

**National Archives of Scotland Audit Committee Meeting**  
**Thursday 26 February 2009, 10:00am,**  
**Lord Clerk Registers Room, General Register House**

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

**Apologies:** Maureen McGeown (SG Finance Directorate).

**1. Minutes of last meeting held on 13 October 2008 (circulated) and matters arising**

1.1 The minutes of the last meeting were accepted and apologies noted.

1.2 [1.4] It was agreed that discussions will be held to determine the annual audit timetable. Three meetings per annum are required and dates will be established to match reporting events.

1.3 [6.1] George Mackenzie provided an update on the proposed merger with RCAHMS. Ministers now require joint working rather than organisational change. The Keeper will invite the new Minister for Culture, External Affairs and Constitution to visit NAS.

**2. NAS Accounts**

2.1 The NAS Accounts 2008/2009 were laid before Parliament on time though later than expected. The accounts are due for publication on the NAS website imminently.

2.2 Jim Grady explained that dates are yet to be finalised with internal and external audit visits. It is recognised that International Financial Reporting Standards (IFRS) restatement will be onerous. Derek Glover explained that for 2007/2008 accounts, balance only restatement is required, whereas for 2008/2009 accounts must be restated in their entirety. Frank Manson reported his attendance at an IFRS training seminar and noted queries which remain outstanding as clarification on particular heritage issues was not forthcoming.

**3. External Audit**

3.1 Gary Devlin discussed the draft External Audit Plan. Attention was drawn to the Code of Audit Practice. Critical areas include introduction of the IFRS. Potential accounting and business risks have been identified: IFRS; Audit Committee arrangements; budgetary control; Information Technology strategy; ScotlandsPeople Centre income monitoring. Production of a restated IFRS balance sheet for 2008/09 is considered urgent. Previous year's issues were noted and audit continued in the areas of: General Register House valuation; creditor payment allocation errors; efficiency savings measurement; efficiency savings target.

3.2 It is expected that the interim Audit Report will be produced by May 2009 and finalised at the end of August 2009. Sue Melrose will lead the audit under general supervision of Gary Devlin and a specialist IFRS audit team will be utilised as appropriate.

3.3 Fees were noted. Gary Devlin explained that the increase is due to extra work required to audit IFRS and ScotlandsPeople risks.

3.4 The Non Executive Directors expressed the view that auditing performance measurement would be premature at this stage. NAS management plans proactively to resolve performance measurement issues and would seek to involve External Audit in the development process. It was reiterated that the empirical measurement of 'impact' within the heritage sector present difficulties and a detailed exercise to address these will be undertaken. Gary Devlin suggested that the role of External Audit would be to provide a framework for this process. It was accepted that Grant Thornton will play an advisory role rather than be involved in the development team. Michael Moss explained plans for a dedicated exercise lead by Management Board to initiate this process. Gary Devlin noted that the current audit may simply recognise the present position in this respect and consider the proposed future direction.

3.5 Michael Moss noted the intended Information Technology review and expressed concern over the feasibility of auditing an ICT Strategy that is currently under development. Frank Manson supported this concern and explained that ICT Strategy is another recognised area for attention. Gary Devlin explained that Scottish Government guidance on data security will drive this review and stated that it will be the process of ICT strategy development that will be audited.

#### **4. Internal Audit**

4.1 Gordon Robinson provided a verbal report on the 2008-2009 audit. Outstanding audit areas remain corporate governance and payroll. The Private Records Branch audit has been completed. Risk management audit will be carried forward. Reasonable assurance was given on work completed so far.

4.2 Revision of the Framework Agreement is one the recommendation in the Governance report which remain outstanding and this was discussed. Dave Brownlee acknowledged that the current document is out of date and that this leaves NAS in an anomalous position. George MacKenzie explained that ministerial guidance is required regarding Framework Agreement expectations in order that the agency's document may be properly revised. Frank Manson underlined this view and stated that documentary revision would be meaningless without ministerial approval. Michael Moss added that corporate governance is an important concern to NAS Management Board particularly in relation to the records management advisory role of NAS.

4.3 Gordon Robinson explained that he will seek views on the 2009-2010 audit plan in writing. Frank Manson agreed to facilitate the identification of key audit issues as chair of the Audit Committee.

#### **5. NAS Risk Register (circulated)**

5.1 Frank Manson asked for a separate meeting to consider and revise the NAS Risk Register. It was agreed that the identification of issues including IFRS and corporate planning 2009-2010 will inform this process.

## **6. Any other business**

6.1 Frank Manson had noticed a Non Executive Directors Network on the Scottish Government website. It was resolved that he will contact the organisers about NAS membership. It is expected that the network may focus on Scottish Government public appointments but should be a useful source of guidance. George Mackenzie noted that Office of the Commissioner for Public Appointments (OCPAS) Regulations do not apply to the appointment of non-executive directors to Agencies such as NAS.

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

The date of next meeting will be determined by audit timetable. Jenny Cutts will canvass for dates.

Jenny Cutts  
11 March 2009