

National Archives of Scotland Audit Committee Meeting
Wednesday 15 July 2009, 2:00pm,
Lord Clerk Registers Room, General Register House

Attendees: Frank Manson (Chair, Non Executive Director); Michael Moss (Non Executive Director); George MacKenzie (NAS); Dave Brownlee (NAS); Jim Grady (NAS); Gary Devlin (Grant Thornton UK LLP); Derek Glover (SG Accountancy Services); Darryl Mead (Audit Committee Member); Sue Melrose (Grant Thornton); Gordon Robinson (SG Internal Audit), Jenny Cutts, (Secretary, NAS).

Apologies: Beatriz Sanchez (SG Finance Directorate), Pearl Marshall (SG Internal Audit).

1. Minutes of last meeting held on 26 February 2009 (circulated) and matters arising

1.1 Frank Manson welcomed attendees and introductions were made. Sue Melrose, Grant Thornton, was attending for the first time. Darryl Mead was also welcomed. George MacKenzie explained that pending completion of a formal Letter of Appointment, Darryl would become the third Audit Committee Member and was attending the meeting in that capacity.

1.2 Following amendment of a typographical error, minutes of the previous meeting were approved.

1.3 [6.1] Frank Manson explained that he had been unable to make contact with the Non Executive Directors Network. Derek Glover offered to assist in pursuing this. George MacKenzie endorsed the potential usefulness to us of the Network.

2. NAS Accounts 2008-2009

2.1 Dave Brownlee gave a brief update of progress with preparation of the NAS accounts 2008-2009. Derek Glover noted the effect on this of long term sickness absence within the NAS finance team, but confirmed that draft accounts may be expected imminently within the timescale required by external audit. Gary Devlin added that the deadline for client submission of accounts to Audit Scotland is 30 September 2009. Dave Brownlee reported that outturn expenditure will likely be tight against Budget limit.

2.2 The implications of International Financial Reporting Standards (IFRS) introduction were discussed. Derek Glover noted that there would be minimal impact on NAS accounting other than revaluation, but there will be a higher demand for disclosure under IFRS.

3. External Audit

3.1 External Audit Interim Report

3.1.1 The report had been received earlier in the week but had not been circulated to the Audit Committee as NAS management will require more time to respond to the recommendations. A meeting between NAS and Grant Thornton to discuss the report has been scheduled to take place in early August 2009.

3.2 External Audit IT Report

3.2.1 The report on the Review of IT Security was circulated for discussion. Gary Devlin explained that two high risk findings had been identified: the absence of a formal disaster recovery plan and of an IT strategy. Other medium risk findings were outlined in respect of penetration testing and firewall audit logging. Government security policy was also discussed with particular concern for reputational risk.

3.2.2 Michael Moss noted that the requirement for an ICT Strategy is a much discussed issue at Management Board meetings. Frank Manson confirmed the intention that NAS produce an ICT strategy and reiterated the importance of this in terms of disaster recovery. He stated that the Audit Committee view the addressing of this recommendation as a matter of urgency. A discussion about encryption and data security ensued.

3.2.3 Jim Grady announced that a comprehensive data security review specification is nearing completion and the implementation deadline is October 2009. A third party will be engaged to carry out penetration testing. Frank Manson urged that NAS maintain ownership of this exercise however.

3.2.4 Darryl Mead explained a joint approach to firewall and penetration testing that had been carried out by the National Library of Scotland, National Museums Scotland, Royal Botanic Gardens Scotland and the Royal Commission on the Ancient and Historical Monuments of Scotland.

3.2.5 Dave Brownlee reported that Management Board have discussed NAS ICT Strategy development and explained that two key reviews will feed into this. The ongoing NAS public services review and Digital Data Archive scoping study will inform ICT Strategy therefore affecting the timing of its development. Frank Manson suggested that the ICT Strategy development be commenced immediately on the basis that findings of the two reviews would not drastically affect ICT strategy. George MacKenzie agreed that some of the work towards an ICT strategy could and should start soon, before the other reviews were complete. However, he felt that it was important to have a clear view on the NAS business direction before the ICT strategy was completed. Gary Devlin added that increasing shared services work presents other challenges that an ICT Strategy should resolve.

3.2.6 Michael Moss referred to recent events at The National Archives (TNA) in order to underline the importance of making clear distinctions between digitisation programmes and digital archive preservation. George MacKenzie recognised the need for this distinction as evident from internal discussions which had taken place about NAS "digital policy".

4. Internal Audit

4.1 NAS 208-2009 Internal Audit Annual Report

4.1.1 Gordon Robinson presented the NAS 208-2009 Internal Audit Annual Report. Overall reasonable assurance was the audit opinion. Completion of main audit reviews of Reader Services Branch and Accommodation Services Branch/Project Management were communicated. Reasonable assurance was provided for both. Attention was drawn to Annex

3 of the report where outcomes for each review are described. He explained that consultancy advice had been provided to NAS in respect of ScotlandsPeople Centre financial arrangements.

4.1.2 Audit performance was discussed. Gordon Robinson identified that during 2008-2009, External Quality Assurance, had been provided to Scottish Government Internal Audit Division by the Welsh Assembly Internal Audit Service against HM Treasury's Internal Audit Quality Assurance Framework.

4.2 NAS Periodic Internal Audit Plan 2009-2010

4.2.1 The intention to include Key Performance Measures as part of the audit of Governance and Risk Management was discussed at length. Arguments that revised Key Performance Measures must be developed before they are suitable for auditing were rehearsed from previous meetings. George MacKenzie assured attendees that performance measures are currently in place, although the Management Board have accepted that strategic revision of performance measurement needs to be addressed. Attendees agreed that proper identification of performance measures will follow on from the recently re-cast Corporate Plan. It was accepted that the Governance and Risk Management audit should be carried out by Internal Audit during 2009-2010 but that auditing of Key Performance Measures be deferred at this time. Frank Manson made the point that the audit should look at the risk management processes rather than an audit of the Risk Register.

4.2.2 Gary Devlin observed that the audit plan does not appear to reflect those areas of highest risk as identified by the Risk Register. Gordon Robinson confirmed that audit planning is mapped on the basis of identified risks.

4.2.3 The plan to audit the ScotlandsPeople Centre was discussed. It was noted that an audit of the NAS input would be meaningless without also covering the other partner organisations. Conversely, it was recognised that reviewing the ScotlandsPeople Centre in isolation from the other work of NAS would also be misleading. Derek Glover urged that ScotlandsPeople Centre finances are considered as part of overall NAS financial systems.

4.2.4 George MacKenzie made two points of relevance to ScotlandsPeople audit. The first was that only parts 1 and 2 of the ScotlandsPeople project (online service and ScotlandsPeople Centre) have been implemented and the third element will be roll out of a network of local genealogical centres. The second point was that, although the ScotlandsPeople Centre is a customer service, there are also political considerations concerning the Year of Homecoming and heritage visitor attractions which would compromise a purely commercial approach to this review. Gary Devlin suggested that market comparisons are relevant as the same data is available through other commercial organisations. Frank Manson accepted this view but suggested that demonstration of the Centre's costs be made explicit. Dave Brownlee agreed and added that cost and other management information relating to operation of the ScotlandsPeople Centre is being gathered and reported regularly to the Project Executive.

4.2.5 Jim Grady observed that ScotlandsPeople will be used as a model for other shared services initiatives and clear financial boundaries and responsibility demarcation is an essential part of this. Frank Manson counselled caution in respect of his view that the success

of ScotlandsPeople has been facilitated in no small part by goodwill and very good relationships between the partner organisations. As time passes and personnel change, however, this may not always be the case. He noted that formal Service Level Agreements or Memoranda of Understanding in joint projects of this kind are very important. Dave Brownlee explained that a Memorandum of Understanding has been drawn up, but accepted that this will need to be updated as necessary in line with subsequent expansion of the service.

4.2.5 Gordon Robinson noted that he will write to Dave Brownlee regarding timing proposals for this year's internal audit programme.

5. NAS Risk Register

5.1 The NAS Risk Register has not been amended since October 2008. It is intended that following finalisation of the NAS Corporate Plan, revision of the risk register will be addressed.

5.2 Frank Manson repeated his view that risk management should be a tool for managing the organisation on an ongoing basis rather than simply a document production exercise. He is also keen that flexible capacity for risks such as Pandemic Swine Flu is built in to the risk register. Dave Brownlee said that due to the nature and size of NAS, any serious illness to even a single member of staff can have a potentially significant effect. He added that a contingency plan for the gradual closure of public search rooms has been drawn up in response to the risk of Swine Flu. The point was made that development of the risk register must be integrated into the corporate planning process.

5.3 It was noted that risks to organisational funding are high in the present climate. Frank Manson noted that contingency planning should be built into risk management in this respect. Meaningful key performance indicators are required to demonstrate performance to Scottish Ministers with regard to best value and efficiency savings.

5.4 George MacKenzie stated that awareness of the current financial situation is very high and that strategic priorities setting is of vital importance. Reputational risks and media coverage were discussed, with reference to the furore resulting from a proposal to close the West Search Room twenty or so years ago, and to the recent reduction of public services by TNA.

6. Any other business

6.1 No other competent business was discussed.

7. Date of next meeting

It was agreed that the next meeting be held on 2 October 2009.

Jenny Cutts
15 July 2009