

**National Archives of Scotland Audit Committee Meeting**  
**Monday 19 March 2007, 10:00am**  
**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),  
Gary Devlin (RSM Robson Rhodes LLP)  
and Jenny Cutts (Secretary, NAS).

**Apologies:** Derek Glover (FCS: ASU), Alistair May (FCS: ASU), Clifford Shanbury (RSM Robson Rhodes LLP).

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

1.1 Gary Devlin of Robson Rhodes was welcomed to the Audit Committee.

1.2. The final sentence of point 2.2 of the previous meeting's minutes was queried. It was explained that this refers to the RAC project as it enables the legal search firms to vacate the Adam Dome in order that accommodation work be progressed for the Scottish Family History Centre (SFHC).

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

2.1 Michael Healy presented the progress report and highlighted the key issues. The Corporate Governance Review has been completed and the report given substantial assurance. The Review of Government Records Branch has been completed and the report will be issued by end of March. Assurance will be substantial. The remaining Review of the Scottish Family History Project (which is a joint review with General Register Office for Scotland and Court of the Lord Lyon) will be completed in March. That report will be presented to the next Audit Committee meeting. Follow up reviews will be completed on 2004/5 and 2005/6 audits. The NAS Audit Committee was invited to note the report and offer comments.

2.2 Attention was drawn to the recommendations of the Corporate Governance Review regarding health and safety requirements and budget management responsibilities, as outlined in Annex 1 of the progress report. It was noted that all Branch Heads personal objectives would include budget responsibility from reporting year 2007-8.

2.3 It was reported that 71% of recommendations issued across 4 completed follow-up reviews had been implemented and a further 3 partly dealt with. The fifth follow-up review, that of Private Records Branch will be completed in March 2007. Internal Audit anticipate providing substantial assurance in overall terms when their annual report is provided to the next meeting of the NAS Audit Committee.

2.4 Attention was drawn to the revised internal audit Quality Assurance framework package now issued by HM Treasury. Comments were invited on the revised format of progress reports. It was noted that the format was informative and that the Internal Audit Assurance Categories defined in Annex 3 were useful. It was also noted that Alistair May was conducting a strategic planning review across Scottish Executive departments.

### **3. Robson Rhodes Audit Plan (paper circulated)**

3.1 Gary Devlin presented the Robson Rhodes 2006-7 Audit Plan. He explained that the model they use is the same as used by Audit Scotland and that Robson Rhodes employ a systems-based audit approach. He suggested that the NAS audit timetable may be altered to bring the sign-off date for the Accounts forward to end of August rather than October. It was noted that outputs from Robson Rhodes (reports and ISA 260 letter) would be provided by end August enabling earlier sign-off. It was noted that sign-off is dependent upon finalising NAS accounts and therefore Derek Glover's availability must be factored into the NAS audit timetable.

3.2 Attention was drawn to section 4 of the plan which identifies risks. Two financial statement risks were highlighted: the Scottish Family History Centre as an asset under construction and the impairment charge incurred following the revaluation of General Register House. Attention was also drawn to the intention to assess to which extent NAS complies with the Scottish Executive's guidance in demonstrating compliance with best value principles.

3.3. Reliance upon Internal Audit was highlighted and it was explained that a meeting between Robson Rhodes and Internal Audit has been scheduled to take place.

3.4 Robson Rhodes audit fee structure was explained, as set out in section 6 of the audit plan.

3.5 Comments were invited and George Mackenzie explained NAS' position with regards to the valuation of GRH. NAS had invested significant capital sums in the refurbishment of GRH and for the most part this had followed Treasury guidelines on the definition of capital spend. The market value remains low however, as potential development of GRH for other use is constrained by it having listed building status. It was also noted that GRH accommodation costs are higher than for an organisation with an equivalent number of staff, because of the large volume of archival records in NAS custody and the associated costs of taking proper care of these records. It was agreed that NAS and Scottish Executive Finance will reconsider the way in which future refurbishment work at General Register House is funded. This can be done during the 2007 Autumn Budget round at which time NAS will have to submit a bid for additional funding as a consequence of the impairment hit in the 06-07 accounts. It was further noted that if all goes to plan, the Scottish Family History Centre will increase income generated in the building which should affect its valuation in future.

3.6 The risk of Scottish Parliamentary Election in May 2007 was noted and discussed although this has not been included in the Audit Plan.

### **4. NAS Risk Register (paper circulated)**

4.1 The current NAS Risk Register was circulated. It was noted that this will be amended as the NAS Corporate Plan 2007-8 is finalised and that Branch risk registers will also be updated as part of this process.

4.2 The following High Likelihood/High Impact risks were discussed:

[1.] It was noted that NAS has demonstrated good space management and records accommodation planning and the net figure for records taken in has been lowered. It was also noted that legislation poses a risk by increasing the number and type of records which NAS has to accession and imminent changes to the administration of Justice of the Peace Courts was cited as an example.

[2.1] It was explained that problems with the RAC search tool are being resolved and the target for moving the legal search firms out of the Adam Dome is 2 May 2007.

[4.] It was reported that NAS is engaged in a dialogue with Ministers regarding funding for TTH2. Patricia Ferguson has asked for further details on why NAS do not favour the 'Granton' option. The Keeper will respond to say that we intend costing this option and including it as one of the options as part of our Business Case submission, planned for November this year.

[9.] It was reported that work is currently being undertaken to finalise the NAS Corporate Plan 2007-8 and Budget and that a bid to Scottish Executive will be necessitated by the impairment charge.

[17.] Sickness absence is an ongoing management issue. NAS is working with HR to deal with the problem of high sickness absence and HR activity in this respect has been demonstrated in the recent dismissal of three members of staff. It was noted that the transition to a new HR system has resulted in difficulties such as those experienced by NAS during a recruitment exercise in 2006. It was noted that obtaining a Service Level Agreement from HR, as discussed during previous meetings, would not be possible at this time.

4.3 It was further noted that the NAS Risk Register is reviewed quarterly by NAS Management Board and that political activity and industrial action had been considered but not included in the Risk Register.

## **5. Structure of Audit Committee**

5.1 George Mackenzie explained that the change of Minister responsible for NAS has lead to a review of NAS Governance Structure and the role of NAS Management Board. It was reported that the decision to engage non-executive directors (NEDS) had been taken and that the appointments process is expected to take approximately 6 months. It is anticipated that the attendees at the next NAS Audit Committee will remain the same, but that the subsequent Committee meeting will be chaired by one of the two NEDS appointed to NAS Management Board.

5.2 It was also reported that the NAS Framework Agreement will be reviewed and updated for presentation to the Minister following election and that this will incorporate reference to the following: NAS role in providing advice to the Minister on public records; the role of the Scottish Records Advisory Council; the role of the Scottish Council on Archives following its establishment as a funded body with an advisory role.

5.3 Sandra Stewart explained that NAS finances will continue to be administered through the Finance Administration and Pay Policy team, rather than to the Education Department finance team. Following discussion with the Keeper, the Head of the Education Department is content with this arrangement.. NAS was invited to report to the forthcoming SE Audit committee meeting in March 2007 on issues of wider relevance. It was suggested that the issues of impairment and the planned study by NAS regarding the operation of EDRM within the Scottish Executive might be reported on.

## **6. Any Other Business**

It was reported that NAS successfully purchased the Dalhousie Collection and that the purchase price had included the cost of NAS administering, conserving, cataloguing and accommodating the collection during its deposit in NAS custody. It was noted that the potential sale of other deposited collections would be considered for inclusion in the NAS Risk Register and that Private Records Branch have investigated and prioritised which

deposited collections NAS would want to acquire under similar circumstances. It was further noted that the Dalhousie Collection does not appear on NAS fixed asset register, but that advice from Finance will be forthcoming on how this should be dealt with. It was also noted that the public records in NAS custody cannot be valued because they are unalienable and could not, therefore, be sold.

**7. Date of next meeting**

It was agreed that the next meeting should take place after the draft accounts have been produced. The meeting date will also be dependent upon amendment to the NAS audit timetable following discussion with Derek Glover. Jenny Cutts will canvass for dates once a decision has been taken.

Jenny Cutts  
20 March 2007