

sportscotland Group and Lottery Fund

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the sportscotland Board and the Auditor General for Scotland

October 2022

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Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.

Financial management

- 2 sportscotland had appropriate and effective financial management in place with regular budget monitoring reports provided to the board.
- 3 Controls within the main financial systems were operating effectively and standards for the prevention and detection of fraud remain appropriate.

Financial sustainability

- 4 sportscotland has established financial planning processes in place for commitments to governing bodies and local authorities but does not currently prepare a detailed medium-term financial plan.

Governance and transparency

- 5 Governance arrangements operating throughout 2021/22 were appropriate.
- 6 sportscotland continues to develop its workforce planning arrangements.

Value for money

- 7 sportscotland has strengthened its equalities arrangements.
- 8 Covid-19 continued to impact on the performance measurement framework.

Introduction

1. This report summarises the findings from our 2021/22 audit of sportscotland Group and Lottery Fund.
2. The scope of our audit was set out in our Annual Audit Plan presented to the 29 June 2022 meeting of the Audit and Risk Committee. This report comprises the findings from:
 - an audit of the sportscotland Group and the Lottery Fund's annual report and accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The main elements of our audit work in 2021/22 have been:
 - an audit of the sportscotland Group and Lottery Fund 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
 - a review of the body's key financial systems
 - consideration of the four audit dimensions.

Adding value through the audit

4. We add value to the body through the audit by:
 - identifying and providing insight on significant risks, and making clear any relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

5. sportscotland Group and Lottery Fund has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts' direction from the Scottish Ministers.
6. Also, sportscotland Group and Lottery Fund is responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2016, and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

8. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

10. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2021/22 audit fee of £49,900 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the sportscotland Board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Audit appointment from 2022/23

14. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

15. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23, Audit Scotland will continue to be the appointed auditor for sportscotland Group and Lottery Fund.

16. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

17. We would like to thank Board members, Audit and Risk Committee members and other staff, particularly those in finance for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual report and accounts are unmodified.

Our audit opinions on the annual report and accounts are unmodified

18. The annual report and accounts for the year ended 31 March 2022 were approved by the board on 26 October 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The annual audit report and accounts were submitted in line with our agreed audit timetable

19. The unaudited annual report and accounts were received in line with our agreed audit timetable on 5 September 2022. The working papers provided to support the financial statements were largely of a good standard and the audit team received support from sportscotland staff throughout the audit process.

Overall materiality is £405,000

20. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	sportscotland Group	Lottery Fund
Overall materiality	£405,000	£278,000
Performance materiality	£263,000	£181,000
Reporting threshold	£12,000	£8,000

Source: Audit Scotland

We have significant findings to report on the annual report and accounts

21. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported several issues from the work done on the identified risks of material misstatement.

22. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Cumbrae national centre</p> <p>sportscotland board made the decision to discontinue operations at Cumbrae Watersports Centre from 30 September 2020 and close the centre. The centre remained closed for the duration of 2021/22. It was therefore treated as a discontinued operation in the Trust Company annual statements.</p>	<p>The audited sportscotland annual report and accounts correctly classify the asset as 'surplus' with a value of £230,000.</p> <p>An additional disclosure was required to be added as per the requirements of IAS 10. This has been included as a non-adjusting post balance sheet event, which means the conditions arose after the end of the reporting period.</p>

Issue	Resolution
<p>Cumbrae national centre was previously on long-term lease from sportscotland to the Trust Company. However, this lease was cancelled by the board and the asset transferred back to sportscotland. In the unaudited accounts this asset was disclosed as an 'addition' to land and buildings. On review of the accounting treatment we agreed that the asset should be disclosed as 'surplus'.</p> <p>Since the 31 March 2022, the board made the decision to market the asset for sale. In August 2022 an offer was made on the sale which has yet to formally conclude. This means that per IAS 10 Events after the Reporting Period, a disclosure should be made in the annual report and accounts.</p>	

2. Fair pay disclosures

On review of the fair pay disclosures in the remuneration report against guidance, we identified that the disclosures were incomplete. The following were missing from the disclosures:

- the percentage change disclosures,
- the quartile pay ratios,
- quartile ratio narrative, and
- the range of staff remuneration.

The audited annual report and accounts was updated to include the additional disclosures in line with guidance.

Source: Audit Scotland

23. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p>	<ul style="list-style-type: none"> • Test journals entries • Review accounting estimates for biases 	<p>Results and Significant Judgements: We did not identify any significant issues within our work on journals. Our testing of accruals and prepayments did not identify</p>

Audit risk	Assurance procedure	Results and conclusions
<p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Test significant transactions outside the normal course of business • Focussed testing of accounting accruals and prepayments 	<p>any errors and there were no significant transactions outside the normal course of business.</p> <p>Conclusion: No issues were identified that indicate management override of controls.</p>
<p>2. Risk of material misstatement by fraud over expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. sportscotland Group and Lottery Fund incur significant expenditure on the award of grants and therefore there is an inherent risk of fraud over expenditure.</p>	<ul style="list-style-type: none"> • Detailed testing of grant expenditure to ensure all conditions have been met prior to payments being made • Substantive cut-off testing of expenditure to ensure that it has been recognised in the correct financial year • Component assurances covering Trust expenditure 	<p>Results and Significant Judgements: We did not identify any significant issues from our testing of expenditure.</p> <p>Conclusion: No issues were identified.</p>

Other areas of audit focus

24. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- **Valuation of pension costs.** We considered the reasonableness of actuarial estimates on material elements of the valuation and the accuracy of information provided to the actuary by sportscotland. We also evaluated the professional competence of the actuary.
- **Valuation of investment property.** We reviewed the information provided to the external valuer by sportscotland and evaluated the professional competence of the valuer.

25. We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

Identified misstatements of £82,000 were adjusted in the sportscotland Group accounts and £107,000 were adjusted in the Lottery Fund accounts

26. There were no material adjustments to the unaudited annual report and accounts for sportscotland Group or Lottery Fund. Total misstatements identified were £82,000 in the sportscotland Group and related to one adjustment. The accrual for untaken annual leave did not include employer pension contribution costs which is required by guidance.

27. Total misstatements in the Lottery Fund accounts of £107,000 were due to an error made in a year end journal for covid recovery funding to sports governing bodies. An adjustment was made to apply the correct apportionment between the loan element and the grant.

28. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. In addition, these misstatements were less than our performance materiality. Therefore we did not consider it necessary to revise our audit approach.

29. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold.

Reasonable progress was made on prior year recommendations

30. sportscotland has made reasonable progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

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

Main judgements

sportscotland had appropriate and effective financial management in place with regular budget monitoring reports provided to the board.

Controls within the main financial systems were operating effectively and standards for the prevention and detection of fraud remain appropriate.

sportscotland operated within its revised budget in 2021/22

31. The main financial objective for the sportscotland Group is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. For sportscotland Lottery Fund, the main objective is that the payment of awards and associated administrative costs are within the amounts called down from the National Lottery Distribution Fund (NLDF).

32. sportscotland has reported an outturn of £36.2 million against its overall budget for 2021/22 with a deficit of £0.7 million. Agreement was received from the Scottish Government to carry forward capital funding which was provided to assist with infrastructure cycling projects across Scotland (£1.0 million). The financial performance of sportscotland is shown in [Exhibit 5](#).

Exhibit 5

Performance against funding targets in 2021/22

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	32.6	34.5	34.5	0.0
Capital	0.0	1.0	0.1	(0.9)
Non-cash	1.0	0.72	0.6	(0.1)
Total	33.6	36.2	35.2	(1.0)

Source: sportscotland Group Annual Report and Accounts 2021/22

33. Grant-in-aid income was supplemented by other income of £3.5 million. This includes £2.4 million from sportscotland's charitable Trust Company and £1.1 million from other operating income.

34. The financial statements show that sportscotland Group has net assets of £27.6 million. This is an increase of £14.9 million, largely attributable to a decrease in the pension liability of £12.9 million.

sportscotland Lottery Fund reported an increase in fund of £1.7 million for 2021/22 and has a year-end net asset value of £49.9 million

35. sportscotland Lottery Fund has reported an expenditure outturn of £27.6 million (2020/21: £23.7 million) and income of £29.4 million (2020/21: £29.4 million), therefore showing an increase in fund of £1.7 million.

36. The financial statements show that sportscotland Lottery Fund has net assets of £50.0 million, an increase of £1.7 million. The balance held by NLDF has increased by £3.0 million in year.

Budget processes were appropriate and helped support sound decision making and effective scrutiny

37. The board approved the budget for 2021/22 in April 2021. This was revised to include additional funding of £1.4 million to support the 'Get into Summer' programme investment to local partners in August 2021.

38. We observed that senior management and the board continued to receive regular and accurate financial information on sportscotland's financial position. Receiving regular, timely and up to date financial information supports sound decision making and effective scrutiny.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

39. There are appropriate arrangements for the prevention and detection of fraud, error and irregularities. sportscotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

40. We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook and Civil Service and Members' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

Financial systems of internal control are operating effectively

41. Auditing standards require external auditors to obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan and develop an effective audit approach for the annual accounts.

42. No significant key control weaknesses were identified from our audit work. We did however, identify one area for improvement which relates to the posting of year end journals. Currently, there is no evidence of review or approval. The journal is prepared and posted by the same individual. This control could be strengthened by ensuring the journals are subject to approval which is evidenced.

43. We have not identified any significant weaknesses, however this does not guarantee that no weaknesses exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to sportscotland Group and Lottery Fund.

Recommendation 1

Year-end journals should be subject to a review and approval process prior to posting and evidence retained which documents this.

3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

Main judgements

sportscotland has established financial planning processes in place for commitments to governing bodies and local authorities but does not currently prepare a detailed medium-term financial plan.

Financial planning should be further improved to include the development of a medium-term financial plan

44. sportscotland makes four year 'in principle' commitments to Sports Governing Bodies and Local Authorities which are subject to funding being received. The financial planning systems have therefore been aligned to the duration of these commitments, with financial plans prepared using sensitivity analysis and scenario planning.

45. The current economic climate remains uncertain. The continuing impact of Covid-19 and the added cost pressures from inflation and the cost-of-living crisis will present significant challenges to financial planning and the ability of sportscotland to deliver quality services. The wider Scottish Government budget is also subject to greater uncertainty and volatility which makes planning in the medium term even more challenging but necessary.

46. A medium-term financial plan covers a period between 3 to 5 years and helps an organisation with planning for future spend and cost pressures. sportscotland currently has no medium-term or long-term financial plan in place.

47. We have previously recommended that sportscotland develop a clearly defined medium-term financial strategy to support system recovery and build on the short-term financial impact. Management had previously agreed to build these considerations into the organisation's 2022/23 budget.

48. A business plan for 2022 onwards was approved by the board in April 2022. However, this does not effectively fulfil the necessary functions of a medium-term financial plan.

49. Please see [Appendix 1](#) which follows up this recommendation and sets out a revised management response.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

Governance arrangements operating throughout 2021/22 were appropriate.

sportscotland continues to develop its workforce planning arrangements.

Improvements were made to the performance report but further progress is needed in some areas.

Governance arrangements operating throughout 2021/22 were appropriate

50. We have previously reported on how sportscotland adapted to the impact of the Covid-19 pandemic and the changes it had to implement as a result. For example, holding board and committee meetings remotely.

51. As part of our audit process we are continually assessing the governance arrangements within sportscotland including:

- Board and committee structure and conduct
- public access to information via websites, and
- reporting of performance and whether this is fair, balanced and understandable.

52. Our previous conclusion remains, we consider the governance arrangements operating throughout 2021/22 were appropriate. These arrangements help support effective scrutiny, challenge and decision making.

sportscotland continues to develop its workforce planning arrangements

53. Workforce planning is critical in ensuring an organisation has people with the right skills in the right place at the right time. Workforce plans should set out the organisation's workforce needs over the next 3-5 years and support the achievement of the organisation's corporate objectives.

54. A People Strategy was approved by the Audit and Risk Committee in October 2021, however sportscotland has yet to develop a Workforce Plan.

There is a risk that without effective and up-to-date workforce planning, the organisation does not efficiently manage its staffing needs, or that it will be under-prepared to respond to changing needs or demands.

Recommendation 2

sportscotland should further develop its workforce planning to set out its workforce needs over the next 3 to 5 years.

Improvements to the performance report were made as part of the audit but further development is needed in some areas

55. In addition to the opinion on the performance report covered in Part 1 of our Annual Audit Report, we also consider the qualitative aspects of sportscotland's performance report. The performance report should provide information on a body, its main objectives and the principal risks faced by sportscotland. Additionally, it should provide a fair, balanced and understandable analysis of sportscotland's performance as well as helping stakeholders understand the financial statements.

56. As part of our audit, we found that the performance analysis contained limited information on progress against objectives, with little trend information reported. The annual report and accounts were subsequently updated to improve reporting, however further developments are needed. These improvements should allow the reader to clearly establish whether the performance reported is good or bad and if it is improving or declining.

57. We recognise that the reporting style has changed this year, as trend reporting was severely impact by the effect of Covid-19 on the activities of sportscotland's delivery partners.

Recommendation 3

sportscotland should review its performance report and develop reporting to ensure performance against objectives is captured alongside trend information.

5. Value for money

Using resources effectively and continually improving services

Main judgements

sportscotland arrangements continues to support the achievement of Best Value.

sportscotland has strengthened its equalities arrangements.

Covid-19 continued to impact on the performance measurement framework.

sportscotland arrangements continue to support the achievement of Best Value

58. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

sportscotland continues to strengthen its equalities arrangements

59. As detailed in our Annual Audit Plan, we conducted a review of the Best Value characteristic 'fairness and equality'. This review covered the following:

- how does sportscotland comply with the Equality Act 2010, and
- how does sportscotland advance equalities internally and externally.

60. As part of this review, we relied on the work of internal audit. This was to avoid duplication and make best use of resources. We have reviewed their work in accordance with auditing standards and concluded we could rely on it for the purposes of our work.

61. The work conducted identified a clear commitment by sportscotland to strengthen arrangements for equalities. A new equality, diversity and inclusion strategy was approved which is aligned to its corporate strategy and the Public Sector Equality Duty. sportscotland has also demonstrated positive progress against its three equality outcomes. In addition to this, an Inclusion Group has been established to monitor equality and diversity.

62. Whilst many initiatives in this area were forced to temporarily pause due to the Covid-19 pandemic, most have since resumed.

63. sportscotland demonstrates its compliance with the Equality Act 2010 in a number of ways as well as demonstrating its commitment to advancing equalities through the range of activities undertaken.

The Covid-19 pandemic continued to impact the performance measurement framework

64. sportscotland revised its performance measurement framework due to the impact of the Covid-19 pandemic. The data needed for the set of measures developed before the pandemic was unable to be collected during Covid-19. These measures were intended to demonstrate impact however this was not achieved. Therefore sportscotland implemented a revised framework.

65. The revised performance measurement framework is detailed in its updated business plan for 2022 onwards. This updated business plan was approved by the board in April 2022.

66. The business plan for 2022 onwards reflects how sportscotland will deliver its commitment to the corporate strategy, 'Sport For Life', while supporting the sporting system to recover from the Covid-19 pandemic and drive inclusion.

67. If the impacts of Covid-19 had reduced throughout the year, sportscotland planned on introducing some of its original performance measurement. However, the revised framework remained in place due to the continuing impact of the pandemic.

National performance audit reports

68. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to the body. These are outlined in [Appendix 2](#).

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Approval of year end journals</p> <p>Currently, there is no evidence of review or approval of journals posted at the year end. The journal is prepared and posted by the same individual.</p> <p>Risk – there is a risk that incorrect journals are posted which affects the financial statements.</p>	<p>Year-end journals should be subject to a review and approval process prior to posting and evidence retained which documents this.</p> <p>Paragraph 42.</p>	<p>Pre-Covid, year end journals were reviewed in person by the finance team and then physically signed to confirm approval. Since we have been working remotely, the year end journals have been reviewed online by the finance team, but this has not been evidenced by a formal authorisation. This has now been put in place and all year end journals have an electronic signature and email confirmation of review.</p> <p>Responsible officer: Simon Taaffe</p> <p>Agreed date: 17 October 2022</p>
<p>2. Workforce planning</p> <p>Workforce plans should set out the organisation's workforce needs and support the achievement of the organisation's corporate objectives.</p> <p>Risk – there is risk that without effective and up-to-date workforce planning, the organisation does not efficiently manage its staffing needs, or that it will be under-prepared to respond to changing needs or demands.</p>	<p>sportscotland should further develop its workforce planning to set out its workforce needs over the next 3 to 5 years.</p> <p>Paragraph 53.</p>	<p>sportscotland has prepared and approved a new People Strategy during the year. sportscotland has also had to adapt its business plan to take account of the impact of Covid on the ability of sportscotland its key partners to operate and deliver on there agreed objectives. As sportscotland's business plan is reset and as it works with Scottish Government to deliver key Sports and Physical Activity objectives as part of the Programme for Government, sportscotland</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>will need to review its workforce needs and develop a Workforce Plan.</p> <p>Responsible officer: Jo Dixon</p> <p>Agreed date: June 2023</p>
<p>3. Performance Report</p> <p>We identified that the performance report contained limited information on progress against objectives, with little trend information reported. Developments are needed to allow the reader to clearly establish whether the performance reported is good or bad and if it is improving or declining.</p> <p>Risk – there is a risk that the reader of the accounts cannot gauge performance in year.</p>	<p>sportscotland should review its performance report and develop reporting to ensure performance against objective is captured alongside trend information.</p> <p>Paragraph 55.</p>	<p>As the sporting sector reverts to more normal operations in 2022-23, sportscotland will be able to collect data from its key partners to demonstrate progress against key objectives. Where pre-Covid activities have been resumed, this will enable it to also resume reporting on performance and provide trend information compared to pre-Covid performance.</p> <p>Responsible officer: Darren McKay</p> <p>Agreed date: June 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Fixed asset register 2020/21 AAR</p> <p>When reviewing the depreciation charges on equipment, we noted two assets had been incorrectly depreciated over 3 years rather than 4 years as required by sportscotland's depreciation policy. This resulted in the depreciation charge for the year being overstated by £16k, and noncurrent assets being understated by the same.</p> <p>Risk – the accounts may not accurately reflect the value and usage of assets</p>	<p>The FAR for both sportscotland and the Lottery Fund should be kept up to date and checked for accuracy on a regular basis by, for example, reconciling the FAR to the general ledger.</p>	<p>Complete – no issues identified as part of our review of the fixed asset register.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>5. Year-end closedown procedures</p> <p>We note that sportscotland has not documented the closedown procedures.</p> <p>Risk – the annual closedown process may not be fully understood by relevant staff leading to inefficiencies in the accounts preparation process.</p>	<p>sportscotland should ensure that year-end closedown procedures are documented and communicated to staff prior to the year-end.</p>	<p>Outstanding – year-end closedown procedures are yet to be formally documented.</p> <p>Revised action: The year end close down instructions were sent out by email by the Financial Controller. These will be converted into a formal documentation of the year end close down procedures and will form part of our core annual finance processes.</p> <p>Responsible officer: Simon Taaffe</p> <p>Revised date: 17 October 2022</p>
<p>6. Evidencing of electronic checks</p> <p>At the end of March 2020 sportscotland, along with most of the public sector, moved to a homeworking environment. Discussions with finance staff have confirmed that some control arrangements have been adapted to reflect the current restrictions. In particular the use of an electronic approach to ensure authorisation and segregation of duties. Our audit testing identified a small number of cases where these processes had not been clearly evidenced.</p> <p>Risk – transactions may be processed unchecked leading to increased risk of error or irregularity</p>	<p>sportscotland should remind staff of the need to clearly evidence the segregation of duties and authorisation of electronic checks.</p>	<p>Complete – no issues identified as part of our walkthroughs of key controls.</p>
<p>7. Medium-term financial planning</p> <p>sportscotland has responded well despite the significant</p>	<p>sportscotland should now look to the future and build a medium-term financial strategy that will help it to support system recovery and</p>	<p>Outstanding – see paragraph 47.</p> <p>Revised action: We had hoped that the combination of</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>impact of the pandemic on the sporting system. The path out of the pandemic is becoming clearer but recovery will take time. Following the May 2021 elections, the new Scottish Government's intentions for sport are known. With increased investment in sport and population health planned sportsotland has a significant role to play in supporting delivery the Government's aims.</p> <p>Risk – there is a risk that the recovery and development of the sporting system in Scotland may not be financially sustainable.</p>	<p>the delivery of the new Scottish Government's aims.</p>	<p>the restart of sport post pandemic and the potential expansion of the Scottish Government Sport budget would provide the catalyst for reviewing the medium-term financial strategy for sportsotland.</p> <p>Unfortunately the current uncertainty around the Scottish Government budget, both for the current year and next year, together with the current cost of living crisis and the legal challenge to the award of the National Lottery Fourth Licence has created new challenges when it comes to running reasonable medium term financial scenarios.</p> <p>If we get a multi year financial settlement, which was planned to be issued by Scottish Government for 2023-24 onwards, then we would be in a position to plan with more certainty for this funding stream.</p> <p>For National Lottery we are now hopeful that the transition from Third to Fourth Licence can be completed on time, but we will not receive any financial projections for the Fourth Licence until September 2023.</p> <p>We will continue to keep the financial funding situation under close review as we work towards presenting our first draft of our 2023-24 budget to the Board in February 2023.</p> <p>Responsible officer: Neville Cobb</p> <p>Revised date: February 2023</p>

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

sportscotland Group and Lottery Fund

2021/22 Annual Audit Report

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