



General Register Office for Scotland

Report on the 2007-08 Audit

10 October 2008

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1 Executive Summary

1.1 Financial results

The Operating Cost Statement for the General Register Office for Scotland (GROS) records total net expenditure of £9.93 million for the 2007-08 financial year (2007: £7.64 million). The increase in costs largely reflects increased activity in the organisation as it gears up for the 2011 Census and meets the demand for greater access to public records.

GROS recorded a small underspend of £43,000 against its resource budget of £9.97 million representing 0.4% of the total budget. GROS incurred lower than expected costs on census related expenditure and generated slightly higher than expected income, offset by higher staff and accommodation costs.

Capital expenditure during the year was £2.7 million representing an underspend of £0.35 million on the budget for the year. The small underspend was directly related to slippage in the Records Digitisation and Scottish Family History Centre Projects.

1.2 Financial Statements

We have given an unqualified opinion on the financial statements of GROS for the 2007-08 financial year and on the regularity of transactions undertaken during that year.

The draft financial statements were presented for audit on 25 June 2008, in line with the agreed timetable. The accounts and supporting working papers were of a good standard and, as a result, few adjustments were required to be processed following our audit.

There are no unadjusted audit differences to report.

1.3 Governance

We found that core financial systems are generally operating effectively. For the first time in recent years, GROS's financial statements do not record a significant underspend against budget, largely as a result of improved financial management practices.

We found that GROS has established a strong system of corporate governance and there is evidence of transparent decision-making, based on a good understanding of risks to the organisation.

We noted a number of areas for improvement in ICT controls including the need to:

- document the IT strategy and develop a full disaster recovery plan
- improve physical access and access control
- improve controls over changes to the Forward Electronic Register system.

Our review found that four of the twelve recommendations from our 2006-07 audit had not been fully implemented. Of these outstanding recommendations none were regarded as high priority.

1.4 Performance

GROS is committed to achieving Best Value in its operations and has a Best Value approach that complies with the guidance issued by the Scottish Government. We have recommended that GROS update its assessment of compliance with Best Value guidance following its initial review in 2005-06.

GROS has plans to contribute to the Government's efficiency savings target, however, additional efficiency savings may be needed to address projected budget shortfalls.

1.5 Acknowledgements

We would like to take this opportunity to thank the staff who have been involved in this review for their assistance and co-operation.

This report is part of a continuing dialogue between GROS and Grant Thornton UK LLP and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in GROS's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it. The report will be submitted to the Auditor General for Scotland and will be published by him on his website at www.audit-scotland.gov.uk.

Grant Thornton UK LLP
10 October 2008

2 Introduction

2.1 Purpose of the Report

We have audited the financial statements of the General Register Office for Scotland (GROS) for the 2007-08 financial year, and examined aspects of GROS's performance and governance arrangements. This report sets out our key findings and meets our requirement to communicate audit matters to those charged with governance in accordance with International Standard on Auditing (UK & Ireland) (ISAUK) 260.

2.2 Our Responsibilities

We audit the financial statements and give an opinion on whether:

- they give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, on the state of affairs of GROS as at 31 March 2008 and of its income and expenditure, recognised gains and losses and cash flows for the year then ended
- they, and the part of the Remuneration Report to be audited, have been properly prepared in accordance with the Government Financial Reporting Manual (FRoM) and directions made thereunder by the Scottish Ministers
- in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

We also review the Statement on Internal Control by:

- considering compliance with Scottish Government guidance
- considering the adequacy of the process put in place by the Accountable Officer to obtain assurances on systems of internal control
- assessing whether disclosures in the Statement are consistent with the information emerging from our normal audit work.

2.3 Independence and robustness

Ethical standards require us to provide a full and fair disclosure of matters relating to our independence. We have complied with the Auditing Practice Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

3 Financial Results

3.1 Income and Expenditure Account

At 31 March 2008, GROS reported total net expenditure for the financial year of £9.93 million which was slightly below the budget of £9.97 million. Table 1 below summarises the financial results for the year.

Table 1 summarises the financial results for the year versus 2007:

Table 1: Financial results for the year ending 31 March 2008

Detail	2008 £'000	2007 £'000
Staff costs	8,235	7,451
Administration expenditure	6,435	5,392
Administration income	(4,770)	(5,202)
Other expenditure	26	0
Total Expenditure	9,926	7,641
Parliamentary Funding	9,866	6,806

Source: Registers of Scotland

Comparison with the prior year

GROS gross expenditure during the year rose by £1.9 million from £12.8 million in 2006-07 to £14.7 million in 2007-08, representing an increase of 15%. The increase in costs largely reflects increased activity in the organisation as it gears up for the 2011 Census and meets the demand for greater access to public records.

Income declined during the year by £0.4 million from £5.2 million to £4.8 million, due to a decline of £0.3 million in income generated from external and public sector customers and a decline in rental income of £0.1 million caused by a tenant moving out of Ladywell House. Income from customers accessing public records is difficult to predict in advance and can be affected by timing of activity between financial years (eg demand increased by the release of new sets of digitised records and demand increased by greater public awareness of family history through TV and radio programmes).

Comparison with budget

GROS recorded a small underspend of £43,000 against its resource budget of £9.97 million representing 0.4% of the total budget. GROS incurred lower than expected costs on census related expenditure and slightly higher than expected income, offset by higher staff and accommodation costs.

Capital expenditure during the year was £2.7 million representing a small underspend of £0.35 million on the budget for the year. The underspend was directly related to slippage in the Records Digitisation and Scottish Family History Centre Projects.

3.2 Looking forward

The 2011 Census

A key strategic priority for GROS is to plan effectively for the 2011 Census. This is a large and logistically complex project to collect data about Scotland's housing and people, who will be able to complete census questionnaires online for the first time in 2011.

GROS has awarded a contract to CACI (UK) to develop the 2011 Census website, print paper questionnaires and scan and process responses, before GROS statisticians analyse the results and prepare statistical outputs.

The project carries significant risk, and features prominently on GROS's risk register. We are satisfied that GROS has good project planning and risk management arrangements in place for the 2011 Census, and acknowledge that the programme is subject to the Gateway Review process, but we will continue to monitor progress in meeting key project milestones and deadlines.

Scottish Family History Centre

The Scottish Family History Centre (SFHC) was opened by Her Majesty the Queen on 4 July 2008. The SFHC is a joint project between GROS, the Court of the Lord Lyon and the National Archives of Scotland to create a visitor centre for public access to key resources about Scotland's people such as birth, marriage and death records, wills, "open" census records and coats of arms, going back almost 500 years.

It is anticipated that the new facility will lead to increased demand for access to public records and this could lead to an increase in the income GROS receives from allowing access to the records it maintains. However, it is noted that GROS and its partners continually need to balance charges for the services against the pressures to make public records freely available.

The level of demand for this new service remains uncertain and GROS has found it difficult in the past to accurately plan and budget for the income it receives from providing online access to its records.

Refer Action Plan Point 1

4 Financial Statements

4.1 Audit Opinion

We have given an unqualified opinion on the financial statements of GROS for the 2007-08 financial year. We are able to conclude that the financial statements of GROS give a true and fair view of the financial position for the period from 1 April 2007 to 31 March 2008 and that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and relevant guidance.

4.2 Audit Quality

The draft financial statements were presented for audit on 25 June 2008, in line with the agreed timetable. The accounts and supporting working papers continue to be of a good standard and, as a result, few adjustments were required to be processed following our audit.

4.3 Statement on Internal Control

The Statement on Internal Control sets out the arrangements established and operated by GROS for reviewing the effectiveness of the system of internal control and the identification and management of risk.

We are satisfied that the Statement complies with Scottish Government guidance, that the process put in place by the Accountable Officer to obtain assurances on systems of internal control is adequate, and that the contents of the Statement are consistent with the information obtained from our normal audit work.

4.4 Accounting issues

Fixed asset adjustments

During the audit we noted a difference between the general ledger and the Britannia fixed assets register. The difference related to assets that had been transferred to GROS several years ago, but had not been recognised in the summary reports used to update the ledger. These assets should have been fully depreciated at the year end and therefore a minor adjustment was required to ensure that the opening fixed asset values for 2008-09 are accurate. This adjustment had no net effect on the financial statements.

Intangible asset impairment

As part of our work to ensure the intangible assets have not been impaired, one asset with a net book value of £26,000 was identified by the IT staff as an item no longer in use. This asset has now been written down as an impairment within the accounts.

Duplicate accruals

Our review of year end accruals identified two creditor invoices that had been recorded twice within the accruals schedule. An adjustment has been made to the accounts to correct the relevant entries.

4.5 Misstatements identified by the audit

This is a summary of accounting adjustments identified by the audit. Table 3 below lists the unadjusted audit differences following our audit.

Table 3: Unadjusted audit differences

	Income & Expenditure account		Balance Sheet	
	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Adjustments affecting reported results				
Removal of duplicate creditor invoice relating to accommodation		28	28	
Removal of duplicate creditor relating to intangible asset			37	37
Impairment of intangible asset	26			26

We also identified a small number of minor disclosure amendments to improve the presentation of the accounts. The Accountable Officer has updated the draft accounts to incorporate these changes.

There are no unadjusted differences to report.

5 Governance

5.1 Introduction

Corporate governance is the system by which organisations direct and control their functions and relate to their stakeholders, and incorporates the way in which an organisation manages its business, determines strategy and objectives and goes about achieving those objectives. It is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. Three fundamental principles of corporate governance apply equally to all public sector bodies - openness, integrity and accountability.

As part of our 2007-08 audit, we assessed the adequacy of GROS's governance arrangements against good practice standards for the public sector. We examined:

- the operation and effectiveness of key controls over financial systems
- governance arrangements
- ICT system controls
- progress in implementing the agreed recommendations arising from our 2006-07 audit.

5.2 Findings

We found that core financial systems are generally operating effectively. For the first time in recent years, GROS's financial statements do not record a significant underspend against budget, largely as a result of improved financial management practices. It will be important for GROS to focus on managing its budget within agreed limits going forward.

We found that GROS has established a strong system of corporate governance and there is evidence of transparent decision-making, based on a good understanding of risks to the organisation.

We noted a number of areas for improvement in ICT controls including the need to:

- document the IT strategy and develop a full disaster recovery plan
- improve physical access and access control
- improve controls over changes to the Forward Electronic Register system.

Our review found that four of the twelve recommendations from our 2006-07 audit had not been fully implemented. Of these outstanding recommendations none were regarded as high priority.

5.3 Internal Audit

The Scottish Government's Internal Audit Department provided internal audit services to GROS during 2007-08 and has concluded that GROS operated within an adequate framework of internal control during the year.

We are satisfied that internal audit meets the requirements of the Government Internal Audit Manual in its approach to planning and undertaking internal audit work at GROS.

6 Performance

6.1 Introduction

Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our annual audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.

The Accountable Officer has a duty to ensure public resources are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure best value in the use of resources.

6.2 Best value

An initial review of Best Value arrangements within GROS was undertaken in during the 2005-06 financial year. This review found that GROS had already implemented many of the best value principles in its operations, and identified 2 areas for further development:

- further development of the approach to option appraisals in procurement
- sustainable development policies were not fully developed.

Following the 2005-06 review, GROS established an action plan to address the findings of the review. The main actions taken include the establishment of a Sustainable Development and Environmental Management Policy, and extensive updating of the Purchasing and Procurement Regulations to make option appraisals more explicit and mandatory.

Our review in 2006-07, found that GROS had not yet developed a formal approach to measuring continuous improvement that could be embedded in the corporate planning and reporting cycle.

GROS took steps to address this matter during the 2007-08 financial year through further development of corporate planning arrangements. In particular, the timing of corporate planning has been brought forward to ensure that divisions and branches have more time to set performance measures and targets for each area of their work. This should improve performance management arrangements overall.

There have been significant changes in the GROS's operational priorities since the original Best Value assessment in 2005-06, and GROS should update its assessment in line with Scottish Government guidance to ensure it continues to deliver Best Value across its operations.

Refer Action Plan Point 2

6.3 Efficiency Savings

The Scottish Government has set all Departments and Agencies efficiency savings targets for 2008-11. GROS has a target to deliver efficiency savings of at least £0.17 million by 2011, representing around 2% of annual net expenditure. GROS has agreed a plan to deliver these savings across 3 main projects:

- improved procurement
- implementation of IT Virtualisation technology
- improved telecom infrastructure, support and usage arrangements.

In addition to these planned savings, GROS is also anticipating that further savings may be required to meet potential budget shortfalls. GROS has yet to bring forward detailed plans for achieving these additional savings, however, in our experience the greatest opportunity for delivering increased efficiency arise from improved management of the following key areas:

- workforce planning and management - in particular, improved absence management
- improved asset management - in particular, greater energy efficiency
- development of information technology solutions to reduce transaction processing costs
- further development of shared service opportunities
- improved procurement practices.

GROS has adopted these measures to a significant degree, but as part of a continuous improvement regime, aligned to Best Value principles, GROS should undertake a further review of its organisational structures and processes to identify additional opportunities for efficiency improvements.

Refer Action Plan Point 3

**Grant Thornton UK LLP
10 October 2008**

Appendix A: Action Plan

No	Finding	Risk	Recommendation	Management Response	Implementation Date
Scottish Family History Centre					
1	<p>The level of income generated from enabling access to public records is projected to increase as the SFHC becomes operational.</p> <p>Income generated for enabling public access to information held by GROS, however, remains uncertain and is difficult to predict.</p>	Medium	GROS should review its short and long term income projections as information of impact of SFHC on demand for services becomes available	<p>Agreed</p> <p>We have already put in place more detailed monitoring of income streams from the ScotlandsPeople website and will introduce a new forecasting system that will take full effect in 2009-10.</p>	<p>Eddie Turnbull</p> <p>(Head of Corporate Services)</p> <p>November 2008</p>
Best Value					
2	There have been significant changes in the GROS's operational priorities since the original best value assessment in 2005-06, and GROS should update its assessment in line with Scottish Government guidance to ensure it continues to deliver best value across its operations.	Medium	GROS should update its assessment of compliance with best value guidance following its initial review in 2005-06.	<p>Agreed</p> <p>We will carry out a Best Value review using the Best Value self-assessment toolkit in time to inform our corporate planning for 2009-10.</p>	<p>Craig Stewart</p> <p>(Strategic Finance Manager)</p> <p>November 2008</p>

No	Finding	Risk	Recommendation	Management Response	Implementation Date
Efficient Government					
3	GROS has plans to contribute to the Government's efficiency savings target, however, additional efficiency savings may be needed to address projected budget shortfalls.	Medium	GROS should undertake a review of its organisational structures and processes to identify further opportunities for efficiency improvements.	Agreed We do this on an on-going basis and have achieved much in the last few years. However, we will carry out a formal review, linked with work that we and other Agencies are doing on Corporate Performance Benchmarking.	Craig Stewart (Strategic Finance Manager) December 2008



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