

# sportscotland Group and Lottery Fund

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the sportscotland Board and the Auditor General for Scotland

September 2023

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# Key messages

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## 2022/23 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

## Financial management and sustainability

- 2 sportscotland has effective financial management in place with regular budget monitoring reports provided to the board.
- 3 Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.
- 4 sportscotland has developed its approach to medium term financial planning.

## Vision, leadership and governance

- 5 sportscotland has a clear vision which is supported by its corporate strategy and business plan.
- 6 A formal IT strategy should be developed which covers all areas of IT management.
- 7 Governance arrangements operating in 2022/23 were appropriate.

## Use of resources to improve outcomes

- 8 sportscotland arrangements continue to support the achievement of Best Value.
- 9 A review of the performance measurement framework is planned due to ongoing challenges in capturing data.

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# Introduction

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**1.** This report summarises the findings from the 2022/23 annual audit of sportscotland Group and Lottery Fund. The scope of the audit was set out in an annual audit plan presented to the 27 June 2023 meeting of the Audit and Risk Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of sportscotland Group and Lottery Fund annual report and accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

**2.** This report is addressed to the board of sportscotland and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** I, Pauline Murray, have been appointed by the Auditor General as auditor of sportscotland Group and Lottery Fund for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

**4.** My team and I would like to thank board members, audit and risk committee members, the chief executive officer and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

**5.** sportscotland 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 account's direction from the Scottish Ministers. sportscotland is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**6.** The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#)

[2021](#), and supplementary guidance and International Standards on Auditing in the UK.

**7.** 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 of sportscotland from its responsibility to address the issues we raise and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Auditor Independence

**9.** 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 therefore the 2022/23 audit fee of £65,160 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to sportscotland by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2022/23 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

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### Audit opinions on the annual report and accounts are unmodified

**11.** The board approved the annual report and accounts for sportscotland Group and Lottery Fund for the year ended 31 March 2023 on 29 August 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

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

### Overall materiality for sportscotland Group was assessed as £850,000 and Lottery Fund as £588,000

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** Our initial assessment of materiality was carried out during the risk assessment and 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.

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## Exhibit 1

### Materiality values

Materiality level	sportscotland Group	Lottery Fund
Overall materiality	£850,000	£588,000
Performance materiality	£595,000	£412,000
Reporting threshold	£42,000	£29,000

Source: Audit Scotland Annual Audit Plan 2022/23

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**14.** The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 70% of overall materiality, reflecting no significant errors or material adjustments made in prior.

**16.** It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

## Significant findings and key audit matters

**17.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

**18.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

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

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## Exhibit 2

### Significant findings from the audit of the annual report and accounts

Issue	Resolution
<p><b>1. Valuation of Inverclyde national centre</b></p> <p>The last revaluation of Inverclyde national centre was conducted at 31 March 2020. Since that time, inflationary pressures have significantly increased tender and rebuild prices.</p> <p>The FReM permits a quinquennial valuation but this has to be supplemented by indexation, a regular desktop valuation or an interim professional valuation in year three.</p> <p>The interim valuation planned for 31 March 2023 did not go ahead and no assessment had been completed by management to confirm the carrying value did not differ materially from the current value.</p>	<p>sportscotland completed a review of the estimated increase in rebuild costs which identified a significant increase.</p> <p>An adjustment of £1,884k was made in the audited accounts and the accounting policy updated.</p> <p>Between the formal revaluation every 5 years, sportscotland will conduct a review to assess whether there has been a material impact on cost.</p>
<p><b>2. Disclosures for IAS 19 pension costs and remuneration report</b></p> <p>A number of issues were identified in relation to disclosures:</p> <ul style="list-style-type: none"> <li>• Pension disclosures did not meet the requirements of the FReM.</li> <li>• The pension disclosures in the notes to the accounts were also not reported between sportscotland and the Group position which was inconsistent with other notes.</li> <li>• Disclosures did not contain any explanation of the £nil recognition of the pension asset.</li> <li>• The remuneration report did not include all disclosures needed to reflect the changes at director level during the year.</li> <li>• The fair pay disclosure was not in line with guidance.</li> </ul>	<p>The audited accounts include the disclosures as required by the FReM, reported for sportscotland and the sportscotland Group. Disclosures around accounting for the pension asset are also now included.</p> <p><b>Recommendation 1</b></p> <p>sportscotland should use the National Audit Office's disclosure guide when preparing its annual report and accounts. This guide is designed to ensure that bodies covered by the FReM have prepared its accounts in the appropriate form and have complied with all disclosure requirements.</p> <p>(Refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

## Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

**20.** We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also 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 annual report and accounts**

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <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"> <li>• Assess the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> </ul>	<p>We undertook detailed substantive testing of journal entries.</p> <p>From our review of journals posted at the year end, there were a number where we could not identify who posted them due to the use of a template function.</p> <p>In response, we focussed on year-end journals, whilst looking at the absolute value of single journals, and target tested those with a value of over 50% performance materiality.</p> <p><b>Conclusion:</b> We did not identify any incidents of management override of controls or indications of fraud or error.</p> <p><b>Recommendation 2</b></p> <p>sportscotland should ensure there is a clear audit trail when year end journals are posted to the ledger.</p> <p>(Refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

**21.** In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus for sportscotland 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 ensured the correct accounting treatment of the pension asset. The professional competence of the actuary was also evaluated. Please see [Exhibit 2](#) for our main findings from our review of pensions.

- **Valuation of investment property** – We reviewed the information provided to the external valuer by sportscotland and evaluated the professional competence of the valuer. No significant issues were identified as part of this work.
- **IFRS 16 implementation** – 2022/23 was the first year IFRS 16 was implemented for central government bodies. We reviewed the accounting treatment and disclosures to ensure they were in line with guidance. No significant issues were identified as part of this work.

**22.** For sportscotland Group we also identified the following area of audit focus on the consolidation of land and building values in the group accounts:

- **Estimation in the valuation of land and buildings** – There can be a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.

**23.** We had planned to place reliance on the work of the component auditor and obtain appropriate evidence to support our group opinion. However the Trust Company accounts are prepared in accordance with FRS 102 whilst sportscotland Group's accounts are in accordance with the FReM. The FReM is more prescriptive around what is considered an appropriate valuation method.

**24.** We undertook our own work in this area and reached a resolution for the purposes of the Group audit as detailed in [Exhibit 1](#).

### **One material misstatement was identified within the sportscotland Group financial statements and no misstatements were identified in the Lottery Fund accounts**

**25.** Our audit identified one misstatement above our reporting threshold. A misstatement of £1,884k was adjusted in the audited accounts. This was made to ensure the carrying value for Inverclyde National Centre did not differ materially from current value – see [Exhibit 2](#) for further details.

**26.** We have reviewed the nature and cause of this misstatement and have concluded that it arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

**27.** No misstatements above our reporting threshold were identified for the Lottery Fund accounts.

### **The annual report and accounts were received in line with the agreed audit timetable but there were delays in receiving the performance report**

**28.** The unaudited annual report and accounts were received in line with our agreed audit timetable on 5 June 2023 but were not complete. The Performance Report was outstanding until the 24 July 2023. Please see [paragraph 72](#) for further details and our audit findings on the Performance Report.

## Limited progress was made on prior year recommendations

**29.** sportscotland has made limited progress in implementing the 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 means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

### Conclusion

Effective financial management was in place with regular budget monitoring reports provided to the board.

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

### sportscotland operated within its revised budget in 2022/23

**30.** The main financial objective for sportscotland 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).

**31.** sportscotland has reported an outturn of £35.0 million against its overall budget for 2022/23 with an underspend of £0.64 million. The financial performance against fiscal resources is shown in [Exhibit 5](#).

### Exhibit 5

#### sportscotland performance against funding targets in 2022/23

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	36.2	32.6	32.6	-
Capital	1.0	2.0	1.6	(0.37)
Non-cash	1.1	1.1	0.8	(0.27)
Total	38.3	35.7	35.0	(0.64)

Source: sportscotland Group Annual Report and Accounts 2022/23

**32.** Grant-in-aid income was supplemented by other income of £4.6 million. This includes £3.4 million from sportscotland's charitable Trust Company and £1.2 million from other operating income.

**33.** The financial statements show that sportscotland Group has net assets of £37.2 million. This is an increase of £9.6 million from 2021/22, largely attributable to a decrease in the pension liability.

### **sportscotland Lottery Fund reported a decrease in fund of £2.2 million and has a year-end net asset value of £47.9 million**

**34.** sportscotland Lottery Fund has reported an expenditure outturn of £31.6 million (2021/22: £27.6 million) and income of £29.4 million (2021/22: £29.4 million), therefore reporting a decrease in fund of £2.2 million.

**35.** The financial statements show that sportscotland Lottery Fund has net assets of £47.8 million, a decrease of £2.2 million since 2021/22.

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

**36.** The board approved the budget for 2022/23 in April 2022.

**37.** 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.

### **Overall sportscotland has appropriate financial control arrangements in place but internal audit identified significant control weaknesses in relation to health and safety**

**38.** sportscotland's internal audit function is carried out by Azets. Their 2022/23 audit work is now complete and their Annual Audit Report was presented to the Audit and Risk Committee on 27 June 2023.

**39.** Internal Audit's opinion provided reasonable assurance with the exception of health and safety. 'In our opinion, sportscotland has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives, except in relation to health and safety'.

**40.** Internal audit identified significant weaknesses in the system of internal control, and potential non-compliance with legislation.

**41.** We considered our responsibilities under ISA 250 *Consideration of laws and regulations in an audit of financial statements* and undertook further audit procedures to assess the potential impact on the financial statements.

**42.** Due to the timing of this review, the Governance Statement had no disclosures on internal audit's opinion or the significant weaknesses identified. This has since been updated and the audited accounts include appropriate disclosures.

**43.** sportscotland has since addressed the issues reported and put arrangements in place to strengthen the control environment in relation to health and safety.

### **We identified one area where controls could be strengthened**

**44.** From our review of the design and implementation of systems of internal control relevant to our audit approach, we did not identify any significant internal control weaknesses which could affect sportscotland's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

**45.** We did however, identify an area where controls could be strengthened. Our testing of year end journals found that whilst there was evidence that the journals were sent to the Financial Controller for review, the review of the journals was not documented. We made a recommendation on approval of year-end journals last year – please see [Appendix 1](#), action plan.

**46.** Our work has been undertaken to provide an audit opinion on the annual report and accounts, and in response to our additional responsibilities set out in the Code of Audit Practice. The control deficiencies reported here are limited to those we identified while completing our audit work for these purposes.

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

**47.** In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**48.** We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook and Civil Service and Members' Codes of Conduct. sportscotland has adequate arrangements in place to prevent and detect fraud or other irregularities.

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# 3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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## Conclusion

sportscotland has developed its approach to medium-term financial planning.

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### sportscotland has developed its approach to medium-term financial planning

**49.** 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.

**50.** Uncertainty around the Scottish Government budget and National Lottery income (see below) presents challenges when developing longer term financial plans. Although the Scottish Government maintains its commitment to a doubling of the sport budget over the current parliament term, given the current context of significant cost pressures from inflation and the cost-of-living crisis, planning for the future is critical.

**51.** We have previously recommended that sportscotland develop a medium-term financial plan. Progress has been made in this area with management working with the board to develop its financial planning through the use of scenario planning.

**52.** A paper is due to be presented to the next Audit and Risk Committee. Please see [Appendix 1](#), action plan for a revised management action and timescale for this recommendation.

### There is uncertainty around National Lottery income projections due to the transfer of the licence

**53.** In February 2024, the third National Lottery licence will be transferred to the fourth licence. The fourth licence will see a new lottery operator, the first in 28 years.

**54.** This means that there is uncertainty around current National Lottery income central projections for 2023/24 as forecasts are not yet known. sportscotland has assumed an income of £29.0m per annum for budget setting purposes which is based on historic trends. This is an appropriate base to use.

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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

sportscotland has a clear vision which is supported by its corporate strategy and business plan.

There is no formal IT strategy in place to support achievement of the organisation's priorities.

Governance arrangements operating in 2022/23 were appropriate.

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## **sportscotland has a clear vision which is supported by its corporate strategy and business plan**

**55.** With clear plans and strategies in place, and with sound governance and strong leadership, an organisation will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities and deliver continuous improvement.

**56.** sportscotland's business plan for 2023 onwards reflects how sportscotland will deliver its commitment to the corporate strategy, Sport For Life. In this strategy, the vision and mission are clearly defined.

**57.** The updated business plan was approved by the board in April 2023. This is focused on the principles of Sport For Life but it now has inclusion at the centre with a strong focus on equalities.

**58.** sportscotland are committed to the Scottish Government's vision of a more active Scotland and the Active Scotland Outcomes Framework (ASOF), which contributes to the National Performance Framework. The corporate strategy supports delivery of the six Active Scotland outcomes detailed in the ASOF.

## **A formal IT strategy should be developed which covers all areas of IT management**

**59.** As part of our audit and in accordance with ISA 315, we consider risks relevant to reliable financial reporting from the use of IT. These risks can include external and internal events, transactions or circumstances that may occur and



adversely affect an entity's ability to initiate, record, process, and report financial information consistent with the assertions of management in the financial statements. Risks can arise or change due to the use of IT.

**60.** As part of this audit work, we considered sportscotland's cyber security arrangements, including review of the IT framework in place. We identified no significant issues in respect of the cyber security arrangements but we identified there is no formal IT strategy in place.

**61.** We understand that sportscotland's priority over recent years has been to support hybrid working. sportscotland should now look to formalise its IT strategy to ensure it is proactive, rather than reactionary, when planning its digital needs.

**62.** Parts of sportscotland's current business plan shows how IT activities are aligned to its corporate strategy. This should be developed further into a formal IT strategy. The strategy should cover all areas of IT management and help utilise resources to support the organisation's priorities and achieve its vision.

**63.** The IT strategy should be supported by plans detailing actions, timescales and the required investment in technology, people and skills.

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### Recommendation 3

sportscotland should develop a formal IT strategy aligned to its corporate strategy and business plan.

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### Governance arrangements operating in 2022/23 were appropriate

**64.** sportscotland's governance arrangements have been set out in the Governance Statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate for 2022/23.

**65.** There were a number of changes within the senior management team in year with four officers reduced to one by the end of May 2023. After the Chief Executive retired in October 2022, the remaining two directors retired in March 2023 and May 2023. This has left only one member of the Senior Management Team – the Chief Executive Officer who took on the role from his previous role as Chief Operating Officer.

**66.** Senior Management Team meetings continued throughout 2022/23 and into 2023/24 with some Heads of Service invited. The changes within the senior management team provided the opportunity for it to be revised with two new director posts created. These have been successfully filled with officers due to start later in the year. We will keep the revised governance structure under review as part of the audit next year.

### Climate change arrangements

**67.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse

gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**68.** Sustainability and environmental protection is becoming a greater priority. sportscotland is part of a project group led by the Scottish Government Climate Change Division and Zero Waste Scotland. It is acknowledged that the knowledge and expertise in this area differs across Scottish Governing Bodies (SGBs) so the group has appointed consultants to survey SGBs to develop recommendations as to what support is needed.

**69.** We understand sportscotland's climate change strategy is currently under review. Targets on reducing carbon emissions and reporting progress will be based on the new strategy for sportscotland both internally and with partners externally. We will keep this under review and consider as part of next year's audit.

**70.** The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

sportscotland arrangements continue to support the achievement of Best Value.

A review of the performance measurement framework is planned due to ongoing challenges in capturing data.

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### **sportscotland arrangements continue to support the achievement of Best Value**

**71.** [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.

### **A review of the performance measurement framework is planned due to ongoing challenges in capturing data**

**72.** This year, sportscotland planned to resume reporting against its corporate strategy 'Sport for Life' and the Active Scotland Outcomes Framework (ASOF) after it had been paused due to the pandemic. To allow this reporting, data is gathered through business intelligence and ASOF partner surveys, and is aligned to the performance measurement framework.

**73.** Last year we made a recommendation on how sportscotland should review its performance report and develop reporting to ensure performance against objectives is captured alongside trend information.

**74.** Progress has been made to include some trend analysis however, low response rates to surveys, despite extended deadlines, affected the underlying data. This affected how much performance reporting could be developed and the timings in which it was provided to audit.

**75.** Management have been forthcoming in explaining the challenges presented this year and we have agreed an approach to performance reporting in the annual report and accounts which is compliant with the FReM.

**76.** sportscotland acknowledge that the challenges presented with capturing data are likely to continue and have committed to review the performance measurement framework for 2023/24 and beyond.

# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Disclosure guidance</b></p> <p>We identified a number of pensions disclosures in the unaudited annual report and accounts did not meet the requirements of the FReM.</p> <p>Risk – there is a risk that not all disclosures are prepared in accordance with the FReM.</p>	<p>sportscotland should use the National Audit Office’s disclosure guide when preparing its annual report and accounts. This guide is designed to ensure that bodies covered by the FReM have prepared their accounts in the appropriate form and have complied with all disclosure requirements.</p> <p><a href="#">Exhibit 2, point 2</a></p>	<p>Agree with recommendation. Disclosure guide will be used in future years.</p> <p>Responsible officer: Simon Taaffe</p> <p>Agreed date: 1 April 2024</p>
<p><b>2. Posting of year end journals</b></p> <p>From our review of journals posted at the year end, there were a number where we could not identify who posted them due to the use of a template function.</p> <p>Risk – there is a risk that management have approved their own journals which could result in management override of controls going undetected.</p>	<p>sportscotland should ensure there is a clear audit trail when year-end journals are posted to the ledger.</p> <p><a href="#">Exhibit 3</a></p>	<p>Solution found to ensure all uploaded journals in PS Finance system now show audit trail of who posted them.</p> <p>Responsible officer: Simon Taaffe</p> <p>Agreed date: 09 August 2023</p>
<p><b>3. IT strategy</b></p> <p>sportscotland has no formal IT strategy in place.</p> <p>Risk – there is a risk that the IT requirements to support its</p>	<p>sportscotland should develop a formal IT strategy aligned to its corporate strategy and business plan.</p> <p><a href="#">Paragraph 58</a></p>	<p>There is currently no formal IT strategy in place. The previous document took us up to the end of 2019. COVID, working from home, and the change programme to fully support hybrid working</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>business plan and achieve the vision are unknown.</p>		<p>have taken precedence over writing a new strategy. We intend to remedy this over the next year under the guidance of the new Director of Operations.</p> <p>In the meantime, the "Making It Happen" section of the Business Plan ensures IT activities are aligned with the delivery of the Corporate Plan. ICT reports quarterly against two of the three programmes within "Making It Happen". These are "Making the Most of Our Assets" and "Delivering with Integrity".</p> <p>These quarterly updates cover ICT infrastructure, cyber resilience, business continuity, software and web development, and information governance.</p> <p>Updates and progress are recorded within sportscotland's Pentana system, with reports on the progress being shared with the sportscotland Leadership Group, SMT and the board.</p> <p>Responsible officer: Mark Murphy/Director of Operations</p> <p>Agreed date: 30 June 2024</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>b/f 1. Approval of year end journals</b></p> <p>Currently, there is no evidence of review or approval of journals posted at the year end. The journal is</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>Outstanding – testing of year end journals in 22/23 found that whilst there was evidence that the journals were sent to the Financial Controller for review, the</p>

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<p>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>review of the journals was not documented.</p> <p>Revised action:</p> <p>The Period 13 journals have a full audit trail and this will be rolled out to cover all year end journals, including Period 12.</p> <p>Responsible officer: Simon Taaffe</p> <p>Revised date: 09 August 2023</p>
<p><b>b/f 2. Workforce planning</b></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>Outstanding</p> <p>Revised action:</p> <p>Progress has started in terms of researching what a workforce plan for sportscotland would look like. This remains a priority and will be picked up by our new Director of Operations when they start in October 2023.</p> <p>Responsible officer:</p> <p>Jo Dixon/ Director of Operations</p> <p>Revised date:</p> <p>30 June 2024</p>
<p><b>b/f 3. Performance Report</b></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>In Progress – Progress has been made to include trend information. However, low response rates to surveys affected the underlying data. This affected how much performance reporting could be developed.</p> <p><a href="#">see paragraph 72</a></p> <p>Revised action:</p> <p>Work is ongoing to review how to obtain suitable data from specific parts of the sporting sector to ensure that we have suitable data sets to</p>

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		<p>provide meaningful trend data. This was presented on and discussed at the Board in June 2023</p> <p>Responsible officer: Darren McKay</p> <p>Revised date: 31 May 2024</p>
<p><b>b/f 4. Year-end closedown procedures</b></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>Complete – year-end closedown procedures are now documented.</p>
<p><b>b/f 5. Medium-term financial planning</b></p> <p>sportscotland has responded well despite the significant 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 sportscotland 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>sportscotland should now look to the future and build a medium-term financial strategy that will help it to support system recovery and the delivery of the new Scottish Government’s aims.</p>	<p>In Progress – progress has been made to develop financial planning.</p> <p><a href="#">see paragraph 51</a></p> <p>Revised action:</p> <p>The first draft of the Medium Term Financial Plan document will be submitted to the Audit and Risk Committee in August 2023.</p> <p>Further work will be continued over the next 6-12 months in conjunction with the development of the Workforce Plan and the IT Strategy.</p> <p>Responsible officer: Neville Cobb/ Director of Operations</p> <p>Revised date: 30 June 2024</p>



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