they are severely out of date - the last agenda or minutes available are from June 2018. Agendas should be available online prior to meetings, with minutes published as soon as they are available after. Further, papers accompanying the agenda should be made available at the same point that agendas are made available. Only Board meeting agendas and minutes are published - this should be done as standard for all Committee meetings.

Although there is a "corporate policies" section on the website, many of the policies are outdated and very few are actually made available. Except where commercial sensitivities dictate, policies which guide how the organisation operates should be made available online.

The website, in general, needs to be updated. For example, the staffing structure has not been updated since 2016/17, and despite there being many vacancies within the organisation, none of these are listed. There are many links which are broken or lead to 'forbidden access'. It is important that maintenance of the website is specifically assigned to an officer as part of their responsibilities.

The organisation should review its Publication Scheme, resulting in it publishing performance reports, finance reports, reports to meetings and minutes arising from those meetings. This is in line with best practice on openness and transparency as well as reducing workload from Freedom of Information requests, as requests can be directed to the website rather than responded to individually. We would note that the current Publication Scheme is out of date, with many items and links included within it on the website no longer existing. With the introduction of the National Performance Framework, there is now an expectation that public bodies will report on their contributions towards the national outcomes in published plans and performance reports. This should all be made available publicly.

Engagement with service users

It is encouraging that BnaG is aware of the poor level of wider stakeholder engagement with the organisation and proposing to carry out a 'stakeholder survey' in the first half of 2019 to identify the causes of that and potential remedies. While we appreciate the need to wait for the outcome of that survey for concrete steps to be taken to improve wider community engagement, we feel that the holding of public Committee and Board meetings will improve perceptions of the organisation and enable greater engagement from stakeholders in scrutiny of the organisation, and that this opportunity should be seized by both BnaG and the stakeholders themselves.

Financial governance

There have been a number of changes in the financial governance systems in BnaG in recent years - from the Head of Corporate Services acting as Head of Finance, to having a separate qualified Head of Finance, to having a service level agreement with MG ALBA, to having an engagement with Saffery Champness, with this to be replaced in April 2019 by the previous Head of Internal Audit leaving that role to take on the Head of Finance role. While we are satisfied that the provision of services by Saffery Champness and the ex-Head of Internal Audit are appropriate, it is important that the Head of Finance has a more strategic role than has previously been the case. We are also concerned that there is no Committee in the organisation which has formal responsibility for assessing financial performance. We recommend that the terms of reference of the Audit and Risk Management Committee are 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.

As the former Head of Internal Audit has recently taken up the role as Head of Finance (from April 2019), BnaG decided to outsource the internal audit function. We note that the internal auditor has only recently been appointed, and as a result, there was no internal audit provision in April and May 2019. The organisation needs to ensure that the findings raised in this report are reflected as appropriate in any internal audit plan for the years ahead. It is a matter of concern that despite it being known in December 2018 that the Head of Internal Audit would leave post, that the tender for a replacement had not begun by mid-February, despite the obviously tight timescales involved.

This Committee should, at the earliest opportunity, assess the effectiveness of the financial governance systems in place - the Committee structure, delegation schemes, standing orders, the role of officers, etc. It would be our recommendation that the Committee consider including this in the 2019/20 Internal Audit plan.

Governance and Accountability (continued)

Governance, decision-making and scrutiny (continued)

Review of governance arrangements

There have been a number of changes to the governance framework in the past number of years - informal 'working groups' were established under the ex-Chair, with these being substantially amended in the latter stages of 2018/19, and a People Committee has been established to respond to the current staff issues. It is concerning that these decisions have been made without any appropriate review of the effectiveness of the governance arrangements which are being replaced, assessment of what is replacing them, or the wider governance needs of the organisation. We note a review was undertaken in 2017, but the findings of this have not been appropriately implemented. Findings such as striking a balance between dealing with business and discussion at meetings, assessing the boundary between operational and strategic matters, consideration of how to track progress on plans, assessing the work of Committees, and having clear Committee structures for monitoring of performance and financial matters remain outstanding and have been identified as issues within this report. Further, there has been no assessment of the effectiveness of the recommendations made which have been implemented.

Despite the unanimous agreement of everyone we spoke to in our audit - Board members, Chairs past and present, the SMT, staff and Internal Audit - that the Committee structure and governance arrangements are inappropriate for the organisation, this has not led to a formal review to inform changes in practice. This in itself is a major cause for concern about the effectiveness of decision making and scrutiny in BnaG.

A systematic review needs to be carried out of governance arrangements in the organisation. This review can be informed to some degree by the self-evaluations and appraisals recommended at pages 23 and 27. This review needs to include consideration of the size of the Board - we note that while the legislation requires a Board of no fewer than 5 and no more than 11 members, BnaG has always had towards the top end of the permitted level. We note from attendance at meetings, review of minutes and from our wider audit work that the level of contribution from Board members varies significantly, and question whether the large size of the Board actually improves decision making and scrutiny.

The Standing Orders need to be reviewed given the lack of consistency between them and the actual procedures of the Board. For example, it notes that responsibility for Freedom of Information requests lays with the Finance and Administration Manager, a post which does not exist. It is unclear what happens when the Standing Orders are breached - for example, it requires the Annual Accounts to be submitted to Parliament and published no later than 30 September each year, whereas this did not occur until the end of October in both 2017 and 2018. Despite this, we are not aware of any discussion by the Board or management that they had breached the Standing Orders of the organisation. We also note that there appear to be discrepancies between the Standing Orders disclosed on the BnaG website (in Gaelic) and that provided for the purposes of audit (in English). The published Standing Orders should be checked to ensure that they are consistent with what is internally referenced by the organisation.

Board Assessment | Individual Review | Bench-marking

Evaluate | Feedback | Action | Monitor

Northern Ireland Audit Office: Evaluating a Board

Governance and Accountability (continued)

Governance, decision-making and scrutiny (continued)

Review of governance arrangements (continued)

As discussed on page 32, it is important that the specifically Board considers, on an annual basis, whether it has complied with Standing Orders, the Code of Conduct and other governance requirements and good practice.

We would recommend that this governance review is included in the Internal Audit plan for early in 2019/20 with the recommendations of that review being implemented at the earliest possible opportunity, preferably in time for the start of 2020/21.

Review of Board and Committee effectiveness

The Scottish Government guidance on the roles and responsibilities of the Chair of the Board explicitly includes a requirement that the Chair "ensures that the work of the Board and any committees is subject to regular self-assessment and that the Board is operating strategically and effectively". No such evaluation has taken place for any Committee or the Board itself in our term as external auditors. We note that the Audit and Risk Management Committee is progressing with a self-assessment as at the time of writing this report, following an audit recommendation in 2017/18.

Given the current issues affecting the organisation, we would recommend that the opportunity is used by the Interim Chair to carry out an immediate self-evaluation of the Board and Committees. Following this, as highlighted in Best Value audit reports across Scotland, an annual review of effectiveness of the Committees and Board should be carried out. We would recommend that a review of the self evaluation process is carried out by Internal Audit in 2019/20.

The Scottish Government requires that appraisals are carried out at least annually for Board members. This is an explicit responsibility of the Chair of the Board, in addition to ongoing informal constructive feedback. From our work, we have identified that this requirement has not been complied with for a number of years. The Interim Chair should begin the process of conducting appraisals of all Board members, with subsequent appraisals being carried out at least once a year. Going forward, Board members should insist on having an annual appraisal with the Chair, and the Sponsor Division should specifically review that the Chair has performed this function as part of their annual appraisal of the Chair.
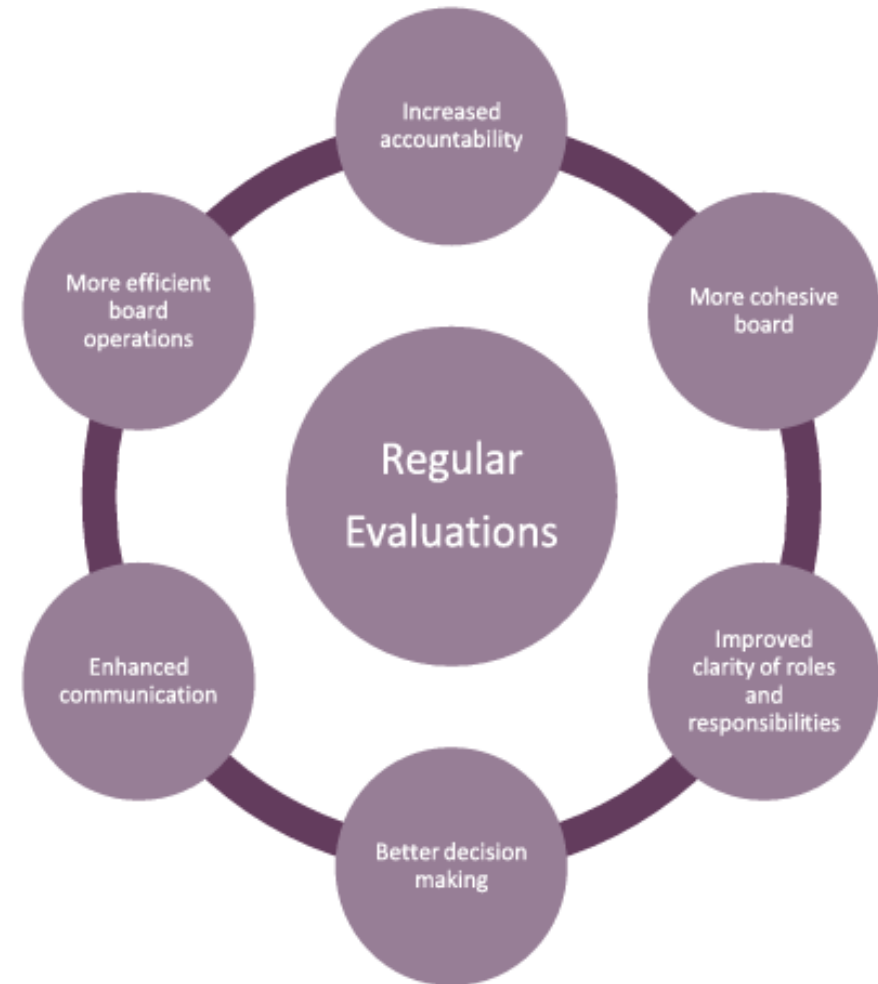
Northern Ireland Audit Office: Benefits of Evaluation

Governance and Accountability (continued)
Governance, decision-making and scrutiny (continued)

Effectiveness of decision making

It is our view that while, in general, decision making and scrutiny have been effective, there are serious gaps which are becoming more common. The effectiveness of decision making is severely undermined by the poor relationships within the SMT, and the subsequent clouding of judgements (page 31). The severity of this is highlighted by the fact that the Terms of Reference for the newly established People Committee were amended by the SMT without informing the Chair of the Committee, and provided to the Chair with the amendment for approval without the Chair's knowledge that the Terms of Reference were not those which had been initially presented to her. It is even more concerning that none of the SMT have accepted ownership of this - and without acceptance of ownership, it is difficult to ensure such an issue does not arise again. This raises serious questions about trust between the Board and SMT.

The effectiveness of scrutiny is undermined by Board members feeling the need to 'take sides' in that dispute, and by their assumed responsibility for supporting - rather than constructively challenging - the CEO. It is further undermined by large agendas (cluttered with items for noting/discussion) with limited time for Committee or Board business. We have attended numerous meetings where time simply ran out - and 'private sessions' were then used to get through the rest of business on a separate occasion (page 24). This is not appropriate. There needs to be a clear annual work plan for the Board and Committees, outlining what is expected at each meeting, in order to appropriately spread the workload and to ensure that attention is focussed on appropriate areas.

As part of the review of governance recommended on page 26, there needs to be a consideration of what informal means can be used outwith the Committee or Board structure to keep Board members informed, thereby reducing the number of formal meetings - for example, fortnightly conference calls/meetings with Chairs of Committees, with reports given there and then for noting/discussion. The Chairs can then pass the information, as needed, to other Members. In the interests of openness and transparency (page 24), any informal meetings should still be recorded and any papers issued informally should be disclosed as such in the next Committee meeting and made publicly available. We have noted at some local authorities, there is a 'SharePoint' style system where officers can save information which is for Board members' information and interest, but which does not need debate or a decision. This enables more informed scrutiny of the wider performance of the organisation, while also enabling Board members to focus on areas where decisions and debate are required in Committee or Board meetings, inviting relevant staff as required to help with this informed debate.

Quality of information and reporting

In May 2018, the Board highlighted a concern that papers were not issued in a timely manner. A request was made that agendas and accompanying papers are issued at least a week prior to meetings taking place, to enable sufficient time for preparation for the meeting.

We are pleased to note that appropriate changes have been made following this request and we now have no concerns with the timeliness of agendas and papers being provided - despite the volume of agendas and papers, these are now unfailingly issued 7 days prior to meetings to enable sufficient time for preparation by those attending.

We note that the minutes of meetings are of a high quality and clearly articulate decisions that have been taken by the Board and Committees. During our attendance at a Board meeting, we noted that it was not always clear when decisions were being taken, which could impact on the accuracy or completeness of the minutes taken. We are pleased that this was remedied on the same day.

Although action points are reported back to the relevant meeting with progress outlined, it would be helpful if the format was amended, to make clear (i) at what point the action was created; (ii) who is responsible for the action; (iii) when the action is due; (iv) what work has been done to date. If the Committee or Board is satisfied that the action taken addresses the action point, a note should be made in the minutes that the action has been approved for removal from the outstanding action points. It is not currently clear that all actions are adequately addressed prior to reporting to the Board on their progress being stopped.

There are concerns across the organisation that the quality of reports to Committees and the Board are not of sufficiently high quality to enable sound decision making. From our review of papers presented to various Committees and the Board, we do not have any overarching concerns on the quality of information provided. This view is shared by the Internal Auditor. There are some areas for improvement, and we believe that the quality of reports can be improved by reducing the amount of reports that go to formal Committee/Board meetings (e.g. the 'for information' reports), thereby reducing the workload on the staff and enabling them to focus on preparing high-quality reports for those areas that a full report is actually needed.

Governance and Accountability (continued)
Governance, decision-making and scrutiny (continued)

Effectiveness of scrutiny

From attendance at meetings and review of minutes, we have observed a good level of challenge of papers presented to Committees and the Board, of the policy direction of the organisation and of performance in general. There is ample evidence of Board members requesting additional information to provide assurance on performance, questioning and challenging proposals made, and providing creative contributions to the Board.

We have noted at several meetings which we have attended that Board members have requested additional information, deferring a decision to the following day (as Board meetings run over two days). While it is appropriate to request additional information or for reports to be reworked, it is inappropriate to provide officers with only an evening to carry out this work and then to only allow Board members the following morning to receive, review and make a decision on the new information or report. This should be on an exception basis rather than standard practice. Where more information is needed, this should be deferred for a reasonable period to allow appropriate work to be undertake by officers and circulated to Board members with sufficient time to scrutinise the information – if a matter is particularly pressing, it may be a case that a 'special' meeting or teleconference should be arranged to discuss the item.

The issue with scrutiny is more one of holding management to account, ensuring actions are taken to address issues. This is due to a lack of clarity on Board roles and responsibilities, getting too involved in operational matters, and feeling the need to support rather than constructively challenge the CEO (page 31).

We noted there is a lack of awareness of what key terms actually mean for Board members – concepts such as value for money and Best Value – and we provided guidance to Board members on this while attending a Board meeting in February 2019. It is important that Board members sufficiently understand the concepts which they are meant to hold management to account on in order to provide effective scrutiny.

Whistleblowing and complaints handling

The SMT is working with HR to review its Whistleblowing Policy, to improve clarity within it on what can be reported and to whom. We note that the Whistleblowing Policy has been used before - although the SMT/Board believe that it has not been applied correctly. The Whistleblowing Policy as it currently stands is not fit for purpose and falls short of what is expected of NDPBs. The revision of the policy to address these issues is welcome, although we note with concern that despite being considered by the SMT in January 2019, a revised policy has still not been completed and presented to the Board for approval. This is even more concerning given that this was identified as an action point by BnaG following the presentation of our 2016/17 annual audit report in September 2017.

The fact that responsibility for reviewing procedures in place for whistleblowing (and reviewing actions taken as a result of whistleblowing) does not sit with any of the Committees of Bòrd na Gàidhlig is concerning - we would normally expect this (and responsibility for complaints) to be included within the scope of the Audit and Risk Management Committee.

BnaG have a clear and concise, publicly available policy for complaints handling, available on the website. Having reviewed this policy, we consider that it is reasonable and appropriate for the organisation. We are not aware of any referrals to the Scottish Public Services Ombudsman. While we do not have significant concerns about the effectiveness of the complaints process or the handling of complaints, it is a cause for concern that the internal complaints process has been apparently bypassed on a number of occasions. This suggests a lack of trust in the SMT or Board to address issues. However, this is an issue about trust in management or the Board, rather than with the process itself.

Governance and Accountability (continued)

Governance, decision-making and scrutiny (continued)

Deloitte View

There is a clear lack of openness and transparency of decision making. There is a culture of secrecy in the organisation, with minimal improvements in openness and transparency in recent years. BnaG needs to institute major changes to develop a culture of openness and transparency, with formal Committee and Board meetings held in public sessions and rare use of "private" sessions where no members of staff attend. There needs to be a clearly defined basis for deciding and recording when private sessions should be held. While some information is available to the public through the website, this is not up to date and does not contain all the information we would expect.

There have been a number of changes in the financial governance framework in recent years, with the role of 'Head of Finance' being vacant for long periods. The holder of this position – or the service provider, as used in 2018/19 – needs to have a more strategic role than has historically been the case. We have concerns that no Committee in the organisation has defined delegated responsibility for monitoring of financial performance, and consider that a review of the financial governance framework would benefit the organisation to ensure that it is fit for purpose, particularly given the level of change recently.

While there have been some recent changes to the governance arrangements, these were not as a result of a systematic review. There is general consensus that the existing Committee structure and governance arrangements are not fit for purpose. Despite the Board discussing Standing Orders, Terms of Reference and the Code of Conduct at meetings due to the view that they are no longer appropriate, no changes were made to any of these key documents as action points were not documented properly. From our review, it is evident that these key governance documents are not fit for purpose, and it is deeply concerning that such a key point was not actioned, which raises questions about the effectiveness of scrutiny and oversight at the organisation.

Concerns have been raised about the quality of information reported to Committees and the Board, with these undermining the effectiveness of scrutiny and decision making. We are pleased to note that steps have been taken to improve these, with papers regularly issued in a timely manner ahead of meetings. Further work is needed, and there needs to be consideration of what informal structures can be put in place to keep Board members informed out with the Committee reporting structure.

Governance and Accountability (continued)
Roles and responsibilities

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Areas considered

We have considered the extent to which both Board members and senior management understand and observe their roles and responsibilities, through review of compliance with the Code of Conduct, adherence to the distinction between strategic direction and operational responsibilities, compliance with policies and procedures and the relationship between BnaG and its Sponsor Division.

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Understanding and observing roles and responsibilities

There needs to be significantly greater clarity between Board members and SMT on what exactly the role of Board members is. Since the ongoing staffing issues presented themselves, there has been an unprecedented and unsustainable level of Board member involvement in the organisation.

We note from attendance at meetings that there is a high level of advice sought from Board members by the SMT both in the formal meeting structure and informally out with that structure, including on operational matters. This has been presented as part of the role of the Board - and more specifically, the Chair. However, there is no reference to providing advice to the SMT (or the CEO, as the Accountable Officer) within the Terms of Reference of any of the Committees within the organisation, nor is it outlined as being the role of the Board - or the Chair - in the Scottish Government guidance on NDPBs. This lack of clarity is used by the SMT to delay making difficult decisions by inappropriately deferring to the Board. The focus of the Board, in our view, is inappropriately on 'support' rather than 'challenge' of the performance of the CEO - this undermines the ability of the Board to effectively carry out their annual appraisal of the CEO (due to a self interest and self review threat).

Board members need to familiarise themselves with their responsibilities, and the terms of reference of any Committee they sit on. Where they feel that they are being asked to intervene in areas where they should not be, this should be raised and the objection recorded. It is important that the Board require management to manage, rather than allowing themselves to be used as a 'get out clause' for difficult decisions. For the sake of clarity, we note here that it is the responsibility of the Chair of the Board to ensure that Board members are fully briefed on their duties, rights and responsibilities.

As discussed on page 26, there needs to be consideration as to why the membership of the Board is the size that it is, being over 50% the size of the total workforce in the organisation.

Setting the strategic direction

From mid-2018, Board members have become heavily involved in operational matters, particularly on addressing staff concerns and issues. This includes being involved in the initial HR review, carrying out an all-staff meeting, and being involved in the wider actions being undertaken following the establishment of a People Committee.

It is our view that the level of involvement is unsustainable and undesirable, and clearly not in the responsibilities of Board members. That said, we view the increased involvement of Board members as being a direct result of the SMT seeking an increased level of ongoing advice and support. It is the responsibility of Board members to reject these requests, and to require the SMT to undertake the necessary decisions, through constructive challenge and scrutiny. While we understand that Board members have concerns about the ability of the SMT to address the issues afflicting the organisation, it is the role of the Board to make sure that they do their job (or to appoint someone who can), not to do it for them. We note following our interviews with Board members that they have recently stepped away from having such a hands-on role.

Acting in the organisational interest

Although we believe that the Board and SMT are well intentioned, it is obvious from our work that there are instances where personal interests drive actions, rather than considering what is in the interest of BnaG as an organisation. The Board's decision making is clouded by the fact that they perceive their role to be support of the CEO, rather than challenge and scrutiny (page 10). Impartiality is also undermined when Board members fail to declare interests and officers fail to challenge them on this (page 40). The CEO's decision making is clouded by her poor relationship with the Head of Corporate Services, as is his by his poor relationship with the CEO.

Clarifying the role of the Board, with the Board stepping away from its high level of operational involvement and better holding the SMT to account, will help to address this issue. The appointment by the Scottish Government of a person to guide the SMT through this process (page 15) is pivotal to ensuring that the SMT work together in the interests of the organisation, rather than in their own interests.

Governance and Accountability (continued)

Roles and responsibilities (continued)

Code of conduct

While it is the responsibility of the Chair of the Board to ensure that there is a Code of Conduct in place, it is the individual responsibility of each Board member to behave in accordance with that Code of Conduct. We would question whether the Code of Conduct has been appropriately tailored to the organisation, as we note there are references to the Cairngorms National Park Authority within it, which would suggest it has not been tailored to be suitable to BnaG. It is worrisome that on such a key document, scrutiny by the Board was insufficient to identify this issue. BnaG has noted that this occurred due to the Board reviewing the Gaelic version of the Code of Conduct, rather than the English version. From review of BnaG's website, we note that it is only the English version which is publicly available. Where the Board is approving policies or procedures, it should ensure that the Gaelic and English versions are identical, as it is not clear which version takes precedence where there is a discrepancy. The Board cannot justify only reviewing Gaelic-language documents where the English-language version may be used in operations or be publicly disclosed as the Bòrd's official policies.

The Code of Conduct implicitly requires - as we recommend on page 24 - that decisions are made in public, and explicitly requires that information is restricted "only where the wider public interest clearly demands". The Code of Conduct has therefore not been adhered to by any Board member for a number of years and yet no potential breach has been reported or noted by the SMT or Board itself. This suggests a complete breakdown of the monitoring of compliance.

There is repeated evidence that Board members are not complying with their obligations, are acting where they are (or would reasonably be perceived to be) conflicted, or are taking part in meetings where they should excuse themselves.

In May 2018, the Board recommended that the Code of Conduct be reviewed and submitted to the Board for approval in September 2018. A recommendation was also made to invite the Standards Commission for Scotland to give a presentation to the Board on what is expected of public bodies. Neither of these were progressed.

Despite the Head of Corporate Services – in association with the CEO – being responsible for discharging the responsibilities of Standards Officer within BnaG (which includes responsibility for ensuring compliance with the Code of Conduct), these issues were not flagged to or by the CEO or Board. This raises concerns about the effectiveness of leadership, the appropriateness of monitoring arrangements and the clarity and awareness of role requirements.

In order to avoid these issues repeating themselves, the Board should require the CEO and Standards Officer to make an annual declaration that they have considered the Board's compliance with its Code of Conduct and other ethical requirements, and outline actions taken to address any issues identified or confirm that no issues have been identified.

In the interests of upholding high standards, we recommend that BnaG refers itself - as a body - to the Commissioner for Ethical Standards in Public Life in Scotland to address the potential breaches of the Code, and to receive proactive education around upkeeping ethical standards.

Relationship with the Sponsor Division

The relationship between the Sponsor Division and BnaG does not support effective governance, decision making, and scrutiny. The Bòrd na Gàidhlig Framework Document sets out the responsibilities of the Scottish Minister - represented by the Sponsor Division - as follows:

(i)   agreeing BnaG's strategic aims, objectives, and targets;
(ii)   agreeing the budget;
(iii)   carrying out legislative requirements such as appointments to the Board;
(iv)   approving the pay of the CEO and staff;
(v)   laying of annual accounts before the Parliament.

From our work, we noted that the Sponsor Division goes beyond the boundaries outlined by the Framework Document. This view is shared by the Internal Auditor and was unanimously held by everyone we spoke to during our audit work. The Sponsor Division considers its approach to its relationship with BnaG to be risk-based, proportionate and in line with issued guidance from the Scottish Government Public Bodies Unit. There is a consequent expectation gap in the relationship between BnaG and the Sponsor Division. While we accept that given the recent risk profile of BnaG that there is reason for increased involvement over the past year, the guidance requires that "sponsorship is always considered to be a strategic activity", and this is not adhered to in practice.

Governance and Accountability (continued)
Roles and responsibilities (continued)

Relationship with the Sponsor Division (continued)

We note from attendance at Committee and Board meetings that these are regularly attended by representatives of the Sponsor Division, and there is deferral by SMT and Board members to them, which influences decision making. At an Audit and Risk Management Committee meeting in August where the 2017/18 audit report was presented, a recommendation to reassess the running costs cap was made. The CEO and Chair of the Committee deferred to the Sponsor Division representative present, who said that this would not be changed. This informal comment has been used by the SMT and Board as evidence that the cap is 'untouchable', and has resulted in no proper business case being prepared and presented to the Sponsor Division for formal consideration and approval or rejection. To avoid such issues going forward, we strongly recommend that BnaG and Sponsor Division consider whether attendance at Committee and Board meetings is appropriate or whether it undermines effective decision making and scrutiny. We would note here that we are not aware of many other bodies where attendance by the Sponsor Division at meetings is common.

The blurring of the boundaries has resulted in internal BnaG processes being bypassed in favour of reporting matters to the Sponsor Division. We note that the Sponsor Division attempted to get involved to address these issues - rather than initially reporting them to more relevant authorities - despite the Framework Document clearly setting out that the Sponsor Division are "not responsible for day to day operational matters".

Further, the Sponsor Division have failed to carry out their duties effectively in relation to assessing the performance of the Chair of BnaG. Firstly, appraisals are not completed regularly. We note that appraisals are recommended regularly and required annually, but a period of 19 months elapsed prior to the ex-Chair leaving post without an appraisal. From review of the most recent appraisal, we note a lack of any documented challenge and note that the self assessment includes none of the issues affecting the organisation or the role of the Chair in those. There is no assessment by the Sponsor Division of whether the Chair is carrying out their responsibilities. There is no documentation whatsoever in the appraisal of whether or not the Sponsor Division agrees with the self assessment or their views on the overall performance of the Chair. This is an issue with the design of appraisals and how the Sponsor Division should challenge the self-assessments of Chairs as much as it is with the lack of appraisals being carried out.

Fundamentally, given these issues, the relationship between BnaG and the Sponsor Division needs to be subject to an appropriate review with clear boundaries for the relationship laid out, observed, and subsequently assessed for effectiveness - this could be by the Scottish Government or the Internal Auditor of BnaG. Until this review has been carried out, we recommend that both BnaG and the Sponsor Division respect the boundaries set by the Framework Document.

Ministerial responsibilities

9.   The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of Bòrd na Gàidhlig and its use of resources. They are not however responsible for day to day operational matters. Their responsibilities include:

- agreeing Bòrd na Gàidhlig's strategic aims and objectives and key targets as part of the corporate planning process including approving the National Gaelic Language Plan;

- agreeing the budget and the associated Grant In Aid requirement to be paid to Bòrd na Gàidhlig, and securing the necessary Parliamentary approval;

- carrying out responsibilities specified in the founding legislation such as appointments to the Bòrd na Gàidhlig Board, approving the terms and conditions of the Cathraiche (Chair) and Board Members and the appointment of the Ceannard (Chief Executive Officer); and

- other matters such as approving the Ceannard and staff pay remit (in line with SG Pay Policy) and laying the accounts (together with the annual report) before the Parliament.

BnaG Framework Document

Governance and Accountability (continued)

Roles and responsibilities (continued)

Deloitte View

There is a lack of clarity on the role of the Board member and the current level of Board member involvement is unsustainable. This undermines the effectiveness of scrutiny and challenge, with this issue compounded by the lengthy agendas for Committees, limiting time for Committee and Board business. There is substantial evidence of Board members becoming involved in operational matters, with members being invited to do so by the SMT on regular occasions. This results in Board members acting in interests other than those of the organisation as a whole, as they are driven by perceived responsibilities rather than what their role actually is.

While there is a Code of Conduct in place, there is repeated evidence of non compliance yet no potential breach has been reported or noted by the SMT or Board itself. There needs to be consideration of this by the Commissioner for Ethical Standards in Public Life in Scotland, with the Board requesting additional guidance from the Commissioner on how to effectively carry out their role.

The relationship between the Sponsor Division and BnaG does not support effective governance, decision making and scrutiny. There is over-involvement by the Sponsor Division in BnaG's operational affairs, with this resulting in the SMT and Board deferring to the Sponsor Division or failing to take decisions which it is their responsibility to take. There has been a blurring of boundaries on both sides, with the relationship not being in line with that recommended by guidance or outlined in the BnaG Framework Document.

Governance and Accountability (continued)
Risk management

<table>
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Areas considered
We have assessed the management of risk by the organisation. We have considered the processes for identifying, assessing and managing risks, actions taken to address significant risks and communication of the risks facing the organisation.

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Identifying, assessing and managing risks

In 2017/18, an Internal Audit report found effective systems in place for identifying, assessing and managing risks. A number of points were made on the over-estimating of the likelihood of risks materialising, and we are pleased to note that these comments have been taken on board following a Risk Management Workshop held in February 2018. Similar points were made in our external audit report in 2017/18 about the need to reassess the appropriateness of the risk register and in 2016/17 about the need to increase the detail within it. The risk register was reviewed in August 2018 and is now generally considered reasonable and appropriate for the organisation. Risks - both operational and strategic - are considered at each SMT meeting, with strategic risks being a standing item for discussion at Board meetings, where the level of risk - or the risks identified - can be challenged by Board members as appropriate.

A minor point noted in our work was an apparent lack of understanding of the terminology used in risk registers. In the register, actions can be classified as 'tolerate', 'transfer', 'treat', 'terminate' or 'take an opportunity'. In many instances, the action proposed is 'terminate' but none of the actions are subsequently proposed to be stopped. When classifying risks and actions, it is important that they are in accordance with the definitions that have been set out in the Risk Strategy approved by the Board.

To provide assurance over the new approach to risk management, we would suggest that this be included as an item to be subject to a specific Internal Audit in 2019/20.

Monitoring of risks

The strategic risk register is a standing item for Board meetings, with actions taken to address the risks, further proposed actions and progress on addressing the risks regularly discussed at meetings. In line with good practice, ownership of risks is assigned to specific members of the organisation. Both the operational and strategic risk registers are presented to each meeting of the Audit and Risk Management Committee. Further, both the operational and strategic risk register are subject to consideration at monthly SMT meetings. From attendance at SMT and Audit and Risk Management Committee meetings, we noted detailed discussion and challenge over the risks included in the registers and the level of risk determined.

Despite the evident monitoring of risks, we would question the rating given to staffing issues - both capacity of staff and working culture rank as 'moderate' risks, with a rating of 12 out of 25 each. Given the number of issues which have arisen, and the amount of actions which the organisation has taken to try to address these issues, this is obviously seen as a 'high' risk area, but not disclosed as such. This calls into question the ability of the organisation to appropriately classify and prioritise risks. It is important that high risks are disclosed as such, as the Board should focus their attention on these areas and require more frequent reporting on actions taken to address them. We raised this point through our review and note that the Board consequently upgraded the risk in February 2019, but the conclusion on the ability of the organisation to properly classify risks itself remains. BnaG note that training on this point was provided to the Board in February 2018. Given these issues, we are of the view that further training is required.

Governance and Accountability (continued)

Risk management (continued)

Taking action

There are a range of opinions amongst Board members, SMT and Internal Audit over whether BnaG is sufficiently innovative in its approach to managing key risks in order to achieve its objectives.

While there is evidence of creative thinking to address risks - for example, in response to the issues raised by the staff survey (page 7) - there is also evidence of the organisation simply doing what it has always done, in the hope that it addresses the problem. This is evident, for example, by the failure to appropriately address the risk with the running costs cap (page 18). There is also a need to balance being innovative with being effective - there is limited evidence that staff satisfaction has improved despite the large number of actions undertaken by the organisation since the staff survey. When reviewing the operational and strategic risk register, the SMT - and the Board, as appropriate - should challenge whether BnaG is being appropriately innovative in its approach if the risks, actions and risk level are consistent over a prolonged period. There should also be challenge of the effectiveness of some of the actions taken to address risks if despite actions being taken, the risk does not reduce. SMT and the Board need to be able to say 'stop' when actions are simply increasing the workload, rather than decreasing the risk.

Workforce risks

While the Board is well aware of the issues affecting the organisation - in terms of vacancies at SMT level and high level of absences - we would note that there is an appetite for additional information on these issues. This is demonstrated by the Board requesting information on absences at the September 2018 Board meeting following the presentation of the 2017/18 audit report. Although staff vacancies and absence levels are included on the risk registers provided to the Audit and Risk Management Committee and to the Board, the level of information could be improved. It is important that the level of staff absence is reported to Board members on a regular basis (enabling trend analysis over time) and any vacancies in identified 'key posts' are reported. This should set out specific reasons for the level of absences and vacancies, movements in absences or vacancies and actions being taken to address unacceptably high absence levels or vacancies. This could be incorporated into the reporting arrangement for the Improvement Plan recommended on page 21 to allow the Board to receive appropriate information to get assurance on the actions being taken by management.

Following the staff survey at the start of 2018/19 - which was reported to the Board in May 2018 - the SMT and Board were sufficiently concerned to engage an independent HR specialist to carry out a further report. This report was presented to the Board in September 2018. A People Committee was established to specifically address the concerns raised by staff, with its Terms of Reference being approved at the December 2018 Board meeting. There have been a number of internal changes - a move to holding weekly 'all staff' meetings, additional staff 'away days', weekly updates from the CEO and additional training for managers, to name a few.

Despite concerns about the effectiveness of these actions - considered on page 21 - and the engagement of staff in the process, we are satisfied that the Board and SMT have been sincere in their attempts to address the concerns which have been raised, that these have been appropriately prioritised and actioned as far as has been possible and practical, and they have been adequately reported to the Board.

Government targets

There were differing opinions from those we spoke to during our audit on whether government targets were reported to the Board and their impact on staff and resources considered. These issues raise concerns about the ability of the Board to provide scrutiny on government targets and the sharing of information with staff. We consider that the differing opinions on this point arose as a result of a lack of clarity on what exactly the government targets are and how BnaG is meeting them.

Although not explicitly laid out as compliance with government targets, there was reporting in 2017/18 and 2018/19 on compliance with the running costs and development budget as set by the Sponsor Division, and on the impact this has had on the organisation (particularly the need to manage vacancies to stay within the running costs cap). Other than this, government targets are laid out in the National Gaelic Language Plan, to which BnaG's Corporate Plan and annual Operational Plans are aligned.

Progress on achieving the annual Operational Plan is reported to the Board, as is progress against the Corporate Plan on an annual basis. Given this, we are satisfied that the reporting of progress against government targets - and the impact that meeting those targets has on the organisation - is sufficient. As noted on page 26, with the introduction of the National Performance Framework, there is now an expectation that public bodies will report on their contributions towards the national outcomes in published plans and performance reports. The Bòrd should ensure that this is reflected in any updated reporting.
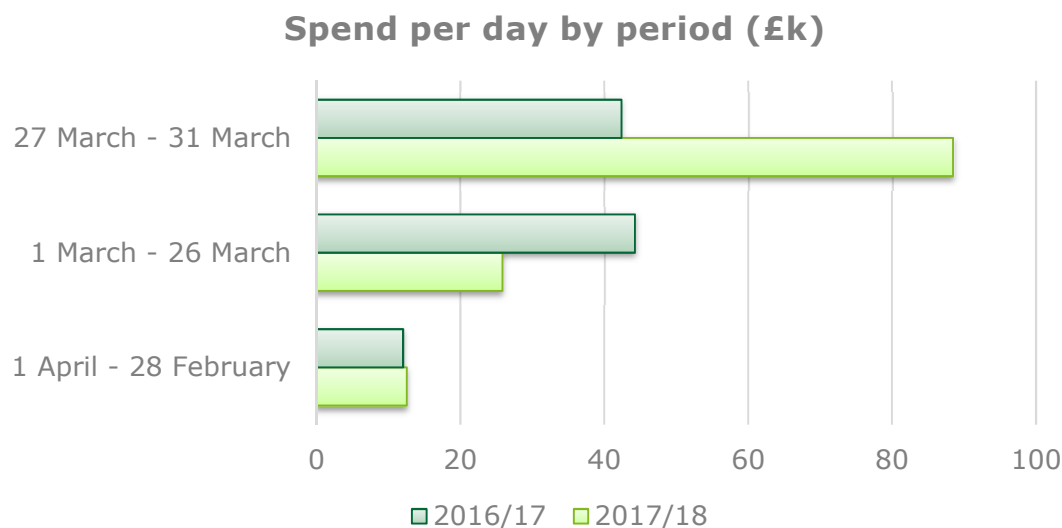
Governance and Accountability (continued)
Risk management (continued)

Addressing financial risks

As highlighted in our 2017/18 audit report, we noted that the financial position of BnaG is extremely challenging given the cap on running costs. BnaG has stayed within the running costs cap primarily by not filling vacant posts (page 18). It is concerning to note that if BnaG had a full SMT, it would breach this cap. The existence of the cap - and its perceived untouchable nature - undermines effective decision making and the ability of the organisation to address the issues currently facing it. It is deeply concerning that despite the recommendation in 2017/18 and concerns raised by the Chair of the Audit and Risk Management Committee, no progress has been made on reviewing the running costs cap for 2018/19 or 2019/20.

From our audit work in 2016/17 and 2017/18 a significant amounts of expenditure - particularly on grants - are issued in the final weeks of the financial year. We have raised concerns about the spread of expenditure (considered in the graph below) and whether value for money requirements are appropriately considered prior to awarding grants, or whether this is overridden by the need to utilise the entire funding allocation in the financial year. Due to the workload pressures, minimal due diligence on compliance with grant conditions has historically been carried out - this is evidenced by the fact that even some of the main funded bodies were surprised and complained in 2018/19 when minor due diligence work was carried out. We will consider this area specifically as part of the value for money audit dimension and report on it in our final audit report to be issued in August 2019.

Given the difficulties of remaining within the running costs cap (and the detrimental impact it has had on the proper functioning of the organisation), and the difficulties of fully utilising the development budget (and the consequent value for money concerns of issuing large amounts of grants in the final few weeks of the year), 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 this report and improve the level and regularity of due diligence performed over grant awards.

Spend per day by period (£k)

Governance and Accountability (continued)

Risk management (continued)

Deloitte View

Following our recommendations made in prior year audits, the risk register was reviewed and is now considered reasonable and appropriate for the organisation. However, there remains a lack of awareness of how to appropriately determine and set risks, and the terminology used in the risk register is not always appropriate to enable effective decision making and scrutiny. While there is ample evidence of BnaG taking innovative and clear actions to address risks, there is a lack of consideration of the effectiveness of actions taken. There is also concern that BnaG is not able to assess the severity of the risks and appropriately prioritise actions.

As highlighted in our 2017/18 audit report, we note that the financial position of BnaG is extremely challenging given the cap on running costs. It is deeply concerning that despite the recommendation in 2017/18 and concerns raised by the Chair of the Audit and Risk Management Committee, no progress has been made on reviewing the running costs cap for 2018/19 or 2019/20.

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Governance and Accountability (continued)
Board members' and management behaviour

Areas considered
We have considered the behaviour of Board members and management, their standards of conduct, the procedures and guidance in place to help Board members, and the level of training and support provided.

Standards of conduct

While we consider that the majority of Board members and officers observe high standards of conduct and behaviour, there are a number of instances which have caused concern.

In terms of Board members, we are aware of instances where a Board member attended meetings where they should not be attending. We are aware of a further incident where a Board member was clearly conflicted while considering a grant application and failed to declare this and excuse themselves from the meeting, allowing their conflict to influence decision making. We are concerned that despite both Board members and officers present being aware of these issues, none spoke up to question the appropriateness of the presence of those Board members at the meeting. We are equally concerned that the Board members themselves did not see fit to excuse themselves from the relevant meetings, as it is their individual responsibility to ensure they comply with the Code of Conduct. We recognise that due to the small size of the community in which BnaG work, there are multiple connections, making conflicts of interest more complex.

We were informed through our discussions that the Board has been informed by the ex-Chair that "nothing can be done" to address these issues. This view is also held by the current Interim Chair. It is our view that this is incorrect. In the former case, the Scottish Ministers should consider whether Board members to whom this applies are fit and proper persons to serve on the Board. In the latter, the Board member in question should be individually referred to the Commissioner for Ethical Standards in Public Life in Scotland for consideration of the appropriate actions to be taken.

In terms of management, we have raised concerns that decision making and behaviour is influenced by personal interests and personal disagreements between the members of the SMT (page 14). Despite this, we have found that management generally act with professionalism and observe high standards of behaviour. The same is true of staff. However, we have concerns that an individual member of the SMT has been leaking information from the organisation to outside parties in order to raise concerns about the organisation - this has been identified through a member of the public contacting us during our audit work about a matter which only a single member of staff in BnaG should have knowledge of. While we understand the reason for bypassing the Whistleblowing Policy (page 29), the approach adopted poses a risk to the organisation. This matter should be raised with the member of staff concerned and addressed through the appropriate disciplinary procedures in BnaG.

Procedures and guidance

While there is a Code of Conduct and numerous policies in place with which both officers and Board members are required to comply, there is limited guidance or training provided on compliance.

It was recommended to the Board in May 2018 that the Standards Commission for Scotland be invited to provide a presentation to the Board on expectations of public bodies, but we note that this was not progressed. As recommended on page 32, the Commissioner should be invited to provide guidance to the Board on compliance with the Code of Conduct and related policies.

We are aware that in the weekly all-staff meetings, a different policy is outlined and explained to staff by the SMT. This is an encouraging initiative and helps to ensure that staff are able to understand what is required of them in terms of compliance and it keeps staff informed of changes in requirements. We note that staff appreciate this information and we commend the SMT for this initiative.

Governance and Accountability (continued)
Board members' and management behaviour (continued)

Training for Board members

All Board members receive 'On Board' training when they join the Board. However, we note that there is a feeling across the organisation that training has been inadequate for Board members. Although the Board identified the need for further training in May 2018, the action to address this point is still to be implemented. There is a lack of tailored training for Board members on specific Committees or with specific roles and a lack of tailored training to address skills gaps in key areas. Given the lack of an annual appraisal of Board members, annual effectiveness reviews or wider evaluations of Board performance and the governance framework, these gaps have not been formally identified.

As part of the self-evaluation process recommended on page 27, we would encourage Board members to critically consider their skills gaps and training needs and to communicate these to the Interim Chair and the permanent Chair when appointed. A personal development plan for each Board member should be created and actioned in the year, with progress against the plan and the appropriateness of it (whether any training requirements need to be added or removed) considered on an annual basis when the appraisal is conducted. Where training needs are identified, uptake of that training should be monitored by the Chair and considered in the annual appraisal of the Board member.

As with any training, feedback is essential. When training is completed, Board members should complete the standard BnaG feedback form for training. We are aware from our audit work that not all Board members, SMT or staff are aware of the existence of the feedback form and the requirement to complete it. Compliance with feedback requirements should be monitored by the 'training manager' recommended on page 16.

Declarations of interest

There is a feeling at both Board and SMT level that there are too many declarations of interests, which can undermine scrutiny. In November 2018, following our audit planning work for 2018/19, we recommended to the Head of Corporate Services and CEO that they should consider whether too many interests are being declared - interests which are insignificant and remote and would not reasonably be perceived to cause a conflict, per the Code of Conduct. This included interests from which Board members received trivial amounts of remuneration or interacted in a trivial way with another organisation. Board members need to balance the need to be independent and free from conflicts with the need to provide appropriate scrutiny. Where interests are remote and insignificant, there is no requirement for an interest to be declared. We recommend that the Board and SMT work together to assess whether all declared interests need to remain. As part of the recommended presentation by the Standards Commission for Scotland, the Board should request guidance on the items it is choosing to declare and not declare.

As highlighted on page 39, we recognise that identifying conflicts, making registrations and declarations of interest is a complex area for BnaG given the size of the community in which it works. Under the Code of Conduct, BnaG may request dispensations from the Standards Commission for Scotland for certain interests, where it is in the public interest for Board members to continue to attend meetings despite having declarable interests. This will provide clarity on whether the interests being declared are appropriate. It will also give BnaG official confirmation from the relevant authority on how to proceed.

In contrast to this, there is an acceptance that the Board lacks awareness on indirect interests - where an interest in one organisation may cause a conflict against another organisation (e.g. where two bodies are applying for similar grants, of which the Board member has an interest in one but not the other). The objective test here would require a declaration of interest - a reasonable person could perceive the Board member to be conflicted. Given the difficulty in assessing these conflicts, they need to be considered on an ongoing basis. Where Board members or officers present at the meeting feel that a conflict exists, they should raise this with the Board member and have the objection recorded. If there are concerns about repeated failures to declare interests, the Board and officers present should consider whether a referral to the Commissioner for Ethical Standards in Public Life in Scotland is warranted.

Governance and Accountability (continued)
Board members' and management behaviour (continued)

Effectiveness of the Chief Executive Officer

From our audit work, we consider the CEO to be dedicated to her role and she has worked hard to improve the performance of the organisation, for those within it and those who rely on it.

While her dedication and the actions she has taken are to be commended, it is evident from our work that the CEO has assumed too many responsibilities and is currently in an unsustainable position. We consider that some of this has been through the loss of key personnel (for which the CEO should have had appropriate succession planning in place, rather than reaching a 'mutual agreement' to end employment of senior staff with no ongoing plan, as discussed on page 11) whereas some of it has been the result of the CEO's reluctance in delegating, which has arguably been caused by a lack of trust in others in the organisation. While there is currently a functional relationship between the CEO, Board members and staff, this can be improved. We are of the view that the issues identified are not so far gone so as to be unfixable.

Similar to the lack of appraisals carried out by the ex-Chair with Board members, there is no documented evidence of an appraisal being carried out with the CEO either. There is no documentation of an appraisal for the CEO in 2016/17 or 2017/18. The completion - and documentation - of appraisals of the CEO is a key function of the Chair of the Board and the fact that these have not been carried out is indicative of wider issues of the Board 'supporting' rather than 'challenging' the CEO and failing to deliver their responsibilities. However, as discussed on page 9, we are encouraged by the fact an appraisal of the CEO was conducted by the Interim Chair in February 2019, with this set to be reviewed in 2019/20.

In order to improve internal relationships - and thereby increase influence - the CEO needs to provide effective leadership, relying on her own leadership abilities rather than overly relying on outside advice and building a wall of procedure. We accept that fear has affected decision making throughout the organisation, and the CEO is no different. Addressing this culture of fear will enable the CEO to provide a more 'human touch' in her role and improve her ability to undertake her role effectively.

We are aware that the CEO works amongst the staff on a regular basis, which is an effective method of providing leadership. We would recommend that the CEO sets aside a period of time each week - on different days each week to account for the fact that not all staff are present on all days - where she is available for staff to informally speak to her about concerns they have, and for the CEO to make note of these and progress them as appropriate. This should be on a 'no consequence' basis for staff (unless there is a reasonable legal or professional concern), to encourage openness and honesty. We would urge staff to engage with this process - it is important that they use the opportunity to foster a culture of openness and honesty to ensure that the issues which may affect the organisation are not allowed to continue 'under the radar' and unaddressed as they have in the past.

Further, it is incumbent on Board members to raise concerns they have with the CEO's performance in a timely manner, including recommendations for improvement. While a desire to protect the CEO and sympathy for her position is understandable, it does not meet Board members' responsibilities nor does it help to address the issues which are being caused by performance issues.

Governance and Accountability (continued)

Board members' and management behaviour (continued)

Deloitte View

While we consider that the majority of Board members and officers observe high standards of conduct and behaviours, there are a number of instances which have caused concern. Rather than these issues being appropriately dealt with, they have been tolerated by the Board and SMT and no observable actions taken to ensure that the issues do not recur. There have been breaches of the Code of Conduct with no reporting of this by the SMT and no engagement with the Standards Commission for Scotland or Commissioner for Ethical Standards in Public Life in Scotland on this issue. It is highly concerning that neither the Head of Corporate Services nor the CEO – who should work in association to monitor required standards of conduct and behaviour – raised or addressed these issues.

While there is a Code of Conduct and numerous policies in place which both officers and Board members are required to comply with, there is limited guidance or training provided on compliance. Given the lack of appraisals carried out, no formal consideration of the training needs of Board members, monitoring of the uptake of training or of the effectiveness of training provided is carried out.

The Chief Executive Officer is clearly dedicated to her role and to improvement. However, it is clear that the position is unsustainable, with internal relationships – with staff, SMT and Board members – requiring obvious improvement.

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 and Risk Management Committee discharge their governance duties.

Our report includes the results of our work on the following:

- Vision and Leadership.
- Governance and Accountability.

What we don't report

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

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.

This report has been prepared for the Audit and Risk Management Committee, 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.

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

for and on behalf of Deloitte LLP

Glasgow

30 May 2019

Appendices

Appendix: Best Value

The **Scottish Public Finance Manual (SPFM)** is issued by the Scottish Ministers to provide guidance on the proper handling and reporting of public funds. The section on "Best Value" describes the duty of Best Value in Public Services and contains guidance to Accountable Officers on what their organisations should be able to demonstrate in fulfilment of their Best Value duty to secure continuous improvement in the performance of the organisations' functions. The key points from this are summarised below.

Duty of Best Value

- To make arrangements to secure continuous improvement in performance, maintaining an appropriate balance between quality and cost.
- To have regard to economy, efficiency, effectiveness, equal opportunities requirements, and contribute to the achievement of sustainable development.

Board members

- Corporate responsibility for promoting the efficient and effective use of staff and other resources by the organisation in accordance with the principles of Best Value.

Accountable Officer

- Specific responsibility to ensure that arrangements have been made to secure Best Value.

Auditor General for Scotland

- The implementation of the duty of Best Value is subject to scrutiny.

Characteristics of Best Value

Commitment and leadership.

Sound governance at a strategic and operational level.

Accountability.

Sound management of resources.

Responsiveness and consultation.

Use of review and options appraisal.

A contribution to sustainable development.

Equal opportunities arrangements.

Joint working.

Appendix: Openness and transparency

There is a lot of guidance available on the principles of good governance, including openness and transparency. This includes cross sectoral guidance such as the 'International framework: good governance in the public sector', IFAC/CIPFA, and the Scottish Government's 'On board – a guide for members of statutory boards' guidance. The key aspects of these are summarised below.

Taking an *open approach* to business can support good governance.

It is about behaviours, centred on a preference for sharing information about how and why decisions are made. In the public sector, this is based on the recognition that public services are delivered for the public good using public money.

Transparency can be seen as a process. Access to information provides insight into decision-making and how the organisation works. Transparency in the public sector is supported by statutory requirements and regulations. These are minimum requirements and it is for individual organisations to decide whether the content and volume (in terms of quantity and amount of detail) of the information that they make available contributes to increased understanding. There are judgements to be made, and an approach designed to increase transparency rather than comply with minimum standards is more likely to satisfied the good governance test.

Openness and transparency are individually important, and working well together they help demonstrate that public organisations are acting in the public interest.

Key questions

How does the organisation approach openness and transparency?
• What is the organisation's attitude to openness and transparency?
• Is there evidence of a culture that supports openness and transparency?
• Does the organisation foster a culture of openness and show staff it values openness?
• Is it clear to the public how the organisation conducts its business and makes decisions?
• Has the organisation sought views from others on how open and transparent it is?
• How does the organisation seek opportunities to widen public understanding of the issues facing it and how it has responded to these?
• Is the information necessary to make transparent decisions available to the relevant people and presented in an appropriate form?
• Is there an audit trail for decisions and are related documents accessible to the public?
• Where meetings are in private and/or documentation is withheld/redacted, is the rationale clearly recorded and understandable?
• When alternative ways of delivering services/new delivery vehicles are established, does the parent organisation set out its expectations for openness and transparency?

How good is the organisation's information?
• Does the organisation have a system for ensuring compliance with specific requirements relating to the sector in which it operates?
• Do papers provide a fair and balanced commentary on the issues faced by the organisation?
• To what extent are plans and performance information made available to the public?
• Overall, does the organisation provide an appropriate level of information?

Does the organisation demonstrate commitment to improving openness and transparency?
• Are the governance framework and arrangements regularly reviewed and updated to ensure they reflect good practice in openness and transparency?
• Has the organisation conducted a review where it has identified actions which have secured or will lead to improvements in openness and transparency?
• Are improvements identified that will help stakeholders and the public understand how decision are made and how they can engage with the organisation?
• Is there evidence that the organisation is challenging how it could improve on openness and transparency?

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