# KPMG

*cutting through complexity*

# Scottish Archery

## 1.1 Purpose and use of this report

**sport**scotland has engaged KPMG to verify the results of the self-assessment of the specified Scottish Governing Body of sport ("SGB").   The purpose of the report is to assist **sport**scotland in determining the extent to which governance arrangements are suitable to safeguard public investment and deliver outcomes.  This report is also intended to be used as a tool to assist the SGB in its continued development.  KPMG has provided observations on certain fiduciary and reputational matters to assist **sport**scotland and recommendations which are intended to support the SGB in its continued development.

The advice or other information in this document was prepared for the sole benefit of **sport**scotland and may not be relied upon by any other person or organisation.  KPMG accepts no responsibility or liability in respect of this document to any person or organisation other than **sport**scotland.

## 1.2 Overview of the award and SGB

| | |
|---|---|
| **Name of Grantee** | Scottish Archery ("the SGB") |
| **Site visit address** | Doges<br>Templeton on the Green<br>62 Templeton Street<br>Glasgow<br>G40 1DA |
| **Description of SGB** | Scottish Archery is the Scottish Governing Body for Archery in Scotland and is affiliated with the national governing body, ArcheryGB.  It is a company limited by guarantee.<br><br>At the AGM in April 2014, a new Board was appointed with all positions being filled by new members.  This is a period of significant change for Scottish Archery as the new Board has identified a number of areas which require urgent attention, including for example, the governance structure of the SGB. The Board recognises the importance of addressing these areas and Is taking steps to ensure the achievement of this. |
| **Award amount** | £12,666 **(2013-14)** |

## 1.3    Overall result

Based on the scope of the self assessment performed by the SGB as set out in our Services Contract dated 3 July 2012 and the overall percentage score subject to limited verification and sample testing by KPMG, outlined in section two:

| | | |
|---|---|---|
| | 🟢 | Satisfactory. |
| | | The SGB achieved a total score in excess of 80% for its self assessment and verification score.  There were no significant discrepancies between SGB and verification results. There are no substantive comments in respect of the SGB activities, processes or controls as reviewed.  Low priority recommendations may have been identified. |
| | 🟡 | Satisfactory (with comments). |
| | | The SGB achieved a total score between 65% and 80% for its self assessment and verification score.  There may have been some discrepancies between SGB and verification results. Matters were identified which do not impact the overall satisfactory rating, but for which documentation or procedures should be improved.  Low and Medium priority recommendations may have been identified. |
| ✓ | 🟠 | Performance improvement needed. |
| | | The SGB achieved a total score between 50% and 65% for its self assessment and verification score.  Significant discrepancies may have been observed between SGB and verification results. Improvements are necessary in one or more significant areas or, while no, or limited critical financial or operating weaknesses were observed during our assessment, high priority financial and/or operating weaknesses were observed. |
| | 🔴 | Unsatisfactory. |
| | | The SGB achieved a total score of less than 50% for its self assessment and verification score.  Significant discrepancies were observed between SGB and verification results, or there are deficiencies in significant areas which cannot be readily resolved or which have given rise to loss or error.  Critical financial or operating weaknesses may have been observed during our assessment. |

In order to achieve a specific overall result, all relevant criteria for that overall result must be met, as outlined above.

**2.1 Background**

Self-assessment allows organisations to assess the design and effectiveness of controls over risks associated with key processes. The self-assessment covers controls in the following areas:

- governance;

- financial management;

- risk management;

- planning and reporting;

- human resources management;

- policies;

- communication; and

- ICT.

The assessment is presented in the form of a questionnaire and is completed by 'process owners' who score each control to confirm whether it is operating. The information is then used by management to make an assessment, at a high level, of the internal control environment, based on the responses to the self-assessment questions and produce an action plan to help the SGB achieve best practice. The self-assessment was completed by the Chairman in advance of our fieldwork. The **sport**scotland partnership manager reviewed the completed self-assessment. We conducted a verification meeting to consider a sample of the results entered by the SGB and the conclusions arising from that verification activity are summarised on page five. Controls were scored by the SGB on the following basis:

| Score | Description |
|-------|-------------|
| n/a | Control is not applicable |
| 0 | Control is not performed |
| 1 | Control is rarely performed |
| 2 | Control is performed often |
| 3 | Control is performed all the time |

**2.2 Verification**

**Applicable controls review**

Where the SGB has assessed a control as 'N/A', this results in a potential score of '0' for the question.  Therefore we have reviewed all responses marked 'N/A'  or scored '0' by the SGB to consider whether they appear appropriate based on the complexity of the SGB and our expectations.   As part of this component of the verification exercise we therefore adjust the 'potential score' which can be achieved by an SGB, for example when a question is changed to become applicable.  Our findings identified that:

■ all controls scored as 'N/A' had been assessed appropriately by the SGB.

■ the control in respect of an investment policy scored as '0' was re-assessed as 'N/A'; and

■ the requirement for a staff anti-corruption policy was scored as '2'.  However, the SGB does not have any members of staff.  This control was re-assessed as 'N/A'.

**Score review**

We reviewed the scores assigned by the SGB against each control based on their commentary and documentation of evidence provided on the self assessment tool.   Our findings identified that:

■ lower marks than originally assessed were awarded to governance due to the lack of a formalised affiliation agreement for affiliated clubs.  This led to the a number of controls being rescored as '0'.

■ higher marks than originally assessed were awarded to financial management due to the controls over segregation of duties being rescored to '3';

■ risk management had been scored appropriately by the SGB;

■ lower marks than originally assessed were awarded to planning & reporting due to the controls covering the monitoring and achievement of the KPIs being awarded lower scores;

■ due to the control in respect of a staff anti corruption policy being scored as 'N/A', a higher overall score was awarded to policies;

■ communications was awarded a lower overall score due to the lack of formalised policies and procedures in relation to the management of partnership and sponsorship arrangements.  This score was re-assessed to '1', and the control in respect of considering conflicts of interest of partnership and sponsorship arrangements re-assessed to 'N/A'; and

■ higher marks than originally assessed were awarded to ICT due to the controls in being rescored as '2' respect of IT being used for the monitoring of KPIs and the existence of appropriate IT training .

**2.2    Verification** (continued)

**Sample testing**

We tested, on a sample basis, the responses provided in the questionnaire in each of the areas.   Our testing considered:

- the design and implementation of each control, i.e. whether the control was designed appropriately to manage stated risks; and

- the operating effectiveness of each control, i.e. whether the control was operating in line with procedures.

Our sample testing indicated:

- the budget did not cover the full financial period, indicating procedures around this area were weaker than reflected in the self assessment;

- assessment of the control in relation to a fraud response plan was weaker than initially indicated in the self assessment;

- assessment of the communications strategy was weaker than had been initially reflected in the self assessment;

- the absence of a number of policies was identified, indicating procedures around this area are weaker than reflected in the self assessment;

- assessment of the strategic and annual plans indicated that these were in draft format, indicating procedures around this area were weaker than reflected in the self assessment;

- assessment of the IT training was more positive than originally reflected in the self assessment;

- assessment of the checks in place to ensure that major contracts are entered into in line with the approved delegated authority was more positive than originally reflected in the self assessment;

- the approach and methodology in place for measuring results and impact did not include a process for identifying inputs, outputs, impacts, and outcomes of KPIs, ensuring that they are SMART.   Procedures around this area were weaker than initially reflected in the self assessment.

Following completion of the verification activity, we have calculated a post-verification score.  The results are summarised on the following page.

## 2.3.1   Summary of results

| Area | Number of assessment questions | Potential score (SGB) | Potential score (KPMG) | Actual score (SGB) | Actual score (KPMG) | Percentage result (SGB) | Percentage result (KPMG) | Action plan reference |
|---|---|---|---|---|---|---|---|---|
| Governance | 46 | 87 | 93 | 58 | 56 | 67% | 60% | 1 – 3 |
| Financial management | 29 | 48 | 45 | 16 | 18 | 33% | 40% | 4 – 5 |
| Risk management | 13 | 21 | 21 | 2 | 2 | 10% | 10% | 6 |
| Planning and reporting | 11 | 27 | 27 | 20 | 16 | 74% | 59% | 7 |
| Human resource management | 20 | 12 | 0 | 7 | 0 | 58% | N/A | 8 |
| Policies | 33 | 78 | 75 | 57 | 57 | 73% | 76% | 9 – 10 |
| Communication | 9 | 24 | 21 | 23 | 18 | 96% | 86% | 11 |
| ICT | 8 | 9 | 9 | 3 | 6 | 33% | 67% | 12 |
| Total | 169 | 306 | 291 | 186 | 173 | 61% | 59% | |

Each recommendation, identified in section four is allocated a nominal score based on the formula below to chart an overall result.

Higher numbers represent increased risk as a result of control weakness or recommendations. The following chart also includes an 'average' line which includes the results of all SGB audits undertaken to date.
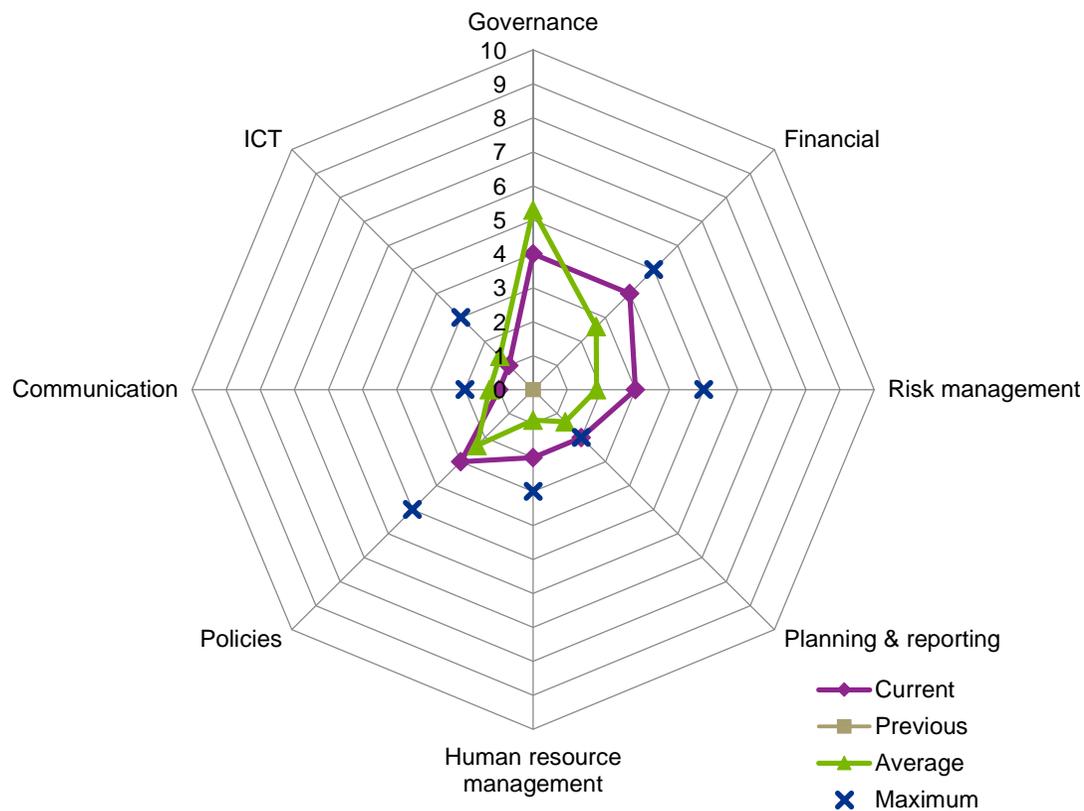
| Grade of recommendation | Score multiple per finding |
|---|---|
| Critical | 5 |
| High | 3 |
| Moderate | 2 |
| Low | 1 |

## 2.4    Definitions

The findings and recommendations in this report have a priority associated with them.  The table below indicates the definition of each level of priority.

| Priority | | Definition |
|---|---|---|
| Low | 🟢 | Findings that do not pose unacceptable a negative fiduciary and/or reputational risk to **sport**scotland but which the SGB may wish to consider. |
| Medium | 🟡 | Findings that do not pose unacceptable a negative fiduciary and/or reputational risk to **sport**scotland but which would be advisable for the SGB to address to improve their systems, processes or procedures. |
| High | 🟠 | Financial or operating weaknesses that pose unacceptable negative fiduciary and/or reputational risk to **sport**scotland but where mitigating actions could be put in place to suitably reduce the risk to acceptable levels. |
| Critical | 🔴 | Financial or operating weaknesses that pose unacceptable negative fiduciary and/or reputational risk to **sport**scotland and where necessary mitigating actions are either not possible or highly challenging for the SGB to implement. |

### 3.1 Findings and recommendations

The findings and recommendations in relation to the eight focus areas described in section two are set out below. These are based on the action plan developed by the SGB, and supplemented by any further findings and recommendations identified through our verification work.

| No. | Priority level | Area | Key findings and recommendations |
|---|---|---|---|
| 1 | 🟡 | Governance | There is no formal succession plan at Scottish Archery and the skills analysis is not reviewed on an annual basis. Upon cessation of a director's appointment there is a risk that the Board would be without important skills. Additionally, there is no annual review of the Chair by designated Board members and Board members are not required to complete an annual self assessment supplemented by a one to one performance discussion with the Chair. There are no independent non-executive directors on the Board of Scottish Archery and the Board member induction pack is not reviewed and updated on an annual basis.<br><br>*To develop the governance procedures to meet best practice, it is recommended that Scottish Archery:*<br><br>- *develops and implements formal succession planning;*<br><br>- *ensures annual review of the skills analysis;*<br><br>- *identifies and actions the training needs of its Board members;*<br><br>- *ensures the induction pack is reviewed and updated on a bi-annual basis;*<br><br>- *attracts independent directors to its Board;*<br><br>- *implements an annual review for the Chair; and*<br><br>- *develops annual self assessments for Board members, supplemented by a one to one with the chair.*<br><br>**Supplemental finding from verification work** |
| 2 | 🟢 | Governance | There is no standing item on the Board agenda in respect of finance. There is a risk that financial matters are not fully considered by the Board.<br><br>*It is recommended that Scottish Archery add financial matters as a standing item on the Board agenda.* |
| 3 | 🟢 | Governance | There is no legal register at Scottish Archery. There is a risk that claims or litigation are not documented, quantified and monitored.<br><br>*It is recommended that Scottish Archery develops and maintains a legal register.* |

**3.1    Findings and recommendations** (continued)

| No. | Priority level | Area | Key findings and recommendations |
|---|---|---|---|
| 4 | 🟡 | Financial management | Scottish Archery does not have a formalised budget setting and monitoring procedure in place.  There is no long term forecast and the budget does not cover the full financial year.  There is a risk that the process of budget setting and monitoring may not be consistently applied and that effective monitoring is not in place at the SGB. <br><br> *It is recommended that Scottish Archery:* <br><br> -    *develops a formalised budgetary setting and monitoring procedure that has been approved by the Board;* <br><br> -    *produces a long term forecast covering the full period of the draft strategic plan, ensuring this is reviewed and updated annually; and* <br><br> -    *ensures that the budget covers the full financial year.* |
| 5 | 🟡 | Financial management | There is no accounting manual in place at Scottish Archery.  There is a risk that financial procedures are not clearly outlined, in line with best practice and applied consistently. <br><br> *It is recommended that Scottish Archery produces an accounting manual that has been approved by the Board which contains an approved scheme of delegated authority.* |
| 6 | 🟠 | Risk management | There is no risk management policy or risk register maintained at Scottish Archery and risk management is not a standing item on the Board agenda.  If risk management is not embedded throughout the organisation, risks to the achievement of the strategy may not be identified, assessed, quantified and monitored appropriately. <br><br> *It is recommended that the SGB:* <br><br> -    *produces a risk management policy;* <br><br> -    *maintains a risk register; and* <br><br> -    *adds a standing item to the agenda in respect of risk management.* <br><br> **Supplemental finding from verification work** |

**3.1 Findings and recommendations** (continued)

| No. | Priority level | Area | Key findings and recommendations |
|-----|----------------|------|----------------------------------|
| 7 | 🟡 | Planning and reporting | The strategic and operational plans are in draft format and reports submitted to the Board do not quantify the KPIs.  Directors are not fully briefed on the KPIs they are responsible for. There is a risk that the strategic and operational objectives are not fully implemented and effectively monitored.<br><br>*It is recommended that the SGB:*<br><br>- *finalises and implements the strategic plan and the annual operating plan;*<br><br>- *ensures that all KPIs are SMART, with the inputs, outputs, impacts and outcomes of identified;*<br><br>- *adds a standing item to the Board agenda in respect of performance monitoring; and*<br><br>- *quantifies progress against each of the KPIs in Board reporting.* |
| 8 | 🟡 | Human resource management | There is an administrator contracted by Scottish Archery to perform administrative tasks.  They are not considered an employee.  There is a risk that Scottish Archery may be liable to PAYE and NIC if the administrator was considered an employee.<br><br>*It is recommended that Scottish Archery reviews and, if required, takes legal advice on the contract with the administrator to ensure they are in compliance with HMRC's definition of not being an employee.*<br><br>**Supplemental finding from verification work** |

### 3.1    Findings and recommendations (continued)

| No. | Priority level | Area | Key findings and recommendations |
|---|---|---|---|
| 9 | 🟡 | Policies | There are a number of key policies not in place or in draft format at Scottish Archery.  There is a risk that appropriate guidance is not available in the event of an issue arising, or procedures are inconsistently applied.  Scottish Archery has recently approved a suite of policies including child protection and PVG handling. Further risk could arise if these new policies are not appropriately implemented. *It is recommended that Scottish Archery ensures that the following policies are developed, approved and implemented:* <br><br> - *procurement;* <br> - *use of assets;* <br> - *whistleblowing;* <br> - *data protection act complaints procedure;* <br> - *code of ethics;* <br> - *equality, with supports achievement of foundation level ; and* <br> - *fraud detection and prevention, supplemented by a fraud response plan.* <br><br> *Scottish Archery should also develop an implementation plan to ensure that the newly approved policies are implemented, providing appropriate communication and training to all Board members.* |
| 10 | 🟢 | Policies | A number of policies at Scottish Archery are not reviewed on a scheduled basis.  There is a risk that policies could become inappropriate if not reviewed at least biannually. The implementation of a policy tracker detailing the date of previous review and future review date would likely assist in this endeavour. *It is recommended that Scottish Archery reviews policies on a scheduled annual basis.* **Supplemental finding from verification work** |

### 3.1 Findings and recommendations (continued)

| No. | Priority level | Area | Key findings and recommendations |
|-----|----------------|------|----------------------------------|
| 11 | 🟢 | Communication | There are no procedures or policies in relation to the management or selection of partnership or sponsorship arrangements.  KPMG understands that the SGB currently has no such agreements, however, it is considered good practice to implement such measures to cover potential future agreements.  There is a risk that relationships are not subject to rigorous review and that the arrangements are not managed appropriately.<br><br>*It is recommended that Scottish Archery produce policies and procedures covering the management or selection of partnership and sponsorship agreements.*<br><br>**Supplemental finding from verification work** |
| 12 | 🟢 | ICT | Scottish Archery's IT policy is not subject to regular review.  No IT systems are used to monitor performance data.  The financial management IT system is being moved from SAGE to KASHFLOW.  There is a risk that the IT policy is not commensurate with the organisation's IT environment.  There is a risk that Scottish Archery are unable to obtain effective KPI monitoring or that data could be lost or corrupted on transfer between the SAGE and KASHFLOW systems.<br><br>*It is recommended that:*<br><br>- *the IT policy is reviewed on an annual basis;*<br><br>- *the data transfer between SAGE and KASHFLOW is reviewed on completion of the transfer; and*<br><br>- *evaluate whether there is a need for a more sophisticated IT system to monitor the KPIs.*<br><br>**Supplemental finding from verification work** |