

Bòrd na Gàidhlig

Report to the Audit and Assurance Committee, the Board and the Auditor General for Scotland on the 2021/22 audit

Issued 26 August 2022 for the meetings on 6 September and 6 October 2022

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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 Annual Report and Accounts.
- 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 year ending 31 March 2022 audit. The scope of our audit was set out within our planning report presented to the Committee in February 2022.

This report summarises our findings and conclusions in relation to:

- The audit of the **annual report and accounts**; and
- Consideration of the wider scope requirements of public sector audit. As set out in our plan, in line with 2020/21, we have concluded that the full application of the wider scope was not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:
 - The appropriateness of the disclosures in **the governance statement**; and
 - The **financial sustainability** of BnaG and the services that it delivers over the medium to longer term. As part of this work, we have followed up on progress with the recommendations made in our previous years audit report.

Conclusions from our testing

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

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of BnaG.

The auditable parts of the Remuneration and Staff Report have been prepared in accordance with the relevant regulations. Following updates made by management, we are satisfied that the new requirements in relation to the Fair Pay Disclosure have been appropriately disclosed.

A summary of our work on the significant risks is provided in the dashboard on page 8.

We have identified one uncorrected misstatements above our reporting threshold. We have identified three disclosure deficiencies, which management have corrected, as set out on pages 22-23.

Introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Outstanding matters to conclude the audit include:

- Finalisation of internal quality control procedures;
- Receipt of assurance from Pension Fund auditors;
- Receipt of final Annual Report and Accounts;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2022.

Conclusions on audit dimensions

Governance statement – The disclosures are appropriate and address the minimum requirements of the Scottish Public Finance Manual (“SPFM”) and the Government Financial Reporting Manual (“FReM”).

Financial sustainability – BnaG has achieved an underspend in 2021/22 and set a balanced budget for 2022/23, therefore is financially sustainable in the short term. The Medium-Term Financial Plan (MTFP), which is incorporated with the annual budget setting process and linked to BnaG’s Operational Plan, has been updated in line with recommendations made in the prior year. We are satisfied that BnaG are in a financially sustainable position over the medium-term.

Our detailed findings and conclusions are included on pages 18 to 19 of this report.

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.

Quality indicators

The key metrics related to your control environment which can significantly impact the execution of the audit have been assessed on page 6. These have consistently been ranked as ‘mature’ which has enabled timely and efficient completion of audit procedures and strengthens the reliability of BnaG’s financial reporting.

Managing transition to 2022/23 audits

2021/22 is the final year of the current audit appointments. We will minimise disruption to all parties, and maximise the transfer of knowledge of BnaG, by working in partnership with Audit Scotland and the incoming auditors.

We would like to put on record our thanks to BnaG, management and staff for the good working relationship over the period of our appointment.

Pat Kenny
Associate Partner






















Annual Report and Accounts audit



Quality indicators

Impact on the execution of our audit

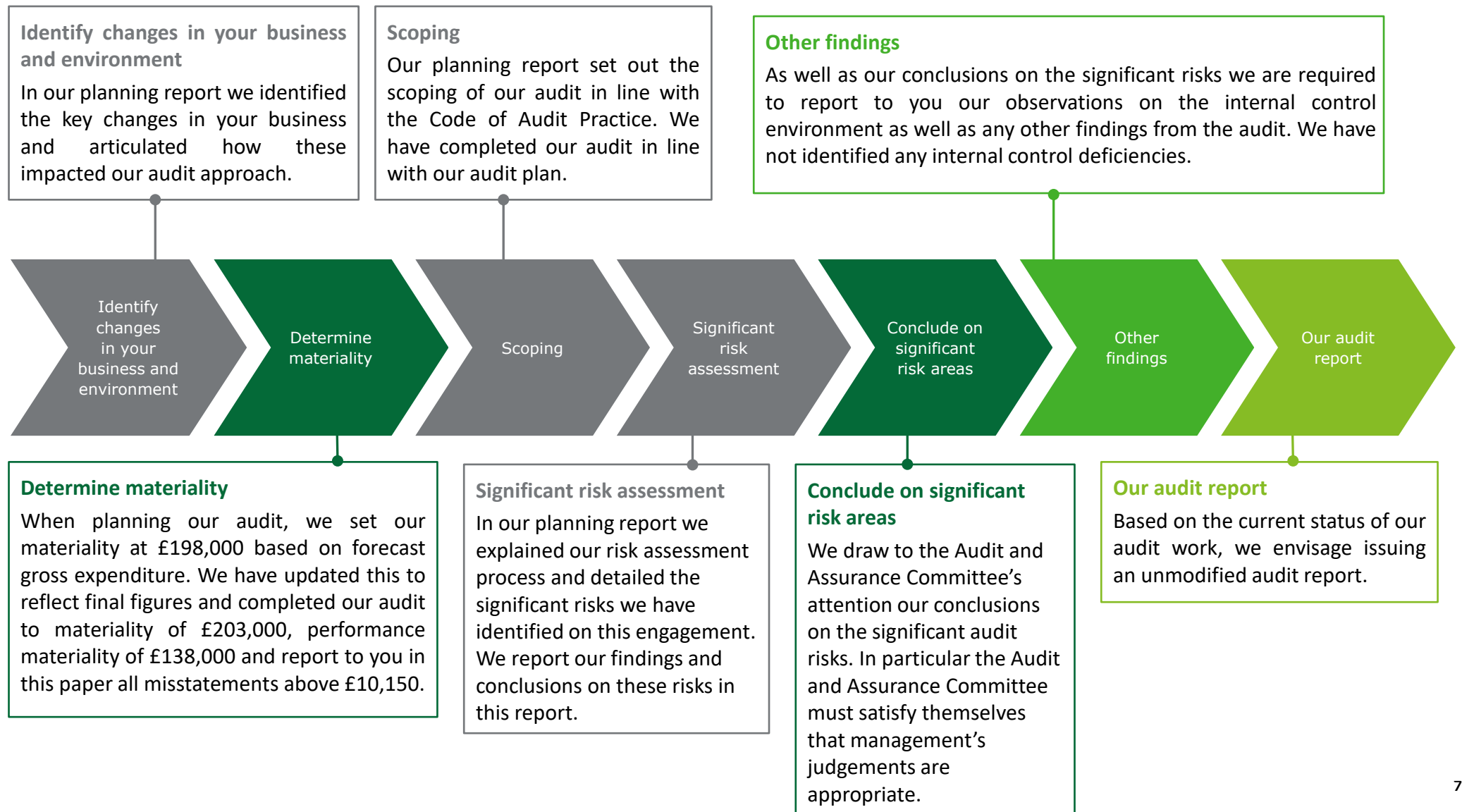
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to 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
	FY22	FY21	FY20	
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				Management provided all evidence in a timely manner, in advance of agreed timelines. Any follow-up requests during the audit were quickly actioned.
Access to finance team and other key personnel				Deloitte and BnaG have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel. The transition between the interim and current Head of Finance and Corporate Affairs was well managed.
Quality and accuracy of management accounting papers				Documentation provided has been of a high standard, which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Report and Accounts. This is borne out by the resubmission rate on requests for the audit being low, at 2%.
Quality of draft Annual Report and Accounts				A full draft of the Annual Report and Accounts was received for audit on 10 June 2022. We identified areas of good practice throughout, including good use of graphics, hyperlinks to additional detail and clear links to how BnaG's work relates to national outcomes. We identified certain areas for improvement as set out on page 15.
Response to control deficiencies identified				We did not identify any control deficiencies during our audit.
Volume and magnitude of identified errors				We have identified three disclosure misstatements, as set out on page 23. These have been corrected by management.

 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 expenditure resource limits			D+I	Satisfactory		Satisfactory	9
Management override of controls			D+I	Satisfactory		Satisfactory	10

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

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

Significant risks (continued)

Operating within expenditure resource limits



Risk identified and key judgements

Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In line with previous years, 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 consider the fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. The 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 is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. 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 and challenge

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, the processing of journals and management estimates;
- 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.

Deloitte view

We identified no issues through the testing performed.

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 confirmed that BnaG has performed within the limits set by the Scottish Government achieving an underspend of £65,000, and therefore is in compliance with the financial targets in the year.

Significant risks (continued)

Management override of controls



Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent Annual Report and Accounts by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Tested a sample of journal entries from throughout the year and other adjustments made at the end of a reporting period.

Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Tested the design and implementation of controls over accounting estimates;
- Evaluated whether the judgements and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias.; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

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.

Deloitte view

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

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

Other Areas of Audit Focus

Defined benefits pension scheme

Background

BnaG participates in a defined benefit scheme as an admitted body under the Highland Council Pension Fund.

The net pension liability has decreased from £1.546m in 2020/21 to £1.254m in 2021/22. The decrease is combination of in increase of £277k in the fair value of the assets and a reduction of £15k in the liabilities as a result of demographic changes and financial assumptions.

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 opposite;
- We have requested assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We assessed the reasonableness of the Council'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; and
- We reviewed the disclosures within the accounts against the Code.

	BnaG	Comments
Discount rate (% p.a.)	2.7	Within reasonable Range
RPI/ CPI Inflation (% p.a.)	3.65	
CPI Inflation (% p.a.)	3.2	
Pension increase in payment (% p.a.)	3.2	In line with funding valuation
Salary increase (% p.a.)	4	
Mortality - Life expectancy of a male/ female pensioner from age 65 (currently aged 65)	20.8/ 23.3	Within reasonable range
Mortality - Life expectancy of a male/ female pensioner from age 65 (currently aged 45)	22.0/ 25.3	

Other Areas of Audit Focus (continued)

Defined benefits pension scheme (continued)

The actuary advised that the asset value at 31 March 2022 had been calculated based on actual asset returns for the whole Fund for the period 1 April 2021 to 31 December 2021 and an estimated Fund return for the quarter to 31 March 2022. Information obtained from the Pension Fund confirmed that the overall Fund assets based on final returns were around 1% higher at 31 March 2022. This would have resulted in the final asset value for BnaG to be £45,000 higher. As this is not material and would have no impact on the overall results of BnaG, this has not been adjusted, but is above our reporting threshold therefore is included in the schedule of misstatement on page 22.

BnaG's pension liability continues to be impacted by the ongoing legal cases – known as McCloud and Goodwin. Our pension specialists have considered the impact and concluded as follows:

- **Goodwin** – Consistent with the prior year-end, no allowance has been made for the potential impact of the Goodwin ruling. Based on generic information provided by the actuary for a typical LGPS employer, we understand that the estimated impact was 0.1% of the Defined Benefit Obligations. This would equate to around £6,000 which is below our reporting threshold.
- **McCloud** – We would expect an allowance to be made within current service costs in respect of the ongoing cost relating to the McCloud ruling. No allowance has been made by BnaG at 31 March 2022. However, based on the information previously provided by the actuary, we estimate that including an allowance could increase the 2021/22 service costs by around £3,500 which is below our reporting threshold.

Deloitte view

We have concluded that the net pension liability in relation to the defined benefits pension scheme is fairly stated, with an immaterial difference noted in relation to BnaG's share of the Pension Fund assets as a result of information being made available after the estimates provided by the actuary. The combined impact of the ongoing legal cases is below our reporting threshold therefore we are satisfied that it is reasonable not to make any further adjustments.

We are awaiting a response from the auditors of the Pension Fund to gain assurance over the work they perform. This is expected to be available in advance of the Board meeting in October.

Other significant findings

Financial reporting findings

Below, we set out the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

BnaG has prepared its Annual Report and Accounts in line with the FReM. We have not identified any areas of non-compliance with accounting standards or good practice in our review of BnaG's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the new Fair Pay disclosure requirements within the Remuneration Report. We identified two adjustments relating to these new requirements as set out on page 23.

Regulatory change

IFRS 16, Leases, comes into effect on 1 April 2022, therefore will be first implemented in financial year 2022/23. We are satisfied that management have reviewed the potential impact of IFRS 16 and agree with management's conclusion that none of the BnaG's current lease agreements fall under the scope of the standard.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's 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 Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

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 Annual Report and Accounts

Our opinion on the Annual Report and Accounts is expected to 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.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is relevant to the assessment of the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

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

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



Other reporting responsibilities

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

Opinion on regularity

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

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

Your Annual Report

We are required to provide an opinion on the auditable parts of the Remuneration and Staff Report, the 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 faced by BnaG.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. 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. We identified a few minor areas for improvement which have been actioned by management.
The Accountability Report	Management have ensured that the Accountability Report meets the requirements of the FReM, comprising the governance statement, Remuneration and Staff Report and the Parliamentary Accountability Report.	<p>We have assessed whether the information given in the Governance Statement is consistent with the Annual Report and Accounts, has been prepared in accordance with the Accounts Direction and is consistent with our knowledge of the entity. No exceptions have been noted.</p> <p>We have also read the Accountability 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. We provided management with comments and suggested changes and have received an updated version reflecting these changes.</p> <p>We have also audited the auditable parts of the Remuneration and Staff Report and confirmed that it has been prepared in accordance with the Accounts Direction. We identified two misstatements relating to the new Fair Pay disclosure requirements for 2021/22 as set out on page 23. One other adjustment relating to the salary bandings of two members of the Leadership Team was identified and corrected by management.</p>

Audit dimensions



Audit dimensions

Overview

As set out in our Audit Plan, the Code of Audit Practice sets out four audit dimensions that frame the wider scope of the audit of the accounts. The audit dimensions provide a common framework for all the audit work conducted for the Auditor General and for the Accounts Commission.

In line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our Audit Plan has not changed. Our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the governance statement (which is discussed on page 15) and
- The financial sustainability of BnaG and the services that it delivers over the medium to longer term. As part of this work, we have followed up on progress with the recommendations made in our previous years audit report.



In addition, we have reviewed the Board’s arrangements for the prevention and detection of fraud and irregularities. Overall we found BnaG’s arrangements to be effectively designed and appropriately implemented.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Financial sustainability

Can short-term (current and next year) financial balance be achieved?



Is there a long-term (5-10 years) financial strategy?



Is investment effective?



Financial Sustainability

Short term financial planning

The 2021/22 budget of £5.579m was approved by the Board on 24 February 2021. It has been updated throughout the year to include in-year movements and the final outturn as reported in the Annual Report and Accounts is an underspend of £0.065m (1%). The Senior Management Team and Board regularly review progress against budget throughout the year. From review of the reporting throughout the year, variances are clearly reported and explained.

The 2022/23 budget of £5.779m, was approved by the Board on 2 March 2022, being a balanced budget. Underpinning the budget is the assumption that baseline Grant-in-Aid will remain stable at £5.179m as well as other income of £0.100m and additional temporary funding from the Scottish Government of £0.500m. In terms of Gaelic development costs, it has been assumed that funding for delivery partners will remain at the same level as in previous years. Budgetary pressures are expected to have the most significant impact on the running costs of the organisation, particularly in relation to staff costs and inflation. The salary model for 2022/23 is based around salary uplifts contained within the Scottish Public Sector Pay Policy and assumes that employers pension contributions will remain at 19%. Other running costs are assumed to be impacted by a 2% inflationary uplift, as well as various savings and spending increases based on known future factors.

Our 2020/21 audit report recommended that the budget paper presented to the Board should contain all the information necessary to enable appropriate scrutiny prior to approval to improve openness and transparency. We have reviewed the 2022/23 budget which was presented to the Board and have found that the assumptions underpinning the budget were clearly stated, future savings and expense increases have been quantified, and the key budgetary pressures are highlighted. Presented in conjunction with the MTFP, the necessary information required for appropriate scrutiny of the budget is provided.

Based on the above, we are satisfied that BnaG can achieve short term financial balance.

Financial sustainability (continued)

Medium-to long-term financial planning

BnaG have updated the Medium Term Financial Plan (MTFP), covering the periods through to 2026/27, which was presented to the Board in June 2022. The plan assumes that BnaG's income will remain stable from 2022/23 onwards and that the key pressures are staff costs and inflation.

Our 2020/21 audit report recommended that the MTFP should quantify any funding gaps in the period covered under the various scenarios. The updated MTFP has now quantified the increase in Grant in Aid required for BnaG to be able to implement proposed developments as well as adjustments required to the Running Costs cap to allow for the proposed staffing structure to be implemented.

A further recommendation was made that the MTFP should clearly set out the assumptions underpinning each scenario, how they interlink, and their impact on the medium-term position. The updated MTFP has shown improvements in clarifying and quantifying the assumptions.

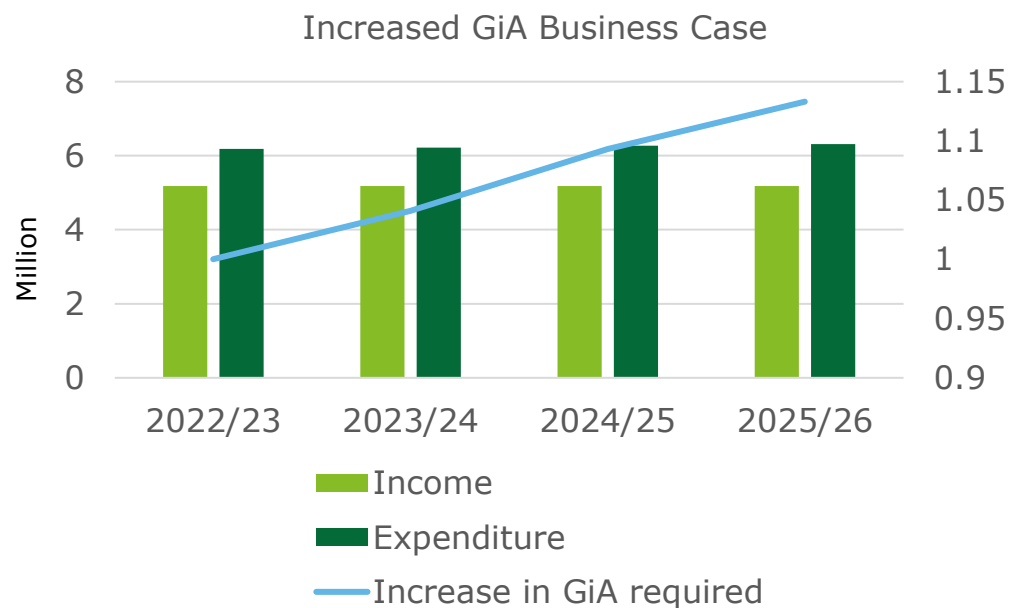
Based on the above we are satisfied that, subject to increased flexibility in the running costs spending cap and increased funding to allow the organisation to fulfil its Corporate Plan objectives, BnaG are in a financially sustainable position over the medium-term.

Effective investment

From the disclosures within the Performance Report, BnaG have achieved 89% of its KPIs (2020/21: 40% met, 50% impacted by COVID-19) which is positive. We note that for each of the organisation's four strategic priorities, several initiatives have been launched in the year, as well as funding being made available to projects which assist in BnaG meeting its objectives.

For those areas of the operational plan showing as red or 'Not progressed', these are to be incorporated into the 2022/23 plan, which shows that resources will continue to be invested in areas of key strategic priority.

Based on the above, we are satisfied that BnaG are achieving its objectives as set out within its Operational Plan, and note the impact which the COVID-19 pandemic has had on fully achieving the Corporate Plan Priorities. We are satisfied that BnaG has clear plans in place to address areas of lower performance, as outlined in the MTFP.



Deloitte view – Financial sustainability

BnaG has achieved an underspend in 2021/22 and set a balanced budget for 2022/23, therefore is financially sustainable in the short term. It also has a MTFP which is incorporated with the annual budget setting process and clearly linked to BnaG's Operational Plan and also incorporates the Workforce Plan.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Assurance Committee 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; and
- 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 Annual Report and Accounts.

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 you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

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

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 | 26 August 2022

Appendices



Audit Adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report, which we request that you ask management to correct as required by ISAs (UK). The overall impact on the Statement of Comprehensive Net Expenditure is Nil.

	Debit/(Credit) Statement of Comprehensive Net Expenditure £k	Debit/(Credit) in Net Assets £k	Debit/(Credit) prior year Taxpayer's Equity £k	Debit/(Credit) in Income £k	If applicable, control deficiency identified
Misstatements identified in current year					
Net Pension Fund [1]	-	45	-	-	N/A
Pension Reserve [1]	-	(45)			
Total	-	-	-	-	

[1] As discussed on page 12, the actuary advised that the asset value at 31 March 2022 had been calculated based on actual asset returns for the whole Fund for the period 1 April 2021 to 31 December 2021 and an estimated Fund return for the quarter to 31 March 2022. Information obtained from the Pension Fund confirmed that the overall Fund assets based on final returns were around 1% higher at 31 March 2022. This would have resulted in the final asset value for BnaG to be £45,000 higher.

Audit adjustments

Disclosures

Disclosure misstatements

The following disclosure misstatements have been identified up to the date of this report which management have corrected as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<p><i>Remuneration and Staff Report – Fair Pay disclosure</i></p> <p>Our review of the Draft Annual Accounts and Report highlighted that the disclosure for the average percentage change in salary in respect of the employees taken as a whole was calculated incorrectly.</p>	<p>FReM 6.5.19(b) – Entities are required to set out the average percentage change from the previous financial year in respect of the employees of the entity taken as a whole.</p>	<p>Qualitatively material – important for the users’ understanding of employees’ remuneration at the entity.</p>
<p><i>Remuneration and Staff Report – Fair Pay disclosure</i></p> <p>During our testing of the Fair Pay disclosure, we identified that the prior year 25th percentile and the current and prior year 75th percentile salaries had been incorrectly calculated, as well as the prior year median pay ratio and the current and prior year 25th percentile pay ratios.</p>	<p>FReM 6.5.24 – Entities are required to set out information relating to the median, 25th percentile and 75th percentile pay ratios.</p> <p>FReM 6.5.25 – Entities are required to set out total pay and benefits for the median, 25th percentile and 75th percentile of pay.</p>	<p>Qualitatively material – important for the users’ understanding of employees’ remuneration at the entity.</p>
<p><i>Remuneration and Staff Report – Leadership Team</i></p> <p>During our testing of the salary bandings of the leadership team, we identified two instances where a leadership team member’s salary banding was incorrectly disclosed.</p>	<p>FReM 6.5.8 – Entities are required to disclose remuneration in prescribed bandings.</p>	<p>Qualitatively material – important for the users’ understanding of the leadership team 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 auditor, we obtain reasonable, but not absolute, assurance that the Annual Report and Accounts as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked BnaG to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the Annual Report and Accounts may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity .

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 relation to operating within the expenditure resource limit 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.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the Annual Report and Accounts.

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

The audit fee for 2021/22, in line with the expected fee range provided by Audit Scotland, is £13,130, as analysed below:

	£
Auditor remuneration	10,270
Audit Scotland fixed charges:	
Pooled costs	2,370
Audit support costs	490
Total fee	13,130

No non-audit services fees have been charged for the period.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.



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