

National Library of Scotland

2019/20 Annual Audit Report



 AUDIT SCOTLAND

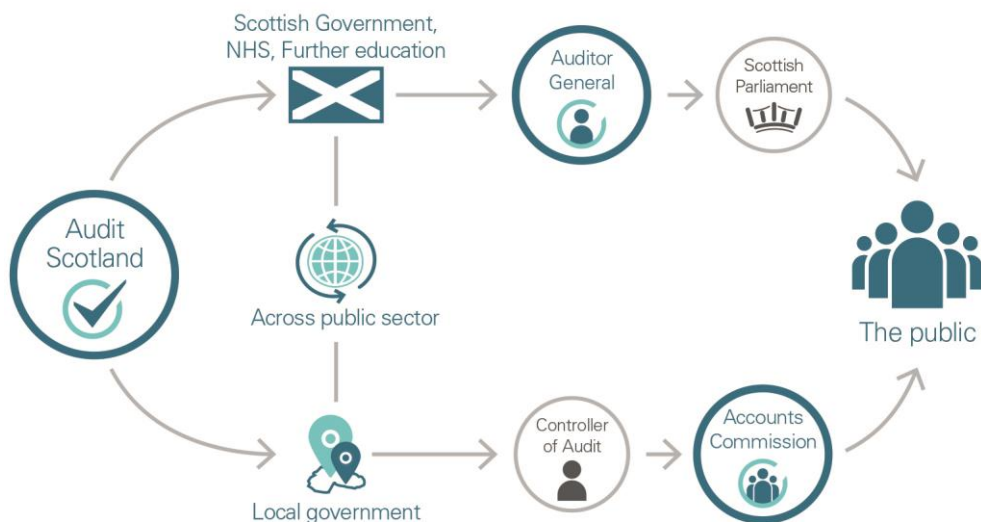
Prepared for the National Library of Scotland (NLS) and the Auditor General for Scotland

10 August 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual report and financial statements

- 1** We have provided an unqualified audit opinion on the Library's annual report and financial statements. The financial statements give a true and fair view of the state of affairs of the Library as at 31 March 2020.
- 2** An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the impact of Covid-19 on land and building valuations. The audit opinion is not modified in respect of this matter.

Financial management

- 3** We concluded that there are effective arrangements in place for financial management in 2019/20. The Library has maintained a General Fund balance of £602,000 as at 31 March 2020. This is an increase of £69,000 from last year and above the minimum level of £450,000.
- 4** Systems of internal control operated appropriately and effectively in 2019/20.

Financial sustainability

- 5** NLS has approved their 2020/21 budget and prepared budget forecasts up to financial year 2022/23. The Library should revise these forecasts to determine the financial impact of Covid-19.

Governance and transparency

- 6** NLS has effective governance arrangements in place.
- 7** The Library has had to adapt its governance and working arrangements as a result of Covid-19. We consider the changes to be appropriate.

Value for money

- 8** The Library has satisfactory best value arrangements and good performance reporting in place.
- 9** NLS has performed well against its objectives and key indicators in 2019/20.

Introduction

1. This report summarises the findings from our 2019/20 audit of National Library of Scotland (referred to as 'NLS' or 'the Library' throughout).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 10 February 2020 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the Library's annual report and financial statements
- our consideration of the wider audit dimensions of financial management, financial sustainability, governance and transparency, and value for money.

3. Subsequent to the publication of our Annual Audit Plan, in common with all public bodies, the Library has had to respond to the Covid-19 pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements. However, we are pleased to note Covid-19 did not have a significant effect on the completion of our financial statements audit.

Adding value through the audit

4. We add value to the Library through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. In so doing, we aim to help the Library promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. The National Library of Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and financial statements that are in accordance with the accounts direction from Scottish Ministers. NLS is also responsible for compliance with legislation and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice 2016 and supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual report and financial statements. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and

effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

9. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £21,090 as set out in our Annual Audit Plan, remains unchanged.

12. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to the National Library of Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank board members, management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20



Main judgements

We have provided an unqualified audit opinion on the Library's annual report and financial statements. The financial statements give a true and fair view of the state of affairs of the Library as at 31 March 2020.

An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the impact of Covid-19 on land and building valuations. The audit opinion is not modified in respect of this matter.

Our audit opinions on the annual report and financial statements are unmodified

- 15.** The annual report and financial statements are the principal means of accounting for the stewardship of the Library's resources and its performance in the use of those resources.
- 16.** The annual report and financial statements for the year ended 31 March 2020 are due to be approved by the board on 30 September 2020.
- 17.** As reported in our independent auditor's report:
- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
 - expenditure and income are regular and in accordance with applicable enactments and guidance
 - the information provided in the Annual Report of the Board and in the Governance Statement is consistent with the financial statements and properly prepared in accordance with legislation and guidance.

Impact of Covid-19 on the accounting framework

18. As a charitable body, the Library adheres to the SORP (FRS 102) accounting framework. No amendments to the SORP were required as a result of Covid-19. However, the Scottish Charity Regulator (OSCR) published guidance on how charities should report the impact of Covid-19 on their business and services in their annual accounts. The Library's Annual Report of the Board includes a summary of the impact of Covid-19 as required, including a note of their service changes, staff and working arrangements and the financial impact (which was considered minimal for 2019/20).

19. The Library's financial statements also comply with the Government Financial Reporting Manual (FReM). An addendum to the 2019/20 FReM was published in May 2020 to allow central government bodies to reduce narrative sections of their accounts. On discussion with management, we judged this guidance was not as relevant to the Library and therefore a full set of accounts was prepared as in prior years.

Submission of annual report and financial statements for audit

20. The unaudited annual report and financial statements were received in line with our agreed audit timetable on 15 June 2020.

21. We are pleased to note there was no delays to the audit as a result of Covid-19. All working papers were provided electronically and the audit team were able to complete the audit remotely. The working papers provided with the unaudited financial statements were of a very high standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

Whole of Government Accounts (WGA)

22. In accordance with the WGA guidance we plan to complete the required assurance statement and submit to the National Audit Office (NAO) by the end of September 2020, after the approval of the NLS financial statements.

Overall materiality is £1.5 million

23. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

24. On receipt of the unaudited annual report and financial statements we reviewed our materiality calculations and concluded that no changes were required to our planned levels.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£1.5 million
Performance materiality	£1.1 million
Reporting threshold	£30,000

Source: Annual Audit Plan 2019/20

Risks of material misstatement

25. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and financial statements and the wider audit dimension risks that we identified during our audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

26. We have no issues to report from our work on the risks of material misstatement highlighted in our Annual Audit Plan. However, we have identified cyber security as a continuing risk as described at paragraph 30.

Significant findings from the audit in accordance with ISA 260

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant issues from our financial statements audit to report to you. We did not identify any material misstatements above our reporting threshold.

Other findings

28. Our audit identified some presentational and disclosure issues which were discussed with management. These were adjusted and are now reflected in the final version of the annual report and financial statements. These amendments included some additional disclosures to explain estimations required in the financial statements as a result of Covid-19 as follows:

- **Valuation of land and buildings:** The Library's land and buildings were revalued by Shepherds, an independent surveyor, as at 31 March 2020. This concerns tangible assets valued at £65.485 million on the Balance Sheet. This revaluation exercise is completed every 5 years in accordance with the Library's accounting policies. In common with many other audited bodies, Shepherds' report contains a 'material valuation uncertainty' clause regarding the impact of Covid-19. It points out that less certainty should be attached to the valuations than would normally be the case.
- We have therefore included an 'Emphasis of Matter' paragraph in our independent auditor's report which refers to the impact of Covid-19 on the valuations of land and buildings. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw users' attention to matters which are fundamental to the understanding of the accounts. Note 8 'Tangible Assets' in the notes to the financial statements has now been amended to describe the uncertainty caused. The audit opinion is not modified in respect of this matter.
- **Holiday pay accrual:** The Library had to amend the way in which it calculates the amounts owed to staff for untaken annual leave. The calculation for 2019/20 is based on the figures at the end of the 2018/19 financial year updated for staff numbers, tax and pension rates. This change is not assessed to be material. We consider this a reasonable approach. The holiday pay accrual this year amounted to £272,000 (2018/19: £261,000).
- **Stock:** As a result of the closure of Library premises in March 2020, no stock-take could be undertaken at the year-end. Stock values have been estimated based on previous years with a higher stock provision to reflect the higher likelihood of obsolescence. We consider this a reasonable approach, and note stock is not a material balance (£26,000 as at 31 March 2020).

Follow up of prior year recommendations

29. We have followed up actions agreed in 2018/19 to assess progress with implementation. We have reported progress of prior year actions in [Appendix 1](#).

30. From discussions with management, we have identified cyber security as an ongoing risk for the Library. We have noted the following updated policies and actions:

- During the Covid-19 lockdown period, the Digital department reviewed its Information Security Policy as it was procuring and commissioning new laptops for staff. The IT Disaster Recovery Plan has also been recently reviewed and updated in June 2020.
- The IT business continuity management exercise strategy and IT disaster recovery framework were last reviewed in 2017. Management have advised these are being reviewed in August 2020.
- The Library has Cyber Essentials accreditation, but is still pursuing Cyber Essentials Plus status. Management plan to undertake a certification exercise later in 2020 and this is likely to result in areas of improvement. Other work has been continuing, including the replacement of

the legacy backup and telephony systems, decommissioning of old storage units, and software upgrades.



Recommendation 1

We conclude that the Library's cyber security remains an ongoing risk and area for improvement. Further work will be required to meet Cyber Essentials Plus status.

Part 2

Financial management



Main judgements

NLS has effective arrangements in place for financial management.

Systems of internal control operated appropriately and effectively in 2019/20.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial performance in 2019/20

31. The main financial objective for NLS is to maintain a stable and sustainable financial environment. Part of this objective is to maintain an adequate financial outturn for the year, compared to the budget allocated by Scottish Ministers.

32. The Library has reported an outturn of £19.131 million (2018/19: £18.210 million) against its overall budget for 2019/20 of £19.105 million. The financial performance against Departmental Expenditure Limits (DEL) is shown in [Exhibit 2](#).

Exhibit 2 Performance against DEL in 2019/20

Performance	Final budget £m	Outturn £m	Over/ (under) spend £m
Resource DEL	14.205	14.116	(0.089)
Ring-fenced DEL (non-cash items)	3.150	3.136	(0.014)
Capital DEL (including purchase grant)	1.750	1.879	0.129
Total DEL	19.105	19.131	0.026

Source: 2019/20 NLS annual report and financial statements

33. A large element of the Library's resource expenditure consists of staff costs, which amounted to around £12 million. Expenditure is split into the various charitable activities of the Library, with Collection Development and User Access to Collections the most significant areas of spend. The Library's main source of

income continues to be Grant in Aid funding from the Scottish Government which was approximately £16m (90% of overall income) in 2019/20.

34. A small variance was recorded against the capital budget, where the Library utilised £1.029 million against its purchase grant of £1 million to add to the Library's collections and spent £850,000 on tangible assets. Asset additions included spend on IT kit and storage, as well as refurbishment works on parts of the Library's estate.

35. Overall, the Library remains in satisfactory financial health. The General Fund has increased over the year and moved from £533,000 last year to £602,000 as at 31 March 2020. This balance is above the £450,000 minimum level agreed with the Audit Committee.

Budgetary processes are appropriate

36. We reviewed the Library's budget setting and monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at Audit Committees we confirmed that senior management and members receive regular, timely and up to date financial information on the financial position. We concluded that NLS has effective budgetary processes that allow board members and officers to carry out effective scrutiny of its finances.

Financial systems of internal control are operating effectively

37. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

38. During our interim audit work in February 2020 we reviewed key financial systems and assessed controls in the following areas: the general ledger, creditors, debtors, payroll, and cash & banking.

39. We confirmed our understanding of the key controls, carried out walkthroughs of each control and concluded that they are suitably designed to detect and/or prevent risk of material misstatement. No significant internal control weaknesses were identified during the audit which could affect the Library's ability to record, process, summarise and report financial and other relevant data resulting in a material misstatement in the financial statements.

40. It is worth noting that the Library's experienced Financial Accountant retired in May 2020 and due to Covid-19, the recruitment process to find a replacement has been postponed. This is a key position in the finance team and we will therefore monitor this situation in 2020/21 to ensure the Library's financial capacity remains sound.

Internal audit arrangements are effective

41. The Library's internal audit services are provided by BDO. The Public Sector Internal Audit Standards (PSIAS) require the 'chief audit executive' to provide an annual internal audit opinion and report that can be used to inform the annual governance statement. Their opinion provided in 2019/20 concluded, '*The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements, except in the case of the partnership working review*'.¹

¹ National Library of Scotland, BDO Internal Audit Annual Report 2019-20, May 2020

42. We completed a local review of internal audit arrangements for NLS and have concluded these arrangements to be satisfactory. We can confirm BDO adhere to the PSIAS.

43. We consider internal audit reports and findings to provide assurance over the wider audit dimensions we comment on in this report. As our audit of the accounts is focused on substantive testing, we have not placed reliance on the work of internal audit to support our opinion on the financial statements.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

44. The Library is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that its affairs are managed in accordance with proper standards of conduct.

45. We have reviewed the Library's arrangements and concluded that these are appropriate for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

Arrangements for preventing fraud and corruption in the procurement function are appropriate

46. Our consideration of financial management includes evaluating the arrangements in place for preventing and detecting fraud and corruption. We carried out an assessment this year of the arrangements in place to prevent fraud and corruption in the Library's procurement department. We met with the Procurement and Contract Manager as part of our interim audit and requested a self-evaluation checklist to be completed, and reviewed a number of supporting documents. Our findings are summarised as follows:

- NLS has a small procurement team which provides support and advice to members of staff who have Delegated Purchase Authority (DPA), review tender exercises, monitor procurement spend and complete background checks for new suppliers. There are over 80 members of staff who have DPA.
- There is a dedicated procurement area on the intranet available to all staff. This includes links to procurement policies and Scottish Government guidance on procurement rules and best practice.
- A Procurement & Contracts Report is produced each year and presented to the Audit Committee. Management advised they would like to build on this and work on the content and presentation to make this a more comprehensive Annual Procurement Report. This would be considered best practice only as NLS are below the £5 million procurement threshold which requires such reports to be mandatory.



Recommendation 2

We conclude that arrangements for preventing fraud and corruption in the procurement function are appropriate, but the Library should consider extending procurement training further to relevant staff.

Part 3

Financial sustainability



Main judgements

NLS has approved its 2020/21 budget and prepared budget forecasts up to financial year 2022/23. The Library should revise these forecasts to determine the financial impact of Covid-19.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning

47. NLS presented its Library Plan & Budget 2020/21² at the Board meeting in March 2020. The budget sets out the following:

- A forecast of £18.031 million total expenditure in 2020/21.
- This is matched by £18.032 million of income. £16.380 million Grant in Aid will be received from the Scottish Government. This funding will therefore remain the Library's main source of income (91%). This is made up of £14.630 million for its revenue budget and £1.750 million for its capital budget. Other income will continue to be sourced from other operating activities; such as donations, reprography and retail income.
- Revenue Grant in Aid has increased by around 7% mainly to reflect increases to employers' pension costs. Management advise this increase has not fully matched the costs of implementing the Scottish Government's pay policy, along with the general increase in contract costs and other cost pressures the Library is facing.
- The Library will aim to make efficiency savings of £53,000 in 2020/21.

Existing financial plans should be revised following the impact of the Covid-19 pandemic

48. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and longer term. In addition to the 2020/21 budget set out above, the Library has prepared outline budgets for financial years 2021/22 and 2022. These forecasts include scenario planning which allows senior management and board members to review variations in key assumptions and risks, to see how this will impact the financial position.

49. The Library was placed into lockdown on 20 March 2020 as a result of Covid-19. The financial effects continue to be assessed by management. There has been some loss of income during the lockdown period, mainly from shop sales and a reduction in reprographic orders. This is partially offset by a reduction in

² National Library of Scotland, Library Plan 2020-21, presented at the Board meeting on 25 March 2020

expenditure in areas such as staff costs due to a pause on recruitment, and spending reductions in areas such as travel and expenses. The more volatile effect on the Library's finances is likely to be the investment portfolios it holds.

50. An early mid-year review is planned for 2020/21 which will re-assess the Library's position as a result of Covid-19. This will be a common feature for all public bodies, as it is expected the impact of Covid-19 will have a significant effect on Scotland's economy and public spending.

51. We conclude that satisfactory financial planning arrangements are in place over the medium term. However, the Library's financial plans will need revised as the impact of Covid-19 becomes clearer.



Recommendation 3

We recommend the Library revise and updates its existing financial plans to determine the financial impact of the Covid-19 pandemic.

Part 4

Governance and transparency



Main judgements

NLS has effective governance arrangements in place.

The Library has had to adapt its governance and working arrangements as a result of Covid-19. We consider the changes to be appropriate.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Overall governance and transparency arrangements were appropriate

53. The Library's governance arrangements and committee structure remain unchanged from last year:

- The Board provides leadership and direction to support the organisation's aims and objectives as set by Scottish Ministers.
- The Board is supported in its governance role by the Audit Committee, Governance Committee and Staffing & Remuneration Committee.
- We note the recent changes to the Chair of the Board and the Chair of the Audit Committee which will continue to support the Library's governance.

54. Responsibility for delivering the Strategy and Operational objectives is devolved to the National Librarian, supported by the Library Leadership Team. The National Librarian is also the Chief Executive of the Library and the Accountable Officer for the use of public resources.

55. From our attendance at Audit Committees, we note that committee papers are well prepared in advance of each meeting, and sufficient time is made available at each meeting to allow appropriate discussion of each item on the agenda. Committee members are well-prepared and provide effective scrutiny and oversight.

56. Last year we concluded that NLS had appropriate and effective governance arrangements in place. We have reached the same conclusion this year.

The Covid-19 pandemic has affected governance & working arrangements

57. The Library closed to the public at the end of March 2020. Since then, the Library has focused on using digital engagement to host online events and programmes, and makes use of online communication with its staff. This has included use of online teleconferences to ensure Board and committee meetings still take place remotely.

58. We noted the steps taken to allow the Library's staff to prioritise their response to the outbreak and adapt their working practises – home working was significantly expanded (no staff were placed on the Job Retention 'furlough' scheme) and online applications were utilised to allow staff to continue to work and communicate. At the time of writing, the Library is planning to re-open to members of the public in late summer in line with Scottish Government's advice and guidelines.

59. We conclude that appropriate arrangements were put in place by management to continue to support good governance and accountability.

The Library operates in an open and transparent manner

60. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets.

61. The Library's Board meetings are held in private. Board minutes are published on the Library's website and papers are available on request. We consider these arrangements to be adequate.

62. NLS has a well-established complaint handling procedure in place which remained unchanged since last year and is deemed appropriate.

63. A variety of information about the Library, the Board and its corporate governance arrangements are available on the NLS website. Management have reported an increase in the number of website visitors during the Covid-19 lockdown period. The Library also engage with members of the public via social network channels and a regular NLS blog. Overall, we concluded that NLS conducts its business in a transparent and open manner.

The Annual Report was of a good standard

64. In addition to the opinion on the Annual Report covered in Part 1 above, we also consider the qualitative aspects of the Library's narrative disclosures. The Annual Report provided good coverage of the Library's activities in the year, its main objectives and the principal risks faced. It provided a fair and balanced analysis of performance as well as helping stakeholders understand the financial statements. It also provided commentary on the impact of Covid-19. We consider the Annual Report to be well prepared and informative.

Part 5

Value for money



Main judgements

The Library has satisfactory best value arrangements and good performance reporting in place.

NLS has performed well against its objectives and key indicators in 2019/20.

Value for money is concerned with using resources effectively and continually improving services.

The Library has satisfactory best value arrangements and good performance reporting in place

65. *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key principles of best value and the requirement to have a systematic approach to self-evaluation and continuous improvement.

66. Last year we reviewed how equality arrangements are embedded in the organisation and concluded that NLS is committed to delivering and promoting equal opportunities. We will continue to assess other best value arrangements during our audit appointment.

67. In terms of performance reporting, NLS included its objectives in the 2019/20 Library Plan. This Plan sets out 52 separate objectives, which are linked to the Library's strategy, to be achieved in the financial year. In 2019/20 quarterly updates on the Plan were provided to the Board. At the end of the year the Library reported it had achieved 47 out of 52 objectives, with outstanding points carried forward to 2020/21.

68. Performance was monitored and summarised using 12 key indicators. We have summarised the Library's performance against these indicators in [Exhibit 3](#), where green icons indicate targets which were achieved, and red icons showing targets missed. This includes prior year comparators where available.

Exhibit 3

Key performance indicators – trend analysis

	2016/17	2017/18	2018/19	2019/20
1. Environmental compliance	● 98.7%	● 99.0%	● 98.0%	● 98.0%
2. Percentage reduction in Hidden Collections	● 2.7%	● 7.2%	● 9.1%	● 22.8%
3. Percentage of collections in digital format	● 11.8%	● 13.9%	● 19.0%	● 22.7%
4. Number of research collaborations	● 20	● 36	● 47	● 55
5. Reading Room visits	● 69,392	● 68,787	● 63,340	● 68,371
6. On-site learning and community events/outreach learning	● 301	● 371	● 405	● 371
7. Exhibition visitors	● 132,063	● 118,950	● 51,398	● 99,548
8. Website usage (web sessions)	● 4.1 million	● 5.1 million	● 5.4 million	● 5.6 million
9. Staff absence rate (days per employee)	● 6.2	● 6.7	● 7.4	● 7.9
10. Percentage raised against fundraising target	● 63%	● 91%	● 185%	● 116%
11. Central Support costs as a percentage of income	● 5.2%	● 8.4%	● 9.0%	● 9.0%
12. Staff engagement	Information not available	● 66%	● 70%	● 68%

Source: NLS Annual Report and Financial Statements from 2016/17 – 2019/20

69. We have noted improvement for 6 indicators, 4 have declined and 2 remain the same as prior year. The trend analysis shows the Library's performance relating to staff absence rates has fluctuated in recent years. This was the only target not met in 2019/20, reporting an average 7.9 absence days per employee against a target of 7.1-7.4 days. The Library should continue to monitor its absence rates, which may have been further affected by the recent Covid-19 lockdown period.

70. Overall we consider NLS has performed well against its objectives and key indicators in 2019/20.

National performance audit reports

71. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 several reports were published which may be of interest to NLS. These are outlined in [Appendix 3](#).

72. The Audit Committee receives updates on Audit Scotland national reports which are considered most relevant to the Library. Recent published reports which concern Central Government bodies include:

- [Enabling digital government](#) – June 2019
- [Preparing for withdrawal from the European union](#) – published December 2019
- [The National Fraud Initiative 2018/19](#) – July 2020

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Cyber security risk</p> <p>The Library's cyber security remains an ongoing risk and area for improvement. Further work will be required to meet Cyber Essentials Plus status.</p> <p>Risk</p> <p>There is a risk of data loss, ransomware and reputational damage while the Library is exposed to cyber- attacks.</p>	<p>The Library should continue to make the required improvements to achieve Cyber Essentials Plus status.</p> <p>Paragraph 30</p>	<p>Cyber security continues to be a growing and evolving complex threat.</p> <p>The Library has achieved Cyber Essentials accreditation but more work is required to meet the criteria for Cyber Essentials Plus. We plan to undertake a certification exercise later in 2020 which will provide a list of specific projects that we will need to undertake in order to fulfil all of the criteria. Other work has been continuing, including the replacement of the legacy backup and telephony systems, decommissioning of old storage units, and software upgrades.</p> <p>Responsible officer: Associate Director of Digital</p> <p>Agreed date: December 2020</p>
2	<p>Procurement training for staff</p> <p>We concluded that arrangements for preventing fraud and corruption in the procurement function are appropriate, but the Library should consider refresher training further to relevant staff.</p> <p>Risk</p> <p>There is a risk that staff do not follow the most up to date procurement guidance and best practice if regular training is not provided.</p>	<p>Refresher training should be considered for relevant staff, such as those with Delegated Purchase Authority.</p> <p>Paragraph 46</p>	<p>Procurement training is underway across the Library and is being rolled out on a departmental basis. Currently 6 out of the seven departments have been covered.</p> <p>Responsible officer: Procurement & Contracts Manager</p> <p>Agreed date: March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p>Budget forecasts require revision</p> <p>NLS has financial forecasts for the next three financial years (up to 2022/23) in their Library Plan 2020/21. We recommend the Library revise and update these budget forecasts to determine the financial impact of the Covid-19 pandemic, as the outlook becomes clearer.</p> <p>Risk</p> <p>There is a risk that the Library's financial sustainability and strategic objectives will be adversely affected by Covid-19 in future years.</p>	<p>Budget forecasts should be revised to determine the impact of Covid-19 on the Library's finances.</p> <p>The Strategic Risk Register should be reviewed to re-assess financial related risks.</p> <p>Paragraph 51</p>	<p>The Library has changed the way it revises/updates budgets during the year. As the result of Covid-19 this is now being done on a rolling basis, rather than just once in the middle of the year. The first set of adjustments have already been made and this work will continue.</p> <p>Responsible officer:</p> <p>Director of Business Support</p> <p>Agreed date:</p> <p>September 2020</p>

Outstanding prior year recommendations

4	<p>Title Deeds</p> <p>NLS does not currently have clear title for two of the properties (at George IV Bridge and Sighthill) included on the Balance Sheet.</p> <p>Risk</p> <p>There is a risk that NLS does not have appropriate supporting documentation justifying ownership and disclosure of these properties in the Library's financial statements.</p>	<p>We recommend that NLS and their lawyers follow up on the title deeds position for the Library's properties, since they make up majority of the tangible assets balance.</p>	<p>Status: In progress</p> <p>In 2019/20 the Library started discussions to transfer these title deeds across to NLS – the Scottish Government (SG) have agreed that this should be done for Sighthill and George IV Bridge (GIVB). Sighthill was transferred in the year. However, for GIVB the process is more complex, involving the Scottish Courts and the Faculty of Advocates. The Library started discussions with SG to transfer title for GIVB but this has been delayed as result of Covid-19.</p> <p>Responsible officer:</p> <p>Director of Business Support</p> <p>Revised date: June 2021</p>
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Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion.

Audi	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>Although we have not identified any specific risks of management override of control at the Library, Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Results: We tested a sample of journal entries and agreed to source documentation. There were no issues to report.</p> <p>We reviewed accounting policies and estimates applied in the financial statements. We have deemed these to be appropriate for NLS.</p> <p>We carried out testing of creditors and debtors balances to ensure they were valid and posted to the correct financial year. There were no matters to report.</p> <p>Conclusion: Satisfactory</p>
<p>2 Risk of material misstatement caused by fraud in income and expenditure recognition</p> <p>NLS receives income and donations from various sources, in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud which requires an audit response. The Code of Audit Practice expands the ISA assumption to advise there is also a risk of fraud over aspects of expenditure, for public sector bodies.</p>	<p>Effective budget monitoring by management and the board.</p> <p>Internal audit coverage.</p>	<p>Results: Sample testing of income and expenditure transactions was satisfactory.</p> <p>We assessed the controls in place for both income and expenditure recognition and undertook substantive testing of material year end balances. No issues were identified, and we were able to conclude that controls were operating effectively.</p> <p>NLS are pro-active in their investigation of NFI data matches and no fraud or error has been found in the latest exercise.</p> <p>Conclusion: Satisfactory</p>
<p>3 Revaluation of land and buildings</p> <p>An independent revaluation of the Library's land and buildings is scheduled for 2019/20, as part of a 5- year cycle. This exercise is being carried out by a chartered surveyor and has the potential to significantly affect the value of</p>	<p>A qualified surveyor, used by the Scottish Government, is carrying out this assessment.</p> <p>The accounting treatment for fixed assets will be in accordance with the SORP accounting framework.</p>	<p>Results: A gain on the revaluation of tangible assets of £5.5 million was recorded in the financial statements.</p> <p>We reviewed the accounting treatment of the revaluation adjustments and found these to be appropriate.</p>

Audi	Assurance procedure	Results and conclusions
<p>the Library's assets on the Balance Sheet. This raises a risk that asset valuations will not be properly adjusted and accounted for in the financial statements.</p>		<p>We reviewed the valuer's report and qualifications and found these to be suitable.</p> <p>Conclusion: Satisfactory</p>
<p>Wider audit dimension risks</p>		
<p>4 Cyber security</p> <p>The Library has scope to improve its cyber security arrangements. NLS has recently been re-certified Cyber Essentials status in December 2019. However, there remains a number of recommendations outstanding from the Cyber Essentials Compliance Report which indicates further work is required if the Library is to gain Cyber Essentials Plus accreditation. There is a risk of data loss, ransomware and reputational damage while the Library is exposed to cyber- attacks.</p>	<p>IT services are monitoring this risk in its departmental risk register.</p> <p>All IT staff have been instructed to follow best practice in Cyber Security and Information Security, particularly when procuring new systems and maintaining existing systems.</p> <p>IT services are working towards achieving Cyber Essentials Plus accreditation in 2020/21.</p>	<p>Results: This point is superseded by recommendation 1 in Appendix 1.</p>

Appendix 3

Summary of national performance reports 2019/20



**2019/20
Reports**

		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

National Library of Scotland

2019/20 Annual Audit Report

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