

Historic Scotland

Annual report on the 2010/11 audit



Prepared for Historic Scotland and the Auditor General for Scotland
September 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2010/11

We have given an unqualified opinion on the financial statements of Historic Scotland for 2010/11. Historic Scotland's overall financial position at 31 March 2011 is a net assets position of £16 million. After the initial submission of accounts, a Scottish Government review determined that Historic Scotland is now required to take into account cash balances held, before drawing down funding. This had a significant impact on the overall net assets reducing the closing position by nearly £10 million to £16 million. This change is incorporated in the audited financial statements.

Historic Scotland is required to work within the resource budget set by the Scottish Government. Historic Scotland underspent its resource budget by £0.637 million comprising cash overspend of £0.056m and non-cash underspend of £0.693m (Exhibit 1).

Historic Scotland and Glasgow School of Art are partners in The Centre for Digital Documentation and Visualisation Limited Liability Partnership (CDDV LLP). This is a relatively new body and we understand that audited accounts have not yet been provided and, as a result, Historic Scotland has not identified the fair value of its investment in CDDV LLP in the financial statements. We do not consider that the potential omission is material to our opinion.

Outlook

Historic Scotland is progressing with the Business Improvement Programme and reviewing priorities for future spending.

Historic Scotland's opening budget for 2011/12 indicated a planned overspend of £0.400 million which would be managed over the year. This approach ensures that the organisation is able to respond if its commercial income, which is difficult to forecast accurately, increases or decreases in the course of the year. A balanced budget was reported to the June 2011 Audit Committee for the coming year showing a cash underspend of £0.350 million. A 7.9% cut in the resource budget for 2011/12 presents Historic Scotland with a significant challenge. The Agency anticipates being able to manage the reduction in funding through organisational restructuring, administrative efficiencies and increasing revenue streams whilst protecting front line services.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Historic Scotland. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. Reports have been issued in the course of the year (Appendix A) and we do not repeat all of the findings in this report, but instead we focus on the financial statements.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that Historic Scotland understands its risks and has arrangements in place to manage these risks. The Board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to Historic Scotland and the Auditor General and should form a key part of discussions with audit committees, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by Historic Scotland.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income (except for local government bodies).
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary, statement on internal control and the remuneration report. Where required, auditors also review and report on the Whole of Government Accounts return. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of Historic Scotland for 2010/11 give a true and fair view of the state of the body's affairs and of its net operating cost for the year.
11. Historic Scotland is required to follow the 2010/11 Government Financial Reporting Manual (the FReM) and we confirm that financial statements have been properly prepared in accordance with the FReM.

Regularity

12. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we have also provided an opinion, that in all material respects, the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Remuneration report and statement on internal control

13. In our opinion, the audited part of the remuneration report has been properly prepared and is consistent with the financial statements.
14. We also confirm that we have no issues to report to you on the statement of internal control and its compliance with Scottish Government guidance.

Accounting issues

Accounts submission

15. A comprehensive set of financial statements and working papers were submitted for audit on 9 May, in accordance with a pre-agreed timetable. The audit fieldwork was completed on 2 June and matters arising from this work were reported to the Director of Finance on 2 June. A report covering any significant matters on the financial statements was issued on 14 June for the Audit Committee on 21 June. The revised financial statements were signed by the chief executive and accountable officer on 29 June following approval by the Agency Board.

Presentational and monetary adjustments to the unaudited accounts

16. A small number of presentational changes were required to the annual report and accounts as a result of our review of the disclosures required by the FReM. There was also a change to the layout of the statement of comprehensive net expenditure to incorporate the loss on the revaluation of assets (£261,000). However the most significant change was to the total taxpayers' equity (£2.1 million) and a restatement of prior year's equity (£6.7 million). This reflects a change in Scottish Government policy to the funding of Historic Scotland which developed after the initial submission of accounts. This is covered in further detail in the following paragraph.

Prior year adjustments

17. All central government bodies have been affected by the removal of the cost of capital in the 2010/11 FReM and some, including Historic Scotland, by increased disclosure of heritage assets. As noted above, the most significant prior year adjustment followed a Scottish Government review and Historic Scotland is now required to take into account cash balances held, before drawing down funding. This means that any cash balances held by Historic Scotland (£6.456 million, per Note 16 in the accounts) are to be used up before further funding will be made from Scottish Government. This cash balance is now shown as being a liability to the Scottish Government (Note 17) until expenditure is incurred from it. These changes are identified in the financial statements' accounting policy note as changes in accounting policy and appropriate amendments have been made to the prior year statements.

Scottish Ten project

18. Historic Scotland and Glasgow School of Art are partners in The Centre for Digital Documentation and Visualisation Limited Liability Partnership (CDDV LLP). The partnership agreement provides for a contribution to be made by Historic Scotland of up to £650,000 towards this collaborative venture, which will deliver digital documentation of the five Scottish world heritage sites and five international heritage sites (The Scottish Ten Project). CDDV LLP is a relatively new body and we understand that audited accounts have not yet been required, prepared or audited under the Companies Act and, as a result, Historic Scotland has not identified the fair value of its investment in CDDV LLP in the financial statements. We do not consider that the potential omission is material to our opinion on the financial statements, but

we do recommend that a valuation of the investment is obtained during 2011/12, by Historic Scotland, on the basis of audited financial statements or on another suitable basis.

Refer Action Plan No. 1

Whole of government accounts/ consolidation packs

19. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. Scottish Government agencies are expected to provide consolidation information for the Scottish Government consolidated accounts by mid-July. Historic Scotland submitted its pack to Audit Scotland for audit on 9 June and we submitted our Consolidation Certificate to the Scottish Government on 12 July. We had no significant issues to report. In addition agencies are required to submit a WGA consolidation pack. We received the pack for audit on 20 June. The audited return was completed on 31 August.

Outlook

20. The main change in the financial reporting framework (FReM) next year (2011/12) is that grants and donated assets should be recognised immediately, unless there is a condition that the recipient had not satisfied that would lead to repayment. Most grants and donated assets should be recognised as income, but grants from a sponsoring department to an NDPB should be credited to general reserves. As a consequence, the government grant reserve and donated asset reserve will no longer exist. This is likely to result in a presentational change to the financial statements at Historic Scotland next year.
21. Looking further ahead, from 1 January 2013 changes to international financial reporting standards (IFRSs) will become effective. This includes the introduction of:
- IFRS 9 - financial instruments (replacing IAS39)
 - IFRS 10 - consolidated financial statements (replacing IAS27)
 - IFRS11 - joint arrangements (replacing IAS31)
 - IFRS12 - disclosure of interest in other entities (replacing IFRS12)
 - IFRS 13 - fair value.
22. Revisions to the FReM for 2013/14 are included in the Financial Reporting Advisory Board (FRAB) forward work programme for 1 December 2011.

Audit appointment for 2011/12

23. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for Historic Scotland will be KPMG LLP. As this is the last year of our audit appointment, we would like to acknowledge the good working relationship that existed during our current appointment term with Historic Scotland and thank officers and members of the board and committees for their assistance during the last five

years. We will be meeting with the incoming external auditors, KPMG LLP, as part of a managed changeover process.

Financial position

24. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
25. Auditors consider whether audited bodies have established adequate arrangements and examine:
- financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
26. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results 2010/11

27. The Scottish Government sets a resource budget for the year for Historic Scotland which originates from the spending review settlement and is subsequently approved in the Budget Bill. During the year revisions are approved in the autumn and spring budget revisions. Historic Scotland is expected to manage its budget in accordance with its framework document and the Scottish Public Finance Manual.
28. In 2010/11 Historic Scotland exceeded its cash funding target slightly, but underspent the total resource budget set by the Scottish Government, mainly as a result of reductions in capital charges – see Exhibit 1 below.

Exhibit 1: Performance against resource budget 2010/11 (£ million)

Limits	Budget	Actual Outturn	Difference
Non Cash Expenditure	2.321	1.628	0.693
Cash Expenditure	48.760	48.816	(0.056)
Total resource budget	51.081	50.444	0.637

Source: Historic Scotland Annual Report and Accounts 2010/11

29. Historic Scotland recorded total comprehensive expenditure of £49.095 million (2009/10 £46.885 million). This was funded by drawn down cash funding of £46.594 million and through an increase in cash-balances.

Financial position at 31 March 2011

30. Historic Scotland's balance sheet at 31 March 2011 shows net assets of £15.984 million (2009/10 £18.328 million), a decrease due mainly to an increase in the amount due to Scottish Government as explained in paragraph 17, accrued expenditure and early retirement provision (see paragraph 38) partly offset by an increase in cash balances.

Capital investment and performance 2010/11

31. During the year work continued on the £12 million project to restore the Renaissance palace at Stirling Castle. The palace opened to the public in June 2011. Although there was a four week delay in completing the 31 month project the final cost will be one per cent less than the budget.

Financial planning to support priority setting and cost reductions

32. In response to tight financial constraints the Historic Scotland Management Team has reviewed the work and focus of Historic Scotland through an Agency-wide Business Improvement Programme. The key element of this work was undertaking a strategic economic appraisal of all activities and functions to provide a framework for the future allocation of resources to support sustainable economic growth and inform spending and staffing decisions across the Agency.
33. The Business Improvement Programme includes a wide range of projects including de-layering management levels, the establishment of IT, Communications and Digital Strategies, the identification of new income sources; the use of consultants, the introduction of improved governance arrangements and more streamlined and efficient working practices. Specific examples include replacing the Properties in Care Consent process with the Scheduled Monument Clearance Process, and reviewing their retail processes to deliver efficiencies in the travel trade business.

Asset management

34. Shortly after the year end the Stirling Castle palace project was completed, and work is continuing on the Bannockburn visitor centre project in collaboration with the National Trust for Scotland. The £3 million National Conservation Centre is the next project to be undertaken by Historic Scotland. The Agency will also review the asset portfolio to examine the opportunity to derive income through different uses.

Procurement

35. The Public Procurement Reform Programme aims to drive continuous improvement in public sector procurement. In 2009 the Scottish Government introduced a new annual evidence-based assessment, the procurement capability assessment (PCA), to monitor how far public sector bodies adopt good purchasing practice and as a basis for sharing best practice. Historic Scotland was assessed using the PCA tool. So far two rounds of PCA assessment have been completed. Historic Scotland's result increased between the reviews from an

assessment of 38% to 46% and the overall assessment is described as “Conforming Performance”.

36. Following the recent PCA in November 2010 an action plan was drawn up by the Head of Procurement with the aim of addressing those areas where progress could still be made to further improve procurement performance. This includes the approach to Supplier and Contract Management, sustainability issues and the use of Management Information.
37. Historic Scotland aims to achieve savings in procurement by centralisation of contract management for certain budget areas and working with other partners to undertake joint procurement.

Workforce reduction

38. Historic Scotland introduced a voluntary early retirement scheme. 21 staff left in 2010/11. The scheme will cost £933,000 over a number of years. The Scottish Government gave funding of £0.622 million towards the cost of the scheme.

Partnership working

39. Historic Scotland continues to develop working in partnership with others such as National Trust for Scotland, VisitScotland and RCAHMS to identify savings/benefits through joint procurement, and services such as ticketing, accommodation, retail, conservation and ranger services.

Outlook

2011/12 budget

40. Historic Scotland's opening budget for 2011/12 indicated a planned overspend of £0.400 million which would be managed over the year. This approach ensures that the organisation is able to respond if its commercial income, which is difficult to forecast accurately, increases or decreases in the course of the year. As part of the 2011/12 budget process Historic Scotland moved from incremental budgeting to zero based budgeting to ensure expenditure is focussed on achieving Historic Scotland's aims and objectives and contributes to the Scottish Government Purpose and Strategic Priorities. The main impact of a zero based budget approach was to enable Directors to be fully aware of the make up of the organisation's running costs and helping to identify areas where further savings could be made in future years. For example the Media & Communications department have terminated a long running consultancy contract during 2011/12 saving £0.045m annually and the budget for security and porters at Palace of Holyroodhouse has been reduced by £0.500m.
41. A balanced budget was reported to the June 2011 Audit Committee for the coming year showing a cash underspend of £0.350 million. The Historic Scotland baseline allocation from Scottish Government for 2011/12 is £45.4 million: a reduction of 7.9%. This presents Historic Scotland with a significant challenge. The Agency anticipates being able to manage the

reduction in funding through organisational restructuring, administrative efficiencies and increasing revenue streams whilst protecting front line services.

42. There is an additional capital allocation of £1.6 million for the Bannockburn Project in collaboration with National Trust for Scotland.

End Year Flexibility

43. As part of efforts to reduce national borrowing levels, the UK Government has announced the replacement of End Year Flexibility with a more restrictive Budget Exchange arrangement from 2011/12. The Scottish Government is in dialogue with HM Treasury about the ultimate implications for the Scottish Budget, including the extent to which it can carry forward any unspent funding from 2010/11 to future years.

Governance and accountability

44. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
45. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
46. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
47. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

48. The Chief Executive is supported by a Board which is responsible for ensuring that Historic Scotland fulfils the aims and objectives set by Scottish Ministers. The role of the Board includes establishing the overall strategic direction, monitoring performance against agreed objectives and ensuring that statutory requirements for the use of public funds are complied with.
49. Historic Scotland requires Agency Directors to submit Certificates of Assurance on the systems of internal control within their area of business to the Chief Executive. The certificates are supported by Internal Control Checklists. In 2010/11 there were no issues to report and the Chief Executive was able to submit a clear Certificate of Assurance to the Scottish Government.
50. Historic Scotland has an Audit Committee which monitors and reviews risk, control and corporate governance and reports to the Board.

Internal control

51. Our audit approach includes a review of the high level controls operating within Historic Scotland's key financial systems. Our overall conclusion from the 2010/11 review was that

key controls were operating effectively and that Historic Scotland has adequate systems of internal control in place. However we note that the statement on internal control within the 2010/11 financial statements refers to the retail system as a key area of risk and requiring time-consuming manual checks to ensure appropriate retail stock management. A new retail system which is a module of the Agency's existing admission system is being introduced in 2011/12. It is anticipated that this system will improve retail controls.

Refer Action Plan No. 2

Scottish Ten invoicing

52. We noted that amounts due to and from CDDV LLP for the Scottish Ten project had not been promptly invoiced. This leads to a risk that balances between the two organisations cannot be established accurately and there is also an increased risk that amounts are not recovered or that a delay in payment would adversely affect the cashflow position of CDDV LLP. Improvements in communication between Historic Scotland business areas will ensure that transactions with the Limited Liability Partnership are dealt with promptly.

Refer Action Plan No. 3

53. As part of our risk assessment and planning process we assessed the Scottish Government Internal Audit Division, Historic Scotland's internal auditors, and concluded that they operate in accordance with the Government Internal Audit Manual. We were therefore able to place reliance on their work in a number of areas as detailed within our annual audit plan.
54. In their annual report for 2010/11, Scottish Government Internal Audit Division provided their opinion that, based on the internal audit work undertaken during the year, there was substantial assurance in respect of Historic Scotland's risk management, control and governance arrangements.
55. In the interests of an efficient audit approach we rely on the work of Scottish Government Audit Division for our assurance on Historic Scotland's performance against key performance targets.
56. The statement on internal control within the 2010/11 financial statements accurately reflects the findings of internal and external audit.

ICT data handling and security

57. Historic Scotland is carrying out a review of its IT systems and resources with the aim of establishing an Information Systems Strategy which reflects business need and ensures that the annual investment in maintaining and developing technology provides value for money and is focussed appropriately on business critical systems.
58. The Agency's Business Continuity Software is being updated to reflect the organisational restructuring.

Risk Management

59. Historic Scotland reviewed risk management during 2010/11 to ensure processes for compiling risk registers and managing identified risks were fully embedded throughout all of Historic Scotland's operations. As a result of that review Historic Scotland is adapting the Scottish Government's approach. The risk management approach will include policy, procedures, guidance, risk appetite and a new risk register format. Training will be provided as part of the roll out. The new approach should lead to improved risk management supporting the delivery of the Agency's priorities.

Prevention and detection of fraud and irregularities

60. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
61. Historic Scotland has appropriate arrangements in place to prevent and detect instances of fraud and corruption including detailed policies and codes of conduct for staff and Board members covering gifts and hospitality.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

62. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We have concluded that the arrangements in Historic Scotland are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

63. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
64. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
65. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
66. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
67. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

Management arrangements

Best Value

68. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.
69. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.
70. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
 - vision and leadership
 - effective partnership

- governance and accountability
- use of resources
- performance management
- equality (cross-cutting)
- sustainability (cross-cutting)

71. In delivering the Business Improvement Programme Historic Scotland is considering best value guidance to ensure sound principles are followed by:

- defining clear roles and responsibilities to enable good governance and strong accountability
- communicating the values of the organisation to senior staff
- attempting to change the culture and ethos of the organisation to ensure good governance and accountability
- becoming more open and transparent in the way it operates and allocates funds
- developing the capability of senior staff to implement the Treasury Green Book when presenting business plans
- ensuring the organisation's processes support good governance and clear accountability.

72. For example Historic Scotland has considered the duties of best value in efficiency, governance and accountability in project management from evaluating, seeking approval for the implementation of the recommended solution to mapping benefits achieved across projects including:

- the introduction of new electronic cash returns which reduced the time taken to reconcile site income to bank accounts and
- the Visitor Attraction System Project from baselining the cost of current processes to exploring the introduction of efficiencies in a number of areas by the use of technology.

Overview of performance in 2010/11

Efficiency targets

73. Historic Scotland had five strategic priorities, 13 related key performance indicators and 31 specific targets for 2010/11. The three specific efficiency targets are:

- to deliver £3 million of efficiencies generated on revenue expenditure (£3.512 million achieved)
- to improve on the performance of the Agency's corporate services using the baselines in the corporate services benchmarking report. (Data has been collected for comparison and conclusions are being drawn)
- to develop new shared services opportunities with partners. (The provision of procurement services for three related organisations is being developed and work has

started on adapting the coding of a partner organisation's intranet for Historic Scotland's needs).

74. Other key performance indicators reported by Historic Scotland as achieved in 2010/11 include:
- contributing to the Scottish Government's Climate Change Targets. Automatic electricity meter readers were installed in 90 out of 170 properties, (representing 90% of total electricity consumption) and automatic gas meter readers were installed in 23 out of 25 properties
 - developing traditional skills through the employment and professional development of skilled craftspeople, including 93 employees with traditional masonry skills and training 25 stonemason apprentices
 - the development and application of new digital technologies and skills to support the historic environment by scanning the Neolithic Orkney Scottish World Heritage Site and Mount Rushmore, in partnership with Glasgow School of Art
 - increasing the contribution to Curriculum for Excellence by providing free education visits for 103,267 learners to Historic Scotland sites.
75. The only performance target not achieved in 2010/11 was ensuring 16 (50%) of Local Authorities adopted the removal of the duty to notify Historic Scotland for specified listed building consent applications. As at 31 March 2011, 11 Local Authorities had signed.

National performance reports

76. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Reports in the last year of direct interest are set out in Exhibit .

Exhibit 2: A selection of National performance reports 2010/11

- | | |
|---|---|
| <ul style="list-style-type: none"> • Improving energy efficiency: a follow-up report • Scotland's public finances: responding to the challenges | <ul style="list-style-type: none"> • The role of boards • Role of boards: a summary for non-executive board members • Management of the Scottish Government's capital investment programme |
|---|---|

Source: www.audit-scotland.gov.uk

The role of boards

77. The report noted that there remains a lack of clarity about the roles of the boards of public bodies, particularly the extent to which they provide leadership and strategic direction and examines this issue, along with other questions about the work of boards. The report

recommended amongst other things that the Scottish Government clarify the role of the non-executives of executive agencies.

78. Historic Scotland participated in fieldwork for the report. Historic Scotland assessed the role of the Board and all committees particularly in the light of the restructuring under the Business Improvement Programme.

Improving energy efficiency: a follow-up report

79. Scotland has ambitious targets to reduce greenhouse gas emissions and public bodies are adopting a more strategic approach to improving energy efficiency. However, the public sector as a whole is not yet reducing emissions at sufficient pace to set a good example or influence others, and future budget reductions may affect the level of investment available to achieve further improvement.
80. Historic Scotland's business travel review, funded by the Energy Saving Trust, in April 2011 recommended improving data systems in order to provide emissions data for travel. A Carbon Manager has been appointed to implement this process. Historic Scotland has recently published its carbon management plan for reducing carbon and setting more accurate targets and ensuring closer alignment with the Scottish Government's climate change targets. This will lead to action plans on Climate Change and Energy Efficiency and commit the Agency to reducing its carbon emissions by 25 per cent over the next five years.
81. *Scotland's public finances – addressing the challenges* was published on 25 August 2011. The report provides an overview of the financial environment facing the public sector in Scotland and the cost pressures currently faced. It outlines what the public sector is doing to respond to current and future budget reductions, and highlights a number of key risks and issues that the public sector needs to manage in responding to the challenges. Key messages from the report are:
- All parts of the public sector have less to spend in 2011/12 than in 2010/11, although the level of budget reductions varies significantly among spending areas. Most public bodies surveyed have been able to agree a balanced budget for 2011/12. However, there is a risk that savings needed may not be realised during the year.
 - Pay restraint and reducing workforce levels are the most common approaches being taken by public bodies to reduce costs over the next few years. Many bodies have already reduced staff levels through recruitment freezes or voluntary early release schemes and further reductions are planned. Good workforce planning is necessary to ensure that the right people with the right skills are available to deliver effective public services in the future.
 - The need to reduce costs provides public bodies with an opportunity to reform and streamline public service delivery. However, in doing so, bodies must focus on long-term financial sustainability. This requires a clear understanding of the organisation's costs, including how different activity levels affect costs, and a clear methodology for setting budgets based on priorities and the outcomes to be achieved.

82. Historic Scotland was one of the bodies surveyed and provided data for analysis on areas where savings are being generated including:
- the savings required in each year
 - actions identified to meet savings required such as service redesign, workforce reduction, change in organisational structure
 - savings planned from each option and the proportion of total savings
 - partnerships with others to achieve savings
 - communicating with board members, staff and stakeholders on the impact of savings.
83. As a result of participating in the fieldwork Historic Scotland re-focused on planning for the spending review and how savings impact on Scottish Government funding requirements.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue	Date presented to Audit Committee
Annual Audit Plan – Historic Scotland	3 March 2011	8 March 2011
Review of Internal Controls	4 May 2011	21 June 2011
Report on financial statements to those charged with governance	14 June 2011	21 June 2011
Audit opinion on the 2010/11 financial statements	14 June 2011	21 June 2011

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	18	<p>The Centre for Digital Documentation and Visualisation Limited Liability Partnership is a relatively new body and we understand that audited accounts have not yet been required, prepared or audited under the Companies Act. Historic Scotland has not identified the fair value of its investment in the financial statements.</p> <p>There is a risk that the non-disclosure of the valuation of Historic Scotland's investment becomes significant to the financial statements.</p>	<p>The valuation of the investment will be reviewed in 2011/12 on the basis of audited financial statements provided by the Partnership.</p>	Gordon McAllister	31 March 2012
2	51	<p>The retail system requires time-consuming manual checks to ensure appropriate retail stock management.</p> <p>There is a risk that the process of reconciliation is inefficient and any failure would lead to inaccurate information.</p>	<p>A new retail system which is a module of the Agency's existing admission system is being introduced in 2011/12. It is anticipated that this system will improve retail controls significantly.</p>	Jennie Smith	31 March 2015 as the system is rolled out across the Agency
3	52	<p>The amounts due to and from The Centre for Digital Documentation and Visualisation Limited Liability Partnership had not been promptly invoiced.</p> <p>There is a risk that balances between the two organisations</p>	<p>A report will be prepared for the Audit Committee as part of improvements in timeliness of invoicing.</p>	Gordon McAllister	14 December 2011

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		cannot be established accurately and there is also an increased risk that amounts are not recovered or that a delay in payment would adversely affect the cashflow position of CDDV LLP.			