

A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF
THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

THE 2009/10 AUDIT OF THE NATIONAL LIBRARY OF SCOTLAND

1. I have received the audited accounts of the National Library of Scotland for the year ended 31st March 2010. The auditor has given an unqualified opinion on the accounts but has provided a qualified opinion on regularity of expenditure because of a financial misappropriation.
2. I submit these accounts and the auditor's report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.
3. The auditor's report, at pages 20 to 21 of the accounts, refers to the regularity of NLS expenditure in the following terms:

“Qualified Opinion on Regularity

As disclosed in the statement of internal control, in June 2010, NLS management detected a financial irregularity involving a financial misappropriation relating to procurement and invoicing. Internal audit have carried out an investigation and the matter has now been referred to the police. Internal investigations are continuing and a member of staff has resigned. The estimated value of the financial irregularity in this financial year is in excess of our materiality for the audit. I have therefore concluded that the audit evidence I have obtained is sufficient and appropriate to provide a basis for a qualified audit opinion that the expenditure was not incurred in accordance with applicable enactments and guidance issued by Scottish Ministers. In my opinion, except for the matter, referred to above, 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.”

4. The NLS identified the irregularity, which has an estimated value in excess of £500,000, during work to introduce a new finance system. It immediately strengthened its existing procedures by requiring its managers to examine procurement methods used more closely before authorising expenditure. The replacement finance system will be available from April 2011 and will further improve control. It will improve procurement through a new electronic purchase order process which will require approval before any expenditure is committed. It will also provide improved reporting, and therefore scrutiny, of non-contracted expenditure and suppliers.
5. Additionally, in line with its fraud prevention policy, the NLS has initiated investigations into the circumstances of the fraud and has taken legal action. Police investigations are ongoing.



Robert W Black
Auditor General for Scotland
December 2010