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# *National Records of Scotland*

Annual Report to Those Charged  
with Governance and the Auditor  
General for Scotland

Year ended 31 March 2015

September 2015



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PricewaterhouseCoopers  
141 Bothwell Street  
Glasgow  
G2 7EQ

For the attention of the Accountable Officer and Audit and Risk Committee,  
National Records of Scotland,  
Ladywell House,  
Ladywell Road  
Edinburgh  
EH12 7TF

August 2015

Ladies and Gentleman,

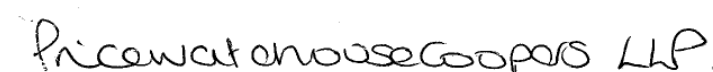
We are pleased to enclose our Annual report to the Accountable Officer, Audit and Risk Committee and the Auditor General for Scotland in respect of our audit for the year ended 31 March 2015. The primary purpose of this report is to communicate the significant findings arising from our audit that we believe are relevant to those charged with governance. We have assumed that the responsibility for governance has been discharged to the Accountable Officer by the National Records of Scotland Board, (as advised by the Audit and Risk Committee).

The scope and proposed focus of our audit work was summarised in our audit plan, which we presented to the Audit Committee in February 2015. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate. The procedures we have performed in response to our assessment of significant audit risks are detailed in Section 2.

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the financial statements on 1st October 2015. At the time of writing, the key outstanding matters, where our work has commenced but is not yet finalised, are completion of subsequent events review and receipt of the signed letter of representation from Management. We will provide an oral update on these matters at the meeting on 1st October 2015.

We look forward to discussing our report with you on 1st October 2015. Attending the meeting from PwC will be Martin Pitt and Gillian Collin.

Yours faithfully



PricewaterhouseCoopers LLP

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# Section 1. Executive summary

## Introduction

We set out in this report our significant findings from our audit of the National Records of Scotland (“NRS”) for 2014/15, together with those matters which auditing standards require us to report to you as “those charged with governance” of NRS.

We carried out our audit work in line with our 2014/15 audit plan that we presented to you on 26 February 2015. Our audit is not designed to identify all matters that may be relevant to you. 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.

## Framework for Our Audit

Our audit is conducted in accordance with Auditing Standards (International Standards on Auditing (‘ISAs’) (UK and Ireland)) and the Code of Audit Practice (‘the Code’).

The Code explains how external auditors should carry out their functions under the Public Finance and Accountability (Scotland) Act 2000. The audit of financial statements is covered by engagement and ethical standards issued by the UK Auditing Practices Board (APB), so the Code focuses more on the wider functions of public sector auditors. We have conducted our audit in accordance with the relevant requirements of the Code.

## Respective Responsibilities of Management and Auditors

### *Management*

It is the responsibility of the Board and the Accountable Officer to prepare the financial statements and ensure that they present a true and fair view, and to maintain an appropriate internal control framework

It is the responsibility of NRS management to prepare the financial statements in compliance with statutory and other relevant requirements, including the Government Financial Reporting Manual (FRoM) 2014-15. This means:

- Acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure the financial transactions are in accordance with the appropriate records;
- Maintaining proper accounting records;
- Preparing financial statements on a timely basis which give a true and fair view of the financial position of NRS and its income and expenditure for the year ending 31 March 2015; and
- Preparing a Governance Statement and a Remuneration Report.

### *Auditors’ responsibilities*

Our responsibilities in accordance with the Code of Audit Practice are to provide you with an audit report stating whether, in our opinion the financial statements and the part of the Remuneration Report to be audited and give an opinion on:

- whether they give a true and fair view of the financial position of the entity and its expenditure and income for the year;
- whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;

- whether the information which comprises the annual report included with the financial statements is consistent with the financial statements; and
- whether expenditure and receipts have been incurred and applied in accordance with guidance from Scottish Ministers (the regularity opinion).

We are also required to review and report as necessary on other information published with the financial statements, including the directors' report, annual governance statement, statement on internal control or statement on internal financial control and the remuneration report.

## Financial Statements

The draft accounts we received were of a good quality. We proposed only minor disclosure audit adjustments to the draft financial statements. There are no unadjusted misstatements at the conclusion of our audit, as these have been resolved and accepted by management.

## Financial performance

The key financial performance for NRS can be summarised as follows.

Total incoming resources from administration income for 2014/15 were £6.272m, a decrease of £0.420m (6.3%) compared to the prior year. The decrease can mainly be attributed to a decrease in fees and charges income received from external customers to the Scotland's People Centre, in person and via the website, which is variable in nature. A gain of £0.453m was also recognised in the year from the sale of Station Road, a building owned by NRS which was surplus to their strategic needs for storage facilities.

Net operating costs for 2014/15 increased to £19.463m, a slight increase of £0.180m from 2013/14. Whilst overall operating costs have remained fairly static, there were offsetting movements in certain areas of expenditure such as staff costs (which increased by £0.587m) and grant expenditure (which decreased by £0.8m).

In order to meet the deficit between expenditure and administration income, NRS received £17.702m of agency funding from the Scottish Government in 2014/15. This is a reduction of £2.655m on the prior year. Total Comprehensive Expenditure for the year was £18.795m, representing an underspend of £1.632m compared to budgeted expenditure.

Please note that copies of this report will be sent to the Audit Scotland in accordance with their requirements.

We would like to thank the management and staff of NRS for their co-operation and assistance during the course of our work.

## Section 2: Significant audit and accounting matters

Set out below is a summary of our response to matters identified in our audit plan:

Matter arising	Audit response
<p><b><i>Fraud and management override of controls</i></b></p> <p>ISA (UK&amp;I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Reviewed management’s overall fraud arrangements and policies;</li> <li>• Reviewed accounting estimates for bias, including the determination of the useful lives attributed to website images (intangible assets) and considered the impairment exercise carried out by management to identify any indicators of impairment;</li> <li>• Performed detailed testing over a sample of income and expenditure transactions;</li> <li>• Tested manual journals to ensure their ‘legitimacy’; and</li> <li>• Performed ‘unpredictable’ procedures regarding the ownership of fixed assets by agreeing a sample of buildings recorded on the NCAR register to the title deeds.</li> </ul> <p><b><i>Our testing did not identify any issues to bring to your attention.</i></b></p>
<p><b><i>Recognition of income</i></b></p> <p>Under ISA (UK&amp;I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. There is a risk that NRS could adopt accounting policies or treat income transactions in such a way as to lead to material misstatement in the reported revenue position.</p> <p>We have rebutted this risk for contract income, as this income is standardised in nature and received in periodic block payments. There is also a low risk of manipulation of this income, as it can be directly agreed to contracts.</p>	<p>We obtained an understanding of key revenue controls and evaluated and tested the accounting policies for income recognition to ensure consistency with the requirements of the Financial Reporting Manual (FReM).</p> <p>We performed detailed testing over revenue from fees and charges by performing targeted testing of the year end adjustment for the annual grossing up of the income from the Scotland’s People website, and testing a sample of contract and fees and charges income.</p> <p>We also performed cut off testing over invoices raised in the month pre and post year end to confirm that income was recorded in the correct financial year.</p> <p><b><i>Our testing did not identify any issues to bring to your attention.</i></b></p>

Matter arising	Audit response
<p><b>Recognition of expenditure</b> Under ISA (UK&amp;I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition.</p> <p>We have extended this presumption to the recognition of expenditure in the public sector, as there is a greater risk associated with the recognition of expenditure in NRS, owing to the fact that it is largely funded on the basis of its ongoing resource requirements as a public sector entity.</p> <p>This risk has been assessed as being significant for accommodation and supplies and services expenditure.</p>	<p>We obtained an understanding of key expenditure controls and evaluated and tested the accounting policies for expenditure recognition to ensure consistency with the requirements of the Financial Reporting Manual (FRoM).</p> <p>We performed detailed testing over a sample of expenditure transactions, focussing on accommodation and supplies and services expenditure.</p> <p>We performed a search for unrecorded liabilities to ensure that the liabilities which ought to be included at the year-end had been included correctly.</p> <p><b><i>We did not identify any issues to report to you as a result of this work.</i></b></p>

## Materiality

We have conducted our work in accordance with the materiality levels detailed below.

	£
<b>Overall materiality</b> – This is the amount we have applied in assessing the overall impact on the group financial statements of potential adjustments	<b>£520,680</b>
<b>Performance materiality</b> - We have applied this to direct the amount of work performed over each financial statement line item – for example in calculating sample sizes	<b>£390,510</b>
<b>De-minimis posting level</b> - Under ISA (UK & I) 450, we are required to report to the Audit Committee on all unadjusted misstatements in excess of a ‘de-minimis’ or ‘clearly trifling’ amount	<b>£26,034</b>

## Misstatements and significant audit adjustments

There are no uncorrected misstatements arising from our audit to report to you.

## Accounting Estimates

We have identified the following significant accounting estimates in relation to the financial statements of NRS.

### Useful Lives of Intangible Assets

NRS hold digitised website images of records including birth, death and marriage records, as well as parish records. These have been created in order to preserve historical archives, as well as to ensure that they are accessible to users. These records are accessible to the public via the Scotland’s People Website and at physical locations. These website images generate an income stream from the charges which are paid by members of the public to access them.

The website images are currently held at the cost of bringing them to their current (digital) state and are amortised over the perceived useful lives of the images. Management have estimated that the images will



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continue to generate income for 60 years from the date they were capitalised. This is deemed to be a reasonable estimate based on the expected discounted cash flow generated by them.

In the year, management performed a review of website images and confirmed that the approach to hold them at historic cost net of amortisation is appropriate in line with IAS38. We concur with this treatment.

Management have also performed a review of the future discounted cash flows for these assets, anticipated over the remaining 54 years and concluded that there were no indicators of impairment. We have completed a sensitivity analysis over this data, and noted that income would have to fall by 23% for an impairment to be recognised within the financial statements.

Given that income has reduced by 7% in the current year, we agree with management's conclusion that an impairment has not occurred.

## Qualitative aspects of accounting practices

### *Financial statement disclosures*

We have also reviewed the material disclosures in the financial statements. While we identified some errors within the disclosures required in the financial statements and these were addressed by Management, no significant issues were identified as part of this work.

### *Governance Statement*

The Financial Reporting Manual requires the Accountable Officer to sign a Governance Statement which covers all controls including financial, operational, compliance and the management of risk.

We reviewed the governance statement and considered the following:

- Compliance with the required elements as published by the Scottish Public Finance Manual; and
- Consistency with the remainder of information presented within the annual accounts and our overarching understanding of the entity.

Based on our normal audit procedures, **we do not disagree** with the disclosures contained in the Statement.

## Section 3. Financial performance

### Financial targets

**Table 1: Financial performance summary 2014/15**

	<b>Outturn £ 000</b>	<b>Budget £ 000</b>	<b>Variance £ 000</b>
Income – Contract Income	933	920	13
Income – Fees and Charges	5,042	6,300	(1,258)
Income – Rental Income	297	280	17
<b>Total Admin Income</b>	<b>6,272</b>	<b>7,500</b>	<b>(1,228)</b>
Expenditure – Staff Costs	14,438	14,730	(292)
Expenditure – Admin	11,750	13,650	1,900
<b>Total Expenditure</b>	<b>26,188</b>	<b>28,380</b>	<b>(2,192)</b>
Gain on Disposal of Asset (Station Road)	453	453	-
<b>Net Operating Costs for the Year</b>	<b>19,463</b>	<b>20,427</b>	<b>(964)</b>

The results for the year record a Net Resource Outturn of £19.463m compared to the Resource Budget of £20.427m, an underspend of £0.964m.

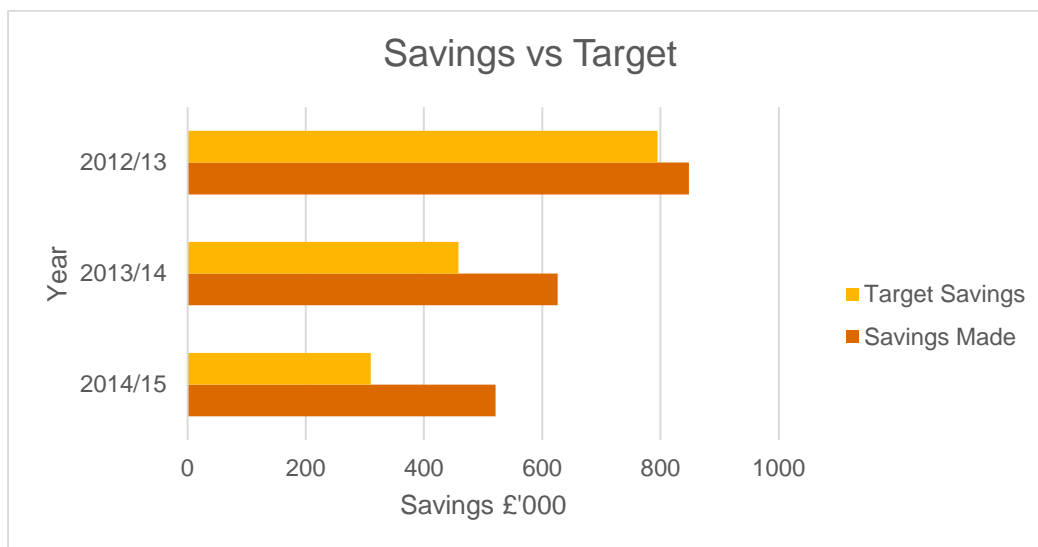
There was an increase in staff costs, which account for 55% of the total expenditure, of £0.587m in the year primarily due to an increase in voluntary exit costs. NRS agreed 18 voluntary redundancy agreements during 2014/15. These are managed through the Scottish Government Civil Service Pensions Scheme (myCSP) and incurred as part of NRS' savings plan.

This one-off expense has been incurred as a part of the NRS savings and efficiency strategy. The increase in staff costs was offset by decreases in other areas of expenditure, such as grants paid out in the year.

Total administration income was £1.228m below budget for the year, predominantly due to a decrease in fees and charges income received from external customers using the facilities available at NRS's sites.

In 2014/15, NRS had an efficiency savings target of £0.31m, which NRS exceeded with total savings of £0.521k which were achieved through adoption of a number of new processes, including Demand Management of utilities, Effective Stakeholder/Technical engagement and using Scottish Government Collaborative Frameworks.

As shown in the graph below, NRS have achieved their savings targets for the last three years:



## Financial sustainability

Financial sustainability has become a key matter for consideration by all public sector entities due to the financial clients and it is vital that management consider longer term financial plans. NRS will be impacted by reduced funding available from the Scottish Government and a decrease in income generated from visitors fees and charges. To ease these financial pressures and reduce any impact on organisational objectives, management have identified the need to consider alternative means of revenue generation, whilst continuing to make efficiency savings. Management are currently undertaking an income review, the focus of which is to consider how to maximise key revenue streams. For example, increasing the records available via ScotlandsPeople is being considered, as well as future income which will be generated from the 2021 Census. In addition, an Estates Strategy is underway reviewing the changing needs of users and how best to maximise NRS property.

The Financial Plan for 2015/16 identifies the following key areas of income and expenditure:

**Table 5: 2015/16 Financial Plan**

<b>NRS</b>	<b>2015/16 Planned Budget £ 000</b>
Income – Fees and Charges	6,801
Income – Rental Income	320
<b>Total Self-Generated Income</b>	<b>7,121</b>
Expenditure – Staff Costs	15,119
Expenditure – Goods and Services	14,135
Expenditure – Capital Charges	2,225
Expenditure – Grants	140
<b>Total Expenditure</b>	<b>31,618</b>
<b>Net Operating Costs</b>	<b>24,497</b>

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NRS receive agency funding from the Scottish Government each year. For 2015/16, this is expected to be £23.24m (excluding capital agency funding). This will leave a £1.26m deficit between total income and expenditure, which will be met through savings and generation of additional income.

## 2016/17 and beyond

### *Cost pressures and efficiencies*

NRS's Strategy 2012-2022 provides a vision for the first ten years of NRS' existence, following the merging of the General Register Office for Scotland and the National Archives of Scotland in 2012. NRS has five key strategic objectives, which have been designed in line with the key themes of the organisation, and are aligned within the Strategy to the Scottish Government National Outcomes.

NRS are currently in the process of developing their financial strategy for 2016/17 onwards, which will take accounts of the findings from the ongoing income review and how the NRS intend to deliver against the Scottish Governments 3% efficiency savings target.

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# ***Section 4. Governance and internal control***

## **Governance structure**

NRS is a Non Ministerial Department (NMD) of the Scottish Government, led by a Chief Executive who fulfils the role of Registrar General and Keeper of the Records of Scotland, both of which are statutory roles. NRS 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 Management Board are responsible for advising the Chief Executive on the strategic and operational matters within NRS. The Management Board meet on a quarterly basis. The Accountable Officer who was in post during 2014/15 retired on 8<sup>th</sup> April 2015. The previous Head of Census Delivery took up the post of Head of Corporate Services and Accountable Officer in May 2015.

NRS revised their corporate structure in 2014/15, replacing the existing Senior Management Team (SMT) with two new groups – the Business Leadership Group and Corporate Leadership Group. These, along with the Audit and Risk Committee sit below the Management Board.

The Audit and Risk Committee are responsible for advising the Accountable Officer on matters of risk, governance and internal control and meet on a quarterly basis. The Audit and Risk Committee are also responsible for overseeing work conducted by both internal and external audit. The Business Leadership Group is responsible for oversight of the day to day management of NRS, and meets every quarter. The Corporate Leadership group is focussed on the strategic direction of the Business, in particular implementation of the Management Board decisions and overseeing the transformation of the organisation. This group is chaired by the Chief Executive and meets on a monthly basis.

Oversight of the day to day operations of NRS is the responsibility of the Senior Management Team. This is comprised of Senior Management from across the organisation and is chaired by the Chief Executive.

Our review of the operation of governance arrangements in 2014/15 noted no variations from that which is outlined above and we consider that the governance arrangements in place are appropriate.

## **System of internal control**

The Accountable Officer, in conjunction with management and the Audit Committee, is responsible for developing and implementing systems of internal financial control and having in place proper arrangements to monitor their adequacy and effectiveness in practice.

We review these arrangements for the purposes of our audit of the financial statements and for our review of the annual governance statement and report to you any significant deficiencies in internal control that we find during our audit.

We noted a number of findings during our planning and year end audit work to bring to your attention. These are set out in Appendix One. The follow up of prior year findings is shown within Appendix Two.

Based on our work performed we consider the systems of internal control to be appropriate.

## Risk management

NRS has an established risk management strategy within the organisation, supported by a toolkit which can be used by all levels of management to identify, assess and manage risks. NRS also has in place a strategic risk register, which is reviewed by the Audit and Risk Committee on a quarterly basis. Each of the assessed risks has a designated owner, and is tracked over time. For each of the risks identified, there is a target rating, which shows the tolerance which NRS has deemed appropriate in relation to that risk.

In addition, there are operational risk registers in place at a divisional level, which are related directly to the operational objectives. These registers are reviewed on a quarterly basis by the Programme Board, and annually by the Audit and Risk Committee.

NRS are in the process of updating the risk management framework to ensure that it is in line with the organisations revised Corporate Governance Structure. The key risks which are identified within NRS are:

- Failure to protect sensitive data;
- Contraction of Scottish Government Funding; and
- Reduction of Income from public services due to the economic climate.

NRS have identified a number of actions to mitigate against these risks, including commencing an income review, strengthening of the IT infrastructure and using digital technology to improve accessibility to the ScotlandsPeople service.

## 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.

NRS’ internal audit services are provided by the Scottish Government in house function, who perform a programme of work in line with an agreed audit plan. In 2014/15, Internal Audit planned to perform work on the following areas:

- Public Records (Scotland) Act
- Contingency Planning
- I.T. Asset Management

As in prior years, we have taken no reliance on the work performed by internal audit, however, we met with Internal Audit prior to our audit work commencing to discuss the internal audit plan and to inform our risk assessment.

At the time of audit fieldwork, internal audit reports for the above areas had not yet been finalised, and therefore were not available for our review. We have no reason to consider that the internal audit arrangements are not appropriate for the needs of the organisation. However, going forward, management and internal audit should work together to ensure that all planned internal audit work is completed within the timescale determined by the Internal Audit plan, to assist the Accountable Officer writing an informed statement on Internal Control within the annual report. We note that all three reports for 2014/15 were finalised before the Accountable Officer signed the Governance Statement.

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## 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 2014/15 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:

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 2014 to 31 March 2015
- The controls related to the control objectives stated in the description were suitably designed throughout the period from 1 April 2014 to 31 March 2015
- 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 2014 to 31 March 2015.

### ***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:

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 2014 to 31 March 2015
- The controls related to the control objectives stated in the description were suitably designed throughout the period from 1 April 2014 to 31 March 2015
- 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 2014 to 31 March 2015, except for those controls over payroll amendments and the travel booking process which did not operate effectively throughout the period.

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## ***Section 5. Fraud***

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors and management are summarised below:

### **Auditors' responsibility**

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

### **Management's responsibility**

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

### **Prevention and detection of fraud and corruption**

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's internal control environment is designed to prevent and detect instances of fraud, specifically through published anti-fraud policies and procedures, segregation of duties and authorisation processes. All fraud is investigated by the Fraud Response Co-Ordinator, who will assess the risk of the fraud and record the issue, consulting with other sources regarding the allegations and calling a meeting of the Fraud Response Group when required. There is a fraud hot-line in place, however staff can also report information via e-mail to a specific inbox, or through written communications. There is a fraud policy in place, showing how to contact the Fraud Response Co-Ordinator, and the responsibilities of NRS in relation to fraud. No instances of fraud/corruption were reported during the year.

Based on audit work performed we consider that the controls in place to prevent and detect fraud or corruption to be suitable for the operations of the Board.



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## ***Section 6. Independence***

### **Independence and objectivity**

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters.

There are no matters which we perceive may impact our independence and objectivity of the audit team.

### **Independence conclusion**

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to NRS, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

# Appendix One: Current Year Findings

Deficiency	Recommendation	Management Response
<p><b>List of Services which are chargeable for VAT</b></p> <p>There is currently not a comprehensive listing of all chargeable services, and no central check within finance to ensure that VAT on invoices is treated correctly.</p>	<p>The listing of chargeable services on the NRS intranet should be updated to include all services provided by the entity.</p> <p>Finance should perform a sense check of invoices to ensure that the VAT treatment is in line with this listing of chargeable services. This will assist in ensuring that the year-end VAT return is accurate</p>	<p>Accepted</p> <p>Individual business areas do have fees and charges information that they use. As part of the income review project with Internal Audit, one of the recommendations was a need for a more formal price list and VAT information schedule to be available and circulated in NRS and also available to customers. This list has yet to be drawn up as it is linked to a VAT review that is ongoing.</p> <p><b>Implementation Date:</b> March 2016</p>
<p><b>Authorised Signatory List for Invoice Requests</b></p> <p>Whilst Finance do perform a sense check on who is authorising invoice requests, there is no listing held of individuals who are authorised to do this task.</p>	<p>A list of individuals who are authorised to approve invoice requests should be created, with finance confirming that those approving invoices are on this list.</p>	<p>Accepted</p> <p>This is an improved control that we are implementing – it is linked to the income review project outcomes as a review on the invoice issuing process is recommended across NRS to cover the value of invoices (to ensure our costs are covered) and a list of who can authorise the raising of an invoice.</p> <p><b>Implementation Date:</b> March 2016</p>
<p><b>Fixed Asset Verification</b></p> <p>There is currently no process by which the Finance Team can verify the existence and condition of the fixed assets.</p>	<p>A programme of verification of fixed assets should be designed and implemented.</p>	<p>Accepted</p> <p>The finance team have scheduled an annual check of assets – both physical verification and verification of the useful lives.</p> <p><b>Implementation Date:</b> December 2015.</p>

<p><b>Reconciliation of Brightsolid Income</b></p> <p>Currently there is not a formal process completed on a regular basis to reconcile the Brightsolid Income to the system. This reconciliation can be completed, however there is not a set timescale for completing these.</p>	<p>The reconciliation of Brightsolid income to the system should be performed on a monthly basis. This should include reconciling the income received to the sales invoice and the remittance advice to the system.</p>	<p>Accepted</p> <p>The finance team have already introduced some improvements on income reconciliation which mitigates the majority of this risk. This contract expires in August 2016 when this issue will no longer exist as under the terms of the new contract NRS will have direct control over income.</p> <p><b>Implementation Date:</b> N/A</p>
<p><b>Related Parties</b></p> <p>A new related party form was created in 2014/15 to capture the related parties of the Board and their close family members. As this was the first year of the new forms, there was no requirement to have these dated, and there was no instruction to sign the form.</p>	<p>Related party forms should all be signed and dated by the member of the Board when completed.</p>	<p>Accepted</p> <p>This will be updated for 2015/16 related party disclosure forms.</p> <p><b>Implementation Date:</b> March 2016</p>

# Appendix Two: Follow up of Prior Year Findings

Finding	Recommendation	Status Update
<p><b>Accounting for intangible assets</b> In accordance with our recommendation within our 2012/13 annual audit report, management have conducted both an impairment and useful life review of their website images, classified as intangible assets. This review concluded that the useful life of 60 remains appropriate for the asset, and that the present value of the asset's future cash flows is not less than the current carrying value of the asset.</p>	<p>Management should continue to review the useful life and the extent to which the website images may be impaired on an annual basis, as part of the accounts preparation process. Should circumstances change which impact key presumptions, management should ensure estimates are revised as appropriate.</p>	<p><b>Implemented</b> This has been performed as a part of the preparation of the annual accounts. There have been no indicators that an impairment has been found for the year.</p>
<p><b>Process for identifying related party transactions</b> At present there is a lack of formal process through which NRS search for related party transactions based on members' declarations of interests. In the current year, the prior year list of interests was used to search for current related party transactions. Whilst this did not lead to any omissions, it did lead to unnecessary searches taking place. There is also a lack of clarity over the type of parties NRS defines as related parties, and a lack of a defined materiality threshold over which transactions will be disclosed in the accounts.</p>	<p>Management should establish a formal process to be followed as part of annual accounts preparation to ensure that all related party transactions are captured. Management should define what would constitute related parties (in accordance with the Government Financial Reporting Manual) to NRS, and the materiality level applied to ensure that all relevant transactions are captured.</p>	<p><b>Implemented</b> Related Party declarations of interests have been received from all members of the board for 2014/15. This has been performed in line with the Government Financial Reporting Manual.</p>

<p><b>Finance team resourcing</b> Due to the loss of key members of the finance team in the year, the team was understaffed throughout the year end. As a consequence the financial statement preparation process was the sole responsibility of one individual. Whilst there were no significant matters highlighted in relation to the financial statements, there is a high level of dependency on one member of staff, which may lead to business continuity issues. In addition there is a lack of segregation of duties or review in key financial processes</p>	<p>Management should undertake a review of resourcing as soon as possible, and ensure that staffing is sufficient in terms of both time and skills.</p>	<p><b>Implemented</b> There have been 5 more staff roles advertised within finance, with interviews for 4 of these positions currently underway.</p>
<p><b>IT Programme Board</b> Given the importance of the IT 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.</p>	<p>As above.</p>	<p><b>Partially Implemented</b> The programme is still ongoing at this point. Meetings have been occurring to review the benefits of the IT programme board project.  The Board meeting on 22 June reviewed an exception report and considered a forward-looking plan to complete the NASNet migration and de-commissioning activities, and other considerations on the scope of the programme such as NRS infrastructure. This will include considerations regarding lessons learnt from the project.</p>



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