

**BÒRD NA GàIDHLIG**

**Coinneamh Comataidh Sgrùdaidh is Dearbhachd**  
**Air loidhne – MS Teams**  
**Dimàirt 21/11/2023 09.30 – 10.40**  
**CLÀR-GNOTHAICH**

**Meeting of the Audit and Assurance Committee**  
**Online – MS Teams**  
**Tuesday 21/11/2023 09.30-10.40**  
**AGENDA**

<b>SEISEAN FOGAILTE</b>		<b>OPEN SESSION</b>	
<b>1.0 CÙISEAN TÒISEACHAIDH</b>		<b>OPENING ITEMS</b>	
1.1 Fàilte is Leisgeulan		<b>Welcome &amp; Apologies</b>	
1.2 <b>A' Nochdadh Chom-pàirtean</b>		<b>Declaration of Interests</b>	
<i>Bu chòir do Bhuill com-pàirt ionmhasail no neo-ionmhasail a th' aca ann an cùis sam bith air am bithear a' beachdachadh a chlàradh, le bhith a' comharrachadh na puinge buntainniche agus an t-seòrsa com-pàirt a th' aca.</i>		<i>Members should declare any financial and non-financial interest they have in the items of business for consideration, identifying the relevant agenda item, and the nature of their interest.</i>	
<b>2.0 AITHISGEAN IN-SGRÙDAIDH</b>		<b>INTERNAL AUDIT REPORTS</b>	
2.1 <b>Ri Aontachadh</b>		<b>For Decision</b>	<b>d. 3</b>
In-sgrùdadh: Aithisgean Ràitheil		Internal Audit: Quarterly Reports	
PT1 – Lèirmheas air Siostam Òrdughan Ceannach		PT1 – Purchase Order System Review	
PT2 – Stiùireadh Coileanadh Luchd-obrach		PT2 – Employee Performance Management	
PT3 – Tabhartasan do Bhuidhnean Gàidhlig		PT3 – Grants to Gaelic Organisations	
<i>Susan Brook, Wylie Bisset</i>		<i>Susan Brook, Wylie Bisset</i>	
<b>3.0 MOLAI DHEAN SGRÙDAIDH</b>		<b>AUDIT RECOMMENDATIONS</b>	
3.1 <b>Ri Aontachadh</b>		<b>For Decision</b>	<b>d. 67</b>
Inbhe Molaidhean Sgrùdadh		Status of Audit Recommendations	
PT1 – Clàr Molaidhean Sgrùdaidh		PT1 – Audit recommendations	
<i>Nicola Pearson, Ceann an Ionmhais is Cùisean Corporra</i>		<i>Nicola Pearson, Head of Finance &amp; Corporate Affairs</i>	
<b>4.0 RIANACHD MHÌ-CHINNTEAN</b>		<b>RISK MANAGEMENT</b>	
4.1 <b>Ri Aontachadh</b>		<b>For Decision</b>	<b>d. 70</b>
Rianachd Mhì-chinntean		Risk Management	
PT1 Clàr Mhì-chinntean Ro-innleachdail		PT1 Strategic Risk Register	
<i>Nicola Pearson, Ceann an Ionmhais is Chùisean Corporra</i>		<i>Nicola Pearson, Head of Finance &amp; Corporate Affairs</i>	
<b>5.0 RIAGHLADH</b>		<b>GOVERNANCE</b>	
5.1 <b>Ri Aontachadh</b>		<b>For Decision</b>	<b>d. 79</b>
Ath-sgrùdadh air na Bun-Riaghailtean		Review of the Terms of Reference	
PT1 Bun-Riaghailtean		PT1 Terms of Reference	
<i>Nicola Pearson, Ceann an Ionmhais is Chùisean Corporra</i>		<i>Nicola Pearson, Head of Finance &amp; Corporate Affairs</i>	
5.2 <b>Ri Aontachadh</b>		<b>For Decision</b>	<b>d. 86</b>
Plana Obrach na Comataidh Sgrùdaidh is Dearbhachd 23/24		Audit & Assurance Committee Workplan 23/24	
PT1 – Plana Obrach 23/24		PT1 – Workplan 23/24	
<i>Nicola Pearson, Ceann an Ionmhais is Chùisean Corporra</i>		<i>Nicola Pearson, Head of Finance &amp; Corporate Affairs</i>	
<b>6.0 GISBE</b>		<b>AOCB</b>	
Ceann-latha na h-ath choinneimh:		Date for the next meeting:	
20/02/2024 09.30-12.30		20/02/2024 09.30-12.30	
<i>Coinneamh dhùinte le luchd-sgrùdaidh/in-sgrùdaidh ma bhios i a dhith.</i>		<i>Closed meeting with internal/external auditors if required.</i>	
<i>Lèirmheas den choinneimh às dèidh làimh</i>		<i>Post-meeting Review of meeting</i>	
<b>Pàipearan Fiosrachaidh</b>			
- Tha pàipearan 'Airson Fiosrachadh' airson toirt-fa-near agus chan eil ùine deasbad no còmhraidh air a chur mun coinneamh sa chlàr-gnothaich.			
- Far a bheil cothrom ann deasbad is còmhraidh a chumail air pàipearan 'Airson Fiosrachadh', bidh na pàipearan sin air an comharrachadh le rionnag * air a chlàr-gnothaich.			
- Bidh cothrom aig Buill deasbad iarraidh air pàipearan 'Airson Fiosrachadh' air nach eil rionnag * le bhith a' leigeil fios do Chathraiche a' Chomataidh co-dhiù latha ron choinneimh.			
- Far a bheil ceistean aig Buill co-cheangailte ri leithid clàr-ghniomhan, poileasaidhean, planaichean no cùisean ionmhais a th' anns na pàipearan, thathar gam brosnachadh gus na ceistean sin a chur air post-d gu <a href="mailto:oifis@gaidhlig.scot">oifis@gaidhlig.scot</a> co-dhiù dà latha obrach ron choinneimh. Cuiridh an sgioba rianachd a' cheist sin air adhart chun an oifigeir iomchaidh airson freagairt, agus airson a bhith cothromach thèid an fhreagairt a' sgaoileadh air na Buill gu lèir gus am bi an aon thuigse an uair sin aig a h-uile neach.			

**For Information Papers**

- 'For Information' papers are for noting and time for debate or discussion is not allocated in the agenda.
- Where there is an opportunity to debate and discuss 'For Information' papers, these papers will be marked with an asterisk \* on the agenda.
- Members will have the opportunity to request a discussion on unstarred 'For Information' papers \* by notifying the Chair of the Committee at least one day in advance of the meeting.
- Where Members have questions related to items such as agendas, policies, plans, or financial matters contained in the papers, they are encouraged to email these questions to [oifis@gaidhlig.scot](mailto:oifis@gaidhlig.scot) at least two working days in advance of the meeting. The administrative team will forward that question to the appropriate officer for an answer, and in the interests of fairness, the answer will be circulated to all Members so that everyone has the same understanding



<b>For</b>	Audit & Assurance Committee
<b>Date of Meeting</b>	21/11/2023
<b>Location:</b>	Online
<b>Item on Agenda</b>	2.1

<b>Title</b>	Internal Audit Reports											
<b>Request</b>	For Decision											
<b>Spokesperson</b>	Susan Brook, Internal Audit Manager Wylie & Bisset LLP											
<b>Governance route for the report</b>	<b>Date</b>	<b>Type of Treatment</b>										
Leadership Team	31.10.2023	For approval										
<b>Appendices</b>	PT1 – Purchase Order System Review PT2 – Employee Performance Management PT3 – Grants to Gaelic Organisations											
<b>1.0</b>	<b>Adhbhar/Reason</b>											
<b>1.1</b>	<p>The paper presents the internal audit reports produced by Wylie &amp; Bisset following the work undertaken in September 2023.</p> <p>The paper is in English due to the appendices being in English. They have been prepared by the Internal Auditors.</p> <p>The draft reports and the observations contained therein were reviewed by SMT.</p>											
<b>2.0</b>	<b>Cùl-fhiosrachadh/Background</b>											
<b>2.1</b>	This is the first set of reports relating to the Internal Audit schedule for 2023-24 to come to the Audit and Assurance Committee.											
<b>3.0</b>	<b>Prìomh Aithris/Fiosrachadh / Main points</b>											
<b>3.1</b>	<p>For each area of review, the Internal Auditors assign a level of assurance in accordance with the following classification:</p> <table border="1"> <thead> <tr> <th>Assurance</th> <th>Classification</th> </tr> </thead> <tbody> <tr> <td>Strong</td> <td>Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.</td> </tr> <tr> <td>Substantial</td> <td>Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.</td> </tr> <tr> <td>Weak</td> <td>Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.</td> </tr> <tr> <td>No</td> <td>No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.</td> </tr> </tbody> </table> <p>Where recommendations are made, a grading of High, Medium or Low priority is assigned, depending on the degree of risk assessed as outlined below:</p>		Assurance	Classification	Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.	Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.	Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.	No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.
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Grading		Classification	
High	Major weakness that we consider needs to be brought to the attention of the Audit & Assurance Committee and addressed by senior management of the Organisation as a matter of urgency.		
Medium	Significant issue or weakness which should be addressed by the Organisation as soon as possible.		
Low	Minor issue or weakness reported where management may wish to consider our recommendation.		

Below is a summary of recommendations made and areas of good practice noted by Wylie & Bisset in this first reporting cycle of 2023/24.

Report	Rating	Recommendations	Grading	Areas of good practice
Purchase Order System	Strong	None	n/a	4
Employee Performance Management	Strong	1	low	6
Grants to Gaelic Organisations	Strong	1	low	5

<b>4.0</b>	<b>Moladh /Recommendation</b>																																				
<b>4.1</b>	The Committee is requested to: - Approve the reports presented.																																				
<b>5.0</b>	<b>Prìomh Bhuaidhean Ro-innleachdach</b>																																				
<b>5.1</b>	<b>Buaidhean air Ionmhas/Impact on Finance</b>																																				
	Internal audit fees are included in the budget.																																				
<b>5.2</b>	<b>Buaidhean air Luchd-obrach/Impact on Staff</b>																																				
	n/a																																				
<b>5.3</b>	<b>Buaidhean air Trèanadh/ Impact on Training</b>																																				
	n/a																																				
<b>5.4</b>	<b>Ceanglaichean ri Amasan Ro-innleachadh agus Corporra/Links to Strategic and Corporate Aims</b>																																				
	Corporate Plan Aim: 4. That Bòrd na Gàidhlig will continue to improve how it works.																																				
<b>5.5</b>	<b>Ceanglaichean ri Frèam-obrach Coileanaidh Nàiseanta/ Links to the National Performance Framework</b>																																				
	<table border="1"> <thead> <tr> <th colspan="2">OUR PURPOSE</th> <th colspan="2">OUR VALUES</th> </tr> </thead> <tbody> <tr> <td colspan="2">To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth</td> <td colspan="2">We are a society which treats all our people with kindness, dignity and compassion, respects the rule of law, and acts in an open and transparent way</td> </tr> <tr> <th colspan="4">NATIONAL OUTCOMES</th> </tr> <tr> <td>Human Rights</td> <td><input type="checkbox"/></td> <td>Children &amp; Young People</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Culture</td> <td><input type="checkbox"/></td> <td>Communities</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Environment</td> <td><input type="checkbox"/></td> <td>Poverty</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Health</td> <td><input type="checkbox"/></td> <td>International</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Learning</td> <td><input type="checkbox"/></td> <td>Economy</td> <td><input type="checkbox"/></td> </tr> <tr> <td>Successful innovative businesses</td> <td><input checked="" type="checkbox"/></td> <td></td> <td></td> </tr> </tbody> </table>	OUR PURPOSE		OUR VALUES		To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth		We are a society which treats all our people with kindness, dignity and compassion, respects the rule of law, and acts in an open and transparent way		NATIONAL OUTCOMES				Human Rights	<input type="checkbox"/>	Children & Young People	<input type="checkbox"/>	Culture	<input type="checkbox"/>	Communities	<input type="checkbox"/>	Environment	<input type="checkbox"/>	Poverty	<input type="checkbox"/>	Health	<input type="checkbox"/>	International	<input type="checkbox"/>	Learning	<input type="checkbox"/>	Economy	<input type="checkbox"/>	Successful innovative businesses	<input checked="" type="checkbox"/>		
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<b>5.6</b>	<b>Buaidhean air Clìù/Impacts on Reputation</b>																																				

	It is important that BnG continues to demonstrate improvement and internal audit reports contribute to this.
<b>5.7</b>	<b>Buaidhean air Slàinte is Sàbhailteachd/Impacts on Health and Safety</b>
	n/a
<b>5.8</b>	<b>Buaidhean Laghail/Legal Impacts</b>
	n/a
<b>5.9</b>	<b>Buaidhean air Co-ionannas/Impacts on Equality</b>
	n/a
<b>5.10</b>	<b>Buaidhean air Àireannachd/Impacts on Environment</b>
	n/a



# Bòrd na Gàidhlig

## Internal Audit 2023-24

Purchase Order System Review  
October 2023

Overall Conclusion

Strong

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*The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.*

*This report has been prepared solely for Bòrd na Gàidhlig's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.*

*We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.*

# 1 EXECUTIVE SUMMARY

## Overview

### Purpose of review

We undertook a review of the robustness of the purchase ordering processes in place to ensure that orders are being raised appropriately, authorised, and then matched to invoices correctly prior to payment.

This review forms part of our 2023/24 Internal Audit Annual Plan.

### Scope of review

Our objectives for this review were to ensure:

- The Organisation has robust documented procedures in place for its purchasing, payment and procurement cycles and these procedures reflect current practice.
- Purchases are being authorised at an appropriate level prior to any commitment being made.
- There are robust controls in place to ensure that goods have been received prior to the supplier invoices being paid.
- Supplier balances are accurately stated in the purchase ledger.
- Access to the Purchase Order System is restricted where appropriate and access levels are in line with a Delegated Level of Authority.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

# 1 EXECUTIVE SUMMARY

## Limitation of scope

There was no limitation of scope.

## Background

### Policies and Procedures

Financial policies and procedures at the Organisation are guided by the Scottish Public Finance Manual. The Organisation has developed a series of Desk Top Instructions to supplement the requirements of the manual. Specific to our review we were provided with Desk Top Instruction for the purchase order process and procurement. The Purchase Order Desk Top Instructions outline the process when raising purchase orders and payment requests. Purchase orders are required to pre-approve all purchases. The process is as follows:

The requesting manager will email relevant Budget Holder with request to purchase detailing:

- Supplier.
- Date Required.
- Cost.
- Items Required.
- Reason for purchase; and
- Confirmation procurement rules followed.

The Budget Holder reviews request for reasonableness, consistency and against budget. The Budget Holder approves (by giving budget code) or rejects and advises requester of this. If approved, the requesting manager then forwards their approved request e-mail to the Administrator to raise a purchase order. The Instructions provide a step-by-step guide of how to do this. Once complete, the Administrator will email the Finance Officer to advise the purchase orders are now logged on the Xero Accounting Software for review.

The Financial Officer then reviews the purchase order for accuracy and once completed, will email the relevant Budget Holder (in accordance with the Delegated Financial Authority Limits) for approval. Once approved and the relevant invoice received the purchase order will be marked as billed and the invoice paid.



# 1 EXECUTIVE SUMMARY

## Xero Accounting Software

Following the uptake of remote working it became apparent that a desktop accounting system had limitations for access and use. The Organisation felt that a cloud-based option should be considered to make flexible working more accessible and user friendly. Options were considered and a report was presented to the Sgioba Stiuiridh (Senior Management Team) for approval of the implementation of Xero Accounting Software in November 2022. This system was trialed in early 2023 before going live in April.

Currently, the Finance Officer, Development Director, Education Director, Head of Finance and Corporate Affairs and Administrator have access to the system, and each have separate responsibilities. For example, the Administrator will upload purchase orders, the Finance Officer will review them, and the Head of Finance and Corporate Affairs will approve them. During our review, we found that 1 staff member had not activated their two-step authentication. Please refer to **Section 4: Observations** for further details.

## Sample Testing

During our review, we chose 20 purchases from the Purchase Order reports from April to September 2023. During our review, we were given read only access to the Xero system and aimed to confirm that all purchase orders were accurate, uploaded by the Administrator, appropriately reviewed by the Finance Officer, and approved by the correct staff member in line with the Delegated Level of Authority. Note for all purchases sampled, the Head of Finance and Corporate Affairs approved these, and this was in line with the Limits.

During our sample testing of 20 purchases, we found that:

- All purchases were logged onto the system by the Administrator, reviewed by the Finance Officer and approved by the Head of Finance and Corporate Affairs;
- All purchases were included on the Purchase Invoices 2023/24 document provided and Bankline reports detailed all transactions and values; and
- We cross referenced this data with the bank statements and can confirm that these amounts matched the values recorded on the purchase order and invoices.

# 1 EXECUTIVE SUMMARY

## Work Undertaken

In line with our objectives, we undertook the following work:

**Objective 1: The Organisation has robust documented procedures in place for its purchasing and payment cycles, and these procedures reflect current practice.**

- We reviewed the procedures in place against the Scottish Public Finance Manual and the Organisation's Procurement Policy to ensure these were and fit for purpose.
- We reviewed the Purchase Orders and Procurement Desk Top Instructions to determine whether they provided clear guidance to staff.

**Objective 2: Purchases are being authorised at an appropriate level prior to any commitment being made.**

- We undertook sample testing of 20 purchases and completed a walkthrough of the Xero Accounting Software to confirm that all purchases were approved in line with the Organisation's Delegated Authority Financial Limits.

**Objective 3: There are robust controls in place to ensure that goods have been received prior to the supplier invoices being paid.**

- We held discussions with the Finance Officer to ascertain the process for ensuring that goods have been received prior to the supplier invoices being paid.

**Objective 4: Supplier balances are accurately stated in the purchase ledger.**

- We were provided access to the Xero Accounting Software and reviewed that purchases were recorded correctly and that supplier balances are accurately stated.

**Objective 5: Access to the Purchase Order System is restricted where appropriate and access levels are in line with a Delegated Level of Authority.**

- We reviewed the user access records for the Xero Accounting Software and reviewed these for appropriateness.

# 1 EXECUTIVE SUMMARY

## Conclusion

### Overall conclusion

**Overall Conclusion: Strong**

Following our review, we can provide a strong level of assurance over the Organisations purchase ordering processes in place in ensuring that orders are being raised appropriately, authorised, and then matched to invoices correctly prior to payment. We have raised no recommendations and have highlighted various good practice points from our testing. We have also made 1 observation.

### Summary of recommendations

#### Grading of recommendations

	High	Medium	Low	Total
Purchase Order System Review	0	0	0	0

As can be seen from the above table there were no recommendations raised.

# 1 EXECUTIVE SUMMARY

## Areas of good practice

The following is a list of areas where the Organisation is operating effectively and following good practice.

1.	<p>From our sample testing of 20 purchases, we were satisfied that all amounts were accurate on the system and matched the amounts and dates recorded on the bank statements. We were also satisfied that all payments were input to the Bankline system by the Finance Officer and ultimately approved by the Head of Finance &amp; Corporate Affairs.</p> <p>During our sample testing of 20 purchases, we found that:</p> <ul style="list-style-type: none"> <li>➤ All purchases were logged onto the system by the Administrator, reviewed by the Finance Officer and approved by the Head of Finance and Corporate Affairs;</li> <li>➤ All purchases were included on the Purchase Invoices 2023/24 document provided and Bankline reports detailed all transactions and values; and</li> <li>➤ All amounts matched the values recorded on the bank statements, purchase orders and invoices.</li> </ul>
2.	<p>During our walkthrough of the Xero Accounting Software, we can confirm that it has built in restrictions that limits usage of the system for staff members in line with their responsibilities.</p>
3.	<p>The Organisation has adopted the Scottish Public Finance Manual and have developed a set of Desk Instruction Instructions for staff members that provide guidance on procurement and processing purchase orders.</p>
4.	<p>From our sample testing of 20 purchases between May and September 2023 we can confirm that all purchases were appropriately logged, reviewed, and authorised on the Xero Accounting Software system.</p>

# 2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

## Purchase Order System Review

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	0	1	1
Number of recommendations at Bòrd na Gàidhlig	0	0	0	0

From the table above it can be seen that the Organisation has a lower number of recommendations compared to those organisations it has been benchmarked against.



# 3 OBSERVATIONS

The following is a list of observations from our review

1.	During our review of the Xero Accounting Software User Access information, we found that 1 staff member has not activated their two-step authentication. We note that this staff member has been notified.
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## 4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit and Assurance Committee meeting.

Audit stage	Date
Fieldwork start	18 September 2023
Closing meeting	26 September 2023
Draft report issued	3 October 2023
Receipt of management responses	10 November 2023
Final report issued	10 November 2023
Audit and Assurance Committee	21 November 2023
Number of audit days	4

## 5 KEY PERSONNEL

We detail below our staff who undertook the review together with the Organisation staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Internal Audit Manager	Sue Brook	Senior Internal Audit Manager	susan.brook@wyliebisset.com
Auditor	Ryan McGarvey	Internal Auditor	ryan.mcgarvey@wyliebisset.com
Auditor	Hannah Khan	Internal Auditor	hannah.khan@wyliebisset.com

Bòrd na Gàidhlig			
Key Contacts	Helen Walker	Finance Officer	helen@gaidhlig.scot
	Nicola Pearson	Head of Finance & Corporate Affairs	nicola@gaidhlig.scot
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			



# APPENDICES

# A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

# A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit and Assurance Committee and addressed by Senior Management of the organisation as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the organisation as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

## B ASSIGNMENT PLAN

### Purpose of review

We will undertake a review of the robustness of the purchase ordering processes in place to ensure that orders are being raised appropriately, authorised, and then matched to invoices correctly prior to payment.

This review forms part of our 2023/24 Internal Audit Annual Plan.

### Scope of review

Our objectives for this review are to ensure:

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- Purchases are being authorised at an appropriate level prior to any commitment being made.
- There are robust controls in place to ensure that goods have been received prior to the supplier invoices being paid.
- Supplier balances are accurately stated in the purchase ledger.
- Access to the purchase order system is restricted where appropriate and access levels are in line with a Delegated Level of Authority.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There is no limitation of scope.

## B ASSIGNMENT PLAN

### Audit approach

Our approach to the review will be:

- A review of the Financial Regulations in place within the Organisation to confirm that these are complete, appropriately reviewed, and comply with regulatory requirements.
- A review of any other purchasing procedures to ensure that they are appropriate and in line with good practice.
- Walk-through and sample testing of purchase orders, goods received notes and purchase invoices to verify the effectiveness of controls.
- A detailed review of the purchase ledger to assess for any anomalies.

### Potential key risks

The potential key risks associated with the area under review are:

- If robust procedures are not in place, staff may be unaware of their responsibilities. As a result purchases and payments may not be processed in accordance with organisational policy.
- Purchases orders are not being authorised at an appropriate level. This could result in goods or services being purchased which are not bona-fida expenditure of the organisation and may increase the risk of fraud.
- Goods are not checked and verified to the purchase order on delivery, increasing the risk of the organisation paying for goods that they did not order or have not received.

## B ASSIGNMENT PLAN

- If payments are made to the wrong supplier or not made in line with the organisation's procedures there is a risk of financial loss and goodwill occurring.
- Individuals gain unauthorised access to the finance system and are able to process erroneous and/or fictitious orders/payments.



# Bòrd na Gàidhlig

## Internal Audit 2023-24

Employee Performance Management  
October 2023

Overall Conclusion

Strong

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*The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.*

*This report has been prepared solely for Bòrd na Gàidhlig's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.*

*We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.*



# 1 EXECUTIVE SUMMARY

## Overview

### Purpose of review

The purpose of this assignment was to review the process in place for assessing employee performance management. This included a review of the new system implemented by the Organisation and a review of the procedures for recording and assessing employee's performance.

This review forms part of our 2023/24 Internal Audit Annual Plan.

### Scope of review

Our objectives for this review were to ensure:

- The Organisation has a robust process in place for assessing employee performance management.
- Employee performance appraisals are completed in line with the Organisations procedures and completed to agreed timescales, with outcomes being actioned and monitored.
- The Organisation has appropriately adapted its employee performance management arrangements to accommodate any hybrid working.
- Unsatisfactory performance is managed appropriately and in line with policy.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There was no limitation of scope.

# 1 EXECUTIVE SUMMARY

## Background

### Performance Management Policy

The Organisation has a Performance Management Policy in place which was last reviewed on 9 May 2023 and will next be reviewed on 9 May 2024. This Policy and the information provided ensures a more accurate basis for future employee decisions and actions for job content and evaluation, promotions, transfers, and resource planning. This Policy includes the following sections:

- Purpose and Scope;
- Policy Statement;
- Procedures:
  - The Performance Management Approach;
  - Work Plan;
  - Real Time Feedback and Recognition;
  - Performance Conversations (POPs);
  - Record Keeping;
  - Employee Development and Succession Planning;
  - Employee Improvement;
  - Informal Performance Management Procedure;
  - Factors Impacting Performance;
  - Disability and Health Concerns;
  - Reasonable Adjustment;
  - Performance Improvement Plan (PIP);
  - Formal Performance Management Procedure;
  - Stage 1 – First Improvement Warning;
  - Stage 2 – Final Improvement Warning;
  - Stage 3 – Redeployment or Dismissal;
  - Right to be Accompanied;
  - Postponement of Meetings;
  - The Meeting;

# 1 EXECUTIVE SUMMARY

- Appealing a Decision;
  - The Appeal Meeting;
  - Managing Performance during Probation;
  - Managing Performance during Progression;
  - Equality Impact Assessment; and
  - Document Control.
- Appendix 1 – POP Form;
  - Appendix 2 – PIP Form; and
  - Appendix 3 – Personal Development Plan (PDP) Form.

The Policy outlines the importance of continuous and interactive performance management, between managers and employees. The performance management process is a 2-way process which requires engagement from both the employee and their line manager. The Organisation also has a Learning and Development Policy in place that was approved on 15 May 2021. We note this Policy does not have dates included for its next review. Please refer to **Section 4: Observations** for further details. This Policy sets out how the Organisation manages learning and development in a consistent and fair manner and provides a framework for learning and development in the Organisation.

## The Performance Management Approach

### Work Plan

The Work Plan is crucial in setting out what employees are expected to contribute to the Operational Plan, connecting the work they do as employees, to the Corporate Plan. During our review we were provided with all Department annual Work Plans which are a part of annual Business Planning.

### Performance Conversations (POPs)

Responsibility for ensuring these conversations take place at least 6-weekly is held jointly between the employee and the line manager. All managers have a responsibility to facilitate performance conversations, and the following discussions relating to individual and other objectives identified in the work plan are included:

- Providing support, including reflection on work, progress on outcomes and learning to date;
- Where expertise and skills can be put to good use in different situations;
- The links between the employee's agreed objectives, their job description, and the corporate objectives and priorities;

# 1 EXECUTIVE SUMMARY

- Recognition of successes; and
- Exploration of obstacles and issues, with problem solving and advice to help overcome them.

Line managers monitor performance through the 6-weekly POP review and provide development feedback throughout the year. Where a performance problem is identified, the line manager raises it with the employee at the earliest opportunity so that guidance and support is given to ensure that employees are aware of expectations.

Employees store a copy of their employee performance review documentation on their personal OneDrive. Once agreed the employee emails the document to their line manager who is then responsible for uploading the completed and agreed form into People HR, the Organisation's HR system. The Operations Manager historically ran a report every quarter to show how many employee performance reviews have been uploaded to People HR. This report was presented to the Senior Management Team as part of a wider HR report. However, we were advised by the Head of Finance & Corporate Affairs that this is not currently the case and that this was being done on a less formal basis. Please refer to **Section 3: Detailed Recommendations** for further details.

## Performance Improvement Plan (PIP)

The aim of a PIP is to support and assist employees to improve their performance to a satisfactory level. The manager and employee can agree to present the PIP in a different format, but it must be in writing, have clear and realistic actions/targets with dates and both parties must sign to agree the PIP. The document is a 'live' document that is updated, as necessary.

The normal timescale for a PIP would be up to a maximum of 3 months. However, it may be relevant to increase the timescale depending on the circumstances. If it becomes apparent that the employee is not able to improve and sustain the improvement with support, then the PIP may be concluded sooner. If performance does not improve, then a 3-stage formal performance management procedure is initiated. This can be broken down as follows:

## Stage 1 – First Improvement Warning

Where the level of performance has not improved following the conclusion of the informal process or the performance issue is sufficiently serious, the line manager may decide to move to formal action and a formal performance improvement meeting is arranged with the employee.

# 1 EXECUTIVE SUMMARY

## Stage 2 – Final Improvement Warning

If it is considered that performance does not meet the necessary standards within the timescales or where acceptable performance is not sustained after a successful PIP, Stage 2 of the formal process may be initiated. A meeting will be arranged and conducted as specified in Stage 1 above. Following the Meeting the following action or actions may be taken:

- Continuation of the performance management process including identifying learning and development, coaching support, mentoring etc;
- A Final Improvement Warning which will be considered active for 12 months and a continuation and revision of the PIP; and
- A continuation of the withholding of annual pay progression until acceptable performance is achieved and which will be effective from the date of improvement.

If performance does not meet the necessary standards within the timescales set at Stage 2, where acceptable performance is not sustained or it becomes evident that the performance is not going to improve, Stage 3 of the formal process will be initiated.

## Stage 3 – Redeployment or Dismissal

A meeting is arranged and conducted as specified in Stage 1 of the Policy. The meeting is normally with a manager at a more senior level to the manager involved at Stage 1 and 2. If Stage 1 and 2 have been conducted by a senior level manager, an equivalent senior level manager conducts Stage 3, should the Chief Executive be unable to conduct the process.

Following the meeting the following action or actions may be taken:

- Continuation of the performance management process and a continuation and revision of the PIP;
- Redeployment at the same grade;
- Mutual agreement to redeploy at a lower grade; or
- Dismissal.

## **Sample Testing**

During our review, we sampled the performance records for 10 employees and checking that they, firstly, had a Work Plan, as stated in the Performance Management Policy and secondly, that employee POPs were taking place in the time frame stated (every 6 weeks). Evidence was provided to confirm that all 10 employees had a Work Plan in place, and all had received a POP in the last 6 weeks. Additionally, all employees sampled had PDCs in place.

# 1 EXECUTIVE SUMMARY

We were provided with the PDP Checklist for 2023/24 which the Operations Manager uses to ensure that PDPs are regularly monitored. During our testing we were also provided with a PIP and corresponding letters for 1 employee. This was not applicable for the remaining 9 employees.

# 1 EXECUTIVE SUMMARY

## Work Undertaken

In line with our objectives, we undertook the following work:

### **Objective 1: The Organisation has robust processes and procedures in place for assessing employee performance management.**

- We obtained and reviewed the policies in place in respect of the employee performance management arrangements within the Organisation to ensure these were robust and fit for purpose with no gaps in the process. We also considered whether these policies were being adhered to by staff. These policies included the Performance Management Policy and Learning and Development Policy.

### **Objective 2: Employee performance appraisals are completed in line with the Organisations procedures and completed to agreed timescales, with outcomes being actioned and monitored.**

- We undertook sample testing of 10 employees chosen from the Staff Structure to ensure that staff members' performance management reviews are undertaken in line with the Organisation's Performance Management Policy and procedures and are accurately recorded on the People HR system.
- We reviewed the Work and Training Plans in place at the Organisation to confirm if these were sufficient.

### **Objective 3: The Organisation has appropriately adapted its employee performance management arrangements to accommodate any hybrid working.**

- We reviewed the implementation and use of the Organisation's employee performance management to ensure that this is being fully utilised.
- We considered the use of People HR in this process for recording and monitoring employee performance meetings and also for requesting training and development.

### **Objective 4: Unsatisfactory performance is managed appropriately and in line with policy.**

- We reviewed the Performance Management Policy and held discussions with the Head of Finance and Corporate Affairs to ascertain how the Organisation would manage unsatisfactory performance.
- We reviewed the PIP and corresponding performance improvement letters for an employee who was included in our sample testing.

# 1 EXECUTIVE SUMMARY

## Conclusion

### Overall conclusion

#### Overall Conclusion: Strong

From our review, we can provide a strong level of assurance over the Organisation's employee performance management arrangements. We can confirm that the arrangements in place for managing employee performance management are satisfactory. We have raised 1 low grade recommendation and have highlighted various good practice points from our testing. We have made 1 observation.

### Summary of recommendations

#### Grading of recommendations

	High	Medium	Low	Total
Employee Performance Management	0	0	1	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.



# 1 EXECUTIVE SUMMARY

## Areas of good practice

The following is a list of areas where the Organisation is operating effectively and following good practice.

1.	The Organisation's Performance Management Policy has sufficient procedures detailing how unsatisfactory performance is managed.
2.	POPs and PDPs are stored by employees on OneDrive. These are then uploaded to People HR, which is used as a central storage point, by the line manager once finalised.
3.	From our testing, we found that the Organisation was adhering to the time frames set out in their Performance Management Policy with regards to POPs and PDPs between managers and employees. From our sample of 10 employees, we found that all had received POPs within the last 6 weeks as stated in the Policy.
4.	There is an Organisation wide Training Plan in place. The Plan was developed to provide staff members with the required training to achieve the outcomes of the Organisation's Strategic Aims and Operational Plans. Further individual training sessions are provided if the need is highlighted within the Work Plans. The People HR system is used to register training requests and to record the training and development undertaken by each member of staff. This results in a training log for each of the individual staff members.
5.	The Organisation has a Performance Management Policy which provides information on how the Organisation ensures a more accurate basis for future employee decisions and actions for job content and evaluation, promotions, transfers, and resource planning. The Policy states that each employee should receive a Performance Conversation with their Line Manager at least every 6 weeks.
6.	The Organisation has a robust Learning and Development Policy in place. This policy sets out how the Organisation manage learning and development in a consistent and fair manner and provides a framework for learning and development in the Organisation.

## 2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

### Employee Performance Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	2	2	4
Number of recommendations at Bòrd na Gàidhlig	0	0	1	1

From the table above it can be seen that the Organisation has a lower number of recommendations compared to those organisations it has been benchmarked against.

### 3 DETAILED RECOMMENDATIONS

PDC/POP Monitoring Reports			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>Regular reporting ensures that the Senior Management Team and the Operations Manager are appropriately monitoring assessments on employee performance.</p> <p>During our review, we were advised that the Operations Manager formally reported on the number of POPs/PDCs which have been uploaded to the People HR system on a quarterly basis to the Senior Management Team. The Operations Manager would then notify any line managers who did not appear to be recording the POPs/PDCs on People HR.</p> <p>Given that reports are no longer provided to the Senior Management Team, it is possible that the Organisation are not appropriately monitoring assessments on employee performance. This can result in poor performance going undetected.</p>	<b>Low</b>	We recommend that the Senior Management Team are presented with quarterly reports detailing how many POPs/PDCs have been uploaded to the People HR system and demonstrating the level of compliance.

### 3 DETAILED RECOMMENDATIONS

Management response	Responsibility and implementation date
<p>We agree with this recommendation and will ensure there is regular reporting of the management of employee performance presented to the Senior Management Team.</p>	<p><i>Responsible Officer:</i> Karen Smith, Operations Manager</p> <p><i>Implementation Date:</i> 31<sup>st</sup> October 2023</p>

## 4 OBSERVATIONS

The following is a list of observations from our review

- |    |                                                                                                                                                                                                |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | The Organisation's Learning and Development Policy was last reviewed on 18 May 2021. However, this Policy does not have a review date included so it is unclear when it will next be reviewed. |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# 5 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit and Assurance Committee meeting.

Audit stage	Date
Fieldwork start	18 September 2023
Closing meeting	26 September 2023
Draft report issued	3 October 2023
Receipt of management responses	10 November 2023
Final report issued	10 November 2023
Audit and Assurance Committee	21 November 2023
Number of audit days	3

## 6 KEY PERSONNEL

We detail below our staff who undertook the review together with the Organisation staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Internal Audit Manager	Sue Brook	Senior Internal Audit Manager	susan.brook@wyliebisset.com
Auditor	Ryan McGarvey	Internal Auditor	ryan.mcgarvey@wyliebisset.com
Auditor	Hannah Khan	Internal Auditor	hannah.khan@wyliebisset.com

Bòrd na Gàidhlig			
Key Contact	Nicola Pearson	Head of Finance & Corporate Affairs	nicola@gaidhlig.scot
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

# APPENDICES



# A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

# A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit and Assurance Committee and addressed by Senior Management of the organisation as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the organisation as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

## B ASSIGNMENT PLAN

### Purpose of review

The purpose of this assignment is to review the process in place for assessing employee performance management. This will include a review of the new system implemented by the Organisation and a review of the procedures for recording and assessing employee's performance.

This review forms part of our 2023/24 Internal Audit Annual Plan.

### Scope of review

Our objectives for this review are to ensure:

- The Organisation has a robust process in place for assessing employee performance management.
- Employee performance appraisals are completed in line with the Organisations procedures and completed to agreed timescales, with outcomes being actioned and monitored.
- The Organisation has appropriately adapted its employee performance management arrangements to accommodate any hybrid working.
- Unsatisfactory performance is managed appropriately and in line with policy.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### Limitation of scope

There is no limitation of scope.

### Audit approach

Our approach to the review will be:

## B ASSIGNMENT PLAN

- Review of the staff performance management system and processes to ensure these are robust.
- Undertake sample testing to ensure that staff members performance management reviews are undertaken in line with the Organisation's procedures and are accurately recorded on the new system.
- Review the implementation and use of the organisation's new system to ensure that this is being fully utilised.
- Review the security arrangements of the new system to ensure only staff members who require access to this are able to access it.

### Potential key risks

The potential key risks associated with the area under review are:

- The Organisation does not have a robust process in place for assessing employee performance management.
- Staff members appraisals are not completed in line with the Organisation's procedures and are not completed to agreed timescales, and outcomes are not implemented and monitored.
- The Organisation are not fully utilising the new system implemented for the recording and assessment of employee performance.
- The Organisation has not appropriately managed unsatisfactory performance in line with policy.