

National Archives of Scotland Audit Committee Meeting
Monday 13 October 2008, 10:00am,
Lord Clerk Registers Room, General Register House

Attendees: Frank Manson (Chair, Non Executive Director); Michael Moss (Non Executive Director); Dave Brownlee (NAS); Jim Grady (NAS); Gary Devlin (Grant Thornton UK LLP); Maureen McGeown (SG Finance Directorate); Gordon Robinson (SG Internal Audit), Jenny Cutts, (Secretary, NAS).

Apologies: George MacKenzie (NAS); Derek Glover (SG Accountancy Services).

1. Minutes of last meeting held on 31 July 2007 (circulated) and matters arising

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

1.2 [3.4] Michael Moss reported that a liaison officer has been appointed regarding joint working within the heritage sector. It is intended that the Management Board establish contact with the officer.

1.3 [3.5] The Cabinet Office paper on information security is imminent and will be tabled for discussion at a subsequent meeting.

1.4 [4.5] Frank Manson asked if the budget timetable has been defined. Jim Grady explained that a timetable is in operation and formal definition and approval will be carried forward. Frank Manson noted that the Audit Committee will be better able to carry out the function of scrutinising financial aspects of NAS management once a budget timetable has been made explicit. Review at fixed points during the year will facilitate appropriate scheduling of audit committee meetings. Dave Brownlee accepted that clarity should be provided for the benefit of the Audit Committee.

Action: NAS to clarify budget timetable.
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2. NAS Accounts

2.1 Gary Devlin reported that external audit have completed audit of the draft accounts. The Audit Committee formally approved the NAS Accounts 2007-2008. Dave Brownlee will make arrangements for signed copies and the letter of representation to be issued.

3. External Audit – ISA 260 Report (papers circulated)

3.1 Gary Devlin verbally reported the ‘ISA 260 communication of audit matters to those charged with governance’. Grant Thornton have audited the financial statements of NAS for the year ending 31 March 2008 and examined aspects of NAS’ performance and governance arrangements. An expression of thanks was given to Jim Grady and the NAS Finance and Administration branch for the accounts and working papers which were of a good standard.

3.2 There were no material errors that were not adjusted in the accounts. Certain reclassifications to improve the presentation of the accounts were identified. A summary of adjusted audit differences was provided.

3.3 Prior year recommendations were discussed. The outstanding issues identified were budget timetable and accruals accounting. It was reiterated that the SEAS system requires budget monitoring reports to be prepared on a cash basis and the accruals facility has not been activated by Scottish Government. It was accepted that the benefits of accruals accounting must be weighed against the time taken to implement it. Frank Manson noted that accruals accounting better facilitates future projection. Gary Devlin identified a risk concerning the accuracy of capital spending with regard to payroll using cash basis accounting.

3.4 The donated asset reserve was considered. It was reiterated that this will be used to replace digital imaging equipment. Jim Grady reported that spending is already underway and figures may be provided upon request.

3.5 Gary Devlin explained the recommendation that NAS set out a more formal plan regarding measurement of efficiency savings through the digitisation programme. Michael Moss added that this issue relates to concerns about key performance indicators. Frank Manson agreed that key performance indicators are an ongoing concern of the NAS Management Board. An extraordinary meeting of the Management Board will be scheduled in order to address robust key performance indicators. Consideration of important functions and resources will be taken. A key role of the Non Executive Directors regards definition of NAS as an organisation with respect to the management of expectations amongst the archival sector.

3.6 Impairment charges were discussed. Dave Brownlee explained that a results of valuation of General Register House are awaited.

3.7 The proposed statement concerning budgetary limits within the tight financial climate was considered. It was agreed that the suggested paragraph was appropriate and beneficial. It was further noted that this message may be made more explicitly in the NAS Annual Report.

4. Internal Audit

4.1 Gordon Robinson provided a verbal update on the current year's internal audit programme. The outstanding audit of Reader Services Branch has been completed and overall reasonable assurance given. Five recommendations have been received with positive responses. Audit of the Estates and Capital Projects will commence during week beginning 20 October 2008. The Governance and Payroll review will be followed up in December 2009.

4.2 Follow up concerning apportionment of income from the ScotlandsPeople Centre continues. Dave Brownlee noted that the Programme Board have now approved income apportionment.

4.3 Michael Moss suggested that the cost of digital storage presents a high risk. Frank Manson agreed that it is essential that digital storage costs and NAS ICT strategy be reviewed. Options for embedding these reviews into audit plans were considered. Dave Brownlee confirmed the timing with regard to development of the Digital Data Archive and

delivery of the DDA2 scoping study report. It was agreed that these risks be addressed by the subsequent Internal Audit plan. It was noted that ICT and ICT security have been recently audited but digital storage not specifically reviewed.

5. NAS Risk Register (circulated)

5.1 The NAS Risk Register has been re-ordered as suggested. Michael Moss asserted that some of the risks require radical reappraisal and that this is related to key performance appraisal considerations. Frank Manson expressed contentment with the risk register as it currently stands and noted that there are elements that could be regarded as more immediately critical such as financial risks relating to born digital records. Dave Brownlee reiterated progress with electronic archives and these developments were condoned by the Non Executive Directors.

5.2 Gary Devlin asserted that NAS is entering a period of greater risk and perceived financial risks include the impact of implementing the International Financial Reporting Standards (IFRS) and ScotlandsPeople Centre income.

5.3 The Non Executive Directors confirmed their view that the heritage sector faces an uncertain future and that NAS must have a clear view of its future direction. It was noted that experience of collaboration and project management processes is available within NAS. Dave Brownlee noted the expectation that Scottish Ministers will provide a clearer direction concerning public sector landscape reform by early December 2009.

5.4 It was agreed that a facilitated risk appraisal session would be beneficial.

6. Any other business

6.1 Dave Brownlee outlined Ministerial proposals for the future of the Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS). Merger would radically affect NAS in terms of structure, ICT, accommodation and customer services. Reconciliation of different governance arrangements and due diligence regarding status and terms and conditions of service would be required. Frank Manson asserted that the present concern is to advise Scottish Ministers with regard to the future role of NAS. The Public Sector Reform Bill will be agreed by 2 December 2008.

7. Date of next meeting

The next meeting will be held in early February 2009 at General Register House. Jenny Cutts will canvass for dates.

Jenny Cutts
16 October 2008