
National Records of Scotland

Annual Report to the Accountable
Officer and Auditor General for
Scotland

For the financial year ended 31 March 2013

30 September 2013

141 Bothwell Street
Glasgow
G2 7EQ

For the attention of the Accountable Officer
National Records of Scotland
Ladywell House
Ladywell Road
Edinburgh
EH12 7TF

30 September 2013

Dear Madam,

We are pleased to enclose our External Audit Annual Report to the Accountable Officer and the Auditor General for Scotland for the financial year ended 31 March 2013. This report also discharges our obligations under International Standards of Auditing (“ISA”) 260: Reporting to those charged with Governance. We have assumed that the responsibility for governance has been discharged to the Accountable Officer by the NRS Board.

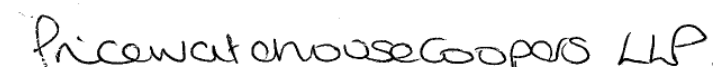
The primary purpose of this report is to communicate the significant findings arising from our external audit that we believe are relevant to those charged with governance, and to meet our obligations as set out within the Audit Scotland Code of Practice (May 2011).

The scope of our audit and risk assessment was set out in our audit plan, presented to the Audit and Risk Committee on 27 February 2013 and the subsequent update reported on 29 May 2013, where the risk of fraud in revenue recognition (non-grant in aid) was identified as a significant audit risk. We have subsequently reviewed our overall audit plan and concluded that our original risk assessment remains appropriate. The procedures we have performed in response to our assessment of significant and elevated audit risks are set out within this report.

We have completed our year end external audit work on the financial statements and expect to issue an unqualified audit opinion.

We would like to take this opportunity to thank NRS Finance staff and management for their cooperation and assistance throughout the audit process.

Yours faithfully



PricewaterhouseCoopers LLP

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Section 1: Introduction

We have pleasure in presenting this report relating to our external audit of National Records of Scotland (NRS) financial statements for the year ended 31 March 2013.

We have discussed this report with the Accountable Officer and Strategic Finance and Governance Manager as part of our audit process. The purpose of this report is to formally update the Accountable Officer and inform the Audit and Risk Committee and the Board on the outcome of the audit and of any significant matters that have arisen during the course of our work.

Scope, nature and extent of our audit

Our overall responsibility as external auditor of NRS is to undertake our audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice. In this regard, the Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector, involving not only assurance on the financial statements but also consideration of areas such as regularity, propriety, performance and the use of resources. It also sets out the need to recognise that the overall audit process is a co-ordinated approach involving the “appointed auditor” and the Auditor General for Scotland. Our audit has been planned and conducted to take account of these wider perspectives.

Under the requirements of International Standard on Auditing (UK and Ireland) (‘ISA’) 260: “Communication of audit matters to those charged with governance”, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Report to the Accountable Officer, together with previous reports to the Audit and Risk Committee throughout the year, discharges the requirements of ISA 260.

The audit process

We received a draft set of financial statements, except for the governance statement and remuneration report (caused by a delay in NRS receiving the information) and supporting working papers within the timetable agreed. Draft financial statements and associated working papers were generally of a good standard, with an improvement noted against the prior year. Due to delays in receiving the governance statement and remuneration report plus some outstanding queries we were only able to complete our work on 9 August which was later than scheduled.

A number of disclosure amendments were discussed and agreed with Management and are reflected in the final financial statements.

Opinion

We have completed our year end external audit work on the financial statements and have issued an unqualified audit opinion. Our opinion is also unqualified in respect of the Remuneration Report and of consistency of the Board Report with the financial statements.

Significant auditing and accounting matters

Section 4 contains other matters for the attention of those charged with governance, including communication required under International Standard on Auditing “Communication with those charged with governance”. During the audit, we discussed with management NRS’ policy of amortising website images (an intangible asset) over a period of 60 years and revaluing these every five years. **See Appendix 1, Action Point 2.**

We are also required to communicate with you regarding any significant deficiencies in internal control of which we are aware. We identified some minor recommendations for improving NRS's internal control, which are included in **Appendix 1**. However, these are not deemed to be significant to impact on NRS's Governance Statement.

Section 2: Financial performance

Financial performance 2012/13

	2012/13	2011/12
INCOME	£'000	£'000
Administration Income	(7,099)	(7,875)
EXPENDITURE		
Staff costs	13,766	14,657
Administration expenditure	13,756	24,294
	<u>27,522</u>	<u>38,951</u>
Net Operating Cost for the Year	<u>20,423</u>	<u>31,076</u>
Other comprehensive income	(135)	246
Total Comprehensive Expenditure for the Year	<u>20,288</u>	<u>31,322</u>

* As extracted from the 2012/13 Comprehensive Expenditure statement.

There was a significant reduction in administration expenditure from £24.294million to £13.756million. This was due to the fact that the prior year expenditure figure included a significant amount of expenditure associated with the delivery of the census.

The results for the year are reported in the attached accounts. They record a Net Resource Outturn of £20.423 million, compared to the Resource Budget of £20.654million. This underspend (1.1%) arose mainly from underspends within staff costs (£0.171million) and supplies and services (£0.485million) and increased income (£0.269million).

Capital expenditure in the year included the replacement of the roof on Thomas Thomson House at a capital cost of £0.919million. Significant capital expenditure of £0.815million was also incurred with respect to ICT projects, which included the NRS IT Solution Programme. Overall, capital expenditure for the year was £1.899million compared to a budget of £1.950million. The underspend of £0.051million mainly arose through slippage on ICT projects.

Performance against budget

	Budget 2012/13	Actual 2012/13	Variance
	£'000	£'000	£'000
Administration Income	(6,830)	(7,099)	(269)
Staff Costs	13,937	13,766	(171)
Administration Expenditure	13,547	13,756	209
Total Expenditure	<u>27,484</u>	<u>27,522</u>	<u>38</u>

* As extracted from the 2012/13 Comprehensive Expenditure statement. Budget figures and variances are unaudited.

NRS has performed in line with budget in the year, with only minor variances noted across total income and expenditure. Throughout the year NRS continued to monitor performance against budget through review of quarterly management accounts.

Financial outlook – 2013/14 and beyond

Performance against budget

	Budget 2013/14	Draft Budget 2014/15
	£'000	£'000
Contracts Income	(920)	(920)
Fees and Charges	(5,354)	(5,219)
Rental Income	(343)	(346)
Total Income	(6,618)	(6,486)
Staff Costs	13,687	13,348
Goods and Services	9,252	8,139
Capital Charges	2,225	2,225
Grants	140	140
Total Expenditure	25,304	23,853

NRS continues to face challenges in 2013/14 due to reductions in Scottish Government funding, which have occurred since 2011/12. Key challenges include:

- Census Outputs – budgets were set assuming that Census outputs would be complete by the end 2012. However, due to complexities emerging processing continues into 2013 which has impacted on staff budgets.
- ICT amalgamation – NRS are undertaking significant IT projects. Progress has been slowed due to the loss of two Heads of ICT and procurement difficulties. As a result spend will continue later than planned, however, this was mitigated slightly by bringing forward maintenance spend into 2012/13.
- The 2013 pay award was not budgeted for in 2013/14 but will be incorporated as part of Management's internal Autumn budget revision exercises, but additional savings will need to be identified in order to offset this additional expenditure.
- Income forecasted at the start of the financial year is now anticipated to be lower than forecast creating a budget gap which is being monitored and will need to be closed.

A paper on NRS's IT projects was presented to the Audit and Risk Committee in May 2013, which gave an update on the ITSOL programme and completed actions. The IT project is being managed by a Programme Board, who are responsible for overseeing the risks associated with activities and budget. A schedule of activities has been developed, with the project due to be completed by March 2014. The project has also been impacted due to the loss of two key IT staff. Given the importance of the project and the costs involved, progress and associated costs should continue to be monitored by the Programme Board and reported to the Audit and Risk Committee. An analysis of the intended benefits against the actual benefits should be undertaken when the project has completed to identify any lessons learnt. **See Appendix 1, Action Point 3.**

NRS's biggest area of spend is on staff costs. To control costs in this area, NRS have planned to undertake a review of any vacant posts before automatically recruiting to establish if the post is required. NRS anticipate that further funding cuts will occur from 2014/15 onwards. A comprehensive review of current activities is planned to identify areas where savings can be made and ensure income generation is maximised.

As part of the spending review, on a portfolio basis, NRS have been asked to consider:

- How best can the 1% of resource savings against existing 2014/15 budgets be achieved;
- What scope is there for further efficiencies over and above what has already been agreed;
- Are there options for upfront capital investment in 2014/15 and 2015/16 that would release savings in these years; and
- What options exist to increase income generation, including charging for services and asset disposal.

Looking ahead this will be an area of focus for NRS as the budget becomes increasingly challenging.

Section 3: Key areas of audit focus

Our audit followed the strategy set out in our Audit Plan which was presented to the Audit and Risk Committee on 27 February 2013 and the subsequent update reported on 29 May 2013 where the risk of fraud in revenue recognition (non-grant in aid) was identified as a significant risk. We confirm that there has been no cause for us to vary the planned scope of our work as set out in the two papers referred to.

Our response to the areas of audit focus identified in the audit plan:

Risk identified/area of audit focus	Audit response
Management override of controls	<p>We have reviewed management's overall fraud arrangements and policies. We have reviewed a sample of significant journal entries (based on our assessment of risk) and examined management's accounting estimates for bias. We also carried out unpredictability testing by extending the period around year-end where we perform more detailed testing over allocation of income and expense to the 2012/13 financial year.</p> <p>This work did not identify any errors that required adjustment to the financial statements. We did, however, note a control weakness in that 5 of the journal entries tested had not been signed off as authorised by a second member of staff. Full details are included in Appendix 1.</p>
Risk of fraud in Revenue recognition (non grant-in-aid)	<p>As part of audit work, we performed substantive testing on a sample of income transactions from NRS key income streams. We also performed detailed testing around the year-end period to ensure that income recorded in the 6 weeks pre and post year-end was attributed to the correct financial reporting period. Our testing also looked at the accounting for income accrued at 31 March 2013.</p> <p>Testing over journal entries also included journal entries processed against revenue account codes with the aim of testing if they were appropriate and that they were supported by a clear business rationale.</p> <p>This work did not identify any errors that required adjustment to the financial statements.</p>
Risk of fraud in Recognition of operating expenditure	<p>As part of our audit work, we performed substantive testing on a sample of expenditure transactions. We also performed detailed testing on expenditure post and pre year-end period to ensure that transactions recorded in the 6 weeks pre and post year-end was accounted for in the correct financial reporting period. We also tested accrued expenditure as at 31 March 2013 and undertook specific testing to identify potentially unrecorded liabilities at the year end.</p> <p>Testing over journal entries also included journal entries processed against expenditure account codes with the aim of testing if they were appropriate and that they were supported by a clear business rationale.</p> <p>This work did not identify any errors that required adjustment to the financial statements.</p>
Accounting for accruals and provisions	<p>We examined a sample of accrued expenses and related supporting documentation to verify that expenditure had been accrued accordingly. We also performed detailed testing over a sample of payments made post year-end to identify any expenditure related to 2012/13 which had not been accounted for.</p>

Risk identified/area of audit focus

Audit response

Valuation of Non-Current Assets

We reviewed the valuations undertaken for land and buildings and engaged our internal valuations experts in order to confirm the appropriateness of management's chosen treatment. For a sample of properties revalued in the year, our valuations team considered:

- Whether the appropriate basis of valuation has been adopted.
- Whether appropriate methodologies have been used for valuing the different assets
- Whether the valuation methodologies have been applied appropriately by the valuer
- Whether the key valuation assumptions adopted for the largest asset falls within the range that we would expect.

Our team also considered the qualifications and credentials of the valuer and the objectivity of the valuer (including conflicts of interest etc)

NRS's land and buildings were revalued in the year, resulting in a slight overall gain which has been reflected in the 2012/13 financial statements.

Amortisation of website images/heritage assets

As at 31 March 2013, NRS had intangible assets relating to website images of £7.366million. It was identified that management amortise website images over a period of 60 years and revalue back to cost every five years. Although a judgemental area, we have raised this as an area of consideration for management in 2013/14 as per accounting standards assets should not be amortised if they do not have a foreseeable useful life.

A heritage asset is an asset which has a value because of its contribution to society, culture or knowledge. In line with accounting standards, NRS also have a policy of not capitalising heritage assets as a reliable value cannot be placed upon these assets. However, NRS have capitalised antiques and works of art which could be classified as heritage assets.

Management have agreed to review their policy of capitalising asset classes (outwith land and buildings) and depreciation and amortisation in 2013/14 to ensure assets are classified appropriately and have the most appropriate useful lives. **See Appendix 1, Action Point 3.**

Section 4: Significant audit and accounting matters

Required communications on significant matters

The following table contains communication required under ISA 260 (revised and re-drafted) “Communication with those charged with governance”.

Requirement	Delivery of requirement
Uncorrected and corrected differences	There are no unadjusted differences to report to you. Several financial and disclosure points were identified, all of which have been adjusted for by management in the final financial statements.
Significant accounting principles and policies	Significant accounting principles and policies are disclosed in the notes to the financial statements. We will ask the Accountable Officer to represent to us that they have considered the accounting policies and that there have not been any material changes in the accounting principles and policies used during the year. We have raised one recommendation in relation to the amortisation policy of website images. See Appendix 1.
Significant qualitative aspects of accounting practices and financial reporting, management’s judgments and accounting estimates	We reviewed management’s judgements and accounting estimates in respect of land and buildings valuations, provisions for early retirement and accrued income and expenditure. We are satisfied with management’s methodology and use of experts in estimating the market value of land and buildings. We also identified no exceptions in our testing over accrued expenditure and provisions.
Deficiencies in the internal control environment	The purpose of our audit was to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Any deficiencies in internal controls identified during our audit have either been reported in our Interim Management letter (May 2013) or in Appendix 1 to this report. No significant control weaknesses have been identified which affect NRS’s Governance Statement.
Details of material uncertainties related to events and conditions that may cast significant doubt on NRS's ability to continue as a going concern	We have not encountered any material uncertainties which cast doubt upon the ability of NRS to continue as a going concern.
Significant difficulties encountered during the audit	We did not encounter any significant difficulties in performing the audit work required. Overall, the audit was more efficient than the prior year. However, there was a delay in receiving both the remuneration report (which was outwith NRS’ control) and the governance statement.

Requirement	Delivery of requirement
Confirmation of audit independence	We confirm that, in our professional judgment, as at the date of this document, we are independent auditors with respect to NRS within the meaning of UK regulatory and professional requirements and that the objectivity of the audit engagement leader and the audit staff is not impaired.

Section 5: Governance, accountability and internal control

As part of our wider external audit remit, stemming from our responsibilities under Audit Scotland's Code of Audit Practice, we are required to consider NRS's governance and accountability arrangements in our audit work.

We provide brief comment on NRS's governance systems and structures below.

Governance Statement

As your external auditors, we are required to review the governance statement before publication and report as to whether the statement complies with relevant guidance, is misleading, or is inconsistent with other information obtained during the audit. There is no set format for NRS' governance statement; however, the Scottish Public Finance Manual outlines the following essential features including: the governance framework of the organisation, an assessment of the organisation's risk management arrangement and details of any significant lapses in data security.

We do not consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of internal control or risk management arrangements. We have reviewed the governance statement and confirm that there are no matters to report.

Corporate governance and internal control

NRS are a non-ministerial Government Department, headed by the statutory roles of the Registrar General and the Keeper of the Records of Scotland. NRS are associated with the Scottish Government and are part of the Scottish Administration under Section 128(6) of the Scotland Act 1998.

The Chief Executive and Accountable Officer are responsible for ensuring that NRS fulfils the aims and objectives set by Scottish Ministers. The role of the Board is to provide an advisory function in respect of the overall strategic direction of NRS, monitoring performance against agreed objectives and considering the arrangements in place for NRS to meet its statutory requirements.

The Board is supported by the Audit and Risk Committee, which has responsibility for providing an advisory role in respect of risk and internal control.

We have considered internal control as it concerns the key financial systems and, to an extent, forms the basis of our audit risk assessment. The purpose of our audit is for us to express an opinion on the financial statements. This includes consideration of internal control relevant to preparation of the financial statements in order to design appropriate audit procedures. It does not extend to expressing an opinion on the effectiveness of internal control.

We are required by ISA 265 to report to those charged with governance and management deficiencies in internal controls that the auditor has identified during the audit and that, in the auditor's professional judgment, are of sufficient importance to merit their respective attentions.

We have not identified any significant weaknesses in the current system of internal controls in the course of our audit work.

Prevention and detection of fraud

Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. As part of our external audit, we have reviewed NRS's high level arrangements for preventing and detecting instances of fraud and corruption. There are no matters we wish to bring to your attention concerning fraud.

NRS have a fraud policy, which is available to employees on the intranet. NRS also have in place 'A guide to reporting fraud' which summarises this guidance. A fraud response co-ordinator is also in place, whose contact details are provide to employees within guidance provided.

Standards of conduct

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 not become aware of any issues concerning NRS's arrangements that we need to identify in this report.

Internal Audit

As described in our Annual Plan, International Standard on Auditing (UK and Ireland) 610: "Using the work of internal auditors" requires us to:

- Consider the activities of Internal Audit and the extent that their work can be relied upon for external audit procedures;
- Obtain sufficient understanding of internal audit activities and the effectiveness of the function to enable us to identify areas of risk and develop an effective and targeted audit approach; and
- Evaluate and test the quality and timeliness of internal audit work, where we seek to rely on the findings, in order to confirm its adequacy for our purposes.

Internal Audit planned to cover the following areas as part of their 2012/13 plan:

- Key Financial and Related Systems
- Carbon Management Plan
- ScotlandsPeople Centre
- Stakeholder Relations
- NHSCR

Internal Audit's opinion for 2012/13 concluded:

"In consideration of the audit work undertaken...the results of the work carried out by colleagues on the SG's corporate systems audit and the action taken in response to our findings, we are able to provide Substantial Assurance in respect of the NRS's risk management, control and governance arrangements".

There was a delay in Internal Audit issuing there 2012/13 audit opinion. This annual opinion informs the Accountable Officer's assessment of the control environment and conclusions set out in the Governance Statement. In turn we also consider this report prior to signing of the accounts to ensure there are no material areas of concern highlighted. Going forward, this report should be provided to Management earlier, ideally as soon as practical after the financial year end and completion of Internal Audit work. **See Appendix 1, Action Point 4.**

Reliance on Scottish Government Systems

NRS uses SEAS, the Scottish Government financial ledger and a number of financial functions are performed by the Scottish Government on behalf of NRS, primarily in the areas of managing accounts payable, payroll and banking services. On an annual basis the Accountable Officer receives assurances from both the Director of Finance and the Director of Corporate Services at the Scottish Government. In addition, for the 2012/13 financial year, Audit Scotland, in its role of external auditor to the Scottish Government, produced third party assurance reports for certain financial and payroll services. The scope of these reviews and opinions issued by Audit Scotland are summarised below:

Scottish Government Financial Services Controls Report

Audit Scotland's report describes the control environment of the Scottish Government Financial Services, focusing on the SEAS accounting system and related services supplied by the Finance Directorate, covering the general ledger, accounts payable, accounts receivable, banking and non-current assets register,

Audit Scotland Opinion:

Our opinion has been formed on the basis of the matters outlined in this report....In our opinion, in all material respects:

- *The description fairly presents the Scottish Government Financial Services system as designed and implemented throughout the period from 1 April 2012 to 31 March 2013*
- *The controls related to the control objectives stated in the description were suitably designed throughout the period from 1 April 2012 to 31 March 2013*
- *The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from 1 April 2012 to 31 March 2013.*

Scottish Government Payroll Services Controls Report

Audit Scotland's report describes the control environment of the Scottish Government Payroll Service for the payment of salaries, fees and allowances; it also describes the arrangements for Travel Management Procedures and Staff Expense Claims.

Audit Scotland Opinion:

Our opinion has been formed on the basis of the matters outlined in this report....In our opinion, in all material respects:

- *the description fairly presents the Scottish Government Payroll Service system as designed and implemented throughout the period from 1 April 2012 to 31 March 2013*
- *the controls related to the control objectives stated in the description were suitably designed throughout the period from 1 April 2012 to 31 March 2013*
- *the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from 1 April 2012 to 31 March 2013.*

Risk Assessment

The Audit and Risk Committee provide independent assurance to NRS on the effectiveness of risk management and internal control arrangements and performance effectiveness. The Audit and Risk Committee review the Strategic Risk Register quarterly.

NRS's strategic risk register for 2012/13 contains 13 risks. Risks are assigned an overall risk rating and an owner. Two risks were rated 'high risk' on the 2012/13 strategic risk register as at May 2013:

- Staff resource is not available to allow delivery of objectives; and
- Staff morale results in key staff taking up permanent positions elsewhere.

The Chief Executive has been assigned as the owner of each of these risks. Required actions have been identified which include ensuring budgets to replace key staff lost through voluntary severance, identifying minimum levels of specialist staff required to carry out required duties and raising the profile of NRS.

Appendices

Appendix 1: Action plan

We have identified the following areas for development during the course of our audit::

No	Finding	Risk	Recommendation
1	We tested a sample of 14 journals in the year and found that 3 were not signed off as authorised and approved for posting to the general ledger.	Unauthorised journals are posted undetected to the ledger	<p>Management should ensure a robust process is in place to ensure all journals posted to the ledger are reviewed by an appropriate member of staff.</p> <p>Management response: Following a review of the sample material provided by PWC, it was noted that in most cases journals were authorised by the requester and checked by the finance team, but finance staff checks had not been evidenced. With immediate effect, appropriate procedures will be put in place to tighten up controls over the journal process.</p> <p>Agreed owner: Jim Grady</p> <p>Timetable: 30 September 2013</p>
2	<p>Management amortise website images over a period of 60 years. Although a judgemental area, we have raised this as an area of consideration for management in 2013/14 as per accounting standards assets should not be amortised if they do not have a foreseeable useful life.</p> <p>A heritage asset is an asset which has a value because of its contribution to society, culture or knowledge. In line with accounting standards, NRS also have a policy of not capitalising heritage assets as a reliable value cannot be placed upon these assets. However, NRS have capitalised antiques and works of art which could be classified as heritage assets.</p>	Amortisation is charged which does not reflect the life of the asset.	<p>Management should consider the rationale of amortising website images over a period of 60 years given that these assets do not appear to have a foreseeable life. Management should review their policy of capitalising asset classes (outwith land and buildings) to ensure assets are classified appropriately and have the most appropriate lives.</p> <p>Management response: In consideration to this finding we will undertake a review of capitalising asset classes (outwith land and buildings) and associated lives, seeking agreement in advance of PWC's 2013-14 Interim Audit</p> <p>Agreed owner: Craig Stewart</p> <p>Timetable: 31 December 2013</p>
3	NRS are undertaking a significant IT project in terms of scale and costs involved. The project has been impacted due to the	A lack of monitoring may lead to slippage	Given the importance of the IT project and the costs involved, progress and associated costs should continue to be monitored by the Programme Board

No	Finding	Risk	Recommendation
	loss of two key IT staff. The project is overseen by a Programme Board and a paper was presented to the Audit and Risk Committee in May 2013.	in the project schedule or overspend against budget.	<p>and reported to the Audit and Risk Committee. An analysis of the intended benefits against the actual benefits should be undertaken when the project has completed to identify any lessons learnt.</p> <p>Management response: A key role of the ICT Project Board (PB) is to monitor activities, timescales and costs of this project. The Audit and Risk Committee (ARC) will continue to receive regular progress reports, with one of our ARC members continuing his advisory role at PB meetings.</p> <p>A benefits analysis will be produced after this project is concluded.</p> <p>Agreed owner: Anne Courtney</p> <p>Timetable: TBC – Follow up in 31 December</p>
4	There was a delay in receiving Internal Audit's opinion for 2012/13. This annual opinion informs the Accountable Officer's assessment of the control environment and conclusions set out in the Governance Statement. In turn we also consider this report prior to signing of the accounts to ensure there are no material areas of concern highlighted.	Control weaknesses later identified may not flow through to the annual Governance Statement.	<p>Going forward, Internal Audit's report should be provided to Management earlier, ideally as soon as practical after the financial year end and completion of Internal Audit work.</p> <p>Management response: The 2012-13 Audit Plan was not approved until midway through 2012-13. Internal Audit and NRS management have expressed a desire to finalise the 2013-14 Internal Audit Plan at an earlier point in the year, and NRS's ARC will also be supportive of this view.</p> <p>The internal audit timetable runs from June to May and it's acknowledged that concluding the Internal Audit Annual Report is unlikely to be available at the time of PWC's final audit of NRS Accounts.</p> <p>We will discuss this further with both PWC and IA to seek an agreeable arrangement.</p> <p>Agreed owner: Craig Stewart</p> <p>Timetable: 31 December 2013</p>

This report has been prepared for and only for the National Records of Scotland in accordance with the terms agreed with Audit Scotland in our engagement letter dated 17 March 2012 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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