

National Archives of Scotland Audit Committee Meeting
Monday 29 October 2007, 9:30pm
Robertson Wing Meeting Room, General Register House

Present: Alison Chisholm (Chair, ROS)
George MacKenzie (NAS), Dave Brownlee (NAS), Jim Grady (NAS)
Scott Mackay (FCS: FEP)
Gary Devlin (Grant Thornton UK LLP)
Grace Jordan (Grant Thornton UK LLP)
Jenny Cutts (Secretary, NAS).

Apologies: Derek Glover (Accountancy Services), Alistair May (Internal Audit),
Clifford Shanbury (Grant Thornton UK LLP), Michael Healy (Internal
Audit), Margaret Gray (Internal Audit).

1. Minutes of last meeting held on 17 July 2007 (circulated) and matters arising

1.1 The minutes of the last meeting were agreed.

1.2 [3.6] Dave Brownlee stated that budget processes are established before 1 April to inform the annual corporate planning and budgeting exercise.

2. External Audit draft NAS Accounts 2006/07 and draft Report on the 2006/07 Audit (circulated)

2.1 Gary Devlin apologised that the draft account and reports had not been issued sooner and discussed the draft audit report 2006/07. Unqualified opinion was given on both the financial statements for 2006/07 and on the regularity of transactions undertaken during the financial year. He reported that the accounting records were of good quality and relatively few adjustments had been required. As such they were a proper reflection of NAS financial transactions. Certain changes had been implemented regarding the presentation of the accounts. One reason for the delay against the projected timetable for production of the draft accounts was changes necessary to comply with Finance Reporting Manual format, which had taken some time to achieve.

2.2 Alison Chisholm invited suggestions regarding how to ensure that deadlines for finalising the accounts were met and asked if initiating the audit process sooner would be practical. Gary Devlin agreed that this should be possible. It was noted though that finalisation of NAS accounts depends upon the workload of Derek Glover, SG Accountancy Services. It was also pointed out that the re-presentation of accounts required this year to comply with Finance Reporting Manual format was a one-off.

2.3 The budget underspend of £0.984 million was considered high within the context of the overall NAS budget, particularly as an overspend had been anticipated in late February/March 2007. Budget monitoring reporting prepared on an accruals basis was recommended to ensure that senior management have an accurate picture of the financial performance of the organisation throughout the year. Jim Grady explained that SG SEAS system requires cash accounting, but that monitoring reports to SG were given on a monthly basis. It was noted that the delay of building work for the Scottish Family History Centre had resulted in the consequent delay of payment for that work, thereby affecting underspend. Staff salaries are monitored monthly and expenditure on this item had come in close to

budget. The major factor affecting the budget this year had been the impairment charges of £4m. Thanks were expressed to the SG Finance Administration Team for enabling a solution to be found at the Spring Budget Revision exercise, though it transpired that the final impairment charge was not quite as high as originally estimated and this had a significant effect on the underspend. It was further noted that the impact of not using accruals accounting was emphasised by NAS currently running major capital projects, and that once these were completed the effect will be less significant. Jim Grady asserted that accruals accounting is used for annual budget approval and forecasts are made within financial year and within individual project timetables. The Scottish Family History Project account is updated monthly.

2.4 Gary Devlin made the point that as NAS is a small organisation with no dedicated officer to monitor high level accounts and budget, the use of SG Accounting Services was crucial throughout the year and not just at year end. It was noted that conflicting demands upon Derek Glover's time affected services to NAS and that his last minute absence from this meeting was due to required attendance at another meeting which took precedence. Jim Grady expressed thanks to Derek Glover for his ongoing direction and support with particular regard to impairment and noted that his services are used throughout the financial year and that he is consulted on all strategic financial matters.

2.5 Gary Devlin observed that overall governance arrangements operated well and asserted that Internal Audit rated highly upon review and Grant Thornton UK LLP were able to place reliance on their work.

2.6 Some progress on Best Value and Efficiency is required by NAS in respect of developing a formal approach to measuring continuous improvement that can be embedded in the corporate planning and reporting cycle.

2.7 Six recommendations are given in the draft report. None are rated 'high'. Dave Brownlee stated that all recommendations were accepted. Jim Grady commented upon the second recommendation which states that a formal budget timetable is not in place. He explained that the annual corporate planning process, which involves bi-lateral meetings between the Keeper and Branch Heads, included discussion of budgets was part of a formal budgeting process. This process is scheduled in relation to commencement of the financial year and is used to set budgets at cost centre levels and to populate SEAS. Dave Brownlee accepted that fixed dates relating to this process could be established for next year.

2.8 Recommendation 6, regarding measurement of efficiency savings or continuous improvement was accepted and discussed. George Mackenzie acknowledged that ideas were being sought regarding demonstration of efficiency savings. Gary Devlin recommended that Internal Audit be approached for a review resulting in the delivery of a framework to assist in this matter. Scott Mackay suggested that the ongoing efficiency requirements within SG might provide some reporting ideas which NAS may find helpful. Gary Devlin explained that most organisations are weak with regard to unit cost information which would show how much it costs to transact their business.

2.9 Gary Devlin reported that a standard Letter of Representation would be prepared and forwarded to Dave Brownlee for consideration. Provisional arrangements for signing four copies of the Accounts as required were made for w/c 12th November.

2.10 George Mackenzie expressed thanks to Jim Grady and NAS Finance and Administration Branch for their work in relation to the audit.

3. Any Other Business

It was noted that two non executive directors had been appointed to NAS Audit Committee in line with previous audit recommendations. Details of the successful applicants were given and it was noted that they were expected to attend the next meeting in January/February 2008. An induction day has been scheduled with senior management to take place on 17 December 2007. Alison Chisholm was asked to consider continuing her membership of the Audit Committee in order that membership numbers three in accordance with good practice. It was acknowledged that the quorum for Audit Committee meetings is two members.

4. Date of next meeting

It was agreed that good practice would be to set dates for all Audit Committee meetings at the start of the year and that three meetings per annum would be sufficient. It was further agreed that the newly appointed non executive directors be consulted regarding these issues. It was noted that the meeting concerning final accounts and audit report should take place between June and September and that fixing the date far in advance would enable the auditors to schedule their work towards meeting that deadline. Three Audit Committee meetings will be held during 2008 in January/February, June/July and September.

Jenny Cutts
13 November 2007