

National Museums Scotland

Annual report on the 2010/11 audit



Prepared for National Museums Scotland and the Auditor General for Scotland
November 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 National Museums Scotland for 2010/11. National Museums Scotland's net asset position increased by £3.311 million to £213.880 million mainly due to capital works under the Royal Museum project.

The transformed National Museum of Scotland complex was reopened to the public on 29 July 2011 was on time and the project is currently being reported as being completed within the approved project budget.

National Museums Scotland is required to work within the budget set by the Scottish Government. National Museums Scotland operated within the overall resource budgets for cash and non-cash items, with an overall net under spend of £0.087 million.

The excess of expenditure over income after taxation, per the Income and Expenditure Account, increased to £20.896 million (2010/11 £19.952 million). The increase is due mainly to increased staff costs associated with the voluntary early release scheme operated during 2010-11 where 16 staff left the organisation at a cost of £0.522 million.

National Museums Scotland reports that it met or exceeded all of its performance indicators set by the Scottish Government, except one. The exception relates to learning participation which was not met because of large scale events having to be cancelled due to poor weather during the winter.

National Museums Scotland is required to make two per cent efficiency savings each year over the three years to 2010/11 and a further one per cent in 2010/11. National Museums Scotland achieved these efficiency targets making 2010/11 savings of £0.377 million.

Outlook

A 4.2% (£0.885 million) reduction in the resource budget for 2011/12 represents a significant challenge to National Museums Scotland particularly the need to address an estate maintenance backlog. National Museums Scotland has implemented a savings programme to deliver a balanced budget for 2011/12 which includes a reduction in staffing costs as a result of the voluntary severance scheme, increasing income and reducing operational costs. National Museums Scotland is in discussion with the Scottish Government regarding additional funding to help meet current and future maintenance requirements.

During late 2009 and 2010, National Museums Scotland reviewed its long term aspirations and refreshed its Strategic Framework. The outcomes of the review fed directly into the creation of its new four-year Strategic Plan, which aligns with the UK Government's Spending Review period (2011-15) and takes account of the tight financial constraints now in place across the public sector.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of National Museums 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). 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 National Museums 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 National Museums 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 the audit committee.
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 National Museums Scotland for 2010/11 give a true and fair view of the state of the body's affairs and of its incoming resources and application of resources, including its income and expenditure.
11. National Museums 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 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. The financial statements were submitted for audit on 27 June, in accordance with a pre-agreed timetable. The audit fieldwork was completed on 15 July and matters arising were discussed with the Head of Finance on a regular basis. The final clearance meeting was on 13 July. A report covering any significant matters on the financial statements was issued on 1 August for the Audit Committee on 4 August. The revised financial statements were signed by the Director and Accountable Officer on 30 September.

Presentational and monetary adjustments to the unaudited accounts

16. A 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.

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 National Museums Scotland by the change in disclosure of heritage assets. These changes are identified in Note 1 as changes in accounting policy and appropriate amendments have been made to the prior year statements.

Grant in Aid funding

18. We noted that Additional Grant in Aid of £87,000 was not received from the Scottish Government until after 31 March 2011. Normally this would be accounted for on a cash basis at the time of receipt (Financial Reporting Manual (FReM) 6.2.74). However, National Museums Scotland was able to rely on an exception to this treatment, as agreed by the sponsoring department and the relevant authority (in this case Scottish Government Finance). This agreement was obtained following an audit enquiry to the Head of the Financial Reporting Unit, with the Scottish Government, on 22 July.

National Museum Scotland Enterprises Limited (NMSE)

19. We noted that the single-entity balance sheet of National Museums Scotland includes a valuation for its investment in NMSE of £500,000. We understand this is an historic valuation based on the nominal value of shares in NMSE and has been unchanged for a considerable time. The accounting guidance indicates that the value of any investment should be at historical cost less impairment, it seem likely that the net worth of NMSE is around £223,000. We recommend that the valuation in the single entity balance sheet should be reviewed during 2011/12. This may also address the negative NMSE reserve position included in the consolidated balance sheet.

Action Plan No. 1

Elimination of intra-group transactions:

20. As part of the accounts preparation process National Museums Scotland prepared a consolidation schedule to eliminate the intra-group transactions and balances; however we are not clear that this schedule was applied in preparing the consolidated financial statements and there are minor errors in the consolidated income and expenditure account, as a result. Although the adjustments are not material this year they should be reviewed in the future to ensure that material intra-group transactions are eliminated.

Action Plan No. 2

Whole of government accounts

21. The whole of government accounts (WGA) is the consolidated financial statements for all branches of government in the UK. National Museums Scotland was required to submit a consolidation pack by 15 July prior to submission to audit. The pack was submitted by the due date and the audit was completed on the 31 August 2011.

Outlook

22. 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 of National Museums Scotland next year.

International financial reporting standards (IFRS)

23. UK government departments and other public sector bodies, excluding registered charities, prepared their accounts in accordance with International Financial Reporting Standards (IFRS) for the first time in financial year 2009/10 as part of an early adoption policy decided by UK Ministers. Over the next few years, registered charities in the UK, such as National Museums Scotland, will be required to prepare their accounts in accordance with IFRS under a slower timetable for convergence as determined by the UK Accounting Standards Board. However, a detailed timetable for the transition to IFRS has still to be decided. In the meantime, it is important that National Museums Scotland take appropriate preparatory steps in anticipation of the transition, particularly in regard to training of staff in the finance department on revised financial reporting disclosures and formats of accounts.

Audit appointment for 2011/12

24. 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 National Museums Scotland will be PricewaterhouseCoopers (PWC). 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 National Museums 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, PWC, as part of a managed changeover process.

Financial position

25. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
26. 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.
27. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results 2010/11

28. The Scottish Government provides National Museums Scotland with a budget and cash allocation for the year, 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. National Museums Scotland is expected to manage its budget in accordance with its financial memorandum document and Scottish Public Finance Manual.
29. The total grant in aid offered by the Scottish Government for National Museums Scotland for 2010/11 was £32.142 million. This figure comprises an operating budget of £21.924 million, purchase and acquisitions grant of £0.794 million, capital budget of £5.170 million and non-cash items of £4.254 million. In 2010/11 National Museums Scotland drew down its full cash grant in aid entitlement. National Museums Scotland is required to operate within its resource budget as set out in the Grant in Aid offer letter from the Scottish Government. In 2010/11 National Museums Scotland underspent its resource limit by £0.087 million. As illustrated in Exhibit 1.

Exhibit 1: Performance against resource budget 2010/11 (£ 000s)

Limits	Grant in aid offer	Actual Outturn
Operating costs	21,924	21,884
Purchase grant	594	594
National Fund for acquisitions	200	200
Capital – Royal Museum Project	3,330	3,330

Limits	Grant in aid offer	Actual Outturn
Capital – Granton extension	1,600	1,600
Capital – Other	240	240
Depreciation and impairment	4,254	4,207
Total	32,142	32,055

Source: National Museums Scotland Account Accounts 2010-11

30. The FReM requirement to account for grant in aid as a credit to reserves has resulted in an excess of expenditure over income to reserves of £20.896 million (2010/11 £19.952 million) The increase of £0.944 million is due mainly to increased staff costs associated with the voluntary early release scheme operated during 2010-11 and an increase in depreciation due mainly to impairments on the valuation of recently completed new buildings.

Financial Position at 31 March 2011

31. National Museums Scotland's consolidated balance sheet at 31 March 2011 shows total net assets of £213.603 million compared to £210.309 million as at 31 March 2010, with the increase due mainly to capital works on the Royal Museum.

Budgetary control

32. Our review of National Museums Scotland's budget setting and monitoring arrangements was satisfactory. We found that senior management were receiving budget monitoring reports on a regular (monthly) basis. Action was taken by management to address any negative variances. Initiatives in 2010/11 to control expenditure included a voluntary exit scheme, improved efficiencies from staff re-profiling, cost cutting through better procurement and service development programmes being cancelled and re-provided with existing budgets.

Capital investment and performance 2010/11

33. National Museums Scotland were set a capital budget of £ 5.17 million for 2010/11 (5.216 million in 2009/10). The major capital projects related to the Royal Museum refurbishment project (£3.3 million) and also the capital project related to the collection storage facility in Granton Edinburgh (£1.6 million).
34. National Museums Scotland carried out a major refurbishment of the Royal Museum building in a £48 million project funded jointly by the Scottish Government, Heritage Lottery Fund and National Museums Scotland's own resources (mainly specific fund raising). The National Museum of Scotland complex reopened to the public on 29 July 2011 on time and the project is currently being reported as being completed within the approved project budget.

Financial planning to support priority setting and cost reductions

35. A number of initiatives have been introduced to enable National Museums Scotland to meet the budget reductions applied for the current and future years these include identifying savings at directorate level on staff costs and operational costs. National Museums Scotland are also aware of the added cost pressures that will result from the higher operational costs from the refurbished Royal Museum project and the need to carefully monitor the performance of NMSE in 2011/12 and beyond. Internal Audit is planned to carry out a review of the key financial controls and key business risks in NMSE in February 2012.

Workforce reduction

36. A voluntary early exit scheme was introduced in 2010/11. The scheme ran 2 separate early release/ early retirement schemes and sixteen staff at National Museums Scotland chose to accept offers of early retirement/voluntary severance at 31 March 2011 at a total cost of £0.522 million.

Partnership working

37. National Museums Scotland continues to develop useful and mutually beneficial relationships with private and public sector organisations to support the delivery of their objectives. They have formal partnerships with the National Trust for Scotland for the operation of the National Museum of Rural Life and the National Piping Centre in Glasgow through major collection loans and curatorial advice. National Museums Scotland have also developed formal partnerships with three regional museums which focus on sharing knowledge, skills development and collection loans.

Outlook

2011/12 budget

38. Scottish Ministers have agreed a resource budget for 2011/12 of £20.385 million for National Museums Scotland which is a 4.2% (£0.885 million) reduction. Working within this budget represents a significant challenge to National Museums Scotland in particular to address an estate maintenance backlog of £19.1 million over 10 years and the situation will become critical in 2011/12 when it has been recommended that £4.6 million is spent on addressing priority maintenance to bring the estates up to normal operational standard. National Museums Scotland has implemented a savings programme to deliver a balanced budget for 2011/12 which includes a reduction in staffing costs as a result of the voluntary severance scheme, increasing income and reducing operational costs. National Museums Scotland are working with the Scottish government to agree the level of additional funding for the estate maintenance backlog.

39. Internal Audit carried out a review of the financial planning arrangements underpinning the 2011/12 budget with a focus on the extent to which the savings and income appear sustainable. They also reviewed the draft financial scenarios for the remainder of the spending review period (2012-13 to 2014-15). They reported one low risk audit finding for management's attention.

End Year Flexibility

40. 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

41. 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.
42. 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.
43. 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
44. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

45. The Board of Trustees is responsible for ensuring that National Museums Scotland fulfils the aims and objectives set by Scottish Ministers. The role of the Board of Trustees 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.
46. National Museums Scotland has an Audit Committee which monitors and reviews risk, control and corporate governance and reports to the Board.

Internal control

47. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, our wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
48. As part of our risk assessment and planning process we assessed the KPMG, National Museums 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.

49. Our audit approach includes a review of the high level controls operating within National Museums Scotland's key financial systems. As part of their planned audit work KPMG carried out a financial control risk self-assessment and we were able to rely on that work reducing the level of testing we undertook. Our overall conclusion from the 2010/11 review was that key controls were operating effectively and that National Museums Scotland has adequate systems of internal control in place.
50. In their annual report for 2010/11, KPMG provided their opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.

Prevention and detection of fraud and irregularities

51. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
52. National Museums Scotland has adopted the relevant procedures and guidance contained in the Scottish Public Finance Manual. It has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including 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

53. 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. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in National Museums 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

54. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
55. 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.
56. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
57. 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

58. 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.
59. 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.
60. 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)
61. In responding to budget reductions for future years National Museums Scotland is considering best value guidance to ensure sound principles are followed.

Overview of performance in 2010/11

62. National Museums Scotland's key performance targets are set out in Section 2 of its new Strategic Plan 2011-2015. The performance indicators are reported to each Board of Trustees meeting and to the Scottish Government on a quarterly basis.
63. During the year National Museums Scotland met or exceeded most of its main performance indicators: visitor numbers were 1.32 million against a target of 1.29 million, despite the temporary closure of the Royal Museum building for refurbishment; loans for display were 2,269 against a target of 1,600; the number of academic publications was 115 against a target of 100 and; environmental targets were achieved mainly through lower waste production.
64. Only one target was not met and this related to learning participation numbers which were 154,000 against a target of 180,000. This was due to a number of large scale events having to be cancelled due to poor weather during the winter period.
65. In the current three year budget settlement National Museums Scotland is required to make two per cent efficiency savings each year over the three years to 2010/11 and a further one per cent in 2010/11. National Museums Scotland achieved these efficiency targets making 2010/11 savings of £0.377 million.

National performance reports

66. 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 2.

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

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| <ul style="list-style-type: none"> • Improving energy efficiency: a follow-up report • The role of boards | <ul style="list-style-type: none"> • Management of the Scottish Government's capital investment programme |
|---|--|

Source: www.audit-scotland.gov.uk

Improving energy efficiency: a follow up report

67. 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.

68. National Museums Scotland have submitted the footprint report and annual report to the Scottish Environment Protection Agency (SEPA) by the 29 July 2011 deadline to comply with the new Carbon Reduction Commitment. SEPA are planning to check/audit the underlying information later in the year and National Museums Scotland intend to report on findings to the Audit Committee in due course

The role of boards

69. The Audit Scotland 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.
70. National Museums Scotland completed its own internal audit of Corporate Governance and its Board in December 2009 and completed all the agreed actions. The report has been sent to the Board Members.

Management of the Scottish Government's capital investment programme

71. The report noted that Scottish Government funding for capital investment will decrease by over a third in the period £3.3 billion to £2.1 billion and although the accuracy of cost estimating has improved in recent years slippage continues to affect many projects. The reports recommendations included that public bodies should improve early stage estimating of the cost and time of projects and carry out post project evaluations.
72. National Museums Scotland completed the major refurbishment of the Royal Museum and it was opened on time and the project is currently being reported as being completed within the approved budget. A post project evaluation of the project is planned in 2011/12.

Outlook

73. National Museums Scotland published its new Strategic Plan 2011-15 in July 2011. It now has in place a revised Strategic Framework for the next 10 years (2011-2021) to enable it to prioritise, increase the organisation's impact and achieve its ambitions. The new Plan sets out its priorities and intended outcomes for the four year period (2011-15), and includes details of the resources required to achieve them while taking account of the tight financial constraints now in place across the public sector. The Plan also sets out how the organisation's activities contribute to the Scottish Government's National Outcomes.

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 – National Museums Scotland	9 February 2011	24 March 2011
Key financial controls assurance report	31 May 2011	31 May 2011
Report on financial statements to those charged with governance	1 August 2011	4 August 2011
Audit opinion on the 2010/11 financial statements	1 August 2011	4 August 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	20	<p>The valuation of NMSE in the accounts is a historic valuation based on the nominal value of shares in NMSE and has been unchanged for a considerable time. The valuation of NMSE should be reported at historical cost less impairment</p> <p>There is a risk that the NMSE valuation may be overstated in the consolidated balance sheet.</p>	Officers have confirmed that they will review the valuation in 2011/12	Director of Finance	31/03/12
2	21	<p>National Museums Scotland prepared a consolidation schedule to eliminate the intra-group transactions and balances; however we are not clear that this schedule was applied in preparing the consolidated financial statements and there are minor errors in the consolidated income and expenditure account, as a result.</p> <p>There is a risk that although the adjustments are not material this year they should be reviewed in the future to ensure that material intra-group transactions are eliminated.</p>	In the future National Museums Scotland will review the intra group transaction to ensure that all material intra- group transactions are eliminated from the group accounts.	Director of Finance	31/05/12