

Annual Audit Report for National Records of Scotland

Financial year ended 31 March 2024

Prepared for those Charged
with Governance and the
Auditor General for Scotland

28 AUGUST 2024



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect National Records of Scotland or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of National Records of Scotland and the preparation of the financial statements for the year ended 31 March 2024 for those charged with governance (Audit and Risk Committee) and the Auditor General for Scotland.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- National Records of Scotland's financial statements give a true and fair view of the financial position of the organisation at the 31 March 2024 and of the net expenditure of the organisation for the year then ended;
- National Records of Scotland's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (FReM);
- National Records of Scotland's financial statements and the audited parts of the Remuneration Report and Staff Report have been prepared in accordance with the requirements of the 2023/24 Financial Reporting Manual (FReM) and directions made thereunder by the Scottish Ministers;

We are required to report whether other information published together with the audited financial statements in the Annual Report and Accounts is consistent with the financial statements and has been prepared in accordance with the requirements.

We are required to express an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

We received the first draft of the financial statements with working papers on 14 June 2024 which were presented on time. The quality of the annual report and accounts as well as supporting working papers provided to audit were of a good standard.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team in completing the external audit as they have been extremely helpful in supporting the audit process and providing evidence for samples and working papers.

There were no adjustments or unadjusted misstatements above our reporting threshold made to the primary financial statements.

We have raised two financial statement recommendations for management as a result of our audit work on the financial statements. These are set out within [Appendix 2](#).

Our follow up of the nine recommendations made as part of our 2022/23 audit are detailed in [Appendix 3](#). Progress towards these recommendations are as follows:

- Four recommendations are ongoing
- Five recommendations have been closed.

Due to the additional meetings and work undertaken in relation to the cyber-attack, this has been subject to additional audit fee as this is due to a one-off additional issue that is not usually expected as part of the core audit. This is set out in more detail in [Appendix 5](#).

We have issued an unmodified opinion on 28 August 2024.

Executive Summary (2)

Wider scope

Under the Audit Scotland Code of Audit Practice ('the Code'), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider National Records of Scotland's arrangements in respect of financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2024, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified two significant risks:

- **Financial sustainability** – future financial plans for 2024/25 and beyond
- **Use of Resources to Improve Outcomes** - Outcomes from the 2022 Census

We outline our work undertaken in response to the arrangements in place and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

Further details of the work undertaken are outlined on pages 26 to 43.

We have followed up the wider scope recommendation made during our 2022/23 audit. This is set out in Appendix 3.

There remains a significant risk in respect of financial sustainability given the financial challenges National Records of Scotland faces over the longer term.

Introduction (1)

Scope of our audit work

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to National Records 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.

This Annual Audit Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit and Risk Committee on 28 August 2024.

As auditor, we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Responsibilities

National Records of Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. National Records of Scotland is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Audit Scotland, are set out in the Code, supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Audit approach

Our audit approach was based on an understanding of the organisation's business and is risk based, and in particular included:

- An evaluation of the internal control environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Adding value through our audit work

We aim to add value to National Records of Scotland throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward-looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help National Records of Scotland promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

£0.706 million which represents 2.0% of the organisation's gross expenditure.

This has decreased from the Audit Plan value of £1.335 million due to the update of the materiality based upon the actual values within the 2023/24 draft financial statements as expenditure has decreased between 2022/23 and 2023/24.

Key audit matters

The key audit matters were identified as:

- Valuation of Property, Plant and Equipment

Significant and other risks

We identified the following significant risks:

- Management override of controls (ISA (UK) 240);
- Risk of fraud in expenditure recognition – non payroll expenditure (PN10); and
- Risk of fraud in revenue recognition – fees and charges for records and services (ISA 240)

Internal control environment

In accordance with ISA requirements, we have developed an understanding of National Records of Scotland's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses from this work which would have caused us to alter the planned approach as documented in our plan.

Recap of our audit approach and key changes in our audit strategy

Since the audit plan the following risk has changed:

- Migration of data of the finance system - this is not a risk in 2023/24 as the date of implementation is October 2024, and we will cover this risk in our 2024/25 Plan.

Status of Audit Work

Our audit team and the finance team continue to work together to complete the audit. We have a tracker of outstanding items and capture those matters where the finance team need to respond to our follow up queries, and the audit work we have yet to complete.

We have completed our external audit for 2023/24 and we have issued an unmodified opinion on 28 August 2024.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our Audit Plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2023/24 draft financial statements and concluded that materiality is £0.706 million (PY: £1.001 million) representing 2.0% (PY: 1.5%) of National Records of Scotland gross expenditure.
- Performance materiality was set at £0.530 million (PY: £0.650 million), representing 75% (PY: 65%) of our calculated materiality.
- We report to Officers (Management) any differences identified over £0.035 million (PY: £0.050 million).
- We applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Officer and Board Member Remuneration Tables due to the sensitive nature of this disclosure, the lower materiality applied to this area was £25,000 (PY: £5,000). We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

There is a change in materiality values since our final audit plan was communicated to you on 27 February 2024 as final expenditure for 2023/24 was used as the basis of the calculation. The percentage chosen for headline materiality, performance materiality and triviality remains unchanged.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to National Records of Scotland and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2023/24 HM Treasury Financial Reporting Manual (FReM).
- We enquired of Senior Officers and the Audit and Risk Committee, concerning National Records of Scotland's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of National Records of Scotland's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We have reviewed the principal risks to journal entries that could alter National Records of Scotland's financial performance for the year and the risk of fraud in expenditure recognition. Our audit procedures in relation are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - National Records of Scotland's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - National Records of Scotland's control environment, including the policies and procedures implemented by National Records of Scotland to ensure compliance with the requirements of the financial reporting framework.

Overview of audit risks

The table below summarises the key audit matters, significant and other risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work to date
Management override of controls	Significant	↔	✓	✘	Low	Substantive	● Green
Risk of fraud in revenue	Significant	↔	✓	✘	Medium	Substantive	● Green
Risk of fraud in expenditure	Significant	↔	✓	✘	Medium	Substantive	● Green
Valuation of property, plant and equipment	Significant	↔	✘	✓	High	Substantive	● Green

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

Green - Not considered likely to result in material adjustment or change to disclosures within the financial statements

Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements

Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks and Key Audit Matters (1)

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

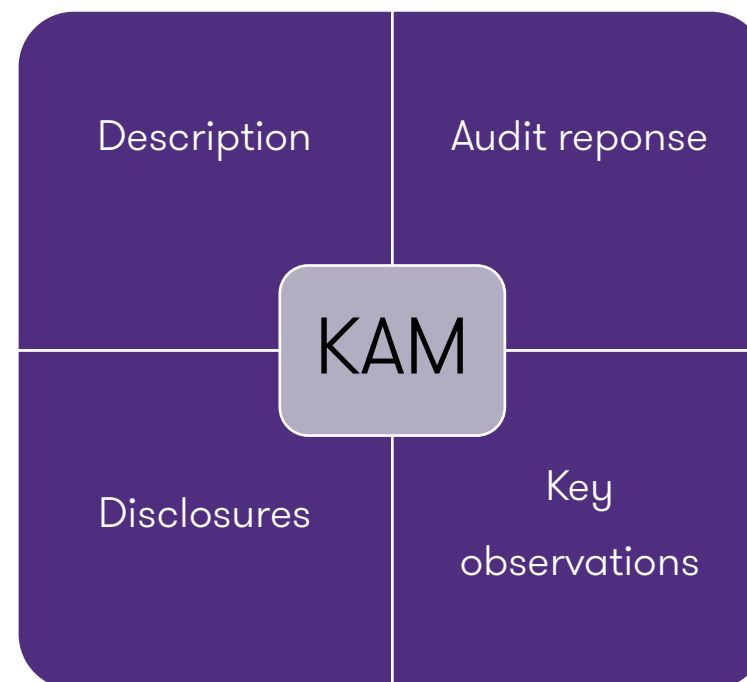
These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.



Significant risks and Key Audit Matters (2)

Key Audit Matter identified in our Audit Plan

Risk 1: Valuation of property, plant and equipment

In accordance with the HM Treasury Financial Reporting Manual (FRoM), subsequent to initial recognition, National Records of Scotland is required to hold property, plant and equipment on a valuation basis. The valuation basis used will depend on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value.

National Records of Scotland appoint the District Valuer Services (a division of the Valuation Office Agency) to undertake a rolling programme of valuations across their asset base, professionally valuing land and buildings at least once every five years with supplementary interim desktop valuations. As at 31 March 2023, National Records of Scotland held property, plant and equipment (PPE) of £16.234 million including land of £2.355 million and buildings of £11.300 million. As at 31 March 2024, National Records of Scotland held property, plant and equipment (PPE) of £17.225 million including land of £2.265 million and buildings of £10.525 million.

Given the significant value of the land and buildings held by National Records of Scotland, and the level of complexity and judgement involved in their estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets.

We will therefore focus our audit attention on assets that have large and unusual changes in valuations compared to last year and/or unusual approaches to their valuations, as a significant risk requiring special audit consideration.

How our scope addressed the matter –

In responding to the key audit matter, we performed the following audit procedures:

- evaluated management's processes and controls for the calculation of the valuation estimates, the instructions issued to their valuer and the scope of their work
- evaluated the competence, capabilities and objectivity of management's valuation expert;
- wrote to the valuer to confirm the basis on which valuations were carried out and challenged the valuer of the rates used;
- evaluated the valuer's report to identify assets that had large and unusual changes and/or approaches to the valuation and tested these valuations substantively for reasonableness
- challenged the key data and assumptions used by management's experts in the valuation process for these assets and;
- reviewed your impairment assessment as to whether there are indicators of impairment.

Our results

Our work has not identified any issues in relation to the valuation of property, plant and equipment.

Significant risks and Key Audit Matters (3)

Other significant risks identified in our Audit Plan

Management override of controls

As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.

Commentary

In response to the risk highlighted in the audit plan, we carried out the following work:

- Documented our understanding of and evaluated the design effectiveness of management's key controls over journals;
- Analysed your full journal listing for the year and use this to determine our criteria for selecting high risk journals;
- Tested the high-risk journals we have identified;
- Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness;
- Gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Our results

Our testing of journals to date has identified one control weakness:

- Users have the ability to authorise and approve their own journals without being subject to review, regardless of the amount being posted. This is a result of there being no IT automated control to enforce the review and approval prior to the journal being posted as the Scottish Government ledger has not been set up to allow this. This is out with the control of National Records of Scotland however, this does create a risk that inappropriate journals could be posted without being detected through review. The organisation does have other mitigating controls in place to reduce this risk including offline approvals and review of monthly financial outturns against budget. This is operating as expected and no exceptions were noted from our journal testing undertaken. Further details can be found in [Appendix 2](#).

Our work has not identified any material issues in relation to management override of controls. We are satisfied from our work performed that there has been no identified instances of management override of controls that would result in a material misstatement of the financial statements. Each journal has sufficient supporting documentation to support its business rationale and is appropriately reviewed and authorised.

Significant risks and Key Audit Matters (4)

Other significant risks identified in our Audit Plan Commentary

The revenue cycle includes fraudulent transactions

As set out in ISA (UK) 240 (Revised May 2021) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

The risk of management manipulation and fraud is deemed to be low in relation to revenue received direct from the Scottish Government. Similarly, property rental income is not material, is well forecast and can be agreed to underlying agreements. We have therefore rebutted the risk of fraud in revenue in relation to these income streams.

National Records of Scotland continues to face external pressure to deliver planned budgets and minimise any overspends. National Records of Scotland recognise material fees and charges for records and services in 2023/24, which we deem to be material to the financial statements. We have therefore identified the risk of fraud in revenue in relation to this income stream.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the National Records of Scotland, we have carried out the following work:

- Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the FReM
- Performed detailed testing of revenue transactions at and around year-end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period
- Reviewed post year end receipt and verified the accounting period these transactions related to and confirmed they have been correctly accounted for in the correct period and
- Reviewed the judgements and estimates made by management when recognising prepayments and accrued income at year end within the financial statements and where appropriate challenged management accordingly.

Our results

Our work has not identified any issues in relation to revenue recognition.

Significant risks and Key Audit Matters (5)

Other significant risks identified in our Audit Plan

Commentary

Risk of fraud in expenditure recognition (Practice Note 10)

As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

National Records of Scotland's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such, we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.

We therefore focussed our risk on the non-payroll expenditure streams. Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll expenditure.

In response to the risk highlighted in the audit plan we carried out the following work:

- Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the FReM;
- Performed detailed testing of expenditure transactions at and around year-end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period;
- Reviewed the judgements and estimates made by management when recognising accruals and provisions at year end within the financial statements and where appropriate challenge management accordingly; and
- Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll expenditure.

Our results

Our work has not identified any issues in relation to expenditure recognition.

Other risks

Other risks identified in our Audit Plan

Migration of data to the new finance system is not accurate and complete.

As part of its corporate transformation, the Scottish Government Shared Services Programme (SSP) is set to deliver a new HR and Finance system (Oracle Cloud), which replaces decades-old systems and is expected to provide shared services to the Scottish Government core and over 30 other public bodies including National Records of Scotland for Scotland.

The go-live date for the project was April 2024 however, this has been delayed due to several issues and the new implementation date is to be confirmed.

Commentary

In response to the risk highlighted in the audit plan we carried out the following work:

- Obtained an understanding of the implementation position and updates in terms of the go-live date.

Our results

The Shared Services Programme, originally scheduled to go-live on 1 April 2024, was delayed at the beginning 2024 and a revised implementation date of 1 October 2024 has been confirmed for both the HR and Finance systems.

A previously proposed move to set up all entities currently operating within the Scottish Government ledger with their own bank accounts has been postponed. The way that National Records of Scotland interacts with Scottish Government payroll will still change from 1 October 2024 and this will now be online with relevant training provided to all staff.

Finance and HR staff are responding to requests for information and testing of data from the Scottish Government project team as they arise.

Due to the delay in the implementation of the new finance system until October 2024, this risk will therefore be considered and reviewed as part of our 2024/25 programme of audit work. This work will include a review over the process of moving balances to new system and confirming how National Records of Scotland have gained comfort that the process has been successful and that the opening balances are accurate and complete.

Financial Statements – key judgements and estimates (1)

As required in National Records of Scotland's Accounting Policies note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (2)

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
<p>Property, Plant and Equipment: depreciation including useful economic lives (UELs). – £1.520 million</p> <p>Heritage Assets: depreciation including useful economic lives (UELs). – £0.132 million</p> <p>Intangible Assets: amortisation including useful economic lives (UELs). – £0.844 million</p>	<p>National Record of Scotland’s approach to depreciation is set out in accounting policies:</p> <p>Note 1.3 – Property, plant and equipment and heritage assets - depreciation</p> <p>Depreciation is provided on property, plant and equipment on a straight-line basis at rates sufficient to write down their cost or re-valued amounts to their residual values over their estimated useful lives.</p> <p>Note 1.4 – Intangible assets - amortisation</p> <p>Amortisation is provided on intangible assets on a straight-line basis at rates sufficient to write down their costs over their estimated useful lives.</p>	<p>Our testing of both property, plant and equipment, heritage assets and intangible assets included reviewing the useful lives. Our work identified the following issue:</p> <ul style="list-style-type: none"> The average life of assets within the FAR for certain asset types (specialised shelving), do not match the UELs per the accounting policies. <p>Conclusion</p> <p>From discussions, it was noted that the accounting policy years needs to be extended to represent the actual UEL range and the UEL depreciated within the FAR is correct, therefore, this represents a disclosure misstatement.</p> <p>Please refer to Appendix 1 for more details. We have raised a recommendation within Appendix 2 in relation to this matter.</p>	<p>We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious.</p>

Financial Statements – key judgements and estimates (3)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Deferred Income – £0.963 million	<p>National Records of Scotland recognises income received from their ScotlandsPeople website at the time the service is provided. Income received for services not delivered is recognised as deferred income and revenue will be recognised when the performance obligation is satisfied.</p> <p>The deferred income value includes £0.854 million of purchased credits which National Records of Scotland have elected to present as deferred income in line with IFRS 15.</p>	<p>We have performed testing on the deferred income balance.</p> <p>Conclusion</p> <p>Our work is complete on deferred income.</p> <p>Please also refer to the significant matters discussed with management slide on page 21 for further details.</p>	<p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious.</p>

Audit findings – significant matters discussed with management (1)

Significant matter	Commentary	Outcome
<p>Cyber-Attack</p> <p>National Records of Scotland data was accessed and published as part of the criminal cyber-attack in March 2024.</p> <p>National Records of Scotland is engaging with the affected individuals, has also informed the Information Commissioner and in liaison with NHS Dumfries and Galloway and Police Scotland.</p> <p>National Records of Scotland holds information on the NHS Dumfries and Galloway IT network as it runs an administrative service for the NHS to allow the transfer of patient records when people move between health board areas, across borders within the UK or move overseas.</p> <p>National Records of Scotland maintains a database of NHS patients by using its registration data and information from health boards. This database is kept separately from the NHS Dumfries and Galloway network and was not accessed in the attack.</p>	<p>National Records of Scotland data was accessed and published as part of the criminal cyber-attack on NHS Dumfries and Galloway.</p> <p>A large volume of files was accessed, and it has taken time for National Records of Scotland working with partner agencies to identify and review what was taken.</p> <p>National Records of Scotland has been assessing the stolen information through a prioritised risk assessment process and has identified a small number of cases where there was sensitive information held temporarily on the network at the time of the attack.</p> <p>Fewer than 50 people are being written to because the information taken about them is considered to have the potential to put them at risk of harm.</p> <p>Some information which comes from the statutory births, deaths and marriages registers was also accessed. This information is used to correctly identify patients and maintain the accuracy of the service.</p> <p>National Records of Scotland has a statutory obligation to make information from these registers available. This is available to the public on request from National Records of Scotland, for a fee.</p> <p>The cyber-attack caused some initial disruption to the operation of the service but with the support of staff and partners it has been fully operational since shortly after the attack took place.</p> <p>National Record of Scotland’s Chief Executive commissioned a rapid review into the NHS Central Register (NHSCR) Service as part of the overall corporate response to the cyber incident.</p>	<p>We have concluded our work in relation to this area and have nothing further to report within our Annual Audit Report.</p> <p>We are satisfied that there was no impact to other National Record of Scotland systems as a result of the cyber-attack.</p> <p>Additional meetings and work undertaken in this area has been subject to additional audit fee as this is due to a one-off additional issue that is not usually expected as part of the core audit.</p>

Audit findings – significant matters discussed with management (2)

Significant matter	Commentary	Outcome
<p>Collection Audit</p> <p>National Records of Scotland is nearing the culmination of a collection audit which commenced a number of years ago and is planned to conclude in 2024/2025.</p>	<p>The work predominantly focuses on reconciliation and cataloguing of archival documentation. The outcome will be formally reported to stakeholders however, the business risk is perceived to be low and the likelihood of a financial liability is currently assessed as remote by legal counsel.</p>	<p>We have nothing further to report within our Annual Audit Report in relation to the Collection Audit.</p> <p>As part of our 2024/25 audit, we will review the outcome of this audit and report as appropriate.</p>

Audit findings – significant matters discussed with management (3)

Significant matter	Commentary	Outcome
<p data-bbox="69 336 439 408">Deferred Income (£0.963 million)</p> <p data-bbox="69 427 539 802">National Records of Scotland recognises income received from their ScotlandsPeople website at the time the service is provided. Income received for services not delivered is recognised as deferred income and revenue will be recognised when the performance obligation is satisfied.</p> <p data-bbox="69 821 539 1043">The deferred income value includes £0.854 million of purchased credits which National Records of Scotland have elected to present as deferred income in line with IFRS 15.</p> <p data-bbox="69 1062 539 1326">As there was a material movement in this balance since 2022/23, we challenged management around the nature of the deferred income and the reasons behind the movement in this balance.</p>	<p data-bbox="584 336 1626 485">National Records of Scotland’s income is demand led and can fluctuate dependant on releases and other factors and where there are events of interest to their customer basis, utilisation increases alongside revenue, and then utilisation drops off after time.</p> <p data-bbox="584 504 1626 572">Over the prior three accounting periods, there have been three key events that impacted the organisation’s customers’ behaviours:</p> <ul data-bbox="584 592 1626 1182" style="list-style-type: none"> <li data-bbox="584 592 1626 699">• COVID-19: during COVID, the organisation’s income increased, which was likely due to people having more time on their hands and so increased interest. <li data-bbox="584 718 1626 903">• 1921 Census Release: In November 2022, National Records of Scotland released the 1921 Census records, which was a hugely sought after release that their customer base would have been anticipating for some time. However, at this time, individuals would have bought and utilised their credits on this published data. <li data-bbox="584 922 1626 1182">• Fees, Charges and Income Programme: In October 2023, National Records of Scotland began work to review their fees, and over the months of its inception, customers were made aware of a potential review (increase) of fees. As such, this has seen an increase in purchased credits in anticipation of a potential fee increase over the final few months of 2023/24, which have not yet been utilised, as there were no significant releases in 2023/24. <p data-bbox="584 1201 1626 1348">National Records of Scotland have internal controls in place to detect material deferred income balances, and if the balance had become material before 2023/24, the finance team would have been informed, as they have during the 2023/24 financial year.</p>	<p data-bbox="1664 336 2112 485">We have concluded our work in relation to deferred income and have no issues noted to report within our Annual Audit Report.</p> <p data-bbox="1664 504 2112 647">We are satisfied that deferred income is not materially misstated within the 2023/24 accounts.</p>

Other key elements of the financial statements (1)

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is National Records of Scotland's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding National Records of Scotland's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquiries of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of National Records of Scotland's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix 1 .
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed in the final version of the accounts. From our work undertaken in relation to related parties, we identified an incomplete register of interest. This was a recommendation in the prior year audit, and we have provided an updated within Appendix 3 .
Matters in relation to laws and regulations	We have been informed that National Records of Scotland data was accessed and published as part of the criminal cyber-attack on NHS Dumfries and Galloway. The organisation holds information on the NHS Dumfries and Galloway IT network as it runs an administrative service for the NHS to allow the transfer of patient records when people move between health board areas, across borders within the UK or move overseas. National Records of Scotland is engaging with the affected individuals, has also informed the Information Commissioner and in liaison with NHS Dumfries and Galloway and Police Scotland. We have not identified any cases of money laundering or fraud at National Records of Scotland.

Other key elements of the financial statements (2)













Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Minor amendments have been made to the Annual Report and we are satisfied that there are no unadjusted material inconsistencies to report. The draft accounts did not include details of the Executive pension disclosures due to a hold up in the calculation of CETV across the public sector. Subsequent guidance was issued to bodies that a narrative disclosure could be included within the 2023/24 accounts in absence of the figures, and the Remuneration and Staff Report has been updated to reflect.</p>
Governance statement	<p>We are required to report on whether the information given in the Governance Statement is consistent with the financial statements and prepared in accordance with the requirements of the Financial Reporting Manual (FReM). No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.</p>
Opinion on other aspects of the annual report and accounts	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been properly prepared in accordance with the requirements of the Financial Reporting Manual (FReM), and directions there under. We have identified minor changes to the disclosures, which are reported fully in Appendix 1.</p>
Regularity	<p>The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance Accountability (Scotland) Act 2000. In our opinion in all material aspects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.</p>

Other key elements of the financial statements (3)





Issue	Commentary
Written representations	<p>A letter of representation has been requested from National Records of Scotland as required by auditing standards. This can be found as a separate item to this report. We request specific representation around significant judgements. The final letter of representation for signing will include specific representations around intangible asset lives and leases and both of these areas were included in the 2022/2023 Letter of Representation. In addition, we have requested specific representation around the cyber-attack, collection audit and deferred income which are areas which have arisen during the 2023/24 audit.</p>
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Board recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Company meets this criteria, and so we have applied the continued provision of service approach.</p> <p>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
National Fraud Initiative	<p>The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, receive matches for investigation. National Records of Scotland were not involved in the previous matching exercise.</p>
Other returns to Audit Scotland	<p>In accordance with the Audit Scotland Planning Guidance, as appointed auditors, we have prepared and submitted Fraud Returns and have contributed to shared intelligence for sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
SEAS	ITGC assessment (design, implementation and operating effectiveness)	 Green	 Green	 Green	 Green	All significant risk areas
PECOS	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	Fraud in expenditure recognition
Real Asset Management	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	Valuation of Property, Plant and Equipment

Assessment

-  Red - Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Amber - Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  Green - IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Grey - Not in scope for testing

Wider scope conclusions

Wider scope conclusions

This section of our report documents our conclusions from audit work on the wider scope areas set out in the Code. We take a risk-based audit approach to wider scope work. Within our audit plan we identified **two significant wider scope risk in relation to financial sustainability and use of resources to improve outcomes**.

As part of our ongoing audit planning audit work during the year we have not identified any additional wider scope audit risks. We have followed up our 2022/23 recommendations at **Appendix 3**.

Wider Scope Area	Our risk considerations and focus	Risk Identified	Wider Scope Conclusion
Financial Sustainability	The projected financial position of National Records of Scotland in the medium to longer term and the relevance and appropriateness of assumptions applied to financial plans that will allow the body to effectively deliver services in the future	Yes	National Records of Scotland do not prepare any longer-term financial plans, which makes it difficult to assess the financial sustainability of the organisation over the longer term. Whilst we appreciate longer-term financial planning is challenging due to the Scottish Government decision to set one-year budgets, this should not prevent National Records of Scotland developing a medium-term financial strategy supported by shorter term detailed financial plans.
Financial Management	The arrangements in place at National Records of Scotland to ensure sound financial management, accountability and the arrangements to prevent and detect fraud, error and other irregularities	No	National Records of Scotland are required to deliver a balanced budget position by the Scottish Government. In 2023/24, National Records of Scotland delivered small underspend against its final budget, meeting these requirements.
Vision, Leadership and Governance	The effectiveness of National Records of Scotland's governance arrangements and the arrangements in place to deliver the vision, strategy and priorities set by the body	No	The governance arrangements at National Records of Scotland are effective, and we have assessed that there is a good level of challenge and scrutiny at Audit & Risk Committee (ARC) meetings. An Interim Chief Executive was appointed in February 2023 and a permanent Chief Executive has not yet been appointed. National Records of Scotland need to complete the priority actions identified following the cyber-attack in February 2024.
Use of Resources to Improve Outcomes	How National Records of Scotland demonstrates economy, efficiency and effectiveness through its use of financial and other resources	No	National Records of Scotland have successfully delivered the first and second phase outputs from the 2022 Census. They should continue to work towards delivery of the census data being published in Winter 2024/25.

Wider scope - Financial Sustainability

Significant risk identified

National Records of Scotland do not have formalised medium to long-term financial plans. Consecutive one-year funding settlements and the fluidity of changing priorities across the Scottish Government create challenges in the organisation's ability to plan for the medium to longer term.

Without forward looking plans, the financial sustainability of the organisation is difficult to forecast and the use of key assumptions, scenario planning, sensitivity analysis and risk analysis is more difficult to evidence.

National Records of Scotland have assessed their spending needs to March 2025 incorporating the initial spending review allocations, the Scottish Government pay deals and the identified resource cohort to enable a number of strategic objectives to be planned and implemented whilst managing affordability constraints.

Significant risk identified:

We have identified a significant risk in relation National Records of Scotland's financial sustainability from our initial planning work in relation to future financial plans for 2024/25 and beyond.

Response to significant risk

- Sought to understand the future financial forecasts and plans for National Records of Scotland for 2024/25 and beyond, including key assumptions used, scenario planning, sensitivity analysis, risk analysis and the extent of any budget pressures and impact upon reserves.
- Considered the action National Records of Scotland is taking to address identified funding gaps and associated plans.

Conclusion on significant risk



National Records of Scotland are subject to one-year budgets from Scottish Government. With increasing costs, the organisation are faced with difficult decisions and challenges, which fundamentally, require longer term financial planning. As such, a risk remains for financial sustainability.

National Records of Scotland do not prepare any longer-term financial plans which makes it difficult to assess the financial sustainability of the organisation over the longer term.

National Records of Scotland should develop a medium-term financial strategy supported by shorter term detailed financial plans.



Wider scope audit – Financial Sustainability

Wider scope dimension	Wider scope audit response and findings	Conclusion
Financial Sustainability (continued)	<p>Budgeting</p> <p>The National Records of Scotland budget for 2024/25 was included within the budget published by the Scottish Government. This budget was laid before the Parliament in December 2023 and indicated that the budget for National Records of Scotland would be £34.5 million. National Records of Scotland subsequently set their 2024/25 budget in March 2024, high level details are as follows:</p> <ul style="list-style-type: none"> - Gross Operating Costs - £32.900 million - Total Income through Fees, Charges & Rent - (£5.800 million) - Net Operating Costs - £27.100 million - Total Capital Costs - £3.500 million - Capital charges (depreciation) - £2.500 million <p>National Records of Scotland also set a separate budget for the Census programme. This budget totals £1.445 million.</p> <p>National Records of Scotland’ main source of funding is from Scottish Government, which typically accounts for around 80% - 90% of total income. The 2024/25 allocation assumes operating costs will be offset by £5.8 million of income. This income relates to forecast retained income (income generated by National Records of Scotland in addition to Scottish Government funding). This will mainly consist of income from services from the Scotland’s People website, charges for access to records, and income from the NHS Central Register contract.</p> <p>The Scottish Government is required to set a balance budget each year, and as a Non-Ministerial Department, National Records of Scotland is likewise required to start the financial year with a balanced budget.</p>	<p>National Records of Scotland have set a balanced budget for 2024/25 and early projections outline that they anticipate an underspend against this budget for the financial year.</p>

Wider scope audit – Financial Sustainability (2)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Financial Sustainability (continued)	<p>2024/25 Projected Outturn</p> <p>An update on the 2024/25 financial performance at end of Period 2 was provided to the Audit & Risk Committee in June 2024.</p> <p>National Records of Scotland Core commenced 2024/25 with a balanced disaggregated budget allocation and forecast, including a 5% vacancy assumption against staffing costs. Income is currently over performing by £200k to Period 2 and is forecast to over perform by £0.5 million for the year. The full year forecast has moved with an overall underspend of £0.2 million being reported.</p> <p>National Records of Scotland has a capital budget of £3.5 million for 2024/25 which is fully allocated to major project across the year. National Records of Scotland are forecasting that they will be able to deliver a balanced outturn against budget.</p> <p>Medium-term financial planning</p> <p>National Records of Scotland does not have a medium-term financial strategy (MTFS). Longer term financial planning remains in development and no formalised plans have been agreed.</p> <p>Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from SG cover a one-year period, this should not prevent National Records of Scotland assessing their spending needs and options over a longer period.</p>	<p>National Records of Scotland are fully on their capital budget and require to monitor and track spend against budget across the year to ensure capital budget is met.</p> <p>National Records of Scotland should develop a medium-term financial strategy supported by shorter term detailed financial and savings plans. A recommendation has been raised – see Appendix 3</p>

Wider scope audit – Financial Sustainability (3)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Financial Sustainability (continued)	<p>We recommend that National Records of Scotland endeavours to produce a financial strategy covering at least the next 5-year period, including projected levels of income and how spending will be funded. To enable National Records of Scotland to implement this strategy, we also recommend that they develop detailed financial and savings plans that outline spending commitments and required savings over the short (one year) and medium term (two to five years). Recommendations are raised at Appendix 3.</p> <p>Workforce Planning</p> <p>National Records of Scotland have produced a Workforce Plan in order to identify the required staffing cohort for 2024/25 and beyond. The affordability and the business needs/criticality of each role is reviewed by the Workforce Planning Group periodically and reported to the Executive Management Board (EMB). This work helps support and identify key workforce trends and requirements across the organisation. It is too early to note the impact of the revised workforce plan and we will assess reporting and outcomes in our next report as part of our 2024/25 audit.</p>	<p>It is too early to note the impact of the revised workforce plan and we will assess reporting and outcomes in our next report as part of our 2024/25 audit.</p>

Wider scope audit – Financial Management

Wider scope dimension

Financial Management

We are required to consider if National Records of Scotland has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.

Wider scope audit response and findings

Financial Performance

The main financial objective for National Records of Scotland is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

In 2023/24, National Records of Scotland reported an outturn of £29.029 million against an overall resource budget of £29.056 million, giving an underspend of £0.027 million. National Records of Scotland reported an underspend of £0.184 million on its capital budget, with the underspend mainly due to delays in the completion of project work included in the National Records of Scotland capital plans. Key details are outlined below:

	Final Budget £'000	Actual Outturn £'000	Variance £'000
Operational Costs	£33.006	£32.845	(£0.161)
Retained Income	(£6.450)	(£6.312)	£0.138
Depreciation	£2.500	£2.496	(£0.004)
Net Resource	£29.056	£29.029	(£0.027)
Capital DEL	£3.500	£3.316	(£0.184)
Total	£32.556	£32.345	(£0.211)

Conclusion

National Records of Scotland delivered an underspend against budget in 2023/24, with the financial outturn underspend being 1% of the overall resource budget for the year.

Wider scope audit – Financial Management (2)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Financial Management (continued)	<p>Financial Management Arrangements</p> <p>Financial performance is reported to the EMB on a quarterly basis and is an integral part of the budget monitoring process. Senior management and the Audit and Risk Committee receive regular and accurate financial information on the National Records of Scotland’ financial position throughout the year. Variances from budget are clearly explained within the finance reports, with actions identified for any adverse variances. This provides senior management and members the opportunity for scrutiny and challenge.</p> <p>Finance Team</p> <p>National Records of Scotland continue to strengthen the support within the finance team, but with any small organisation if any staff shortages of sickness arise the organisation could face significant capacity issues. Due to the size of National Records of Scotland there are few officers involved in the financial statements preparation process. There are effective quality control procedures in place to ensure the Annual Report and Accounts are prepared in compliance with relevant guidance.</p> <p>Arrangements for the prevention of fraud and error</p> <p>National Records of Scotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, the body is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.</p> <p>We have reviewed National Records of Scotland’ arrangements, including its Fraud Response Plan and Whistleblowing Policy. There are established procedures with the aim of preventing and detecting fraud and corruption; and preventing breaches in standards of conduct.</p> <p>We have concluded that National Records of Scotland has appropriate arrangements in place 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.</p>	<p>Senior management and the Audit and Risk Committee receive regular and accurate financial information on National Records of Scotland’ financial position.</p> <p>National Records of Scotland have appropriate internal controls around the financial management systems and arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption</p>

Wider scope audit – Vision, Leadership and Governance

Wider scope dimension	Wider scope audit response and findings	Conclusion
<p>Vision, Leadership and Governance</p> <p>We are required to consider the clarity of National Records of Scotland’s plan to implement the vision, strategy and priorities adopted by management.</p> <p>We also consider the effectiveness of the governance arrangements for delivery; robustness of scrutiny and working arrangements; and reporting of decisions and outcomes, and financial and performance information.</p>	<p>National Records of Scotland is a Non-Ministerial Department of the Scottish Government. National Records of Scotland' purpose is to collect, preserve and produce information about Scotland's people and history and make it available to inform current and future generations. National Records of Scotland was established on 1 April 2011, following the merger of the General Register Office for Scotland and the National Archives of Scotland.</p> <p>National Records of Scotland is headed by Janet Egdell, Interim Chief Executive Officer, who fulfils the roles of two non-ministerial office holders – the Registrar General for Scotland and the Keeper of the Records of Scotland. The Interim CEO was appointed in February 2023. The recruitment process to appoint the permanent CEO is on-going at the time of audit and an update will be provided within our next Annual Audit Report.</p> <p>The CEO chairs the Executive Management Board which is the overarching executive board setting the strategic direction and organisation of National Records of Scotland, with management and oversight of National Records of Scotland key assets. The CEO receives advice from the Strategic Board (SB) which provides support and constructive challenge on the operations of National Records of Scotland.</p> <p>The Audit and Risk Committee supports the CEO and the Accountable Officer in their responsibilities for issues of risk, control and governance and associated assurance by providing constructive challenge. The Committee is also attended by National Records of Scotland’ Chief Financial Officer and Scottish Government Internal Audit Division and External Audit colleagues who have an independent advisory role.</p> <p>All significant projects and programmes are overseen by a Project or Programme Board whose role is to oversee delivery and manage the associated risks. The 2022 Census is overseen by the Census Programme Board (CPB) chaired by the CEO.</p>	<p>National Records of Scotland’s board and committee structures are appropriate and allow for effective governance. Boards and committees are provided with relevant, accurate and timely information to enable proper governance and decision making.</p>

Wider scope audit – Vision, Leadership and Governance (2)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)	<p>We have regularly attended ARC meetings and noted that committee papers are well prepared and distributed in advance of meetings to allow members sufficient time for review, enabling well-prepared and appropriate questions.</p> <p>Meeting minutes are published on National Records of Scotland’ website published for all EMB, SB and ARC meetings ensuring the public’s 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. A register of interests for the non-executive directors is available on the website. We have seen that there has been engagement with service users through meetings and customer surveys to gather feedback, particularly with regard to the Census Programme.</p> <p>Governance Statement</p> <p>The governance statement details the composition and governance structure of National Records of Scotland and how that supports the achievement of the organisation’s priority themes. Linda Sinclair holds the role of Accountable Officer and will sign the statement. There are no significant governance issues noted in the Annual Governance Statement.</p> <p>Risk Management</p> <p>National Records of Scotland maintains a strategic risk register which is derived from the high-level risks of the organisation, along with corporate risks. Risks are evaluated by considering their probability of occurring along with their potential to impact on the outcomes expected of National Records of Scotland, the organisation’s operations and its stakeholders. The risks and management’s mitigating actions are reviewed and scrutinised by the Audit and Assurance Committee at every meeting.</p>	<p>National Records of Scotland operates in an open and transparent manner, publishing non-executive register of interests on the website and having regularly liaison with service users. Meeting minutes are available on the website.</p>

Wider scope audit – Vision, Leadership and Governance (3)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)	<p>Internal controls</p> <p>Internal audit activity is undertaken by the Scottish Government Directorate of Internal Audit and Assurance (SGDIAA). Internal audit undertook four internal audits reviews during the financial year, covering Culture, Data Governance and Management, Budget Monitoring and reporting and SG Shared Systems. Internal audit provided substantial assurance over the Data Governance and Management arrangements, whilst the other three reviews were concluded as reasonable assurance. They also completed two follow-up reviews over Workforce Planning and Regeneration and Registration Services. This resulted in an overall assurance opinion for the 2023/24 financial year as reasonable assurance.</p> <p>National Records of Scotland report progress against internal audit recommendations at ARC meetings. The most recent report taken to the June ARC confirmed there were 20 outstanding internal audit recommendations that have yet to be fully implement by National Records of Scotland.</p> <p>The report confirms National Records of Scotland progress towards the achievement of these recommendations and the target date for implementation. The outstanding recommendations are split across the following internal audit reviews:</p> <ul style="list-style-type: none"> • 2021/22 - Internal Audit Workforce planning and recruitment - Two medium recommendations outstanding • 2022/23 - Capital Strategy - One high risk and nine medium risk recommendations outstanding • 2022/23 - Registration Services - Four high risk and one medium recommendation outstanding • 2023/24 - Culture Review - Three high risk recommendations outstanding <p>National Records of Scotland should continue to report progress at the ARC meetings and seek to implement each of the recommendations in a timely manner</p>	<p>Internal Audit reports produced during the year provided reasonable assurance over the adequacy of governance, risk management and internal control arrangements at National Records of Scotland.</p> <p>National Records of Scotland should continue to report progress on internal audit recommendations at the ARC meetings and seek to implement the recommendations in a timely manner</p>

Wider scope audit – Vision, Leadership and Governance (4)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Vision, Leadership and Governance (continued)	<p>Cyber attack</p> <p>National Records of Scotland data was accessed and published as part of a criminal cyber-attack on NHS Dumfries and Galloway. National Records of Scotland holds information on the NHS Dumfries and Galloway IT network as it runs an administrative service for the NHS to allow the transfer of patient records when people move between health board areas, across borders within the UK or move overseas.</p> <p>National Records of Scotland has been assessing the stolen information through a prioritised risk assessment process and has identified a small number of cases where there was sensitive information held temporarily on the network at the time of the attack. National Records of Scotland is engaging with the affected individuals and has also informed the Information Commissioner.</p> <p>The National Records of Scotland CEO commissioned a rapid review into the NHSCR Service as part of the overall corporate response to the cyber incident. The immediate priority actions are:</p> <ul style="list-style-type: none"> • Continue to progress review of data held on NHS D&G systems, and take appropriate action to minimise risk. • Review internal policies and procedures around data retention and storage and update as necessary, and ensure support/training available for staff for any new working practices. • Fast track finalising agreements with suppliers and stakeholders - NHS D&G for IT services and NSS for NHSCR SLA. • Detailed review of business processes and supporting systems, including investigating options to reduce use of shared drive and other storage environments. Need to fully understand any technical concerns and business impacts of: <ul style="list-style-type: none"> (a) moving all data stored on NHS D&G systems into National Records of Scotland environment, (b) accessing NHS systems (CHI etc.) and NHS application (ATOS) through National Records of Scotland infrastructure. <p>National Records of Scotland continues to have a potential cyber-attack as a significant risk on its Risk Register and the current risk score is the highest possible.</p>	<p>There has been a clear and robust response from National Records of Scotland since the cyber attack in February 2024</p> <p>National Records of Scotland should ensure completion of the immediate priority actions identified following the review into the NHSCR Service.</p>
	<p>There has been a clear and robust response from National Records of Scotland since the attack.</p>	

Wider scope - Use of Resources to Improve Outcomes

Significant risk identified

In November 2021, the Auditor General for Scotland issued a Section 22 report for 2020/21. Following this, in November 2022, a Section 22 report for 2021/22 was issued concluding that there had been lower-than-expected return rates for the Census which resulted in a decision to delay the deadline for submission of return until the end of May 2022 however, this has caused additional programme costs for the organisation. The report stated resultantly, National Records of Scotland will be increasingly reliant on the use of administrative data and that the organisation must now reflect on how the results of the 2022 census and those conducted around the world will impact on its approach to future censuses.

The delivery of the first Census outputs were released in September 2023 which was a key deliverable for National Records of Scotland. The second release of Census outputs was in Spring 2024, with National Records of Scotland delivering all key outputs in line with their timetable. An evaluation of Scotland's 2022 Census including lessons learned for any future Census and other complex programmes will be prepared for Ministers and provided to Parliament by the end of 2024.

Significant risk identified:

We have identified a significant risk in relation National Records of Scotland's use of resources to improve outcomes from our initial planning work.

Response to significant risk

- We reviewed National Record of Scotland's delivery of Census outputs, looked at arrangements for the next publication date to ensure the required timelines and standards were met and sought to understand the progress being made in terms of lessons learned from the 2022 census, and how these will be applied to the next census in 2031.

Conclusion on significant risk



National Records of Scotland have delivered all key outputs from the Census to date and are on track to deliver next phases in Winter 2024/25.

National Records of Scotland are now considering the shape and scope of future delivery for population statistics in Scotland. Working in partnership with the Scottish Government, National Records of Scotland continue to investigate the impact that new methods and sources of administrative data may have on transforming how the population in Scotland is measured



Wider scope audit - Use of Resources to Improve Outcomes

Wider scope dimension	Wider scope audit response and findings	Conclusion
<p>Use of Resources to Improve Outcomes</p> <p>We consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of National Records of Scotland and deliver continuous improvements in priority services.</p>	<p>2022 Census</p> <p>National Records of Scotland are responsible for delivering the census in Scotland every 10 years. The 2022 Census collection phase was followed by a Census Coverage Survey (CCS) which ran between 13 June and 22 August 2022.</p> <p>National Records of Scotland released the first Census outputs in September 2023. Following the first release, National Records of Scotland have continued to work to finalise the census database from which National Records of Scotland publish millions of statistics. Since May 2024, census outputs have been and will continue to be published in a series of ‘topic’ themes as set out below:</p> <ul style="list-style-type: none"> - Ethnic group, national identity, language and religion (May 2024) - Armed Forces veterans (June 2024) - Sexual orientation and trans status or history (June 2024) - Demography and migration (August 2024) - Housing (August 2024) - Education, labour market and travel to work (September 2024) - Health, disability and unpaid care (September 2024) <p>All outputs remain on track to be delivered. The date for the next issue of data is Winter 2024/25 and into 2025.</p> <p>Following the census, National Records of Scotland are now considering the shape and scope of future delivery for population statistics in Scotland. Working in partnership with the Scottish Government, National Records of Scotland continue to investigate the impact that new methods and sources of administrative data may have on transforming how the population in Scotland is measured.</p>	<p>National Records of Scotland have met all key delivery targets for the release of Census data to date.</p> <p>National Records of Scotland are on track to publish Census outputs in-line with scheduled delivery dates</p>

Wider scope audit - Use of Resources to Improve Outcomes (2)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Use of Resources to Improve Outcomes (continued)	<p>As this work develops, National Records of Scotland and the Scottish Government will engage with a range of stakeholders on options relating to the future of population statistics in Scotland. National Records of Scotland will also continue to work closely with Office for National Statistics and Northern Ireland Statistics and Research Agency to understand the requirements of UK data users.</p> <p>A commitment has been made for the Registrar General to provide a recommendation to Scottish Ministers on work required to determine the future of population statistics in Scotland by the end of 2024.</p> <p>The Census Programme Board is responsible for monitoring the progress of the 2022 Census Programme. The progress of the programme against the plan is regularly monitored, and any risks associated with the delivery of the plan are identified and monitored. The Census programme has also been subject to regular reviews, including by Internal Audit, throughout its lifetime.</p>	

Wider scope audit - Use of Resources to Improve Outcomes (3)

Wider scope dimension	Wider scope audit response and findings	Conclusion
Use of Resources to Improve Outcomes (continued)	<p>Corporate plan and performance reporting</p> <p>National Records of Scotland approved The National Records of Scotland Strategy 2024-2029 in February 2024. The strategy sets out the purpose and vision of National Records of Scotland, how they align this purpose to the national performance framework and outlines the priorities for future years. The strategy will be refreshed on an annual basis, rather than provide a separate annual business plan, and National Records of Scotland report the achievements against the key success measures in the annual report and accounts.</p> <p>This main priorities identified by National Records of Scotland are as follows:</p> <ul style="list-style-type: none"> • Scotland's people flourish through our data informing and improving all aspects of life and society for increased wellbeing, and sustainable and inclusive economic growth • Scotland's people can access the information they need from National Records of Scotland quickly and digital first • Celebrating and enjoying our culture to educate and inform • Grow the nation's archive and store digitally produced public records to preserve the past and inform the future • Scotland's people flourish through a responsive civil registration service underpinning people's identify and enabling their contribution to society.' <p>The strategic objectives of National Records of Scotland over the life of the strategy are:</p> <ul style="list-style-type: none"> • to share insights about the people of Scotland • to deliver and improve on service for customers • to drive sustainable and affordable value through effective delivery, working collaboratively with others. 	<p>The refreshed National Records of Scotland Strategy 2024-29 is succinct and details the priorities and objectives that National Records of Scotland will work towards over the next five years.</p>

Wider scope audit - Use of Resources to Improve Outcomes (4)

Wider scope dimension

Wider scope audit response and findings

Conclusion

Use of Resources to Improve Outcomes (continued)

National Records of Scotland operates within the National Performance Framework set by Scottish Ministers and a performance framework is in place. National Records of Scotland has adopted a number of Key Performance Indicators (KPIs), which are measurable values that demonstrate how effectively the organisation is achieving its objectives. Performance is reported against these KPIs within the Annual Report and Accounts.

Performance against the indicators has been mixed for 2023/24 when compared with 2022/23, with some improving and some worsening, including:

Key Performance Indicator	2022/23	2023/24
Provide a response to 95% of all electronic queries to registration within 20 working days	100%	60%
Scotlands People customer enquiries are responded to within 3 working days	93.98%	99.38%
Customer orders for records held on-site to be fulfilled within 30 minutes.	75.69%	95.36%
All of our statistical publications are delivered on time in line with our published publication schedule	96.48%	90.67%
40-50k records will be catalogued per year	11,435	18,836
Ministerial correspondence is responded to within 20 working days of receipt	88.19%	84.75%

The KPIs are reported to the Strategic Board as part of the corporate overview report, allowing for decisions to be made on the basis of performance.

Best Value

The Scottish Public Finance Manual explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. There is ministerial guidance to ensure that arrangements are in place to secure Best Value in public services.

There are seven Best Value characteristics set out within the Manual and they were reviewed as part of our risk assessment.

Audit Scotland require us as auditors to undertake work on the Fairness and Equality characteristic at least once during our audit appointment, we have not undertaken that work during 2023/24.

Best Value work under the new Code of Audit Practice is fully integrated within the annual audit work performed by appointed auditors and their teams. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the company has made proper arrangements for securing Best Value. We have not identified any significant risks in relation to the arrangements in place to secure best value from our work performed over wider scope areas as outlined in this report.

Appendices

1. Audit Adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted and unadjusted misstatements

As at the date of this report, there are no adjusted or unadjusted audit misstatements that are above our reporting level.

We will report our final conclusions and any agreed audit adjustments on conclusion of the outstanding work.

Impact of unadjusted misstatements in the prior year

There were no unadjusted misstatements brought forward from the 2022/23 audit.

1. Audit Adjustments (2)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on National Records of Scotland's reported financial position.

Disclosure	Auditor recommendations	Adjusted?
Review of Annual Report and Accounts (General)	We identified minor casting errors, figures which had not yet been included and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	Yes
Other Information	We have identified minor amendments required to be made to the annual report to ensure it is consistent with the financial statements. These have been amended by management.	Yes
Governance Statement	We identified that the governance statement should include a reference that the controls in place are to the point of the date of the authorisation of the accounts.	No
Events after the Reporting Period	An explicit statement needs to be added to state the date which the financial statements were authorised for issue by the Accountable Office.	Yes
Audit Fee	The audit fee reported within the Annual Report and Account has been updated after confirmation of final fee at year-end. Please refer to Appendix 5 for further details.	Yes

1. Audit Adjustments (3)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Remuneration and staff report	<p>We identified the following issues within the Remuneration and Staff Report which have been subsequently updated:</p> <p>Pension Benefits:</p> <p>The draft accounts did not include details of the executive pension disclosures due to a hold up in the calculation of CETV across the public sector. Subsequent guidance was issued to bodies that a narrative disclosure could be included within the 2023/24 accounts in absence of the figures, and the Remuneration and Staff Report has been updated to reflect.</p> <p>Single Figures of Remuneration:</p> <ul style="list-style-type: none"> • The salary banding for L Mitchell has been updated from 60-65 to 65-70 • T Wright has been added to the disclosure table, noting start date of February 2024 • The leaving dates for all non-executive directors (where applicable were added) <p>The following changes were not made to the Remuneration and Staff Report:</p> <p>Trade Union Disclosures:</p> <p>The current trade union disclosures provide the information to the users of the financial statements however, are not in the format set out within the FReM.</p>	Partially

1. Audit Adjustments (4)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Note 1.1 Key Estimates and Judgements	<p>International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates.</p> <p>Significant estimates relate to assumptions and estimate at 31 March that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Judgements relates to areas that aren't significant estimates. In the draft accounts, management have combined critical estimate and judgements. These have been updated and separated into separate disclosures.</p> <p>We have identified that there is an opportunity to enhance the disclosure to focus on those key areas of estimation that may have a significant risk of material misstatement in the next 12 months. This should focus on those key areas of assumptions, include a sensitivity analysis and detail of what the carrying balance of the area is subject to the uncertainty.</p>	Partially
Note 1.1 Property, Plant and Equipment	The narrative on PPE revaluations requires enhancement to ensure full compliance with the FReM and IAS 16. This includes detail on the effective date of the valuation and the names and qualifications of the valuer involved in the valuation process.	Yes
Note 1.3 Non-Current Assets: Property, Plant and Equipment	The useful economic lives for specialised shelving range does not represent the full useful economic lives for this asset category within the FAR. Within the FAR, the average life is 21 whilst the accounting policy notes that the asset is depreciated over 10-20 years.	No
Note 1.7 Operating Income	Enhanced disclosures could be made to ensure full compliance with IFRS 15. This includes providing details around performance obligations (e.g. obligations for returns, refunds, type of warranties and other similar obligations).	No

1. Audit Adjustments (5)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Note 1.14 IFRS updates issued but not yet effective	Additional disclosures have been provided under this note to detail the specific standards which have been issued but not yet effective including the details of implementation dates.	Yes
Note 13 – Related Parties	Within Note 13, the main entities within government that the entity has had dealing with are not detailed due to the nature, volume and sensitivities of the transactions.	No
Note 15 – Financial Instruments	<p>The financial instruments note is not in accordance with the FReM and does not disclose the following information:</p> <ul style="list-style-type: none"> • the fair value of financial assets and financial liabilities compared to their carry value; • reference to how each instrument is measured, the valuation technique and assumptions used; • the hierarchy of each financial instruments; and • the narrative disclosures around risks (e.g. market risk, liquidity risk, credit risk etc.). 	No

2. Action plan and recommendations – Financial statements audit (1)

We have identified two recommendations for National Records of Scotland during our audit of the financial statements for the year ended 31 March 2024. We have agreed our recommendations with management and will report on progress on these recommendations during our 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>Medium</p>	<p>Journals</p> <p>Within our journals walkthrough, we identified that individuals have the ability to prepare and post their own journal entries.</p> <p>This is a result of there being no IT automated control to enforce the review and approval prior to the journal being posted as the Scottish Government ledger has not been set up to allow this. This is out with the control of National Records of Scotland however, this does create a risk that inappropriate journals could be posted without being detected through review. The organisation does have other mitigating controls in place to reduce this risk including offline approvals and review of monthly financial outturns against budget which provides an opportunity to circumvent controls. This is operating as expected and no exceptions were noted from our journal testing undertaken. This is the same process in place as in the prior year, but given the new finance system, there are opportunities to ensure automated controls are in place.</p>	<p>In implementing the new system, National Records of Scotland should ensure that the system is set up to ensure preparer and approver of journals are different officers, and this can be easily identified within the general ledger.</p> <p>Management response</p> <p>As part of the new system design staff are allocated a preparer and/or an approval group, journals uploaded will be work-flowed to a separate approval group. The new system will not allow a preparer to post their own journal.</p> <p>Responsible Individual: Claire Gillespie</p> <p>Implementation Date: 1st October 2024</p>

Controls

● High – Significant effect on financial statements

● Medium – Limited Effect on financial statements

● Low – Best practice

2. Action plan and recommendations – Financial statements audit (2)

We have identified two recommendations for National Records of Scotland during our audit of the financial statements for the year ended 31 March 2024. We have agreed our recommendations with management and will report on progress on these recommendations during our 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	<p>Useful Economic Lives</p> <p>The average life of assets within the FAR for certain asset types (specialised shelving), do not match the useful economic lives per the accounting policies.</p>	<p>National Records of Scotland should review their accounting policies in relation to useful economic lives and update as required to ensure the lives of all assets are in line with the policy.</p> <p>Management response</p> <p>We will review the estimated Useful Economic Lives of assets, including the specialised shelving.</p> <p>Responsible Individual: Claire Gillespie</p> <p>Implementation Date: 01/12/2024</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

3. Follow up of prior year recommendations (1)

We identified the following issues in the audit of National Records of Scotland's 2023/24 financial statements, which resulted in 9 recommendations being reported in our 2022/23 Annual Audit Report. We have performed additional work in year to obtain assurance whether the recommendation from prior year has been closed and resolved in the current year or whether the issue still exists and the recommendation remains open and/or in progress. 5 out of 9 recommendations have been closed and 4 out of 9 recommendation are ongoing.

Recommendations from financial statements audit

Assessment	Issue and recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Closed (22/23 audit)	<p>1. Nil net book value assets</p> <p>The organisation's draft asset register included £6.377 million of assets with a nil net book value and are fully depreciated in the asset register. There are two risks in relation to this issue:</p> <ul style="list-style-type: none"> • if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and • if these assets are operational, there is a risk that the organisation is not assigning appropriate asset lives to its assets. <p>The potential impact of these risks is that the gross cost and accumulated depreciation disclosed within Note 6 is overstated. There is no impact on the primary financial statements, which comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, and the Consolidated Statement of Cash Flows and the Consolidated Statement Changes in Equity.</p>	<p>A full asset verification and analysis exercise was performed in 2023/24, which resulted in 719 asset lines being disposed, removing the majority of the nil net book value assets. Full asset verification will be reperformed annually to continue to monitor all assets.</p> <p>The disposals from the full asset verification and analysis exercise has resulted in limited nil net book value assets remaining, showing the current Useful Economic Lives policy is significantly accurate to actual asset lives. However, as part of the implementation of the new Oracle system, National Records of Scotland is reviewing its asset Useful Economic Lives policy alongside its wider capital policies.</p>	<p>We are satisfied that management has responded to the recommendation and from review of the Fixed Asset Register, we note that the number of nil net book value assets have significantly reduced.</p>

3. Follow up of prior year recommendations (2)

Recommendations from financial statements audit (continued)

Assessment	Issue and recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Ongoing (22/23 audit)	<p>2. Grouping of Intangible Assets</p> <p>The fixed asset register records intangible assets at a high level which results in difficulties arising in determining the nature of the asset for example, project staff costs rather than providing details of these costs including individual names.</p>	<p>Through the asset verification and analysis, all intangible assets were identified. We have disposed of asset lines within intangible assets to rationalise and clarify our ledger. Further rationalisation and clarification of our ledger will be performed alongside implementation of the new Oracle system across FY 2024/25, alongside improving our description and descriptive data.</p>	<p>As noted, this recommendation is ongoing and won't be complete until the new Oracle system is implemented where description and descriptive data of intangible assets will be fully reviewed and updated.</p>
Closed (22/23 audit)	<p>3. Journals</p> <p>From our work completed on journals, it was noted that where both the poster and approver of the journal is no longer within the organisation, the supporting documentation behind the journal is not retained and can be difficult to find.</p>	<p>National Records of Scotland finance has a clear process in place for documenting journals and all staff are aware of and appreciate the importance of following it.</p> <p>This one instance was in relation to a temporary member of staff whose contract was terminated early.</p>	<p>We are satisfied that management has responded to the recommendation. From our work completed on journals, appropriate supporting documentation and workings were available for all items selected for testing.</p>

3. Follow up of prior year recommendations (3)

Recommendations from financial statements audit (continued)

Assessment	Issue and recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Closed (22/23 audit)	<p>4. Floor Plans</p> <p>National Records of Scotland were unable to provide a copy of the underlying floor plans for the four buildings occupied. These had to be obtained by the audit team from the valuer who had held on record from a previous handover with the predecessor valuer.</p>	National Records of Scotland instructed a third party to provide floorplans with floor areas. These were provided in February 2024.	We are satisfied that management has responded to the recommendation and floor plans are now readily available for all four buildings.
Ongoing (22/23 audit)	<p>5. Related Parties Disclosure</p> <p>As part of our audit work, we completed a review over the completeness of the register of interest forms completed by members. From this review, we identified one related party which had not been disclosed within the signed forms, which are completed and updated on an annual basis.</p> <p>Additionally, the registers of interests published only include non-executive members and do not include executive members.</p>	Non-Executive Directors are reminded at the start of meetings to declare any interests. There is also an annual process to ensure declarations are up-to-date. New member are required to declare interests.	From our work completed in relation to related parties, we noted one further instance of an incomplete registers of interest therefore, recommendation remains in progress.
Closed (22/23 audit)	<p>6. Late timeline of Audit and Risk Committee</p> <p>The target date specified by Audit Scotland for submission audited accounts and the Annual Audit Report were brought forward in the 2021 Code to 31 August 2023. The AAC is convening to sign the final Annual Report and Accounts on 28 September 2023. This is after the target submission date of 31 August 2023.</p>	National Records of Scotland have scheduled an Audit and Risk Committee on the 28 August 2024 to sign the 2023/24 Annual Report and Accounts.	We are satisfied that management has responded to the recommendation and the date scheduled meets the target deadline.

3. Follow up of prior year recommendations (4)

Recommendations from wider scope audit

Assessment	Issue and recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Ongoing (22/23 audit)	<p>Financial Sustainability</p> <p>Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from SG cover a one-year period, this should not prevent National Records of Scotland assessing their spending needs and options over a longer period. National Records of Scotland does not currently have a medium-term financial strategy or have a formal savings plan for the short or medium term.</p> <p>Recommendation</p> <p>National Records of Scotland should develop a medium-term financial strategy supported by shorter term detailed financial and savings plans.</p>	<p>In the current financial environment, a 5-10 year financial strategy would not be cost effective to produce. The nature of SG budget setting and the fluidity of changing priorities across SG requires a more organic approach to financial planning.</p> <p>National Records of Scotland have assessed their spending needs to March 27 incorporating spending review initial allocations, the indicative SG pay deal to March 27, and the identified resource cohort to enable a number of strategic objectives to be planned for and implemented, whilst managing affordability constraints.</p> <p>This work will continue to evolve as the organisation's strategy evolves, including accounting for consequential from SG decisions and priorities which can impact National Records of Scotland's transformative plans.</p> <p>Given the wider financial environment and the availability of professional financial capability, National Records of Scotland will plan to continue to develop short to medium term financial plans.</p>	<p>National Records of Scotland have yet to implement a medium-term financial strategy (MTFS). Longer term financial planning remains in development and no formalised plans have been agreed.</p>

3. Follow up of prior year recommendations (5)

Recommendations from wider scope audit (continued)

Assessment	Issue and recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Closed (22/23 audit)	<p>Financial Sustainability</p> <p>The Executive Management Board (EMB) are regularly updated on the financial pressures faced by the organisation. They are engaged in reviewing staffing structures and agreeing savings plans. However, National Records of Scotland do not have a formal future looking workforce plan.</p> <p>Recommendation</p> <p>National Records of Scotland should develop a formal future looking workforce plan. This would also support the short to medium term financial strategy.</p>	<p>Work continues to strengthen our Workforce Plans both in the short and medium term. In October 2023, EMB agreed the key priority posts with an agreement that a future review will take place to cover any deferred roles. Work has begun to review these deferred roles through quarterly EMB reviews and regular budget touch-points. Focus will remain on business criticality and affordability.</p> <p>A separate review will also take place to look at currently filled positions and prioritise their importance, should they become vacant in the future. This will be impact assessed against key service level agreements, focusing on compliance, legal, delivery and income generating risks.</p> <p>The Workforce Plan has also developed to now include agreed profession groups, job families and job types. This is aligned to data shared by Head of Professions and the wider UK Civil Service. This will allow our plans to utilise a revised position management approach which in turn will allow us access to additional management information through the new Oracle Cloud system (launching October 2024).</p>	<p>National Records of Scotland have produced a Workforce Plan to identify the required staffing cohort for 2024/25 and beyond. The affordability and the business needs/criticality of each role is reviewed by the Workforce Planning Group periodically and reported to the Executive Management Board.</p>

3. Follow up of prior year recommendations (6)

Recommendations from wider scope audit (continued)

Assessment	Issue and recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Ongoing (22/23 audit)	<p>User of Resources to Improve Outcomes</p> <p>National Records of Scotland have released the first Census outputs in September 2023 with the second release of Census outputs expected to be in Spring 2024.</p> <p>An evaluation of Scotland's Census 2022, with a focus on lessons learned for any future Census and other complex programmes will be prepared for ministers and provided to Parliament by the end of 2024.</p> <p>Recommendation</p> <p>National Records of Scotland should ensure that following the release of the first outputs, there is clear transparency including the timelines of future follow ups and reporting to ensure both the public and Ministers are well informed. Any outputs should be published and both clearly identifiable and easy to find on the National Records of Scotland website.</p>	<p>The outputs schedule is prominent on Scotland's Census website and has detail of each phase of the release schedule.</p> <p>Ministers are kept informed of the work on the Census, including timelines and reporting, via monthly briefings.</p>	<p>Following the census, National Records of Scotland are now considering the shape and scope of future delivery for population statistics in Scotland. Working in partnership with the Scottish Government, National Records of Scotland continue to investigate the impact that new methods and sources of administrative data may have on transforming how the population in Scotland is measured.</p> <p>A commitment has been made for the Registrar General to provide a recommendation to Scottish Ministers on work required to determine the future of population statistics in Scotland by the end of 2024.</p>

4. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Board's Ethical Standard.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and National Records of Scotland that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the entity or investments in the organisation held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the organisation as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and National Records of Scotland.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place, note that there are no non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the organisation's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

4. Audit fees, ethics and independence (2)

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to National Records of Scotland. The table summarises all non-audit services which were identified.

External Audit Fee			Fees for other services	
Service	Audit Plan £	Annual Audit Report £	Service	Fees £
External Auditor Remuneration	£72,520	£74,680	We confirm that for 2023/24, we did not receive any fees for non-audit services	Nil
Pooled Costs	£7,320	£7,320		
Sectoral Cap Adjustment	(£5,880)	(£5,880)		
2023/24 Audit Fee	£73,960	£76,120*		

*Note: the reason for the variation in the audit fee of £2,160, reflects the additional time and meetings required to date in relation to the issues arising around the cyber-attack and collection audit.

The final audit fee was approved by the Audit and Risk Committee on 28 August 2024.

4. Audit fees, ethics and independence (3)

The fees reconcile to the financial statements.

- Fees per financial statements £76,120
- Total fees per previous page £76,120

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021](#) [grantthornton.co.uk]

5. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of National Records of Scotland's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•



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