

National Archives of Scotland Audit Committee Meeting
Tuesday 17 July 2007, 2:00pm
Robertson Wing Meeting Room, General Register House

Present: Alison Chisholm (Chair, ROS)
George MacKenzie (NAS), Dave Brownlee (NAS), Jim Grady (NAS)
Sandra Stewart (FCS: FEP)
Michael Healy (FCS: ASU),
Margaret Gray (FCS, ASU),
Gary Devlin (Grant Thornton UK LLP),
Jenny Cutts (Secretary, NAS).

Apologies: Derek Glover (FCS: ASU), Alistair May (FCS: ASU), Clifford Shanbury (Grant Thornton UK LLP).

1. Minutes of last meeting and matters arising (circulated)

1.1 Paragraph [6] states that the Dalhousie collection is not included in the NAS fixed asset register. It was noted that further advice regarding this would be sought from Derek Glover.

1.2 It was noted that following merger, Robson Rhodes is now "Grant Thornton UK LLP".

2. Internal Audit Report 2006/7 (paper circulated)

2.1 Michael Healy presented the internal audit report and highlighted the key issues. Two reviews (Corporate Governance and Government Records Branch) have been completed and substantial assurance given. A review of the Scottish Family History Service will be reported on at the end of July 2007. Follow up reviews were discussed. Some of the recommendations have been actioned as detailed in Annex 2 of the report.

2.2 Internal Audit performance was discussed. It was reported that internal audit targets are to complete 85% of the programme of reviews and that 75% of this programme has already been completed. The second target is to have 95% of their recommendations accepted.

2.3 Internal audit plan and proposals for 2007-2008 were explained. Two main audits of HR and payroll and of Reader Services Branch will be undertaken. One corporate governance review and follow up reports are also planned.

2.4 It was noted that new audit assurance categories were defined in the plan. There are now three categories: substantial, reasonable and limited assurance. It was agreed that these categories correspond to external audit practice.

2.5 Review of HR and payroll was discussed. It was noted that Finance and HR services are provided by the the core Scottish Executive and that NAS relies on the SE accounting system (SEAS). Michael Healy explained that internal audit will consider HR and payroll as a whole and recommendations arising from NAS audit may be issued to SE HR where relevant. It was noted that assurance for SE Finance and SE HR was provided to the Permanent Secretary and copied to Agency Accountable Officers for the purpose of their Statement of Internal Control.

3. External Audit (draft report circulated)

3.1 Gary Devlin presented the Grant Thornton UK draft report. It was explained that the report's status was draft but that it had been read by NAS Accountable Officer (Dave Brownlee) and Head of Finance and Administration Branch (Jim Grady) prior to the meeting.

3.2 It was reported that Grant Thornton UK have no major concerns regarding NAS key financial controls.

3.3 Two requirements were identified. Membership of NAS Audit Committee should be limited to non executives where possible and a register of interests should be established for senior Agency staff. Indicators of good practice for audit committees are set out in the draft report.

3.4 It was noted that internal audit had been reviewed and the internal audit assurance function found reliable. The findings of this review are detailed in the report.

3.5 Registers of interests were discussed. George Mackenzie explained that the soon to be appointed NAS non executive directors will be required to register their interests and that this register may easily be extended to include senior management and Head of Finance and Administration Branch.

3.6 It was noted that a timetable incorporating all budgeting processes should be established before 1 April. It was suggested that NAS accounts be closed by the end of June annually. Dave Brownlee will provide a formal response to this recommendation.

Action: Dave Brownlee to provide response.
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4. NAS Risk Register (paper circulated)

4.1 It was explained that amendments as a consequence of finalising the Corporate Plan 2007-8 will be consolidated into the NAS risk register and formally presented at the subsequent Audit Committee meeting. No major changes are anticipated. It was reported that the NAS Risk Register is a standing agenda item at Management Board meetings and is regularly reviewed.

4.2 Financial risks were discussed. It was suggested that financial risks be grouped together in the risk register and that more details are included. It was clarified that the Scottish Family History Service project has a separate risk register as with all major projects. Reference to these is made in the corporate risk register. It was agreed that restructuring the risk register be considered in order to align it with the Corporate Plan and to incorporate review dates. Michael Healy agreed to provide definitions of risk.

4.3 Additional risks were suggested for inclusion:

- Risk of NAS classifying capital/operating costs incorrectly;
- Risk of impairment cost related to valuation of historical buildings.

It was agreed that Derek Glover be approached for guidance regarding specific financial risks to include in the register.

4.4 It was explained that a separate risk register for physical risks is maintained by Accommodation Services Branch and is reviewed at branch level. George Mackenzie described the mechanisms in place for tracing misplaced records.

4.5 The concept of 'risk appetite' was discussed. It was suggested that NAS might participate in a risk appetite workshop in order to determine what level of risk is acceptable. It was noted that NAS Management Board discuss individual risks and define risk acceptance collectively. At present high impact/high likelihood were considered the most important risks. George Mackenzie noted that the non executive directors were likely to take great interest in the risk register and agreed that risk appetite is worth consideration.

5. NAS Future Governance

5.1 It was noted that the advertisement for non executive directors to join the NAS Management Board and Audit Committee had been successful with 26 applications received. Leslie Evans, Director of Europe, External Affairs and Culture, has agreed to participate in the appointment process and the sift and interviews are scheduled to take place during August and September 2007. The roles of the two appointees were described. It was accepted that additional non executive directors may be required in future, with particular regard to best practice requirements of audit committees, but that further appointments may be made subsequently as necessary.

5.2 It was noted that NAS Framework Agreement will be reviewed and updated to reflect governance and other changes, such as the role of providing advice to the Minister.

5.3 Membership of NAS Audit Committee was discussed. It was noted that currently, the Chair, the Keeper of the Records of Scotland and NAS Accountable Officer are members and the other attendees are 'in attendance' but that the Scottish Executive Finance Manual promotes audit committee membership comprising external members only. Views were invited regarding members and officers in attendance. It was advised that all members should be external to the organisation to which an audit committee pertains and that officers of that organisation attending the Audit Committee should not be members of the committee. It was accepted that two external members was insufficient for this model. Consideration was given to an interim measure of retaining a further external member in addition to the two non executive directors.

6. Any Other Business

6.1 It was reported that Derek Glover expected to finalise the 2006-2007 accounts in time for the auditors visit commencing 23 July 2007. The financial accounts will be presented at the subsequent Audit Committee meeting. Gary Devlin explained the importance of holding the next NAS Audit Committee meeting in early September and asserted that external audit would be completed and report issued by the end of August 2007.

6.2 It was recommended that NAS timetable Audit Committee meetings a year in advance in order to correspond with the annual audit and accounts cycle. It was agreed to reorganise the NAS meetings calendar to incorporate Audit Committee meetings in mid May, early September and end January.

7. Date of next meeting

The next meeting will take place on Wednesday 5th September 2007.

Jenny Cutts
23 July 2007