

**National Archives of Scotland Audit Committee Meeting**  
**Wednesday 12 May 2010 10:00 am,**  
**Lord Clerk Registers Room, General Register House**

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

**Apologies:** Michael Moss (Non Executive Director).

**1. Minutes of last meeting held on 2 October 2009 (circulated) and matters arising**

1.1 The minutes of the last meeting were agreed.

1.2 [3.1] Frank Manson asked about the review of ScotlandsPeople financial arrangements. Gordon Robinson confirmed that this audit has now been started.

1.3 [5.4] Frank Manson reiterated the view that Audit Committee self-assessment is necessary and welcomed suggestions as to how to take this forward. It had previously been suggested that peer review would be useful and appropriate methods were discussed. Gary Devlin listed a number of approaches that have been adopted by other audit committees and it was agreed that senior management and audit committee members decide how best to pursue this. Frank Manson considered that it would be beneficial for audit committee members to attend other audit committees as observers. Registers of Scotland audit committee was suggested as a suitable comparator.

1.4 [5.8] With regard to previous discussions about the audit timetable, it was noted that meeting dates have already been set to coincide with key audit stages.

1.5 [5.12] The role of the Audit Committee concerning NAS annual accounts was considered. Frank Manson's view was that the Audit Committee members review the finalised draft accounts before they are submitted to audit. Gary Devlin supported this interpretation and pointed out that the Audit Committee are required to consider whether the statement of internal control may be signed off.

1.6 [4.3] Gary Devlin asked Darryl Mead whether further induction to the NAS had now been covered. Darryl Mead explained that he was now more familiar with NAS organisation and activities, having consulted NAS officials as part of his National Collections shared services investigations as well as involvement with the NAS strategic review as facilitator. He added that he had also attended Management Board meetings as an observer.

1.7 Gary Devlin offered to deliver a short presentation on Audit Committees in the public sector. Both Audit Committee members and NAS attendees agreed this would be useful and asked for the presentation to be arranged to coincide with meetings scheduled for 29 July 2010 immediately after the Audit Committee meeting.

**2. External Audit report**

2.1 Gary Devlin presented key elements of the external audit reports which were circulated prior to the meeting. The follow up on 2008-9 recommendations report detailed progress against the 38 recommendations issued for 2008-9. Of the agreed recommendations, ten had been implemented, a further ten partially implemented and action on other recommendations ongoing.

2.2 Particular attention was drawn to paragraph 1.6 concerning the scope for quickening the pace of change and addressing areas of key risk more effectively. Frank Manson noted that the Management Board understood concerns which Audit expressed on timescale, but unexpected changes in NAS management personnel affected this. He summarised the three key issues that NAS is attempting to address: the overall strategic review involving lots of background work; performance measurement which will follow that strategic analysis and development of a comprehensive IT strategy aligned to and in support of the NAS business strategy. He asserted that the IT strategy may not be established in advance of the first two elements.

2.3 Gary Devlin accepted the situation that these areas are being pursued. While audit were raising concerns relating timescales, the key point was whether the Audit Committee was content with the situation. George MacKenzie explained that the strategic review may have been achieved over a shorter period if the political and operational demands being placed upon the organisation were less radical, but stated his personal confidence that the review was happening at the correct pace. He accepted that senior management have not been accurate in predicting timescales for elements of the review however.

2.4 It was reported that a meeting involving Reader Services Branch staff had been held on 11 May 2010 concerning the proposed closure of the West Search Room from 2011. The Keeper recognised the importance of involving staff at all levels in organisational change, particularly those working in affected business areas, and also noted the requirement for Branch Heads to support the changes. Following further discussion, it was agreed that Audit Committee members would have a draft strategic review document to consider in advance of the next Audit Committee meeting.

2.5 Gary Devlin presented the Grant Thornton interim management report following on from the 2009-2010 interim audit carried out in March 2010. This had looked into the adequacy of NAS' internal control framework. Recommendations detailed in the report were noted. Attention was drawn to the Action Plan agreed with management and included in the report Appendix.

2.6 Frank Manson accepted that some work on improving budget monitoring may be carried out, but explained that estimation of depreciation was not felt to be necessary given that depreciation can be worked out on a monthly basis.

2.7 Frank Manson explained that budgeting concerns were mitigated by the relatively small budgets that branch heads are responsible for, given that staff costs are monitored closely at the centre and few of the branches have any significant spending requirements. It was accepted that new arrangements requiring branch heads to play a greater role in the budgeting process would be desirable. Further discussion about the organisation's culture and role of the branch heads ensued. Senior management and Audit Committee members considered that a greater emphasis on resource management was needed with a bit less on technical expertise. The Keeper added that this idea had been discussed with branch heads during their

performance appraisal meetings. He is keen that branch heads are integrated in the overall organisation management rather than operating as distinct professional experts. Darryl Mead offered some parallels based on his experience at the National Library of Scotland. It was fully agreed that NAS must retain this technical expertise and knowledge however.

2.8 Gary Devlin noted that other organisations have greater detail in mapping activities and efficiencies but recognised that greater capacity in the relevant financial skills would be required to achieve this.

### **3. Internal Audit report**

3.1 Gordon Robinson presented the Internal Audit Periodic Plan 2010-2011. He noted that the NAS Risk Register is due for revision, but explained that auditable areas have been linked to the current NAS Risk Register and developed following discussion with Audit Committee members and senior management. Gordon advised that changes to the plan could be made if any areas for priority coverage were identified during the risk register review and any such changes would be brought back to the Committee for approval. Audit Committee members considered and approved the 2010-2011 Periodic Audit Plan.

3.2 Frank Manson added his interest in observing how the ScotlandsPeople partnership develops and assurance that NAS is adequately rewarded from the ScotlandsPeople Centre is required. He believed firmly though that this partnership could serve as a template for other collaborative relationships. Gary Devlin queried whether the management information about the ScotlandsPeople Centre is good enough. The Keeper provided occupancy rate information and explained that the take-up of free taster sessions has been seasonal and overall less than anticipated, whereas the paid bookable seats occupancy is higher than expected. He added that those using the free taster sessions were more likely to also use the cafe and shop. It was recognised that there are limited funds to advertise the ScotlandsPeople Centre, though a number of initiatives have been taken within these constraints.

3.3 Frank Manson commented that remote access to the ScotlandsPeople service will be more important than usage of the Centre in future. He suggested that ScotlandsPeople partners consider developing the web service in-house, or licensing to a commercial company in the family history to create and market more material. It was agreed that the partners must maintain control of the customer database data. The Keeper pointed out that the EU Directive on Re-Use of Public Sector Information will have ramifications on this matter.

3.4 Gary Devlin asked about the costs of running the ScotlandsPeople shop. Dave Brownlee explained that as the staff, heating and lighting are required for covering the entrance to General Register House, so siting the shop at this location and using security/reception staff to deal with purchases made is not adding significantly to the running costs of the ScotlandsPeople Centre. The Keeper added his wish that the shop's trade be maximised.

### **4. NAS Risk Register**

4.1 Frank Manson emphasised that the NAS management board and audit committee take revision of the risk register very seriously. Dave Brownlee explained that senior management are able to progress risk register recasting now the Corporate Plan has been agreed. Six key

risks have been identified and a meeting has been scheduled for 7 June to further define the risk register. Frank Manson noted that this revision will require further editing once changes are made to the organisation. A document may be circulated in advance of the Audit Committee meeting on 29 July 2010.

## **5. Report on credit card fraud**

5.1 Jim Grady explained the Scottish Government procedures required when instances of credit card fraud are detected. He reported that all credit card transactions are verified on a monthly basis. Scottish Government credit cards are used in NAS for low value supply purchases, typically for specialist supplies, where SG central procurement contracts may not be utilised. Relevant issues were discussed including transaction limits and categories, secure systems and bank notifications. It was clarified that a certain amount of credit card theft is routinely attempted by criminals using card numbers and that no NAS personnel have been using the credit cards in either criminal or insecure ways.

5.2 A report on credit card fraud will remain a standing item on the Audit Committee agenda.

## **6. Any other business**

6.1 It was noted that a meeting between the Audit Committee members and auditors has been scheduled for 29th July and will take place prior to the Audit Committee meeting.

## **7. Date of next meeting**

7.1 The next meeting will be held at 10am on Thursday 29th July 2010 in General Register House.

Jenny Cutts  
31 May 2010