

Bòrd na Gàidhlig

Report to the Audit and Assurance Committee, the Board and
the Auditor General for Scotland on the 2019/20 audit

Issued on 17 September for the meeting on 23 September 2020

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Introduction

The key messages in this report

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

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

I have pleasure in presenting our final report to the Audit and Assurance Committee ('the Committee') of Bòrd na Gàidhlig ('BnaG') for the 2019/20 audit. The scope of our audit was set out within our planning report presented to the Committee in February 2020.

This audit was carried out under unusual circumstances, being a remote audit conducted during the national lockdown in response to COVID-19. We recognise the extra pressure faced by BnaG staff in preparing the Annual Report and Accounts and in preparing for the audit. We engaged early with management on the potential implications of COVID-19 for reporting as well as the audit, and management confirmed their desire to work to the original timetable. While the shift to remote working placed pressure on the original timetable for reporting and completion of the audit, we have worked closely with management to mitigate this whilst maintaining audit quality as our number one focus.

This report summarises our findings and conclusions in relation to:

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



Introduction (continued)

The key messages in this report (continued)

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

Conclusions from our testing

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

Following minor amendments made as a result of our audit, we are satisfied that the Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of BnaG, as set out on page 18.

The auditable parts of the Remuneration and Staff Report have been prepared in accordance with the relevant regulation, following adjustment for items identified in our audit, as set out on page 18.

A summary of our work on the significant risks is provided in the dashboard on page 10.

BnaG met its financial targets for 2019/20. We identified one misstatement in excess of our reporting threshold of £5.25k in relation to the pension liability (page 16). It should be noted that adjustments relating to the pension liability are as a result of an event after the reporting period rather than an error by management. We identified 2 disclosure deficiencies in relation to significant estimates and the Remuneration and Staff Report, as set out on page 65, which have been corrected by management.

Status of the financial statements audit

There are no items outstanding.

Conclusion on audit dimensions

As set out on page 3, our audit work covered the four audit dimensions. Our audit work was risk based and proportionate, covering each of the four dimensions.

As part of our follow up work, we have interviewed 9 members of staff and management and 3 Board members, representing 43% of BnaG. We have afforded all other Board members and staff the opportunity to speak to us. We have attended several Committee meetings. We have reviewed approximately 150 pieces of documentary evidence, and held numerous additional discussions as required with the Senior Management Team ('SMT') and Board members.

The outbreak of COVID-19 has brought unprecedented challenges to organisations around the country. It is not yet known what long term impacts these will have on populations and on the delivery of public services, but they will be significant and could continue for some time. While this report makes reference to COVID-19 where relevant in each of the dimensions, we have not considered the full impact of COVID-19 on BnaG at this stage.

Financial management – BnaG has effective financial management processes in place. Further improvements are required in relation to the budget setting process, linking to the MTFP and the Corporate Plan.

In 2019/20, we considered the procurement function as an area of particular focus. While BnaG has detailed processes and controls in place, we identified non-compliance with these through our work. There is a significant risk that procurement exercises are not carried out fairly with due regard to all the evidence. This risks unreasonable judgements being reached, resulting in decisions which do not represent value for money.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions (continued)

Financial sustainability – BnaG has achieved short-term financial balance and is expected to do so in 2020/21. The medium-term position of BnaG remains challenging, with action required to ensure that BnaG is financially sustainable.

We welcome the development of a Medium-Term Financial Plan ('MTFP') and Workforce Plan, and have recommended and will monitor further improvements to these.

Given the level of change required at BnaG and the risks posed if these changes are implemented too quickly and without appropriate change management process in place, we would urge management and the Board to consider the timescales for implementing the recommendations for improvement contained within the Improvement Plan and assess whether they are reasonable and enable appropriate cross-organisational input.

Governance and transparency – In response to the findings of the 2018/19 audit, BnaG instituted an Improvement Plan Steering Group and a governance structure to monitor progress against the Improvement Plan. We have welcomed this, but improvements in the level of scrutiny and communication with staff and stakeholders are needed.

In 2019/20, there have been significant changes to the governance structure and processes. While it is too early to appropriately assess the impact of these changes, we are pleased to note that the Board has accepted the need for change. In our review of how these changes were implemented, we concluded that the Board needs to improve its understanding of its own roles and responsibilities, procedures and good practice.

While BnaG has made use of some external expertise to provide support on the Improvement Plan, in our opinion, further change management support is needed for BnaG in order to effectively embed the transformational change which BnaG has accepted is needed across the organisation.

Through our work in 2019/20, we have noted that the Board needs to improve the level of scrutiny it applies to management updates which are provided to it. We identified several instances where management updates were factually wrong or inaccurate.

We welcome improvements in BnaG's approach to openness and transparency in the year, holding its first public Board and Committee meetings in May and June 2020 respectively and publishing the papers on its website.

Value for money – In response to the findings of the 2018/19 audit, BnaG developed an Improvement Plan. Throughout this report, we have noted substantial improvements in a number of areas, although significant work remains to be done.

Introduction (continued)

The key messages in this report (continued)

Value for money (continued) - While we have welcomed revisions made to the three-year funding agreements in 2019/20, demonstrating a clear commitment to continuous improvement by BnaG and the funded organisations, further improvements are required to demonstrate that the three-year funding agreements represent value for money. Improvements are needed in BnaG's process for wider stakeholder consultation in this area and we welcome planned work in this area.

Our detailed findings are included on pages 20 – 57 of this report.

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. Most recently, a number of articles have been published focussing on the impact of COVID-19. We have provided a summary of those most relevant to BnaG as part of our Sector Developments on pages 60 and 61 of this report.

Next steps

BnaG should review the conclusions set out in our report to determine if these should be added to the Improvement Plan. We will continue to monitor progress as part of future audits.

Added value

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

We have also included conclusions on BnaG's Best Value arrangements, which are discussed on page 58.

These are provided throughout the report. In addition, as information emerges as a result of the COVID-19 pandemic, we have shared guidance with management on areas to consider in relation to internal controls, fraud risks and annual reporting. In addition, invites have been issued to our weekly webinar "Responding to COVID-19: Updates and practical steps" which is open to anyone to join.

Pat Kenny
Audit Director








Financial statements audit



Quality indicators

Impact on the execution of our audit

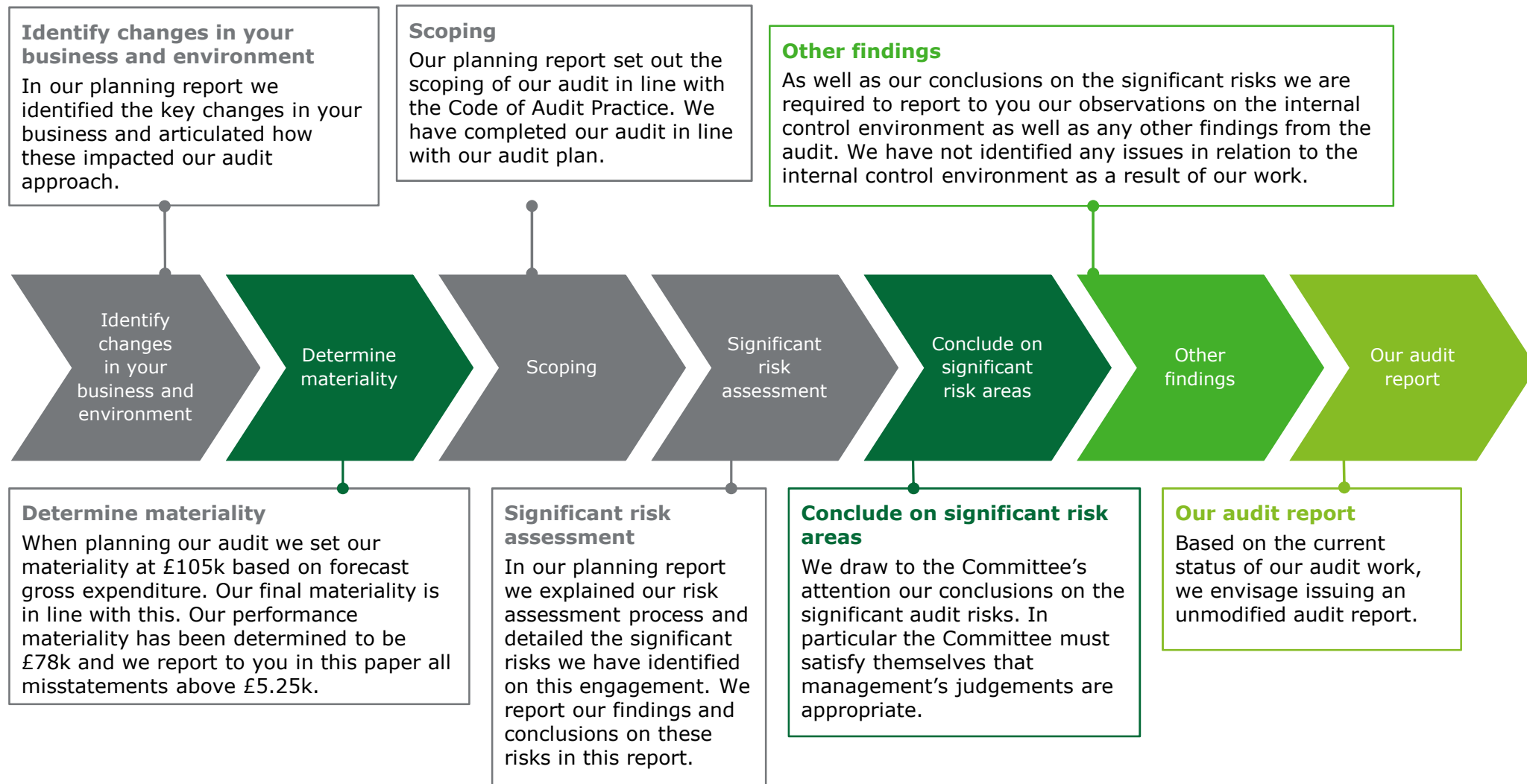
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		BnaG identified key accounting judgements (namely, pension liabilities) in a timely manner, and provided evidence to support these to audit in advance of the year-end audit work being carried out.
Adherence to deliverables timetable		BnaG provided information in accordance with the agreed timeline. While there were some delays in relation to information sought in relation to the wider scope audit work, we understand that this was due to the COVID-19 outbreak, bereavements and the volume of information which was requested.
Access to finance team and other key personnel		We appreciate the level of engagement we received from the finance team, the CEO, the wider SMT and the Board throughout our audit work.
Quality and accuracy of management accounting papers		The working papers prepared by BnaG are of a commendable standard.
Quality of draft Annual Report and Accounts		We identified numerous areas of good practice, including an informative Chair's Report; clear links to the National Performance Framework; and commendable use of graphics, pictures, signposting and cross-referencing throughout the Annual Report and Accounts. We identified a small number of instances of non compliance with the Government Financial Reporting Manual ('FRM'), as set out on page 18. Overall, we had 65% fewer comments on the Annual Report and Accounts in 2019/20 compared to 2018/19, and welcome the level of improvement in the year.
Response to control deficiencies identified		We did not identify any control deficiencies during our audit.
Volume and magnitude of identified errors		We identified one misstatements in excess of our reporting threshold arising from an event after the reporting period. We identified 2 disclosure deficiencies (page 64), which have been corrected by management. An increased level of review by management prior to the audit going forward will prevent these issues recurring.

 Lagging
  Developing
  Mature







Our audit explained

We tailor our audit to your business and your strategy



Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Operating within the expenditure resource limits			D+I	Satisfactory		Satisfactory	11
Management override of controls			D+I	Satisfactory		Satisfactory	12

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

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

Significant risks (continued)

Risk 1 – Operating within the expenditure resource limits

Risk identified

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with the prior year, we do not consider this to be a significant risk for BnaG as there is little incentive to manipulate revenue recognition with the majority of revenue being from the Scottish Government which can be agreed to confirmations supplied.

We therefore considered the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. There is a risk is that BnaG could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position. The significant risk was therefore pinpointed to the completeness of accruals, existence of prepayments made by management at the year end and the completeness invoices processed around the year end as this is the area where there is scope to manipulate the final results.



Key judgements

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

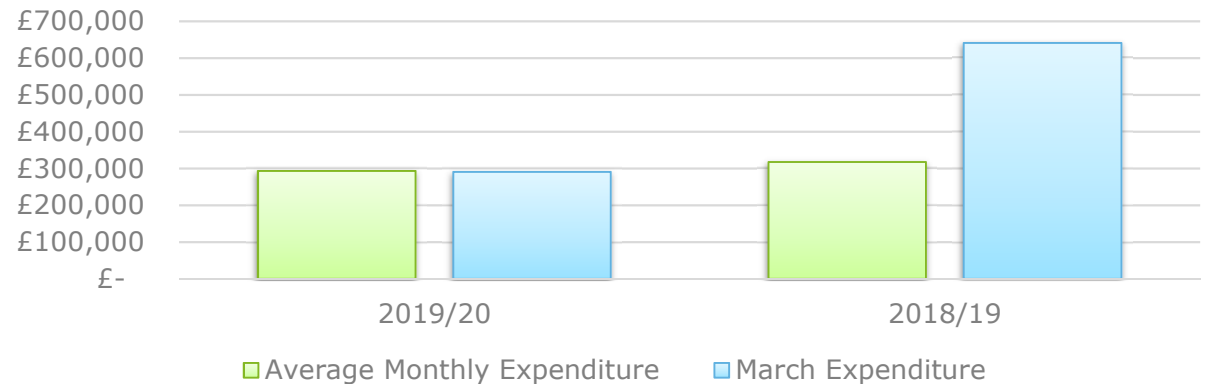


Deloitte response

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

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

Timing of Expenditure



Deloitte view

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

We confirm that BnaG has performed within the limits set by the Scottish Government and therefore is in compliance with the financial targets in the year.

In previous years, we have noted that expenditure in March is significantly higher than throughout the year, with this increasing the risk of misstatements through fraud or error. We are pleased to note, as shown in the graph above, that this has been addressed in 2019/20, with expenditure in the final month of the year being in line with the monthly average for the year.

Significant risks (continued)

Risk 2 - Management override of controls

Risk identified

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



Deloitte response

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

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

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

Significant and unusual transactions

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

Journals

We have performed design and implementation testing of the controls in place for journal approval.

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

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

Accounting estimates and judgements (see next page)

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

We reviewed accounting estimates for biases that could result in material misstatements due to fraud, as set out in detail on page 13.

We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result. We tested accounting estimates and judgements focusing on the areas of greatest judgement and value, including:

- Accruals
- Pension liabilities

Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Deloitte view

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

We have not identified any significant bias in the key estimates and judgements made by management.

Significant risks (continued)

Risk 2 - Management override of controls (continued)

Key judgements The key judgements in the financial statements includes those which we have selected to be significant audit risks around expenditure recognition. This is inherently the area in which management has the potential to use their judgement to influence the financial statements.

As part of our work on this risk, we reviewed and challenged management’s key estimates and judgements including:

Estimate / judgement	Details of management’s position	Deloitte Challenge and conclusions
Accruals	Accruals relating to BnaG’s operating activities are estimated on the basis of existing contractual obligations and goods and services received during the year.	<p>We have assessed this estimate through the performance of detailed testing, performing sample testing at a significant risk level on accruals recorded at the year-end, and potential unrecorded liabilities (payments made and invoices received around the year-end).</p> <p>We did not identify any errors in our testing and are satisfied that accruals are correctly recorded.</p>
Pension Liabilities	BnaG participates in the Highland Council pension scheme and recognises a pension liability in relation to this. The liability is valued based on independent actuarial advice and is based on complex assumptions such as discount rates, inflation rates and mortality assumptions.	<p>Given the quantum of the liability, we have noted this as an ‘other area of audit focus’ for reporting, set out on page 14. We have reviewed BnaG’s estimate, assessed the actuarial advice and engaged our own independent experts to assess the reasonableness of the estimate. As set out on page 14, no issues were noted in the testing performed.</p> <p>A disclosure deficiency was raised in relation to disclosure of the pension liability as a ‘significant estimate’ in the Annual Report and Accounts, which has been corrected by management, as set out on page 64.</p>

Other areas of audit focus

Defined benefits pension scheme

Background

BnaG participates in one defined benefits scheme:

- The Highland Council Pension Fund, administered by Highland Council.

The net pension liability has decreased from £1,259k in 2018/19 to £860k in 2019/20. The decrease is combination of a reduction of £9k in the fair value of the assets and a reduction of £408k in the liabilities as a result of demographic changes and financial assumptions. This total includes the impact of the McCloud adjustments.

The Council's pension liability continues to be affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Following recent consultation published by the SPPA subsequent to the year end, the actuary has amended its estimate of the impact of McCloud to only include members that were in service before 1 April 2012. This has resulted in a reduction of £24k to the liability disclosed in the draft accounts which has been updated in the final accounts. The actuary has made this adjustment to past service costs, but has not made any allowance within the current service costs for the impact of McCloud, therefore does not fully represent the cost of the benefits accruing for current service. The actuary has estimated that the potential impact of this is a £4k understatement of the liability, which is below our reporting threshold. This is an estimate and the actual cost could be different. As this amount is not material, management have not made this adjustment to the accounts and as this is below our reporting threshold, this has not been reported as an uncorrected misstatement.

In the current year there was an additional legal case - the Goodwin judgement - that has an impact on the scheme. The judgement, subsequent to the year-end, is in respect of a Teacher's Pension case where there was deemed to be discrimination in spousal transfer on death of the member (where a male widower was deemed to be discriminated against through receiving a different level of benefits than a female widow). The actuary has not amended its estimates to take into account this case, which the actuary estimated would result in an increase in liability of £7k to the liability disclosed in the accounts.

Deloitte response

- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking as shown the table below.
- We have obtained assurance over the controls for providing accurate data to the actuary.
- We assessed the reasonableness of BnaG's share of the total assets of the scheme with the Pension Fund financial statements.
- We have reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities.
- We reviewed the disclosures within the accounts against the Code.

	BnaG	Comments
Discount rate (% p.a.)	2.3	Prudent and reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	1.9	Prudent end of reasonable range
Salary increase (% p.a.)	2.8%	Real salary increases 0.9% above CPI inflation
Pension increase in payment (% p.a.)	1.9	Reasonable
Pension increase in deferment (% p.a.)	1.9	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.0	Prudent
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	22.0	Prudent

Deloitte view

Following receipt of the updated accounts to reflect the changes to the liability for McCloud arising from events after the balance sheet date (net impact was a reduction in liability of £24k), we are satisfied that the net pension liability disclosed in the accounts is materially correct. BnaG's actuary has estimated the potential impact of Goodwin on the liability as £7k which has been recorded as an uncorrected misstatement on page 64.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

We have not identified any areas of non-compliance with accounting standards or good practice in our review of BnaG's accounting policies. We have recommended improved disclosure on significant estimates, set out on page 64. We did not identify any other financial statement disclosures which were either not compliant with accounting standards or good practice.

Significant matters discussed with management:

Throughout the audit, we have held ongoing discussions with management on BnaG's response to COVID-19 and future plans, in order to assess the adequacy of disclosures in the Annual Report and Accounts and to update our understanding of the entity and risk assessment.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in our professional judgement, are significant to the oversight of the financial reporting process.

We will obtain written representations from the Board on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

COVID-19 outbreak

Impact on the annual report and audit

The current crisis is unprecedented in recent times. BnaG is exposed to the practical challenges of the pandemic, and is undergoing major, rapid operational changes in response.

The uncertainties and changes to ways of working also impact upon the reporting and audit processes, and present new issues and judgements that management and the Committee needs to consider. The Scottish Government, Audit Scotland and the Financial Reporting Council have issued guidance relating to the impacts on the Annual Report and Accounts to assist in making relevant disclosures. We summarise below the key impacts on reporting and audit:

Impact on BnaG's Annual Report and Accounts

BnaG needs to consider the impact of the outbreak on the Annual Report and Accounts including:

- Principal risk disclosures
- Change in the funding regime for 2020/21 and beyond
- Impairment of non-current assets
- Allowance for expected credit losses
- Going concern
- Events after the end of the reporting period (for example, the impact of the pandemic on the valuation of BnaG's pension liability)

Impact on our audit

COVID-19 has fundamentally changed the way we have conducted our audit this year including:

- Teams are working remotely. We particularly appreciated the ongoing access we had to BnaG staff despite this, and the actions BnaG took to ensure that it had access to required physical documentation.
- The audit team and management at BnaG have had regular status updates to discuss progress and facilitate the flow of information.
- Despite the challenges, due to the effective communication between the audit team and management, we have been able to complete the audit to the original timetable.
- Consideration of impacts on the areas of the Annual Report and Accounts listed has been included as part of our audit work in the current year and comments have been included where appropriate within this report.
- In conjunction with BnaG, we will continue to consider any developments for potential impact up to the finalisation of our work in September 2020.

Our audit report

Other matters relating to the form and content of our report

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



Our opinion on the financial statements

We expect that our opinion on the financial statements will be unmodified.



Material uncertainty related to going concern

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



Emphasis of matter and other matter paragraphs

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

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



Other reporting responsibilities

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

Opinion on regularity

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

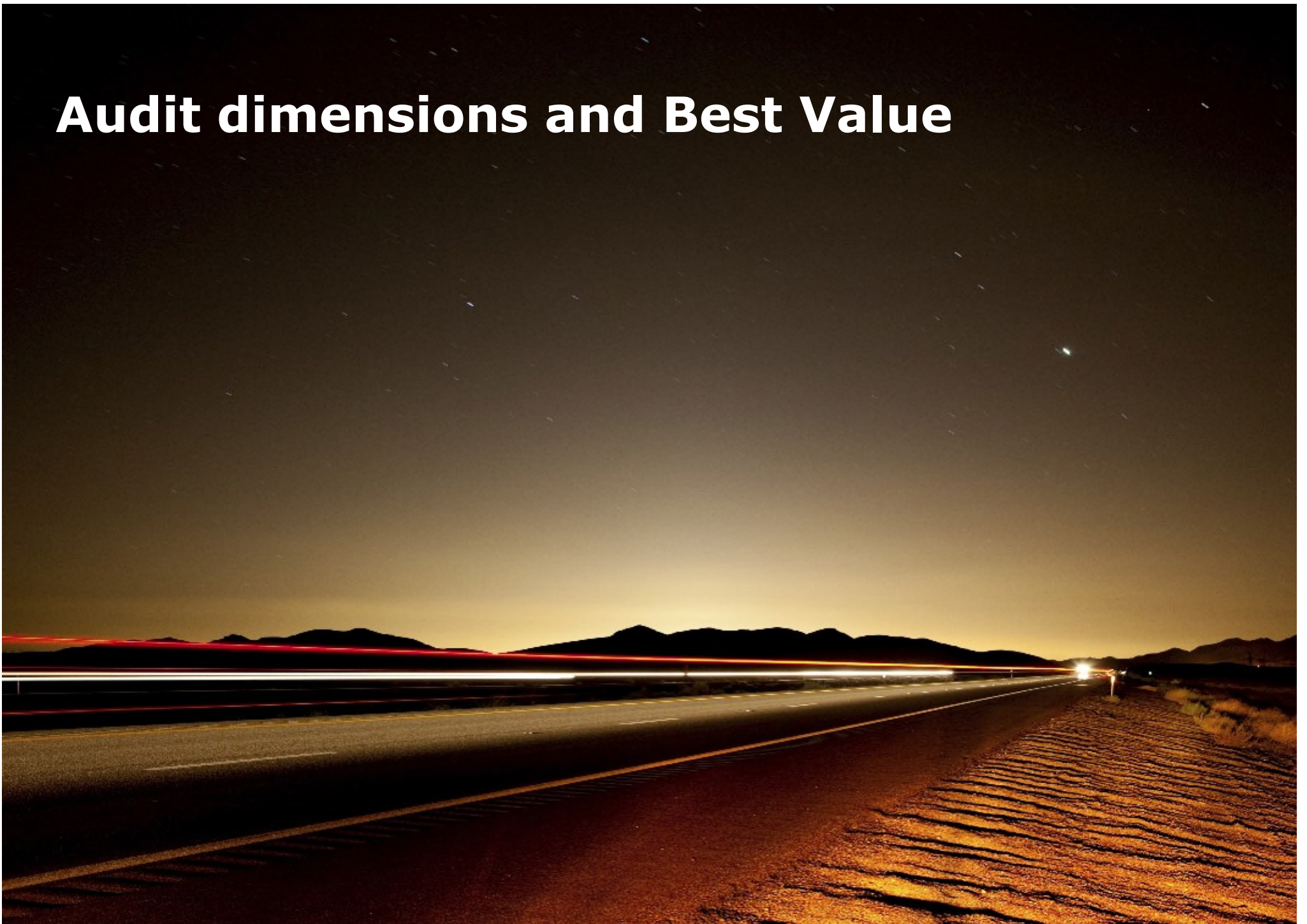
Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 18.

Your Annual Report and Accounts

We are required to provide an opinion on the auditable parts of the Remuneration and Staff Report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines BnaG's performance, both financial and non-financial. It also sets out the key risks and uncertainties facing BnaG, and its future outlook.	<p>We have assessed whether the Performance Report has been prepared in accordance with the accounts direction. We have not identified any areas of non-compliance with the FReM or Accounts Direction.</p> <p>We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. As explained on page 8, there are several areas of good practice demonstrated throughout the Performance Report, for which we commend BnaG.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the Governance Statement, Remuneration and Staff Report and the Parliamentary Accountability Report.	<p>We have assessed whether the information given in the Governance Statement is consistent with the financial statements and has been prepared in accordance with the Accounts Direction. We have not noted any exceptions.</p> <p>We have also read the Accountability Report and confirmed that, following amendments to take into account our findings in this report, the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We have audited the auditable parts of the Remuneration and Staff Report and confirmed that, following adjustments identified through our work (page 64), it has been prepared in accordance with the Accounts Direction and relevant regulation.</p>
Going Concern	Management has made appropriate disclosure relating to Going Concern matters.	<p>We have confirmed that the 2020/21 budget was approved by BnaG in February 2020. BnaG forecast a breakeven position. Based on this and our understanding of BnaG, we are satisfied that BnaG is a going concern. We have assessed BnaG's financial sustainability in detail on pages 27 – 33.</p> <p>We have requested that management specifically disclose their considerations in relation to the impact of COVID-19 on the ability of BnaG to operate as a going concern in the Annual Report and Accounts. Management have now included this additional disclosure.</p>

Audit dimensions and Best Value



Audit dimensions

Overview

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. Our report is structured in accordance with the four audit dimensions.

As a result of a number of significant issues identified in our 2018/19 audit, a detailed Improvement Plan was developed. In addition, the Auditor General for Scotland reported to the Scottish Parliament's Public Audit and Post-legislative Scrutiny Committee in January 2020 under section 22 of the Public Finance and Accountability (Scotland) Act 2000. In view of these issues, we have concluded that it remains appropriate to apply the full wider scope requirements, and set out in this section a follow up on the progress made in addressing the issues identified in our 2018/19 audit.



Audit dimensions (continued)

Overview (continued)

Overall summary

In our 2018/19 audit, we made 44 recommendations arising from our work, which were consolidated into an Improvement Plan agreed with BnaG. BnaG has monitored progress on these recommendations through the Improvement Plan Steering Group, and for internal monitoring purposes has split these 44 recommendations, resulting in a total of 72 recommendations. We have considered progress against all 72 recommendations and report in the same manner as BnaG has internally, to ensure consistency.

As shown in the graph across, of the 72 recommendations, 43 were completed on time, 11 were completed after the due date, and 18 are overdue for completion. We will continue to monitor the outstanding recommendations.

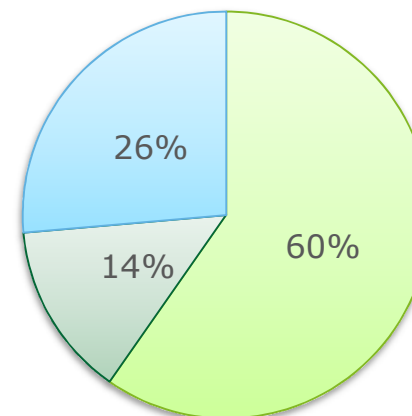
We have considered whether there has been improvement, even if the recommendation has not been fully addressed. By this measure, we have noted improvement against 62 recommendations, with no improvement against 10, as shown across.

As a result of our follow-up work, we have identified a substantial number of further areas for improvement – generally indicated by issues identified in the implementation of previous recommendations – and made corresponding recommendations within the body of this report.

BnaG should review the findings of our report and consider whether further items need to be added to the Improvement Plan, and we will continue to monitor progress as part of future audits.

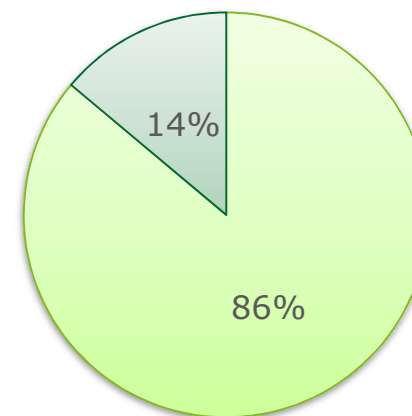
From our discussions with Board members, SMT and staff, we are pleased that BnaG has seen the Improvement Plan as a useful document which it believes has led to significant improvements, resulting in BnaG being more cohesive and streamlined, with transformational change across the Board and SMT.

Improvement Plan: Completion Analysis



■ Completed on time ■ Completed late ■ Overdue

Improvement Plan: Improvement Analysis

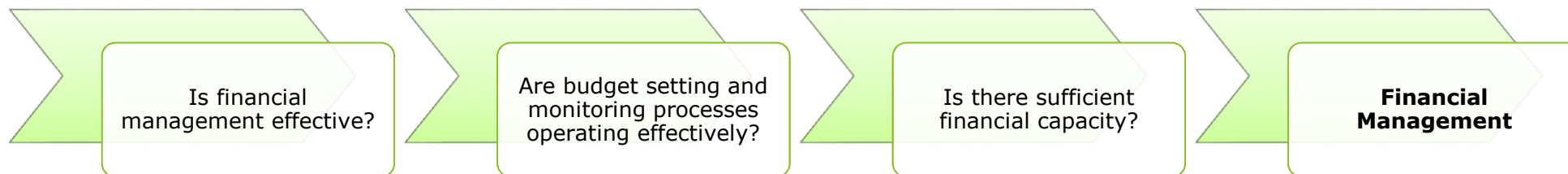


■ Improvement noted ■ No improvement noted

Financial management

Overview

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



Summary

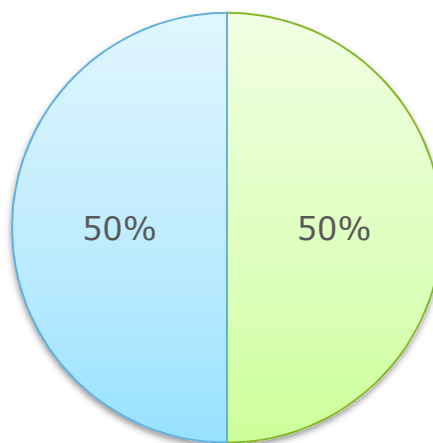
In our 2018/19 audit, we made 3 recommendations for improvement in relation to financial management (broken down into 4 recommendations for internal monitoring purposes). These related to the Risk Management Strategy, the preparation of a standalone annual budget, linking the budget to the Corporate Plan and setting out the outcomes which the budget aims to progress in the year.

The risk identified in our 2019/20 audit plan was: "There is a risk that the budget setting process is not sufficiently robust to allow BnaG to fully understand the implications of different scenarios."

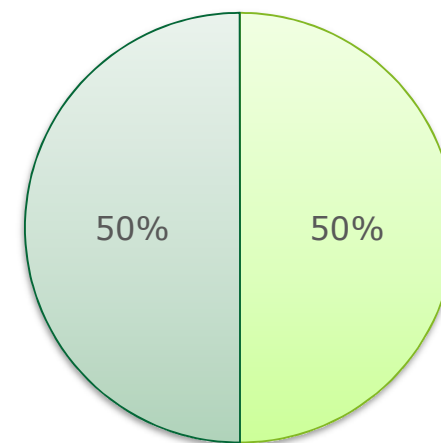
In our follow up work, detailed on pages 23 – 24, we have confirmed that 2 recommendations have been addressed on time, and 2 are overdue. For both recommendations which are overdue – being linking the budget to the Corporate Plan and setting out outcomes which the budget aims to progress – we have not noted an improvement in the year.

In addition to our follow up of progress against the Improvement Plan, we have set out our considerations of internal audit, standards of conduct for the prevention and detection of fraud and error, and the risk of fraud and corruption in respect of procurement on page 25.

Financial Management: Completion Analysis



Financial Management: Improvement Analysis



■ Completed on time ■ Overdue ■ Improvement noted ■ No improvement noted

Financial management (continued)

Completed recommendations

Risk Management Strategy

2018/19 Recommendation: The revised Risk Management Strategy and general approach to risk management should be included in the internal audit work plan for 2019/20, to identify any further areas for improvement and to provide assurance on the approach taken.

2019/20 Update: In our 2018/19 audit, we noted that Bòrd na Gàidhlig had recently made improvements to risk management and that in general, we were satisfied that the risk register was reasonable and appropriate for the organisation. We noted that the risk registers were considered at SMT, Committee and Board meetings and subject to scrutiny. We raised a minor point on understanding of the risk register and questioned the level of risk attached to staffing issues. Given these points and the recent changes to the approach to risk management (through the revised strategy and registers), we recommended that the approach to risk management be considered by internal audit in 2019/20. We reviewed the internal audit carried out in this area as part of our follow up work in 2019/20.

2019/20 Conclusion: We are pleased to note that the internal audit concluded with a 'strong' rating and that the two medium findings raised in the audit relating to documenting the risk appetite of the organisation and improving understanding of roles/responsibilities of the Board and staff with regards to risk have been accepted by management.

Annual budget

2018/19 Recommendation: Bòrd na Gàidhlig should have a detailed, standalone annual budget other than the MTFP. This annual budget should make clear links to the MTFP and the impact the budget has on the funding gaps identified in the MTFP.

2019/20 Update: A detailed budget was presented to the Board in February 2020, with this clearly setting out the assumptions underpinning the budget, the challenges the Board faces, potential future pressures and the options the Board has to address those challenges and pressures.

2019/20 Conclusion: Due to the timing of the publication of the budget and the development of the MTFP, the budget makes only passing reference to the MTFP (with this being drafted in February 2020). Now that both a detailed budget and separate MTFP have been prepared, the impact of the annual budget on the MTFP should be set out in each year when the budget is presented for approval.

Financial management (continued)

Incomplete recommendations

Linking the budget and Corporate Plan

2018/19 Recommendation: Bòrd na Gàidhlig needs to ensure it makes clear links to the Corporate Plan in its budget. There should be an analysis of how the budget links in quantitative terms to the priorities set out in the Corporate Plan.

2019/20 Update: The update on the Improvement Plan provided to the Board in February 2020 noted that analysis of development costs and running costs is based on the Corporate Plan priorities, with analysis of staffing costs according to role function adding to this detail.

2019/20 Conclusion: In our view, similar to the MTFP, the budget does not demonstrate how the allocation of resources is aligned to the Operational Plan or Corporate Plan of the organisation. The budget rightly demonstrates how funding will be used in line with the requirements of the Grant in Aid letter. However, to improve scrutiny and enable the Board to understand how the allocation of resources is progressing its stated priorities, it is important to identify the resource level being dedicated to each area in a given year. This knowledge, in addition to the monitoring of progress against these priorities, will enable a better understanding of whether resources are being used effectively and whether any reallocation of resources between priorities is warranted. Management have confirmed that this will be progressed in a revised budget presented to the Policy & Resource Committee in August 2020.

Focus on outcomes

2018/19 Recommendation: The budget needs to consider the outcomes it aims to achieve in the year. There should be information of the outcomes the organisation expects to be progressed (and to what extent) by the budget, to enable Board members to assess to what extent budgetary decisions are impacting on outcomes achieved. This can be addressed to some degree by linking the budget to the Operational Plan, which is in turn linked to the Corporate Plan which then addresses outcomes.

2019/20 Update: Despite reporting to the Board that the budget would set out funding allocation and anticipated impacts in terms of the Corporate and Operational Plan, the 2020/21 budget does not do this. While the budget notes that its preparation is intended to meet this recommendation and that the budget is designed to progress the Corporate Plan, no detail on this is set out and monitoring of this going forward is not possible based on the approved budget.

2019/20 Conclusion: This recommendation has not progressed from the time it was made and remains applicable.

Financial management (continued)

Other areas considered in 2019/20

internal audit

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. In 2019/20, BnaG changed its internal audit provider from being in-house to being provided by Wylie & Bisset LLP.

During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. We have held discussions with internal audit on areas of our work and theirs to ensure mutual understanding of conclusions and avoid duplication of effort.

internal audit's conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Standards of conduct for prevention and detection of fraud and error

We have reviewed BnaG's arrangements for the prevention and detection of fraud and irregularities. Overall we found BnaG's arrangements to be designed effectively and appropriately implemented.

Fraud and corruption in respect of procurement

In accordance with Audit Scotland planning guidance, fraud and corruption in the procurement function (such as illicit rebates, kickbacks and false invoicing) is a risk across the public sector. We have therefore considered BnaG's controls and processes in this area as a matter of particular focus.

We note that an internal audit on procurement was carried out in 2018/19, which made 4 recommendations for improvement, all of which were accepted by management.

BnaG has detailed processes in place in relation to procurement and follows the Scottish Government framework in this area, with these being designed effectively.

From our review of a sample procurement exercise, we noted that there was no documentation retained in the evaluation document of the rationale for the difference in the quality assessment of the bids. Following further discussion and analysis, we noted that quality assessments were being made on a factually incorrect basis, as a result of misreading tender documents. In other areas where differing quality scores would appear to be reasonable, the same scores were applied without documentation as to why this was appropriate. From our review of this sample, BnaG failed to take into account all relevant information which should be considered in assessing quality.

BnaG has controls in place to ensure that where procurement exercises result in a bid other than the lowest tender being awarded the contract, a separate layer of approval is obtained. This was obtained in the sample reviewed, although this additional layer of approval failed to identify the issues identified in our work, and there is no documentation that a review of the underlying documentation took place before providing the approval.

Based on the issues identified with the sample procurement exercise considered, we conclude that controls and processes in place at BnaG are not appropriately implemented, with there being a risk that procurement exercises are not carried out fairly with due regard to all the evidence. This risks unreasonable judgements being reached, resulting in decisions which do not represent value for money.

In 2020/21, BnaG should institute an additional layer of review on procurement exercises, with this review being documented, to ensure that qualitative considerations are clearly documented and based on complete information and factually based. Training on procurement should be provided to those involved in procurement processes.

Financial management (continued)

Deloitte view

Deloitte view – Financial management

In 2018/19, we concluded that BnaG's financial management processes were operating effectively. We have not identified any issues in our work in 2019/20 that would indicate that this conclusion should be reviewed. Further assurance is obtained from the internal audit in the year which provided a 'strong' rating on risk management within BnaG.

For a number of years (since 2017/18), we have recommended that BnaG implement improvements to the budget setting process. In 2018/19, we clarified that this included embedding clear links to the Corporate Plan in the budget, setting out the outcomes the budget is expected to progress, as well as linking the budget to BnaG's MTFP setting out the impact the budget has on any funding gap identified in the MTFP. These improvements will enable BnaG to better demonstrate how it is contributing to delivering improved outcomes. Improvements in these areas have not progressed at the pace required in 2019/20, and further improvement in these areas should be seen by BnaG as a matter of priority.

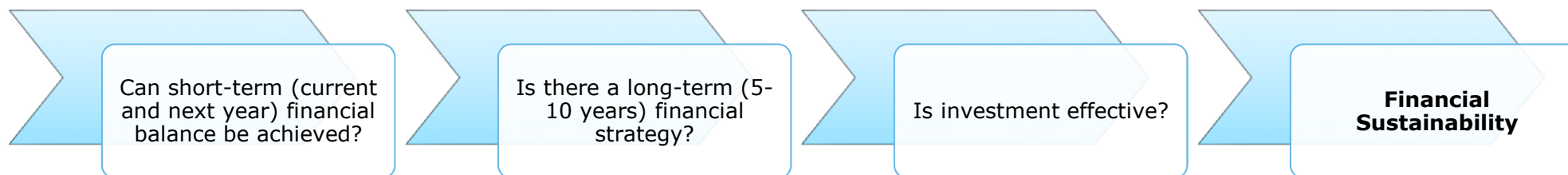
In 2019/20, Audit Scotland identified fraud and corruption in respect of the procurement process as an area of particular focus for the public sector. While BnaG has detailed processes and controls in place, we identified instances of non-compliance with these which indicates that they are not appropriately implemented. In our view, there is a significant risk that procurement exercises are not carried out fairly with due regard to all the evidence. This risks unreasonable judgements being reached, resulting in decisions which do not represent value for money.

BnaG has a competent and independent internal audit service in place, with this function being outsourced from 2019/20. Similarly, we have not identified any issues with BnaG's arrangements for the prevention and detection of fraud and other irregularities.

Financial sustainability

Overview

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



Summary

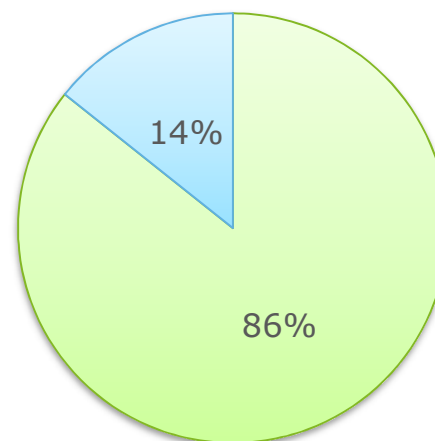
In our 2018/19 audit, we made 4 recommendations for improvement in relation to financial sustainability (broken down into 7 recommendations for internal monitoring purposes). These related to the level of staffing in different areas, focussing on the strategic priorities of BnaG, workforce planning and medium-term financial planning.

The risk identified in our 2019/20 audit plan was: "There is a risk that the MTFP and associated workforce plan are not sufficiently robust to allow BnaG to plan for the medium to longer term."

In our follow up work, detailed on pages 28 – 31, we have confirmed that 6 recommendations have been addressed on time, and 1 was completed late. No recommendations are overdue. Consequently, we have noted an improvement across all 7 areas considered in 2018/19.

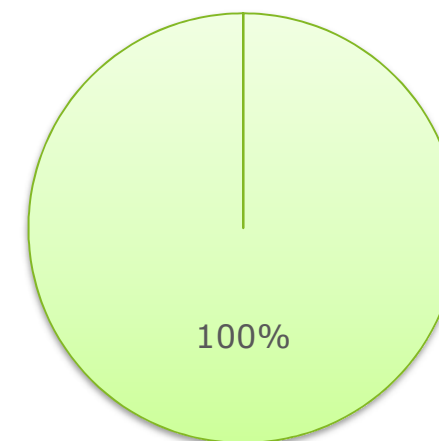
In addition to our follow up of progress against the Improvement Plan, we have set out our considerations of BnaG's ability to achieve short-term financial balance and medium-term financial sustainability on page 32.

Financial Sustainability: Completion Analysis



■ Completed on time ■ Completed late

Financial Sustainability: Improvement Analysis



■ Improvement noted

Financial sustainability (continued)

Completed recommendations

Resourcing and remit

2018/19 Recommendations:

1. The Board should consider the level of staff resource it currently allocates to each area of activity against its remit, bearing in mind the findings of the ongoing external review of remit.
2. Where the organisation is expending resources in an area outwit its remit, the Board should consider whether this remains appropriate or whether a strategic realignment on the core remit of the organisation is needed.

2019/20 Update: The Board engaged external consultants (Harvey McMillan Associates) to lead a review of the organisational remit of BnaG and how BnaG can align its resources to best progress its stated priorities. This review was informed by meetings with Board members, SMT and the wider staff group. In addition to this, BnaG drew on the responses to recent staff surveys and the findings of the 2018/19 external audit report in developing its 'programme for change' and associated 'change plan'. This work was undertaken with some speed, with detailed work carried out and associated plans drawn up in an accelerated timeframe.

BnaG has developed a three phrase approach to change, with 'phase one' due to complete by the end of March 2020. It is unclear from reporting to the Board how much progress has been made on this initial phase, and we expect there will be delays to phase two and three due to the COVID-19 pandemic.

While we commend the initial work that has been undertaken to progress this recommendation for improvement, the Board must continue to monitor implementation of the programme for change and ensure that it is delivered efficiently and effectively.

The process adopted by management led to a formal grievance being raised by the main Trade Union within the organisation against the consultation process on the programme for change. The grievance consisted of three elements, of which two were partially upheld. Importantly, the partial upholding of the grievance relates to the speed with which management sought to complete the consultation process and the information they supplied to staff in progressing that consultation.

It is equally important to note, however, that external advice was sought prior to the consultation process and management were found to have made reasonable efforts to involve staff appropriately in the consultation process.

2019/20 Conclusion: While we commend the initial work that has been undertaken to progress this recommendation for improvement, the Board must continue to monitor implementation of the programme for change and ensure that it is delivered efficiently and effectively.

While we have commended the progress made by BnaG on the development of a programme for change and associated change plan, and the whole-organisation approach to this, it is necessary to highlight risks which can arise if management and the Board attempt to 'tick off' too many improvements too quickly. While the desire to demonstrate rapid improvement is understandable, this must not be 'tick box' improvement. We have particular concerns around the accuracy of some reporting to the Board and the rapid implementation of recommendations resulting in additional issues as a result of problems arising in their implementation.

We would urge management and the Board (as we did in 2018/19) to consider the timescales for implementing the recommendations for improvement contained within the Improvement Plan and assess whether they are reasonable and enable appropriate cross-organisational input.

Financial sustainability (continued)

Completed recommendations (continued)

Workforce planning

2018/19 Recommendation: Bòrd na Gàidhlig needs to develop a workforce plan, linked to its corporate plan and vision, which includes succession planning. This workforce plan should identify the current workforce, the workforce currently needed, the workforce needed into the future and the gaps existing presently and expected in the future. There should be detailed information on how these gaps will be addressed: through recruitment (including the method of recruitment - e.g. apprenticeships, graduate placements, experienced hires, secondments), through changing the services provided by Bòrd na Gàidhlig, and through development of the current workforce. The workforce plan should be updated on an annual basis and considered by the Board or Committee as appropriate.

2019/20 Update: The Workforce Plan was presented to the Board on 26 February 2020. The Workforce Plan makes clear links to the Corporate Plan, Operational Plan and People Strategy.

2019/20 Conclusion: In many areas, the Workforce Plan is in line with guidance on good practice. However, the objectives and actions remain generally high level and require refinement - moving away from 'ongoing' targets that focus on what 'we will' do, towards specific timeframes and targets and implementation of changes. Further, there needs to be greater focus on succession planning within the organisation, the current workforce gaps that exist in the organisation and the forecast gaps in future years (with options for closing those gaps set out clearly).

BnaG needs to ensure that it makes changes in practice, as well as in policy. We have noted recent changes whereby budget responsibility has been delegated to a new line manager position, and line managers have been invited to attend SMT meetings from June 2020. BnaG should continue progress in this area.

Running costs business case

2018/19 Recommendation: A business case should be prepared by Bòrd na Gàidhlig for discussions with the Sponsor Division on the amending of the running costs cap currently in place (moving amounts allocated for development costs to running costs), particularly in the short term (2019/20 and 2020/21), to enable Bòrd na Gàidhlig to incur the additional spend required to address the actions in this improvement plan. Costs will be higher in the short term due to the remedial training required, the short-term use of consultants and the requested appointment of a high-level support by the Scottish Government.

2019/20 Update: A request was made to the Scottish Government to transfer an allocation of £100k from 'Development Costs' to 'Running Costs' in 2019/20, specifically due to the costs associated with the Improvement Plan. This request was approved and it was noted in the initial request that there may be a subsequent request in 2020/21. This request was not in place prior to the start of the 2020/21 year.

In February 2020, the Board approved the MTFP, which will form the basis of a business case for additional funding from the Scottish Government. The draft 'ask' in the Medium-Term Financial Plan on running costs is an increase of £35k per year. This contrasts starkly with the average annual increase of £969k requested in 'Development Costs'.

2019/20 Conclusion: We would urge caution on the basis for this request for additional funding and recommend that the Board ensure sufficient consideration is given to the potential need for increased running costs to allow for a greater focus on leadership, governance, staff and training. While this increased funding would enable BnaG to provide additional grants to Gaelic organisations, the Board needs to ensure that it has appropriate capacity, competence, leadership and governance structures in place first. Given this, we would recommend that the Board reconsiders its planned approach in the short-term.

The above being said, BnaG should not be increasing running costs at the expense of providing grants to external bodies, and the focus needs to be on making best use of the totality of funding available, focusing on outcomes being delivered. BnaG needs to ensure that it has the correct structures in place to do this.

Financial sustainability (continued)

Completed recommendations (continued)

Recruitment policy

2018/19 Recommendation: Given the longstanding nature of vacancies within Bòrd na Gàidhlig and the difficulties with recruitment, the Board should consider whether its policy of employing only fluent Gaelic speakers remains appropriate. If the Board decides to relax the policy to be on a 'case-by-case' basis, each position advertised for recruitment should be monitored and documentation should include:

- (a) How long the role has been vacant;
- (b) How important the role is to the organisation;
- (c) How many applications have been received; and
- (d) How many times recruitment has been attempted.

This will provide SMT with clear information on which to consider whether it is appropriate to consider applications from non-Gaelic speakers. This would be an operational decision for SMT to make on a case-by-case basis.

2019/20 Update: We have reviewed BnaG's Gaelic Plan which clarified a policy on the potential recruitment of non Gaelic speaking staff. The revised policy is that a post will be advertised twice before the essential skill of Gaelic is reviewed. Any staff joining the organisation will be required, where they are not Gaelic speakers, to commit to learning the language.

2019/20 Conclusion: The changes made to the recruitment policy are, in our view, reasonable and allow for requirements to be assessed on a role-by-role basis whilst being cognisant of the availability of skills within the Gaelic-speaking community for that role.

It should be noted that we have not considered the legality of the recruitment policy adopted by BnaG. The status of Gaelic has not been tested in the courts and specific guidance on this point has not been provided to BnaG by the Equalities and Human Rights Commission, because there is no existing case law in this area. The internal guidance prepared by BnaG in 2017 which recommends assessing the requirement for Gaelic language skills on a role-by-role basis (with suggestions on areas where Gaelic may be 'desirable' as opposed to 'essential') and setting out a clear business case justifying the clear occupational need for the language is helpful in this regard.

The revised policy is in line with this internal guidance and going forward, BnaG should ensure it documents how it has considered the requirements on a case-by-case basis to avoid any potential claims for indirect discrimination.

Medium-term financial planning

2018/19 Recommendation: Bòrd na Gàidhlig should develop a standalone MTFP in addition to an annual budget, linked to its Corporate Plan and the Scottish Government Medium-Term Financial Strategy.

2019/20 Update: The MTFP was presented to the Board in February 2020.

2019/20 Conclusion: While the MTFP presented is a useful starting point in setting out the forecast funding gap of £1.16m (22% of annual income) by 2024/25, improvements to the plan could be made to enhance its usefulness as a decision making tool.

1. It would be useful to look back over last two (or three) years, showing how the Scottish Government Grant in Aid has changed and how expenditure has also increased in both actual and percentage terms. It would also be useful to incorporate within this the amount of efficiency savings already built into the 2019/20 (and previous year) budgets, to clearly demonstrate that BnaG have exhausted all the simple efficiency savings, so any more will need more difficult decisions. It would also be useful to build into this the number of full time equivalent staff that BnaG has had each year and if there has been any changes in scope or responsibilities (with clear links to the Workforce Plan).

2. The funding gap is based on anticipated cost increases by Bòrd na Gàidhlig and priority changes. The MTFP should go further and set out clearly the reasonable 'best case' scenario and reasonable 'worse case' scenario, with the funding gap being the midpoint of both of those.

Financial sustainability (continued)

Completed recommendations (continued)

Medium-term financial planning (continued)

3. It is not clear how the MTFP staff cost changes link in with the Workforce Plan and this needs to be set out in greater detail. Similarly, it is not clear how the MTFP links in with the priorities in the Corporate Plan and demonstrates that BnaG is progressing priorities each year.

4. The MTFP should set out in some level of detail how BnaG intends to close the anticipated funding gap - what the options are and the timing of these (recognising that any changes in structure tend to need lead in time to implement effectively). The impact of these changes on the delivery of BnaG's responsibilities should also be set out (or signposted to other relevant documents).

5. The plan should include a section clearly setting out the assumptions and risks, for example assumptions on inflation for costs, assumption on different scenarios for funding, assumptions around future national insurance and pension contributions and scale uplifts, and any other assumptions about the responsibilities of BnaG.

Reporting of financial impacts

2018/19 Recommendation: Bòrd na Gàidhlig should include the impact that decisions will have on the organisation's position against the in-year budget and the funding gap identified in the MTFP, so that it is clear to everyone who is making the decision the longer-term financial impact that decisions are expected to have, rather than simply understanding the impact in the short term.

2019/20 Update: We are pleased to note that covering reports for papers presented to Committees and the Board now include, as standard, the following impact considerations: Financial; workforce; training; corporate plan; national plan; reputation; health and wellbeing; legal; equalities.

2019/20 Conclusion: From review of Board papers and discussion with a number of Board members, we have identified that the completion of these covering reports varies and the information provided does not always set out what the impacts actually are. For example, with regards to the Workforce Plan, the following impacts were noted:

Area	Impact
Financial	The plan sets out how much money is needed to further the work of the Board, while also setting out how the organisation would deal with budget cuts.
Workforce	Many actions in the plan affect staff - numbers, skills, opportunities, recruiting, training.
Reputation	The implementation of this plan will improve the reputation of the Board.
Legal	N/A

Ideally, we would expect to see in the financial impact section, the impact on the budgeted and MTFP position if the Board agrees with the recommendation in the report. Similarly, the workforce implications should clearly set out the anticipated change in workforces and restructuring of positions envisaged. The legal implications being 'not applicable' is questionable, given the requirement for consultation and the possibility of grievances (which eventually materialised, as discussed on page 43), and the reputational impact should have been more clearly set out in terms of risks to the organisation as well as detailing opportunities (as opposed to simply noting it will improve the reputation without justifying that conclusion).

While this is just one example, we note from review of Board reporting packs that the 'impact' sections are generally light touch. The Board has taken a good step in the right direction on this area, but further improvements in the utilisation of this tool will enhance scrutiny and enable the Board to demonstrate that they understand the impacts of the decisions they are making. Where the Board feel impacts have not been clearly set out or certain impacts missed, the Board should ask for these to be considered for addition to the report or in the minutes of the meeting.

Financial sustainability (continued)

Other areas considered in 2019/20

Short-term financial balance

BnaG has a history of breaking even within small tolerable thresholds set by the Scottish Government and 2019/20 has been no different. BnaG has achieved a breakeven position through identification and monitoring of savings throughout the year. The final position of BnaG was an underspend against the budgeted allocation of £75k (1.5%).

For 2020/21, BnaG forecast a breakeven position. As this was presented in February 2020, it did not include any impact from COVID-19. We note a revised budget for 2020/21 is being presented in August 2020 to account for this.

Based on the historical evidence, underspend and carried forward funding from 2019/20 to 2020/21 (approved by the Scottish Government), we are satisfied that BnaG can achieve short-term financial balance in 2020/21.

Medium-term financial sustainability

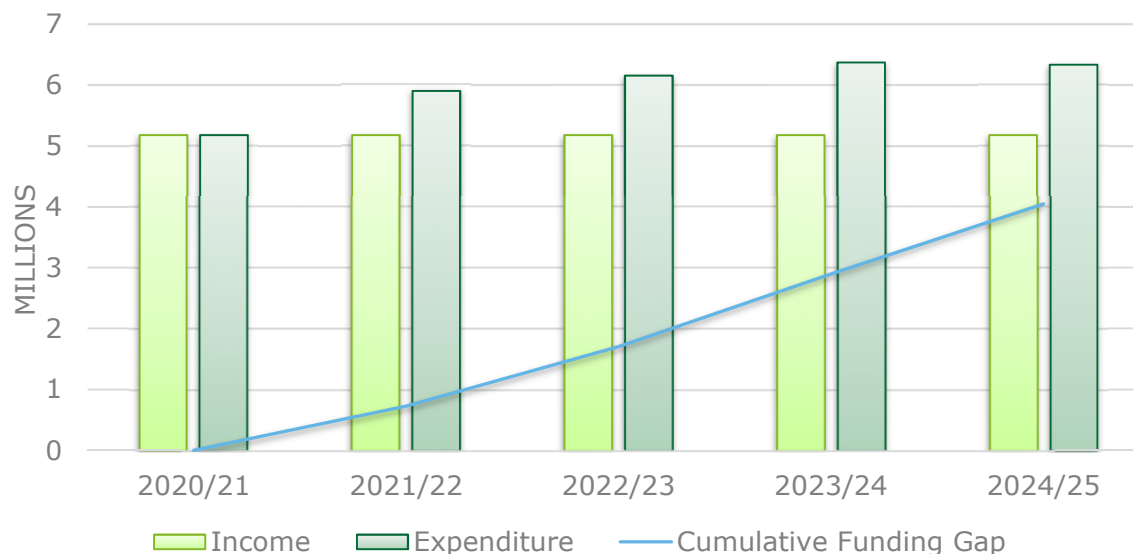
We are happy to report that BnaG has developed a MTFP in the year. We reviewed BnaG's draft MTFP and provided advice on improvements which should be made during the year (for example, on scenario planning, links with workforce planning and historical analysis). While BnaG intends to address these recommendations, it has not yet done so.

We are pleased to note that the MTFP includes links to the Scottish Government Medium-Term Financial Strategy ('MTFS'), and that the assumptions and conclusions in BnaG's MTFP are in line with the MTFS. The Scottish Government's MTFS has not been revised in the year. Given the anticipated economic climate facing both the Scottish Government due to the COVID-19 pandemic, any revisions by the Scottish Government to either the MTFS or to spending priorities should be assessed by BnaG for their potential impact on the medium-term financial situation facing BnaG.

Based on BnaG's MTFP, BnaG's additional funding needs to implement its workforce plan will increase from £nil in 2020/21 to £0.73m in 2021/22, growing to £1.16m by 2024/25. However, BnaG has prepared a balanced five year budget, based on static funding. Given inflation – including staff costs, based on historical trends and current projections – will be approximately 13% in that period and will therefore effectively represent a real terms cut in funding, we have concerns about the reasonableness of the budget assumptions and the achievability of a breakeven position over the medium-term.

Given the significant changes since the draft MTFP was prepared - including the COVID-19 pandemic - the MTFP needs to be significantly revised within 2020/21. We will review the revised position in our 2020/21 audit. Alongside revising its MTFP, BnaG needs to develop a clear plan as to how it will transform its operations and workforce to reach a financially sustainable position in the near future. Realistically, given the long lead-in times of significant changes, these actions need to begin to be implemented in the current year.

Medium-term financial position



Financial sustainability (continued)

Deloitte view

Deloitte view – Financial sustainability

As discussed on page 32, BnaG achieved financial balance in 2019/20 and is forecasting that it can achieve financial balance in 2020/21.

The position over the medium term is more difficult. While BnaG is forecasting a breakeven position over the period to 2024/25, this is against an assumption of static funding and inflationary pressures of approximately 13% over that period. Given the significance of this anticipated real terms cut, we have concerns about the ability of BnaG to achieve a breakeven position over the medium-term. Given the lack of certainty surrounding any additional future funding and the fact that the majority of BnaG's costs are fixed and increasing (relating to staff costs and grant awards), and the anticipated impact of COVID-19 we have concerns about the financial sustainability of BnaG. BnaG's focus needs to be on making best use of the totality of funding available, focusing on outcomes being delivered. BnaG needs to ensure that it has the correct structures in place to do this.

In 2018/19, given the difficulties of remaining within the running costs, we recommended 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. We welcome the short-term change which was approved to release resources for BnaG to implement the significant change needed as a result of the findings of the 2018/19 audit, and are aware that a business case for a longer-term change is being prepared.

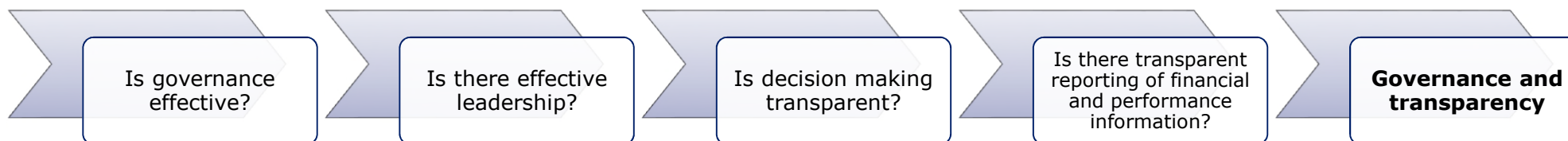
We have welcomed the development of BnaG's MTFP and Workforce Plan in the year. Further improvements are required to both, including setting out scenario planning and setting out how BnaG plans to get from its current position to its target position as set out in these plans.

Given the level of change required at BnaG and the risks posed if these changes are implemented too quickly and without appropriate change management process in place, we would urge management and the Board to consider the timescales for implementing the recommendations for improvement contained within the Improvement Plan and assess whether they are reasonable and enable appropriate cross-organisational input.

Governance and transparency

Overview

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



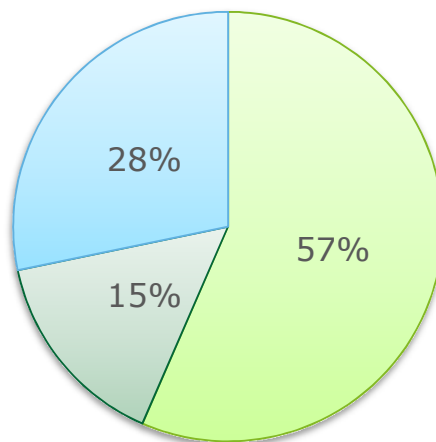
Summary

In our 2018/19 audit, we made 29 recommendations for improvement in relation to governance and transparency (broken down into 46 recommendations for internal monitoring purposes). These related to a wide variety of areas, including the effectiveness of governance arrangements, openness and transparency, reporting and scrutiny.

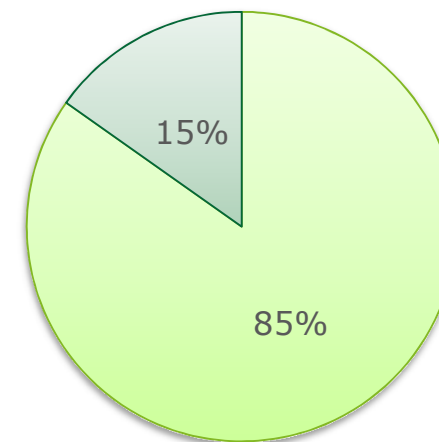
The risk identified in our 2019/20 audit plan was: "There is a risk that the agreed actions being monitored through the Improvement Plan Steering Group are not progressing at the pace required. There is also a risk that BnaG is unable to demonstrate the impact and benefits as a result of implementing the Improvement Plan."

In our follow up work, detailed on pages 35 – 51, we have confirmed that 26 recommendations have been implemented on time, 8 were completed late, and 12 recommendations are overdue. We have noted an improvement across 40 areas considered in 2018/19, with no improvement noted in 6 areas.

Governance and Transparency: Completion Analysis



Governance and Transparency: Improvement Analysis



■ Completed on time ■ Completed late ■ Overdue

■ Improvement noted ■ No improvement noted

Governance and transparency (continued)

Completed recommendations

Improvement Plan governance structure

2018/19 Recommendation: A formal governance structure to monitor implementation and report to the Board on the Improvement Plan needs to be instituted.

2019/20 Update: BnaG has established an 'Improvement Plan Steering Group', consisting of representatives of the Board, management and staff. This group monitors progress with the Improvement Plan on a regular basis, reporting on this progress to the Board through the Audit and Assurance Committee (previously the Audit and Risk Management Committee). Reporting to staff on progress is carried out through fortnightly all-staff meetings.

2019/20 Conclusion: We have noted from our discussions with staff that there is a feeling amongst some that staff are not kept adequately informed of progress against the Improvement Plan. Given that the fortnightly all-staff meetings are not minuted, it is not possible for us to form a view on this point. However, we note from the minutes of the Improvement Plan Steering Group meeting on 8 October 2019 that minutes of the group's meetings should be uploaded to BnaG's Sharepoint following accuracy checks and translation. We would suggest that management consider highlighting by e-mail to all staff when minutes are uploaded so that there can be no doubt that staff are kept informed on progress.

We have also noted from our review of minutes, discussion with the Board, management and staff, that there is no mechanism for staff to provide feedback on their perceptions of progress against the Improvement Plan. Given that many of the KPIs attached to the recommendations are improvements in staff perception, this is a flaw with the monitoring mechanisms in place. Whilst an annual staff survey will provide detailed information on how staff feel about the organisation as a whole, having a mechanism for monitoring staff opinion in relation to specific actions undertaken as a result of the Improvement Plan would provide the Steering Group (and through them, the Board) with more reliable evidence than the anecdotal evidence currently included in the updates provided by management.

Improvement Plan Steering Group

2018/19 Recommendation: The Board should approve a sub-group being established, consisting of: (1) a Chair, being a member of the Audit and Risk Management Committee ('ARMC'); (2) a staff representative; and (3) a representative of the leadership team. It may be considered appropriate to include additional representatives. The sub-group should provide strategic leadership and immediate oversight of implementation, reporting regularly to the ARMC. The sub-group should agree amongst themselves how regularly they meet, how they meet and how those meetings are recorded and reported.

2019/20 Update: The Improvement Plan Steering Group consists of a Chair (an active member of the Committee), a representative from the SMT and a staff representative. The group has agreed to meet at least quarterly, aligned to Committee meetings for reporting purposes. Minutes from the meetings are made available to staff through their internal Sharepoint on a reasonably timely basis.

2019/20 Conclusion: We have noted concerns raised through our interviews that the Steering Group is 'top heavy', due to the fact that there is a member of the SMT on the Steering Group, and attendance by the CEO (and the Head of Corporate Services, when he was in post) is the norm. In our view, it is reasonable and in line with standard practice for senior officers to attend Board, Committee and sub-Committee meetings to answer questions, provide advice and note actions for taking forward. This attendance, in and of itself, does not cause us concern.

We are aware, however, that many of the issues highlighted through our audit work are issues of perception. Given this, there is arguably a reasonable perception by staff that having more members of management and the Board at these meetings could influence decision making, even if the additional members of the SMT do not themselves have a vote at these meetings. This is particularly likely given that there currently exists no mechanism for formally capturing staff opinion on progress, so the opinion being received by the Steering Group is likely to be that of management presenting the papers.

In order to address this issue, the Steering Group should consider extending an invite to other members of staff (e.g. Trade Union representatives) to observe the conduct of the meeting and provide reassurance to staff that meetings are not weighted towards management or the Board. Having a Trade Union representative present would also enable the Steering Group to understand if staff opinion is aligned with the opinions presented by management.

Governance and transparency (continued)

Completed recommendations (continued)

Improvement Plan: Key Performance Indicators

2018/19 Recommendation: As part of monitoring, Bòrd na Gàidhlig should agree desired outcomes as a result of implementing this improvement plan (equivalent to KPIs) which can be monitored to demonstrate whether the agreed actions, when implemented, are having the desired result or whether further action is needed.

2019/20 Update: We are pleased to note that KPIs have been agreed for each recommendation contained within the Improvement Plan. However, we would question whether these KPIs are 'SMART' (specific; measurable; attainable; realistic/relevant, and time bound). We consider that some of the KPIs agreed for monitoring the Improvement Plan are too vague to be capable of being effectively monitored, for example:

Key Performance Indicator

2.1: SMT and staff all provide evidence of significant change

26.1: The 2019/20 audit identifies significant improvement from 2018/19.

In addition to this, a number of the KPIs agreed are simply a repetition of the action to be completed, as opposed to measuring an indicator of the anticipated impact. For example:

Key Performance Indicator

6.1: Suggestion/review/action loop completed for staff recommendations.

6.2: Feedback on suggestions circulated to all staff.

KPIs which could be used instead of the above, which would promote better scrutiny, could be as follows:

Key Performance Indicator

2.1: Feedback to be obtained from 100% of staff, management and Board members on all training received in the year, with feedback received for each individual course attended. A 10% increase in the number of staff who note in the staff survey that they are satisfied with the job-related training that Bòrd na Gàidhlig offers in the 2019/20 survey.

26.1: The 2019/20 audit identifies that Bòrd na Gàidhlig has completed all of the Improvement Plan actions due to be completed in 2019/20 effectively and on time. The 2019/20 audit should identify significantly fewer (<50%) further areas for improvement as a result of the follow-up work on the Improvement Plan.

2019/20 Conclusion: We would encourage the Steering Group to consider whether the KPIs across the Improvement Plan should be revised to ensure that they are SMART. Management have confirmed that they intend to review the Improvement Plan, utilising external support, to improve the KPIs and monitoring of progress.

Executive Assistant

2018/19 Recommendation: Bòrd na Gàidhlig should establish an Executive Assistant post to work with the SMT. Although the Executive Assistant will provide support to each member of the SMT, it is important a single line manager is appointed for them (although this line manager should not expect the Executive Assistant to work for them, as opposed to the SMT). A clear job specification should be set out so that the Executive Assistant is clear on their role and responsibilities.

2019/20 Update: An Executive Assistant has been in post since October 2019. The job description notes that the Executive Assistant provides support to the SMT as a whole.

2019/20 Conclusion: From discussions with both SMT and staff, we are pleased to note that the new Executive Assistant position is working in practice as planned and that this has been received as a positive change across the organisation.

Governance and transparency (continued)

Completed recommendations (continued)

Public meetings

2018/19 Recommendations:

1. The Board should reconsider holding meetings in public, with agendas and papers being publicly available online a week prior to meetings, where items are discussed in private by exception (and the reason for these being clearly recorded).
2. The Board should also consider public Committee meetings.
3. When publishing the agenda and papers online, the Board should make clear that the meeting will be conducted in Gàidhlig and whether translation services will be provided.

2019/20 Update: We are pleased to note that a paper on holding public meetings was presented to the Board in September 2019. At this meeting, holding public meetings was agreed to in principle. The date from which public Board meetings was agreed to be held was delayed to September 2020 to allow for time to address potential logistical issues (e.g. provision of translation services, room space for attendees, etc.) The Board agreed that Board meetings will be held in public for a period of 12 months before Committee meetings are held in public. A report updating the Board on progress with this was presented in February 2020.

The update on holding public meetings provided to the Board in February 2020 noted that all Board meetings will continue to be held in Gàidhlig and that this information is available on BnaG's website.

2019/20 Conclusion: We are satisfied that the Board intends to take steps to improve its openness and transparency through the holding of public Board and Committee meetings. We understand the reasons for delaying the implementation of public meetings, but we do not express an opinion on the appropriateness of the length or extent of the delay. We would suggest that the Board could have considered publishing all the reports presented at Board meetings as soon as practicable (in addition to the agenda and minutes which are already published online), which should not have the same logistical hindrances as holding actual meetings in public and which would demonstrate a concrete step towards increased openness and transparency.

Following our initial work, we were pleased to note that BnaG held its first public Board meeting in May 2020 and Committee meeting in June 2020, publishing both the agenda and associated papers on its website in advance of this, thereby addressing the above concerns. When the Board held its first public meeting in May 2020, it made clear on its website that the meeting would be conducted in Gaelic and that translation services would not be available.

Committee oversight of finances and performance

2018/19 Recommendation: The Terms of Reference of the ARMC should be reassessed to consider inclusion of monitoring financial planning, performance and reporting.

2019/20 Update: While we note that the ARMC agreed to revised its Terms of Reference to expand its scope of responsibility, it is not clear that it had the authority to do so (subsequent revisions to the Terms of Reference of the Audit and Assurance Committee and the Policy and Resources Committee have been made through Board approval). The legislation underpinning BnaG's operations states that the Board may establish committees as it sees fit for the purposes decided by the Board.

2019/20 Conclusion: While the above issues are now irrelevant as they have been superseded by the Board amending its committee structure, they do highlight risks around the level of understanding of governance procedures which must be followed for changes to be effective.

We are pleased to note that a named committee of the Board - the Policy and Resources Committee - has specific responsibility for considering financial planning, performance and reporting.

Governance and transparency (continued)

Completed recommendations (continued)

Committee membership

2018/19 Recommendation: As permitted under section 6(2) of the Gaelic Language (Scotland) Act 2005, the Board should consider in discussion with members of the Committee whether the appointment of a non-Board member to the Committee would improve scrutiny and governance of financial matters.

2019/20 Update: The Board considered and endorsed the co-opting of a lay member to provide support to the Audit and Assurance Committee. While we understand that matters have now been overtaken by the appointment of a new Board member on 16 March 2020, we would question whether the Board appropriately prioritised the implementation of its resolution to appoint a lay member: there was a lag of 6 months between the Board making its decision and the appointment of the new Board member.

We note that a newly appointed Board member (who is a CIPFA qualified accountant and has extensive financial experience) has been appointed to the Committee with effect from 1 April 2020.

The Terms of Reference for BnaG's Committees set out the membership and Chair of that Committee. Terms of Reference require to be amended by approval of the Board; therefore, membership and Chairs of Committees can only be amended by approval of the Board. The process for changes in membership also require consideration by the Chair of the Committee with the Chair of the Board.

This process was not followed. Instead, the Chair met with the newly appointed Board member and decided that he would be Chair of the Committee, subsequently communicating this to the existing Chair of the Committee, the CEO and subsequently the Board. The changes were implemented prior to the Terms of Reference being revised, resulting in Committee membership at those meetings not being consistent with what the Terms of Reference required.

We were made aware of the proposed changes at the end of March 2020, and highlighted the issues with BnaG's approach to that point. Following this, BnaG did not restart the process, but carried out the requirements as set out in the Terms of Reference and applied these retrospectively.

2019/20 Conclusion: We raised concerns about the process through which the change to the Chair of the Audit and Assurance Committee was made and the fact that the new Board member was appointed as Chair of the Committee within 2 weeks of his being appointed to the Board. We also have concerns that the previous Chair of the Committee was removed not only as Chair of the Committee but from the Committee altogether. The loss of cumulative knowledge and experience on the Committee at such a pivotal time, particularly with such a short handover period (approximately a week) is not appropriate and serves to weaken, rather than strengthen, governance within BnaG.

There are other issues which this process highlights – a lack of understanding by the Chair of their roles and responsibilities; a failure by the Standards Officer to highlight these deviations from the Terms of Reference before they impacted decision making; an ad-hoc approach to key governance changes; a failure to fully consider the wider implications of such changes, and the Board being misled on changes and process.

The Board should re-familiarise itself with its governing legislation, Standing Orders and Terms of Reference to ensure that they are aware of the process for making key governance changes and are able to challenge when these processes are not followed.

Board training

2018/19 Recommendations:

1. The Board should hold a formal training and development session to familiarise itself with its responsibilities and the terms of reference of Committees. A presentation on the general responsibilities of Board members, the responsibility of the Chair and Chairs of Committees, and the role of Committees should be provided to the Board.

2. Thereafter, the Board should hold at least one development day to feed into specific areas where the Board as a group require further training.

Governance and transparency (continued)

Completed recommendations (continued)

Board training (continued)

2019/20 Update: As part of our follow up work, we requested training evaluation forms for these sessions and evidence of Board members being asked for and providing requests for additional training. Following this request, it was confirmed by management that due to technical issues, feedback was not collected.

2019/20 Conclusion: From our discussion with Board members, we noted that the Board held a training session led by an external provider in July 2019, with a further session provided in October 2019. We noted their view that all Board members who participated found the sessions useful and helpful. Given that formal feedback was not collated, and the changes to Board members in the year, the Board should consider whether they are satisfied as a group as to the training provided or whether any additional training needs have been identified through these sessions which need to be actioned.

Code of Conduct

2018/19 Recommendation: Bòrd na Gàidhlig should invite the Commissioner for Ethical Standards in Public Life in Scotland to consider apparent breaches of the Code of Conduct and recommend any action appropriate thereafter.

2019/20 Update: Management provided an update to the Board confirming that the Commissioner had concluded that there is no case to answer. Despite requesting it, we have not been provided with any evidence that the Commissioner has confirmed that there is no case to answer. When asked for advice by BnaG, the Commissioner confirmed that they would not comment on hypothetical situations. Our advice to BnaG on this was that they needed to consider if there was a need to refer each individual Board member for consideration, as opposed to referring the Board as a group - we suggested that since practices were being reviewed and training being provided there may be no need for this.

2019/20 Conclusion: BnaG concluded that there was no need for such referral, and we are satisfied that BnaG is taking steps to address the issues raised in our 2018/19 audit. This is not, and should not be seen as, there being 'no case to answer' - the case was simply never considered. We are satisfied that BnaG has done as much as it can to address this recommendation. However, the update provided to the Board by management was inaccurate and this should have been challenged by the Board in their scrutiny of the update.

Training plan

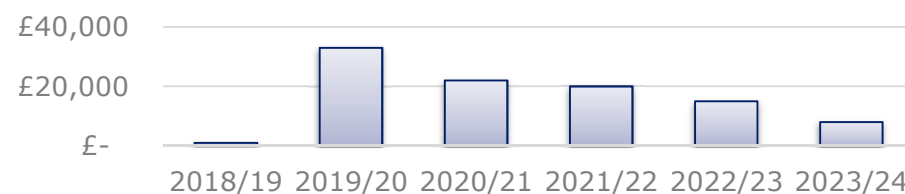
2018/19 Recommendation: Line managers across the organisation and the Chair of the Board should arrange discussions with all staff and Board members to identify training needs for 2019/20, based on current roles and career progression. These needs should be provided to the training manager and training plans developed, training booked and built into staffing schedules.

2019/20 Update: We have reviewed BnaG's training plan for April 2019 - September 2020. In 2019/20, BnaG spent £33k on training, a significant increase from the £1k spent in 2018/19. We note that the budgeted spend for training and recruitment combined is anticipated to drop to £22k in 2020/21, and to £8k by 2023/24.

2019/20 Conclusion: It is not immediately clear what proportion of this spend is on training and what proportion is on recruitment, but we would encourage the Board to consider whether this level of spend is sufficient to support the development of the organisation, its Board and staff.

From our discussions with SMT and staff and review of the Learning and Development Policy, we are satisfied that staff have sufficient opportunity to request additional training. At present, BnaG does not have systems in place to centrally capture training needs identified through regular staff performance meetings, or to provide detail on whether these training needs were actioned. Management have confirmed that BnaG is in the process of moving to an online HR system which will allow this monitoring. The Board need to monitor this: staff having the opportunity to request training is welcome, but these requests need to be actioned too and this needs to be monitored.

Training Costs



Governance and transparency (continued)

Completed recommendations (continued)

SMT reporting to the Board

2018/19 Recommendation: To improve collaboration and consistency of leadership within the SMT, all papers which are presented to the Board or Committees for decision should be presented as an SMT paper, as opposed to a paper by any specific member of the SMT. This will demonstrate to the Board that the SMT have reached an agreed position and all members of the SMT are satisfied with the quality of the paper presented.

2019/20 Update: We have reviewed the Board packs from September 2019 and can confirm that the Board has implemented this system for Board papers, with papers being reviewed at SMT level prior to presentation to the Board. While there are still named individuals who are 'speaking for' the report at each Committee/Board, the report is not presented as 'belonging to' that individual, rather it being an agreed management position.

2019/20 Conclusion: We are pleased to note that the quality of reports to the Board has improved noticeably in 2019/20 compared to previous years.

SMT structure

2018/19 Recommendation: Following the completion of the review of the structure of SMT, Bòrd na Gàidhlig should engage an independent review of SMT against this structure and remit, individually and as a group, with actions identified for each individual member of SMT and for SMT as a collective. This review should provide on the job feedback, identify skills gaps within SMT (individually and as a group) and actions to address those gaps.

2019/20 Update: A report on the structure of the SMT of BnaG was completed by Harvey McMillan Associates in November 2019. This report identified a number of issues consistent with our audit in 2018/19 - inconsistencies in role profiles; lack of clarity on responsibilities; insufficient focus on skills; critical functions not included in any role description; a flat structure; issues with assigning line management responsibilities, and difficulties posed by the requirement for fluency in both spoken and written Gàidhlig.

2019/20 Conclusion: This report recommended a number of changes to the structure of the organisation and SMT roles, with these changes being progressed in 2020. The Board should continue to monitor the implementation of these changes and ensure that they are fully embedded in order to maximise benefits realisation.

Board and staff engagement

2018/19 Recommendation: The Board should consider options for improving Board engagement with staff. Options, with associated benefits and risks (and mitigations), should be presented to the Board.

2019/20 Update: Following consultation with staff, a report on developing communication between the Board and staff was presented in September 2019. Staff broadly welcomed the proposed changes, including the assignation of a Board member as a staff engagement champion, implementation of steps for Board members to better understand the work of staff, regular staff attendance at Committee and Board meetings, and the inclusion of a staff engagement KPI in monitoring the performance of the organisation.

The actions agreed by the Board at this meeting were to:

1. Hold an annual workshop or training event at which both Board members and staff would be present.
2. Provide an opportunity for available staff to attend a Board meeting.
3. Board members should take the opportunity when attending Board and Committee meetings to visit the office space and engage with staff.

While these are welcome changes, they do not align with the recommendations made or the views of staff contained in the report presented to the Board in September 2019.

2019/20 Conclusion: We would urge caution in this area, and suggest that the Board monitor whether these changes lead to actual and perceived improvements in communication - if they do not, the Board should re-evaluate whether it has gone far enough.

Governance and transparency (continued)

Completed recommendations (continued)

Reporting to the Board on progress against the vision of BnaG

2018/19 Recommendation: Reporting to the Board on progress against the Operational Plan and Corporate Plan should include narrative on how the progress against these plans translates into progress against the vision; whether progress against the vision is as expected and what other actions may help progress against the vision out with those actions identified in the Operational Plan and Corporate Plan.

2019/20 Update and Conclusion: We welcome the changes made to the reporting format for Board meetings from September 2019, which includes an update on progress against the vision of BnaG as a standing item.

Reporting to staff on progress against the vision of BnaG

2018/19 Recommendation: At the first all-staff meeting following a Board meeting, an update should be provided to staff on progress against the vision and plans to progress it further in the period between that meeting and the next meeting planned.

2019/20 Update and Conclusion: We are pleased to note that at the all-staff meeting on 26 September 2019, an update was provided to staff on progress against the vision of BnaG, discussing the various programmes and actions underway to continue progress against the Corporate Plan and National Plan. We have confirmed through our discussions with both staff and management that there is now a system in place for this to occur at all-staff meetings going forward.

Openness and transparency

2018/19 Recommendation: Bòrd na Gàidhlig should review its current governance practices against the On Board guidance and the recommendations of the Audit Scotland report on Openness and Transparency. Where the Board is not following best practice, it should outline why this is appropriate or what actions it will take to improve. Thereafter, the Board should consider its approach to openness and transparency on an annual basis, considering how it has improved in the year. The Board should be cognisant at all times that it is expected to be always "striving for more" with regards to openness and transparency. Any actions identified from this review should be added to this improvement plan.

2019/20 Update: A report on Openness and Transparency was presented to the Board in December 2019, with this report setting out a number of areas for action, including the need for a revised Publication Scheme, a need to regularly update the website, the revision of Standing Orders, the move towards holding public Board meetings and the consideration of an annual report on how BnaG has demonstrated a commitment to improved openness and transparency in the year.

2019/20 Conclusion: We are pleased to note that the Publication Scheme and Standing Orders have been revised. As before, we welcome the decision to hold public Board meetings and to consider on an annual basis how BnaG is developing its approach to openness and transparency. The Board needs to ensure that these good intentions are appropriately implemented.



Governance and transparency (continued)

Completed recommendations (continued)

Standards Officer's report

2018/19 Recommendation: On an annual basis, the Board should consider a report by the Standards Officer outlining whether it has complied with its Standing Orders, Code of Conduct, Terms of Reference and other governance requirements/good practice as appropriate.

2019/20 Update: A report was presented to the Board by the Standards Officer in February 2020, outlining compliance with Standing Orders, the Code of Conduct, Terms of Reference, and other governance requirements and areas of good practice.

2019/20 Conclusion: We are pleased to note that compliance was found in most areas, with areas of non-compliance with the Standing Orders being addressed through the addition of actions to the Improvement Plan. Unfortunately, a number of the issues which have occurred - circulation of minutes outwith the timescales stipulated, and presentation of papers to Committee without the prior agreement of the Chair - are recurring issues which were identified in our 2018/19 audit. The Board will need to closely monitor the actions planned to address these issues to prevent these issues recurring again.

We note from the Standard Officer's report that no deviations from the Terms of Reference were noted to the date that the report was presented (26 February 2020). We are pleased that this is the case, although as has been noted through our review of the process for changes in membership of Committees, in our opinion, there have been significant deviations from the Terms of Reference in the final month of 2019/20 (as discussed on page 38). These deviations were not identified by the Standards Officer in time to prevent them having an impact on decision making and the deviations - and their consequences - went uncorrected until we were notified of them and made recommendations to address the issues.

We are aware that there was a change in the Standards Officer position in February 2020 and this may provide context for why these deviations were not identified and addressed. The Board should consider if the Standards Officer has sufficient skills and capacity to perform the role effectively and if not, what support or alternative measures can be put in place to bridge any gaps identified.

Staff suggestions

2018/19 Recommendations:

1. Suggestions for improvement made by staff should be noted in all-staff meetings and considered by SMT at the following SMT meeting.
2. Feedback on suggestions should be provided, outlining what actions (if any) will be taken as a result. The number of suggestions received, responded to and actioned should be monitored and considered for reporting to the Board or Committee.

2019/20 Update: BnaG have instituted a 'staff suggestion' box for improvements, with these improvements considered by the SMT at their monthly meetings. Although this is now in place, it was completed late, with the first set of suggestions considered in November 2019 (against an expected timeline of September 2019).

2019/20 Conclusion: We are pleased to note that a report was presented to the Board in February 2020 on the staff suggestions and responses received to date.

Organisational communication

2018/19 Recommendation: In conjunction with staff, any areas for improvement in communication between the Board, SMT and staff and associated actions should be identified.

2019/20 Update: BnaG has appointed a Communications Officer and developed a Communications Strategy, with input from the Board, SMT and staff. We note from the update provided to the Improvement Plan Steering Group that it is intended that one of the key tasks of the Communications Officer will be progressing that strategy, covering both internal and external communications.

Governance and transparency (continued)

Completed recommendations (continued)

Organisational communication (continued)

Although the job description does make reference to being responsible for the relevant strategy, there is in fact no mention of internal communications anywhere within the job description.

2019/20 Conclusion: We welcome the improvements made in the year. However, it is our view that there is not enough recognition of the importance of internal communications and the improvement that is specifically required in this area in either the Communication Officer's role or the Communications Strategy. We welcome the fact that internal communications are now being developed through a working group which is being led by the Communications Officer.

BnaG has taken actions to demonstrate improved internal communication - such as the staff suggestion box, sharing reports that are presented to the Board, etc. - however it needs to be aware of the risk of undoing good work through one error, for example the grievance which was raised (and partially upheld) due to information on a consultation being heavily redacted when provided to staff (as discussed on page 28). We're also aware of concerns raised by staff - which have been raised for a number of years - regarding the inconsistent use of e-mail by the SMT, which often results in instructions or discussions with SMT not being documented and therefore no reference point existing for staff if needed at a later date. We have seen numerous e-mails which have gone unanswered for unreasonable lengths of time or which have never been answered. The presumption is that the points raised in the e-mail were addressed through a verbal discussion. While we do not express a view on this or aim to interfere in the details of how work is conducted, the SMT may wish to consider whether it can make small changes that could potentially result in 'big wins' from the point of view of staff communication - for example, responding to e-mails and providing reports (as unredacted as possible) in a timely manner.

Consistency of policy documents

2018/19 Recommendations:

1. Where any policies or documents which will be publicly available are considered by the Board or Committee, the English and Gàidhlig versions should both be presented for scrutiny to ensure there are no discrepancies.
2. As part of the internal review of policies and documents, Bòrd na Gàidhlig should specifically document who has carried out the check of consistency between the English and Gàidhlig versions and when this check was carried out.

2019/20 Update and Conclusion: From review of reporting packs presented to the Audit and Assurance Committee and the Board, we are pleased to note that numerous papers are presented in bilingual format, with a clear sign-off indicating who has performed a check on consistency between the English and Gaelic language versions.

However, there is inconsistency in the check sign-off being completed, with this sometimes not completed (a recent example on a key document being the Standing Orders presented to the Board in May 2020). Similarly, there is inconsistency in which documents are presented bilingually and which are presented either only in Gàidhlig or only in English, and the reason for this is not always clear. For example, the Conflicts of Interest Policy (presented to the Board in May 2020) was presented in English only. This is not an issue in itself - it is BnaG's discretion which documents are presented in which language - although BnaG may wish to avoid potential confusion by highlighting on cover pages of policies and strategies that are only presented in one language that there is no English/Gaelic alternative version of the document.

Committee and Board work plans

2018/19 Recommendation: The Board and each Committee should have an annual work plan of items to be considered at each meeting, with these being publicly available. These work plans should be developed prior to the start of each year.

2019/20 Update and Conclusion: We have reviewed the Audit and Assurance Committee, Policy and Resources Committee and Board work plans for 2019/20 and 2020/21. These work plans are dynamic, adjusting as needed for the business of the relevant Committee or the Board. We are pleased that this recommendation was implemented effectively and on time.

Governance and transparency (continued)

Completed recommendations (continued)

CEO and staff engagement

2018/19 Recommendation: In conjunction with staff, the CEO should identify areas where she can improve her engagement with staff. This could include having regular set-aside time for informal catch ups or the establishment of an "ask the CEO" area on the intranet.

2019/20 Update and Conclusion: The CEO has developed initiatives - such as setting aside time on a regular basis for informal catch ups with staff, the fortnightly all-staff meetings, sharing of weekly information of the work of the CEO and wider BnaG for that week and discussions with Trade Union representatives at SMT meetings. From our discussion with staff, we have noted a general appreciation for the effort to improve in this area.

Financial governance systems

2018/19 Recommendation: The ARMC should engage internal audit to assess the effectiveness of the financial governance systems in place – the Committee structure, delegation schemes, standing orders, the role of officers, etc.

2019/20 Update and Conclusion: We have noted the 'strong' rating received from internal audit in relation to financial governance within BnaG.

2019/20 Conclusion: Given that the review was carried out following changes to the Committee structure and relevant Terms of Reference, but before any meetings of those new Committees actually took place, we would suggest that a fresh look at how these Committees are actually operating in practice should be considered at an appropriate time. We are pleased to note that this will be considered by internal audit in 2020/21. This review is important as it shows how governance is actually operating as opposed to how it operates on paper, as many issues identified through our work have not been with the policies and procedures in place, but with the adherence to them.

CEO appraisal

2018/19 Recommendations:

1. As part of the annual appraisal of the CEO - which should be documented - the Chair of the Board should afford other Board members the opportunity to provide written feedback to the Chair to be considered in the appraisal.
2. In line with the revised ongoing approach to performance management, Board members should highlight identified strengths and areas for development for the CEO to the Chair throughout the year, with the Chair raising these with the CEO in a timely manner.

2019/20 Update: We have reviewed the appraisal of the CEO carried out in November 2019, and are pleased to note the level of detail included within it. The Chair of the Board afforded other Board members the opportunity to input into the CEO's appraisal as recommended.

2019/20 Conclusion: We are satisfied that the process now in place for monitoring and providing feedback on the performance of the CEO is designed appropriately and has been implemented in 2019/20.

Membership of the Board

2018/19 Recommendation: BnaG should consider whether there are specific Board members whose position should be reviewed under section 2(6)(b) of the Gaelic Language (Scotland) Act 2005 or whether there are Board members who have repeated declarations of interest which should consider resigning in line with the guidance in On Board.

2019/20 Update and Conclusion: We are satisfied that BnaG has taken appropriate steps to address this recommendation. However, we feel that there has been inaccurate information provided by management to the Board – information which is publicly available – on both the origin of this recommendation and the outcome of it, with management noting that advice from On Board Training and Consultancy and the Standards Commission "conflicted with the auditor's conclusion". This could serve to undermine confidence in audit quality. We have therefore clarified the situation on the following page.

Governance and transparency (continued)

Completed recommendations (continued)

Membership of the Board (continued)

It is important to note that discussion on declarations of interest within BnaG between management and external audit began in November 2018, with the CEO expressing her feeling that too many interests were declared and asking audit to confirm this to the Head of Corporate Services. Our advice at the time, similar to our conclusions in our 2018/19 report, was "if declarations are remote/insignificant, then there is no need for the interest to be declared and for the Member to excuse themselves. If they are neither remote nor insignificant, then they require declaration." We made reference to some specific cases, and we note that On Board concluded that BnaG may "wish to consider making an application for a dispensation to the Standards Commission" on precisely the point that we included in our report, in line with our original recommendation.

We have reviewed the advice received from On Board and noted that they had "not been privy to the contents of the report of the external auditor". The On Board advice note included commentary that BnaG said Deloitte were critical of BnaG for declaring too many interests. We would refer to page 40 of our report in 2018/19, which is publicly available, which demonstrates clearly that this is not the case. We explained the requirements, which has been supported by the On Board advice, and recommended that BnaG consider whether all declarations remain relevant, and if they do, whether any dispensation should be sought. If dispensations were not approved, we recommended in line with On Board guidance that Board members consider if they can fulfil their roles effectively if there are repeated declarations.

We are satisfied with the decision to keep these declarations in place following discussion with the Standards Commission.

Contribution to the National Performance Framework

2018/19 Recommendations:

1. The Board should consider on at least an annual basis how it is contributing to the outcomes of the National Performance Framework.
2. This should be published as part of the Annual Report each year.

2019/20 Update and Conclusion: BnaG has made appropriate reference to the National Performance Framework in their Annual Report and Accounts and their Operational Plan. We are aware that the Board considered how BnaG's work links in with the National Performance Framework in June 2019, and that management sought advice from the Scottish Government in November 2019 on good practice in this area, demonstrating a focus on continuous improvement in this area.

Governance and transparency (continued)

Completed recommendations (continued)

Framework document

2018/19 Recommendation: Bòrd na Gàidhlig, in conjunction with the Sponsor Division, should consider what changes should be made to the operations of the relationship to improve governance and scrutiny. If agreement cannot be reached between Bòrd na Gàidhlig and the Sponsor Division, an independent review of the relationship against best practice and the requirements of legislation and the Framework Document should be carried out.

2019/20 Update: BnaG confirmed that a meeting took place in December 2019. A number of actions were agreed to maintain and improve communication while respecting the roles of BnaG and the Sponsor Division.

2019/20 Conclusion: We welcome the review undertaken and the changes proposed. We find it unusual that, given the significance of the meeting, that it was not documented until requested during our follow up work, with the minutes of the meeting being drafted six months after the meeting took place. We note that the Framework Document has not been updated to reflect the proposed changes.

The Framework Document has not been updated in 2019/20, and remains in place from 2016, despite the document itself noting that it should be reviewed and updated "at least every 2-3 years".

Publication Scheme

2018/19 Recommendation: The Publication Scheme should be reviewed with performance reports, finance reports, papers presented to Board meetings and minutes arising from those meetings being published on Bòrd na Gàidhlig's website.

2019/20 Update and Conclusion: In February 2020, management confirmed that work on this was scheduled for that month. In the following update in April 2020, this recommendation was not included in the update provided by management. We note from the Board papers in May 2020, it as explained in a report on data protection that the revised scheme was currently being reviewed and expected to be published soon after that date. We note that the Publication Scheme was approved in June 2020 and is now available on BnaG's website.

Governance and transparency (continued)

Incomplete recommendations

Monitoring of progress

2018/19 Recommendation: Bòrd na Gàidhlig should report a reconciliation of the Improvement Plan on an annual basis. This should include the opening amount of actions, the amount of actions implemented (broken down by the amount implemented on time/late), the amount due but outstanding, and the amount of actions added to the improvement plan in the year, reconciling to the amount of actions brought forward. This report should also set out how many actions are expected to be implemented in the coming year.

2019/20 Update: A reconciliation was presented to the Board on 26 February 2020. This reconciliation noted that almost three quarters of the Improvement Plan recommendations were 'done', whereas the remainder were 'in progress'. According to this report, no recommendations were not started.

2019/20 Conclusion: The reconciliation provided was high level and did not contain the level of detail necessary to enable appropriate scrutiny. Further, it led to significant additional work as part of the follow-up audit work on the Improvement Plan, as we were required to ask management for this information or obtain it independently.

The information which we consider to be essential to enable proper scrutiny of the rate of progress is whether or not actions have been implemented (and if they have, whether they have been so on time), actions overdue, actions not yet due and actions added to the improvement plan in the year.

We also noted inconsistencies regarding some of the updates provided to the Improvement Plan Steering Group, the accuracy of these, and how the group satisfies itself as to their accuracy. As an example, in several reports - including, ultimately, to the Board - management noted in their update that the rating received from the internal auditor on Corporate Governance was "Strong", being the highest of 4 levels of assurance. In fact, the rating was "Substantial", being the second highest. We have highlighted several other inaccuracies in our follow-up work, evidenced throughout this report.

Similarly, we have identified that not all recommendations are always included in the update, and the reason for this is not clear. For example, management noted in February 2020 that the recommendation on the Publication Scheme was due to be progressed in that month. At the next meeting in April 2020, that recommendation - and consequently, any update on it - was missing from the update.

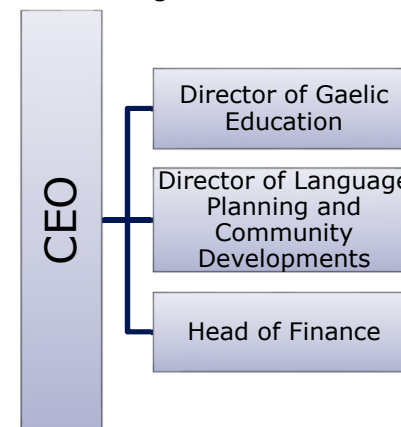
The identification of these inaccuracies and missing information across several items which we had sampled for a detailed inspection resulted in the need for us to review supporting evidence for every update provided instead of placing reliance on management's update as would otherwise have been the case to a much larger degree.

Review of management structure

2018/19 Recommendation: In order to improve the clarity, consistency and collaboration of leadership, actions identified in the ongoing review of the remit of Bòrd na Gàidhlig should be considered by the sub-group for inclusion in this improvement plan. This should include the results of a review of the management structure within Bòrd na Gàidhlig against its remit, with any recommended changes actioned with clear roles and responsibilities laid out for each position.

2019/20 Update: A review of the management structure within BnaG was carried out and completed by November 2019.

2019/20 Conclusion: We note that this report was considered by the SMT in January 2020. Given the departure of the Head of Corporate Services late that month, further work on this area is being carried out. To date, changes have not been considered by the Improvement Plan Steering Group, the Audit and Assurance Committee, or the Board. This recommendation is therefore outstanding.



Management Structure

Governance and transparency (continued)

Incomplete recommendations (continued)

Change management support

2018/19 Recommendations:

1. Discussions should be had with the Scottish Government Sponsor Division for the appointment of temporary support at a senior level in the organisation (at or above SMT level) to ensure there is sufficient capacity and expertise to implement this improvement plan. The appointed person should have change management expertise to support the implementation of change. If not, Bòrd na Gàidhlig should ensure that it obtains change management expertise from elsewhere (e.g. consultancy).
2. This support can be either internal or external and can be either part-time or fulltime, depending on the approach considered most appropriate by Bòrd na Gàidhlig and the Scottish Government.
3. This discussion should also include the provision of mentorship arrangements for all members of SMT.

2019/20 Update: We have noted from reviewing e-mail communication that BnaG began discussions with the Sponsor Division on the provision of additional support at SMT level. However, there is insufficient documentation for us to conclude on how actively this was pursued and the reason why such support was not, ultimately, provided by the Scottish Government.

We have noted from discussion with the Board and SMT that external support has been provided from January 2020 by the Head of internal audit at Scottish Natural Heritage, and a consultant at Harvey McMillan Associates. In total, 1.5 days per week of support was provided from January to April 2020, with ongoing support from that point being limited to the 0.5 days from Scottish Natural Heritage. From our discussions, we have noted that the level of support provided - 1.5 days - was based on the availability of those providing the support, rather than the needs of BnaG. We have not been provided any documented consideration of how BnaG determined the level and scope of support required.

Management noted that they were satisfied that the level of support provided was sufficient. However, the Board members and staff that we spoke to had not met either of those providing the external support.

2019/20 Conclusion: Overall, our view is that the support provided is support for management, as opposed to support for delivering the transformational change needed at BnaG. While support for management is welcome, it is not a substitute for dedicated resources on the implementation of the required changes. It is vital that the provider of support has significant change management expertise.

We consider that many of the issues with the implementation of the Improvement Plan – for example, the high incidence of subsequent issues due to the initial recommendation not being appropriately implemented, and the identified issues with scrutiny of the plan - could have been avoided had sufficiently competent independent expertise been engaged to drive, monitor and report on progress. Having this independent oversight would also provide additional assurance to the Board, staff and external stakeholders on the reliability of improvements noted.

We are pleased to note that mentoring arrangements are now in place for the CEO and Director of Language Planning and Community Developments, and that such arrangements are being considered for other members of the SMT - namely the Director of Education and Head of Finance. Where such arrangements are not considered necessary, the rationale for this should be clearly set out and endorsed by the CEO (the CEO may wish to take advice from the Board/Committees on the most appropriate course of action in these instances).

Governance and transparency (continued)

Incomplete recommendations (continued)

Board training needs' assessment

2018/19 Recommendation: Board members should be asked to highlight any areas where further information or training would be helpful.

2019/20 Update: We noted that BnaG held a training session led by an external provider in July 2019, with a further session provided in October 2019. We noted from our discussions with Board members their view that all Board members who participated found the sessions useful and helpful.

As part of our follow up work, we requested training evaluation forms for these sessions and evidence of Board members being asked for and providing requests for additional training. Following this request, it was confirmed by management that due to technical issues, feedback was not collected.

2019/20 Conclusion: It is unusual that BnaG did not look at whether feedback had been collated following the session in July or October 2019, waiting until our follow up work to confirm that this had not been done. This underlines the importance of tracking the feedback received on training, to identify where there may be potential issues which need to be rectified. Given that this assessment was not completed and given the changes in Board membership in the year, the Board should consider as a group whether there are additional training needs which remain to be addressed.

Self assessment programme

2018/19 Recommendations:

1. A self-assessment programme should be developed for the organisation. On an annual basis, all Committees and the Board should complete a self-assessment. In line with best practice, there should be an external assessment on a tri-annual basis. Areas for improvement identified through these self-assessments should be added to this improvement plan.

2. There should also be operational self-assessments completed by staff and SMT completed on an annual basis.

2019/20 Update: Self assessments have been carried out for the Board, Policy and Resources Committee and Audit and Assurance Committee. These self assessments have generally found that Board members are satisfied with the performance of the Board, Committees and management, of the relationships that exist and of the resources and skills available to them.

2019/20 Conclusion: While this is welcome progress, our recommendation on the development of a self-assessment programme remains, with external assessments on a tri-annual basis built into this programme, as does our recommendation on operational self-assessments by staff and SMT.

Governance and transparency (continued)

Incomplete recommendations (continued)

Size of the Board

2018/19 Recommendation: Bòrd na Gàidhlig, in conjunction with the Sponsor Division, should consider whether the size of the Board is appropriate, bearing in mind that the Board must consist of 5 - 11 members per the Gaelic Language (Scotland) Act 2005.

2019/20 Update: At the time of our follow up work, there had been no review into the size of the Board. There have been numerous changes to Board membership in 2019/20 which have impacted on the size of the Board, but there has been no consideration of what BnaG considers to be the optimal Board size. We have been informed on 29 July 2020 that a review has now been carried out, although we have not assessed this as part of this year's audit.

We note that an action was recorded at the Audit and Assurance Committee meeting in November 2019 for the CEO to discuss the expectations of Board members' time with the Public Appointments Unit. At the February meeting, there was no action log presented, and at the meeting in May 2020 for which an action log was presented, this action was missing and so no update was provided.

2019/20 Conclusion: We welcome the recent communication with the Scottish Government on the size of the Board, although this has not been subject to audit in 2019/20 given the timing of it.

Given the wider issues we have highlighted regarding updates on the Improvement Plan missing certain recommendations or having inaccurate or insufficient information to support the update, it is clear that BnaG needs to improve its process for capturing and reporting progress on actions arising from Committee and Board meetings and from audit, and Board members need to scrutinise management updates on these areas to a greater degree.

Review of governance arrangements

2018/19 Recommendation: A systematic, holistic review of the governance arrangements in the organisation needs to be carried out (by internal audit or an external organisation) to ensure that these remain appropriate for the organisation, in line with best practice and set up for continuous improvement.

2019/20 Update: An internal audit on 'Corporate Governance' was completed in December 2019. We note the two medium findings and one low finding contained within that report, and the 'substantial' assurance rating provided, meaning that controls were largely satisfactory although some weaknesses were identified with associated recommendations for improvement made.

2019/20 Conclusion: This review does not address the recommendation. As set out in the internal audit report, it "focused purely on compliance with the Best Value Statement." This is not a systematic, holistic review of the governance arrangements in the organisation. The review did not consider, for example, the Board and Committee structure, reporting lines and Terms of References, officer responsibilities, reporting timescales and mechanisms. While the internal audit report covered a single aspect of Corporate Governance, it is inaccurate to present the completion of that audit and the findings of that audit as providing assurance about the general Corporate Governance systems in place at the organisation. It is also inaccurate to indicate that this internal audit was similar in scale and scope to the 2018/19 external audit and that its conclusions in some way contradicted those of external audit. We highlighted the inaccurate nature of this update in our review of the draft Annual Report and Accounts also, and management have now amended for this. We note that there is an internal audit scheduled to address this point in 2020/21.

Governance and transparency (continued)

Incomplete recommendations (continued)

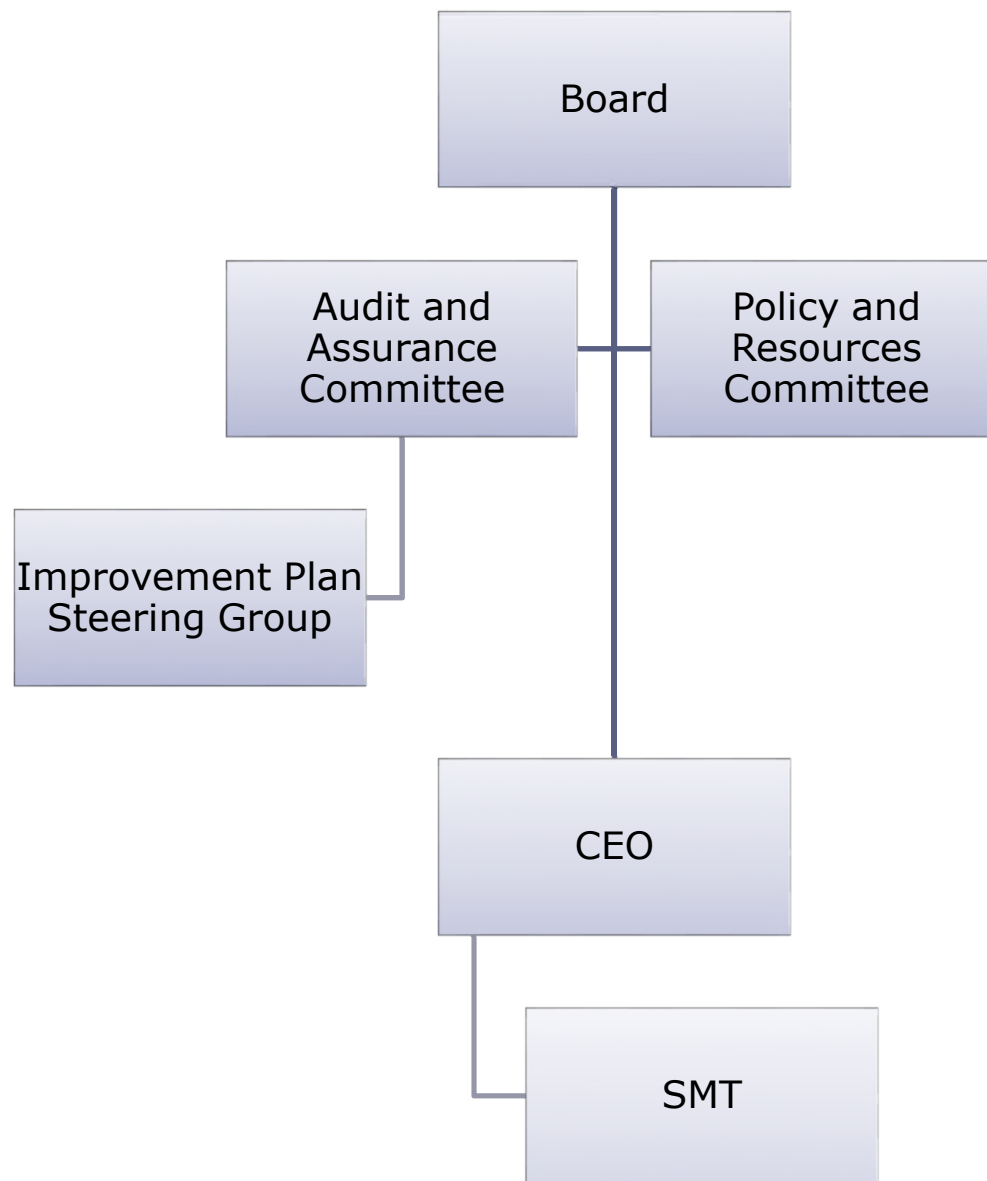
Board reporting mechanisms

2018/19 Recommendation: A review into how information is provided to the Board and Committee should be carried out, identifying how the time at Committee and Board meetings can be better utilised, ensuring debate and focus is on performance and areas for decision. This review should identify what alternative means can be used to keep Board members informed. This review should specifically consider a database of information where items which would currently be presented in 'for information' papers would be stored instead, available to Board members. Board members should not be precluded from raising items stored in such a database at a subsequent Board or Committee meeting.

2019/20 Update: Changes to the Committee structure and reporting to the Board have been made in the year, but no review has actually been carried out that considered these. From discussion with the Chair of the Board, the rationale provided was that the changes were "the most logical", although it is not clear how this decision was reached and there is insufficient documentation to support this view. A similar point arises on the changes made to ways of working.

2019/20 Conclusion: As the changes have now been made, we are not suggesting that they be undone. However, BnaG needs to improve its approach to such key changes. There should be clear reviews carried out into the current practice, what works well and where improvements could be made. There should be analysis of the options available for improvement, and consideration of the costs and benefits associated with these. There should be a clear recommendation as to the best way forward and a clear timetable for implementing the change. There should be an agreed mechanism for reviewing the impact of the change at an appropriate time after the change has been implemented, to ensure any 'change management' lessons that can be shared are learned, and that good practice is shared across the organisation.

Given these changes have now been in place for almost a full year, our recommendation is now that there should be a review into the new Committee structure and ways of working, to provide assurance that they are appropriate for the organisation and to identify further improvements, if any. We note that there is an internal audit scheduled to consider this point in 2020/21.



Governance Structure

Governance and transparency (continued)

Deloitte view

Deloitte view – Governance and transparency

In response to the findings of the 2018/19 audit, BnaG instituted an Improvement Plan Steering Group and a governance structure to monitor progress against the Improvement Plan. We have welcomed this, although we have identified areas for improvement in the monitoring of progress, measuring KPIs and outcomes, and engaging with staff on the Improvement Plan.

In 2018/19, we noted that improvements in the reporting and communication of progress against the vision, both internally and externally, were needed. We concluded that there was substantial development required in the leadership of BnaG, particularly in relation to clarity, consistency and capacity of leadership, with a formal review to identify training needs of the SMT needing to be carried out. In particular, we felt that the SMT needed to improve their skills and competencies in relation to change management and organisational change, in order to respond to the issues facing the organisation. We have noted improvements in these areas – for example, the successful establishment of an Executive Assistant post to the SMT and a review of the SMT structure. However, in our opinion, further change management support is needed for BnaG in order to effectively embed the transformational change which BnaG has accepted is needed across the organisation.

Last year, we concluded that there needed to be considerable changes in BnaG's attitude in relation to openness and a clear focus on transparency. We recommended that the Board 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. In May 2020, the Board held its first public meeting (with a public Committee meeting following in June 2020), which it felt was a success and we are pleased to note that it plans to continue this practice going forward. While we welcome self assessments carried out in the year, further improvements are required in developing a self assessment programme to ensure continuous improvement.

In our 2018/19 audit, we were of the view that BnaG needed to address the lack of clarity on the roles and responsibilities of Board members, the SMT and the Sponsor Division. We are aware that a meeting to address this recommendation was held in December 2019, although evidence of this was not available when requested and the minutes of the meeting were drafted six months after it occurred, which is unusual for a meeting of such importance. The Framework Document has not been reviewed and updated since 2016, despite the document itself noting that it should be every 2 – 3 years. BnaG should continue to monitor the effectiveness of the systems in place, particularly given the changes which have been implemented in the latter half of 2019/20.

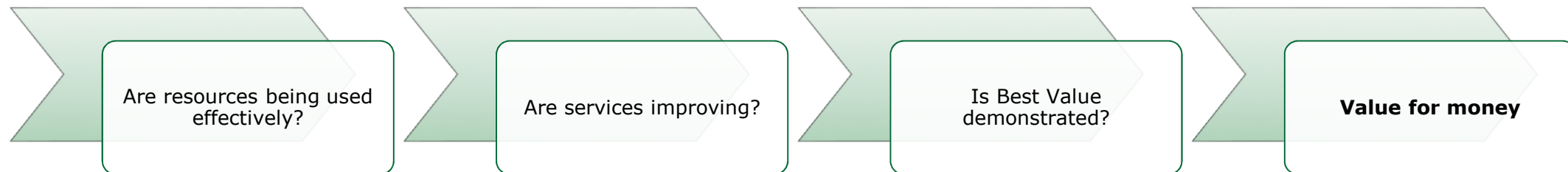
In our follow up work, we identified significant changes to the governance structure, Committee Terms of Reference, mechanisms reporting to the Board, Board membership, and training provided to Board members. While it is too early to appropriately assess the impact of these changes, we are pleased to note that the Board has accepted the need for change. However, in the process of implementing these changes, the Board has demonstrated a need to improve its understanding of its own roles and responsibilities, procedures and good practice. An effective mechanism for the assessment of training needs and monitoring the impact of training provided remains to be established, which will help to address these issues.

Through our work in 2019/20, we have noted that the Board needs to improve the level of scrutiny it applies to management updates which are provided to it. We identified several instances where management updates were factually wrong or inaccurate. Consequently we placed less reliance on management updates in our follow up work, instead performing a detailed review of documentary evidence, in addition to interviews with Board members, management and staff to inform our follow up work. We have been particularly concerned by updates provided by management to the Board which suggest that the 2018/19 audit findings and recommendations were flawed and were subsequently contradicted by other independent advice. As set out throughout this report, this has not been the case. Similarly, the Board and management accepted the 2018/19 audit report in full and agreed the Improvement Plan. In our opinion, such updates from management were unnecessary, inaccurate and served only to undermine confidence in audit quality. To address the potential impact on the perception of audit quality, we have responded to these areas throughout our report and included the latest findings from Audit Scotland's "Quality of public audit in Scotland" report on page 67.

Value for money

Overview

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



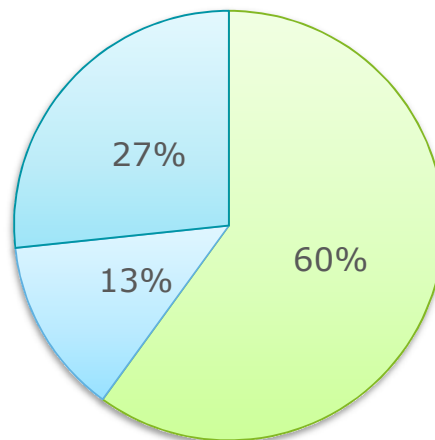
Summary

In our 2018/19 audit, we made 6 recommendations for improvement in relation to value for money (broken down into 15 recommendations for internal monitoring purposes). These related to training, performance management and three year funding agreements.

The risk identified in our 2019/20 audit plan was: "There is a risk that BnaG is unable to demonstrate continuous improvement and achievement of outcomes linked to its Corporate Plan."

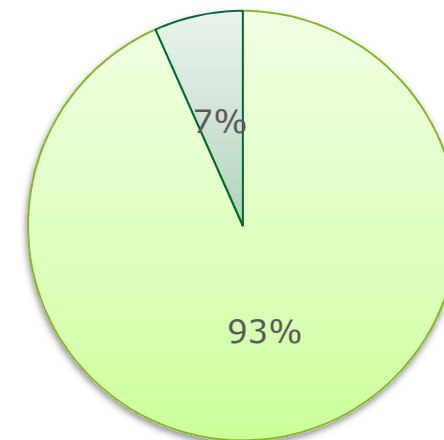
In our follow up work, detailed on pages 54 – 56, we have confirmed that 9 recommendations have been implemented on time, 2 were completed late, and 4 recommendations are overdue. We have noted an improvement across 14 areas considered in 2018/19, with no improvement noted in 1 area.

Value for Money: Completion Analysis



■ On Time ■ Completed Late ■ Overdue

Value for money: Improvement Analysis



■ Improvement noted ■ No improvement noted

Value for money (continued)

Completed recommendations

Training officer

2018/19 Recommendations:

A specific officer within Bòrd na Gàidhlig should be given responsibility for:

1. Collating identified individual training needs
2. Ensuring training is arranged to meet these needs across the organisation
3. Confirming to the Board on an annual basis that every Board member and member of staff had a specific development plan in place for the year being reported on

2019/20 Update: A specific officer within BnaG has been given responsibility for co-ordinating training and carrying out evaluation of it. Similarly, we note that a detailed Training Plan for 2019/20 was prepared and that personal development plans for BnaG staff were considered in the development of this. A report was presented to the Board in May 2020 providing an update on training in the year.

2019/20 Conclusion: We welcome the allocation of a specific 'Training Officer' role within BnaG, with this officer responsible for collating individual training needs and ensuring training is arranged to meet these needs, in line with individual assessments and the Training Plan. We are pleased to note that the report to the Board in February 2020 confirmed that all staff had a specific development plan in place for the year.

BnaG's website

2018/19 Recommendation: As the main method through which the public access information on Bòrd na Gàidhlig will be through its website, this needs to be kept updated. A specific officer in Bòrd na Gàidhlig should be given responsibility for maintaining the website.

2019/20 Update: We note that the Executive Assistant has been given responsibility for maintaining the website. We are aware that BnaG is currently exploring options for improving the organisation's website.

2019/20 Conclusion: The importance of keeping the website 'up to date' needs to be matched by the priority given to checking it for consistency. We note, for example, that the link to the stakeholder survey does not work, and the Terms of Reference on BnaG's website in August 2020 refer to Committee membership which has been outdated at that point for almost four months (this was corrected following the sharing of our draft report). Where BnaG is changing any of its key governance documents which are available on its website, these should be updated on the website immediately.

Linking funding agreements to the Corporate Plan

2018/19 Recommendations:

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

2019/20 Update: BnaG held productive discussions with funded bodies in 2019/20 on how to better link the funding provided to BnaG's Corporate Plan and how the funded bodies could help inform this. This was well received by funded bodies, and a report was presented to the Board on this issue in February 2020. The update provided to the Board more clearly identifies the link between funding provided to organisations and relevant sections of the Corporate Plan which it is anticipated to progress.

Following discussion with the relevant funded bodies, BnaG presented KPIs to monitor progress against the three-year funding agreements to the Board in February 2020, utilising a 'traffic light' system to demonstrate to the Board how each funded body is performing.

2019/20 Conclusion: We are satisfied with the arrangements now in place.

Value for money (continued)

Completed recommendations (continued)

Review of funding agreements

2018/19 Recommendations:

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

1. Consider whether the targets for each body demonstrate a commitment to continuous improvement, as required under the duty to secure Best Value. Where targets do not include an element of improvement, the reason for this should be clearly set out.
2. Ensure that the targets set for each body are clear and measurable, with an agreed understanding between BnaG and the body receiving funding.
3. Set out which element of the Corporate Plan each target is expected to progress.

2019/20 Update: BnaG held discussions with funded bodies, who were receptive to changes to the funding agreements. The targets in the three-year funding agreements were revised to demonstrate a commitment to continuous improvement, and it is clearly set out where improvement has not been embedded in the agreement and why this is the case. Similarly, targets have been revised to ensure that they are measurable and clear, and there are clear links to BnaG's Corporate Plan.

2019/20 Conclusion: Overall, we are satisfied with progress against this recommendation.

Applications for grant funding

2018/19 Recommendation: When management or the Board are considering applications for grant funding, there should be explicit reference to the history with the applicant: how much they have previously been awarded; what they were expected to achieve; what they actually achieved; how that contributed to Bòrd na Gàidhlig's Corporate Plan, and whether there were any issues in the past. It should not be assumed that management or the Board are aware of these matters, it should be explicitly considered and weigh on the decision making process.

2019/20 Update: We are pleased to note that management have included this information in the annual review of the three-year funding agreements presented to the Board in February 2020.

2019/20 Conclusion: Although no new three-year funding agreements have been entered into in 2019/20, this action by management provides assurance that BnaG have appropriate systems in place to address this recommendation.

A focus on continuous improvement

2018/19 Recommendation: Any action plans for organisational improvement should be reviewed and outstanding actions condensed into this improvement plan. Bòrd na Gàidhlig should ensure it maintains an organisation-wide improvement plan, updated on an ongoing basis for actions completed and further improvements identified.

2019/20 Update: The Improvement Plan has been updated on an ongoing basis, including recommendations arising from the Skills for Growth report, findings from external audit and improvements identified as part of the annual report by the Standards Officer.

2019/20 Conclusion: We are satisfied that BnaG views the Improvement Plan as a dynamic document, updating it as appropriate, demonstrating a focus on continuous improvement.

Value for money (continued)

Incomplete recommendations

Training feedback and reporting

2018/19 Recommendations:

A specific officer within Bòrd na Gàidhlig should be given responsibility for:

1. Collating feedback on training. The training manager should ensure that feedback is received for all training and report to the SMT and Board on instances where feedback was not provided.
2. Reporting, on at least an annual basis, to the Board or Committee as appropriate, on progress with training in the year.

2019/20 Update: Feedback is sought on all training provided, with 53 feedback forms issued in 2019/20, and 41 returned. A report was presented to the Board in May 2020 providing an update on training in the year.

2019/20 Conclusion: With regards to the report presented to the Board in May 2020, it would have been helpful had an update on the Training Plan 2019/20 been provided so that the Board could see how BnaG had performed against its plan.

It is not clear why this report was not written or presented by the officer with responsibility for co-ordinating and evaluating training, instead being attributed to the Operations Manager. This report, while useful, did not include information on costs, benefits and impact. It did not reference the feedback received, the Training Plan for 2019/20 or link into how all of the above has or will inform the 2020/21 plan.

We are pleased that feedback is sought on all training provided. It is not clear why other forms were not returned and why they were not chased up. Similarly, it is also not clear what use has been made of these feedback forms, if they have informed the identification of further training needs or whether the training provided represents value for money. There has been no reporting to the Board on feedback from training.

Stakeholder consultation

2018/19 Recommendation: Before entering any further multi-year agreements, Bòrd na Gàidhlig should carry out a wider stakeholder consultation on the revised approach to grant funding and assess the potential impact on wider Gaelic organisations and the wider Gaelic community.

2019/20 Update: No new multi-year agreements have been entered into, although existing agreements have been revised (as set out on page 55). No stakeholder consultation on the revised process has been undertaken in the year.

2019/20 Conclusion: While we are aware that no new three-year funding agreements have been entered into, it is important that this recommendation is still actioned and we are pleased to note that progress on a wider stakeholder consultation is expected in 2020/21. The importance of wider stakeholder consultation was underlined at the Public Audit and Post Legislative Scrutiny Committee meeting in January 2020.

Effectiveness of grant funding

2018/19 Recommendation: Management should review the effectiveness of the grants awarded to the Main Funded Organisations against grants awarded to other bodies, in order to inform future decision making. This analysis should be updated on an ongoing basis to enable more informed decision making.

2019/20 Update: Management have confirmed that they are in the process of developing a methodology to address this recommendation. A report was presented to the Board in February 2020 highlighting the relative performance of each of the bodies in receipt of three-year funding.

2019/20 Conclusion: While the report presented to the Board in February 2020 highlighted relative performance of each of the bodies receiving the three-year funding, it did this only in comparison to other bodies also receiving three-year funding. We are aware that methodology to enable better comparison of performance is currently under development, but the key point is that in order to demonstrate that the three-year funding agreements represent value for money, BnaG needs to be able to demonstrate that they achieve better outcomes - more efficiently, more effectively, or more economically - than the one-year or one-off grants which are provided to other bodies. This analysis remains outstanding.

Value for money (continued)

Deloitte view

Deloitte view – Value for money

In response to the findings of the 2018/19 audit, BnaG developed an Improvement Plan, agreed with external audit. We are satisfied that BnaG views the Improvement Plan as a dynamic document, updating it as appropriate, demonstrating a focus on continuous improvement. Throughout this report, we have noted substantial improvements in a number of areas, although significant work remains to be done.

In 2018/19, BnaG instituted three-year funding agreements with organisations, to provide certainty of continued funding, with these being implemented from 2019/20. In our 2018/19 audit, in advance of these being rolled out, we recommended that BnaG enhance the process for awarding future multi-year awards by ensuring that: the potential impact on the wider Gaelic community is assessed through stakeholder consultation; the effectiveness of the organisations receiving funding is assessed and compared and the history of grant applicants is explicitly considered in the decision making process. The importance of wider stakeholder consultation was underlined at the Public Audit and Post Legislative Scrutiny Committee meeting in January 2020. We are aware that methodology to enable better comparison of performance is currently under development, but the key point is that in order to demonstrate that the three-year funding agreements represent value for money, BnaG needs to be able to demonstrate that they achieve better outcomes - more efficiently, more effectively, or more economically - than the one-year or one-off grants which are provided to other bodies. This analysis remains outstanding.

We felt that in order to demonstrate a commitment to continuous improvement, BnaG should review the targets agreed as part of the multi-year agreements, ensuring that appropriate improvements are embedded into any agreements and justification is provided where targets are static. We recommended that targets be clear and measurable and that BnaG should ensure that they are linked to specific outcomes in the Corporate Plan. We have welcomed revisions made to these agreements in 2019/20, demonstrating a clear commitment to continuous improvement by BnaG and the funded organisations. We are satisfied that the revised agreements provide clearer links to the Corporate plan.

In our 2018/19 audit, we recommended that BnaG improve its assessment of training needs, provision of training, collection of feedback and monitoring of effectiveness of training provided. We are pleased with improvements made in a number of areas, although it needs to be clearer what use has been made of feedback forms collected, if they have informed the identification of further training needs or whether the training provided represents value for money.

Best Value

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure **Best Value (BV)**.

The duty of Best Value, as set out in the SPFM

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

The SPFM sets out nine characteristics of Best Value which public bodies are expected to demonstrate. The refreshed guidance issued by the Scottish Government in 2011 focussed on 5 generic themes and 2 cross-cutting themes, which now define the expectations placed on Accountable Officers by the duty of Best Value.

Five themes:

1. Vision and Leadership
2. Effective Partnerships
3. Governance and Accountability
4. Use of Resources
5. Performance Management

Cross-cutting themes:

1. Equality
2. Sustainability

BV arrangements

BnaG has a number of arrangements in place to assess whether it can secure Best Value. This is evidenced through BnaG's performance monitoring arrangements. We note that BnaG has engaged an external review of its Best Value arrangements and areas for improvement.

As noted elsewhere within this report, BnaG has demonstrated substantial improvements in the year, although we have noted areas for further improvement, as set out on pages 22 – 57. We have welcomed the improvement in the year, and the focus of BnaG on continuing that improvement.

We also note that an internal audit report in the year provides assurance that BnaG's Corporate Governance systems are sufficient to enable compliance with the Best Value statement.

BnaG recognises that it must deliver services within the financial resources available and, as noted elsewhere in this report, further work is required to achieve medium to longer term financial sustainability.

Deloitte view – Best Value

BnaG has sufficient arrangements in place to assess whether it can secure Best Value.

Sector developments



Sector developments

Responding to COVID-19

As part of our “added value” to the audit process, we are sharing our research, informed perspectives and best practice from our work across the wider public sector.

An emerging legacy

How COVID-19 could change the public sector

While governments and public services continue to respond at scale and pace to the COVID-19 pandemic, its leaders have begun to consider how the crisis might permanently change their agencies – and seven legacies are emerging.

The COVID-19 pandemic has been uncharted territory for governments. Elected representatives, officials and public service leaders around the world are making profound decisions with no precedent to draw upon and little certainty around when the crisis will end. As French President Emmanuel Macron observed, this is a kinetic crisis – in constant motion with little time to make far-reaching decisions.

In the UK and across much of Europe, government responses have been radical and exhaustive. Health services have mobilised at scale, finance ministries have acted fast to support businesses, and the full spectrum of departments have made rapid adjustments to ensure public needs continue to be met.

While leaders across the public sector remain focused on the immediate COVID-19 threat, they are increasingly mindful of its longer-term implications – and for some, the crisis could be an inflection point for their agency. This paper explores the pandemic’s likely legacy on governments, public services and the debates that shape them.

Seven emerging legacies:

1. Our view of resilience has been recast
2. Governments could be left with higher debt after a shock to the public finances
3. Debates around inequality and globalisation are renewed
4. Lines have blurred between organisations and sectors
5. The lockdown has accelerated collaborative technologies
6. Civil society has been rebooted and citizen behaviour may change
7. The legacy that still needs to be captured

Read the full article at:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/an-emerging-legacy-how-corona-virus-could-change-the-public-sector.html>

Sector developments (continued)

Responding to COVID-19 (continued)

COVID-19: Lockdown exit and recovery

Whilst many things remain uncertain in the current environment, it is increasingly clear that many organisations are beginning to plan for the easing of the lockdown.

Two documents have been developed to support you in your thinking:

- **Lockdown exit and recovery:**– Based on insight from Henry Nicholson, our Chief Strategy Officer and our Economic and Financial Advisory Team, this document provides an overview of economic forecasts to predictions around exit strategies, potential economic impact, plus key considerations to consider in relation to: Supply, Demand, Operations, People and Financing
- **Exit timelines:** This document provides an overview for each of the major European countries of their current status, key statistics and a reported or illustrative timeline (as relevant) for their exit strategy. It also includes some actions organisations are taking in the workplace to 'return to work' plus advice for management teams.

Copies of these documents can be accessed through the following link:

<https://www2.deloitte.com/uk/en/pages/financial-advisory/articles/covid19-uk-lockdown-exit-and-recovery.html>

COVID-19: Impact on the workforce

It's likely that the way we work will be forever changed as a result of COVID-19. All of us are seeking answers to guide the way forward. That's why Deloitte's Global and UK Human Capital practice have produced a series of articles to inform business leaders on their path to respond, recover, and thrive in these uncertain times. These articles explore the impact of COVID-19 on the workforce and are aimed at supporting HR teams as they navigate their organisation's response to the pandemic.

HR leaders, in particular, have been at the centre of their organisation's rapid response to COVID-19, and have been playing a central role in keeping the workforce engaged, productive and resilient. Understandably, recent priorities have been focused almost exclusively on the respond phase. As progress is made against respond efforts, another reality is forming quickly. Now is the time for HR leaders to turn their attention toward recover to ensure their organisations are prepared to thrive.

The latest thinking from our UK Human Capital practice is "**COVID-19 CHRO Lens: Work, Workforce and Workplace Considerations**". This workbook provides a framework to enable leaders to plan for recovery. It sets out a series of key questions across the dimensions of work, workforce and workplace, enabling organisations to plan for multiple scenarios and time horizons, as they shift from crisis response to recovery.

The workbook can be found at the following link, along with links to other articles which we would encourage you to explore.

<https://www2.deloitte.com/uk/en/pages/human-capital/articles/covid-19-impact-on-the-workforce-insight-for-hr-teams.html>

Appendices



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for BnaG, as a body, and we therefore accept responsibility to BnaG 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.

What we don't report

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

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

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

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



Pat Kenny, CPFA

For and on behalf of Deloitte LLP

Glasgow | 17 September 2020

Audit adjustments

Uncorrected misstatements

The following uncorrected misstatements have been identified up to the date of this report. The uncorrected misstatements have no impact on the overall General Fund position.

		Debit/ (credit) SoCNE £k	Debit/ (credit) SoCTE £k	Debit/ (credit) in net assets £k	Debit/ (credit) reserves £k	If applicable, control deficiency identified
Pension Liability – Goodwin	[1]	7	(7)	(7)	7	N/A
Total						

[1] As discussed on page 16, the actuary has not made any allowance within the pension liability for the impact of Goodwin, therefore does not fully represent the cost arising from the judgement in this case. The actuary has estimated that the potential impact of this is a £7k understatement of the liability. As the pension liability is fully mitigated by statutory adjustments, this misstatement has no impact on the overall General Fund position.

Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which management have corrected.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<p><i>Key sources of judgement, estimation and uncertainty</i></p> <p>Key judgements and significant estimations need to be separately identified, with the pension liability being an area of significant estimation for BnaG.</p>	<p>IAS 8 – Disclosure must be made of the key judgements made by management in the preparation of the accounts and the sources of estimation uncertainty which could have a material effect on the amounts disclosed in the accounts.</p>	<p>Qualitatively material – This is an accounting standard requirement and is a key focus area for regulatory bodies.</p>
<p><i>Remuneration and Staff Report</i></p> <ol style="list-style-type: none">1. Disclosure of the full-year equivalent remuneration of Board and SMT members who joined or left in the year require disclosure in addition to actual remuneration.2. Prior year comparative information requires to be disclosed in addition to the current year information.3. Staff numbers must be analysed by category of employment.4. Staff numbers must include full time equivalent figures, in addition to headcount.5. Staff seconded to BnaG and invoiced by the primary employing organisation require disclosure in BnaG's Remuneration and Staff Report.	<p>FReM 5.3.20 – 5.3.28 – Detailed requirements for the preparation of disclosures in relation to the Remuneration and Staff Report are set out in the FReM.</p>	<p>Qualitatively material - Important for the users' understanding of the organisations remuneration.</p>

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

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



Required representations:

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

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



Audit work performed:

In our planning we identified the risk of fraud in expenditure recognition and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance regarding fraud, fraud risk factors and controls in place to prevent and detect fraud.

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

Concerns:

We have not identified any concerns from the work noted above and our audit procedures.



Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of BnaG and our objectivity is not compromised.
Fees	<p>The audit fee for 2019/20 is currently being discussed with management in light of the additional work required in relation to the audit dimensions.</p> <p>No non-audit services fees have been charged for the period.</p>
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and BnaG's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with BnaG, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



Quality of public audit in Scotland

Annual report 2018/19

Audit Scotland published its annual assessment of audit quality carried out on the audit work delivered by Audit Scotland and appointed firms. A copy of the full report is available: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-201819>

Public audit in Scotland

Recent high-profile corporate collapses in the private sector have led to considerable scrutiny of the audit profession. The Brydon review is looking into the quality and effectiveness of the UK audit market. The Kingman review, the Competition and Markets Authority market study of the audit services market and the Business, Energy and Industrial Strategy Committee's report on the Future of Audit have all reported on structural weaknesses in the private sector audit regime. The reviews are placing a strong focus on the need for independence of auditors from the bodies they audit.

The public audit model in Scotland is fundamentally different to the private sector audit regime and is well placed to meet the challenges arising from the reviews of the auditing profession. Public audit in Scotland already operates many of the proposed features to reduce threats to auditor independence including:

- independent appointment of auditors by the Auditor General for Scotland and Accounts Commission
- rotation of auditors every five years
- independent fee-setting arrangements and limits on non-audit services
- a comprehensive Audit Quality Framework.

The Audit Scotland Audit Quality and Appointments (AQA) team will continue to develop its activities to provide the Auditor General for Scotland and Accounts Commission with assurance about audit quality. The Audit Quality Framework will be refreshed to take account of the findings from the first two years of its application and to reflect on the developments in the wider audit environment. Further development is planned over the following year to include:

- enhancing stakeholder feedback
- reviewing the structure and transparency of audit quality reporting.

Key messages

The programme of work carried out under the Audit Quality Framework provides evidence of compliance with auditing standards and the Code of audit practice (the Code), together with good levels of qualitative performance and some scope for improvements in audit work delivered in the period 1 April 2018 to 31 March 2019.

Independent external reviews of audit quality carried out by The Institute of Chartered Accountants of Scotland (ICAS) show evidence of compliance with expected standards:

- ICAS did not identify any concerns with audit opinions
- 55 per cent of financial audit files reviewed by ICAS over the last two years were graded as limited improvement required, the remaining reviews were graded as improvement required (*100% of Deloitte files – limited improvement*)
- ICAS noted considerable improvements in the documentation of performance audits and Best Value assurance reports.

Other performance measures showing good performance include:

- 78 per cent of internal reviews of financial audits in the last two years required only limited improvements (*100% of Deloitte internal reviews graded as no improvement required*)
- all audit providers have a strong culture of support for performing high-quality audit
- stakeholder feedback shows audit work has had impact
- non-audit services (NAS) are declining in number and value and requests made complied with the Auditor General for Scotland and Accounts Commission's NAS policy.

AQA monitors progress against areas for improvement. A common area for improvement in the last two years has been the need for better documentation of audit evidence. In 2018/19 further areas for improvement were identified in:

- the use of analytical procedures
- the application of sampling.



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