

National Museums Scotland

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the National Museums Scotland and the Auditor General for Scotland

August 2022

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Key messages

2021/22 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 National Museums Scotland's (NMS) annual report and accounts give a true and fair view of the state of affairs of NMS and its group as at 31 March 2022.
- 3 The Trustees Report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Financial management

- 4 National Museums Scotland operated within its revised fiscal resources reporting an underspend of £0.450m.
- 5 National Museums Scotland has appropriate and effective financial management in place with regular budget monitoring reports provided to the board of trustees.
- 6 Controls within the main financial systems are operating effectively while standards for the prevention and detection of fraud remain appropriate.

Financial sustainability

- 7 The Covid-19 pandemic has had an impact on the short-term finances of the body. Commercial income was impacted in 2021/22 due to ongoing restrictions throughout the year. The number of physical visitors increased on prior year, however for 2021/22 recovered to 49% pre pandemic levels. Operational costs were below budget because of the reduction in public programmes due to Covid-19 restrictions.
- 8 NMS approved its 2022/23 budget and prepared a forecast up to financial year 2024/25.

Governance and transparency

- 9 Arrangements have been adapted to reflect the impact of the Covid-19 pandemic. We have considered these measures and have concluded that NMS has appropriate and effective governance arrangements in place.

Value for money

- 10** There is a well-developed performance management framework in place which supports the achievement of value for money and continuous improvement in the way services are delivered
- 11** Performance monitoring has continued throughout 2021/22. Whilst there have been improvements in the key performance indicators from the prior year, the pandemic has continued to have a significant impact on National Museums Scotland's key performance indicators for 2021/22.

Introduction

1. This report summarises the findings from our 2021/22 audit of National Museums Scotland (also referred to as 'NMS' throughout this report).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 10/03/2022 meeting of the Audit and Risk Committee. This report comprises the findings from:
 - an audit of the NMS's annual report and accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The main elements of our audit work in 2021/22 have been:
 - an audit of the NMS's 2021/22 annual report and accounts including the issue of an independent auditor's report setting out our opinions
 - a review of the NMS's key financial systems
 - consideration of the four audit dimensions.
4. The global coronavirus pandemic has had a considerable impact on NMS during 2021/22. Due to Covid-19, the four museums had phased reopening's and Covid-19 restrictions in place such as physical distancing which reduced the capacity of visitors in the Museums. There has been an increase in 784% of physical visitors in comparison with the prior year. This figure is down 51% pre pandemic levels. As of March 2022, physical distancing measures were removed, and Museum capacities are now pre pandemic level.

Adding value through the audit

5. We add value to NMS through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

- 6.** NMS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the account's direction from the Scottish Ministers.
- 7.** NMS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.
- 8.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2016, and supplementary guidance and International Standards on Auditing in the UK. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
- 9.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
- 10.** Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation. It also includes any outstanding actions from last year and progress against these.

Auditor Independence

- 11.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.
- 12.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2021/22 audit fee of £25,030 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
- 13.** This report is addressed to both National Museums Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
- 14.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Audit appointment from 2022/23

15. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 a team from Audit Scotland with a new engagement lead will continue to be the appointed auditor for National Museums Scotland.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

18. We would like to thank Board members, Audit and Risk Committee members, Executive Team and other staff, particularly those in finance for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts are unmodified.

National Museums Scotland's (NMS) annual report and accounts give a true and fair view of the state of affairs of NMS and its group as at 31 March 2022.

The Trustees Report and governance statement were consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Our audit opinions on the annual report and accounts are unmodified

19. The annual report and accounts for the year ended 31 March 2022 are to be approved by the board on 21/09/2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the information provided in the Trustees' Report and Governance Statement is consistent with the financial statements and properly prepared in accordance with legislation and guidance.

The Covid-19 pandemic had a limited impact on audit evidence

20. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 outbreak.

21. The working papers provided to support the accounts were of a good standard and the audit team received support from the finance team which helped ensure the final accounts audit process ran smoothly.

The annual audit report and accounts were submitted in line with our agreed audit timetable

22. The unaudited annual report and accounts were received in line with our agreed audit timetable on 13/06/2022. Covid- 19 had a limited impact on the audit process.

Whole of Government Accounts 2020/21 and 2021/22

23. In accordance with the WGA (Whole of Government Accounts) guidance we will complete the required assurance statement for the prior year accounts and submit it to the National Audit Office (NAO) by the revised deadline of 31st August 2022. We anticipate completing the required assurance statement for 2021/22 and submitting it to the National Audit Office (NAO) once further guidance is published, after Board approval and audit certification of NMS's annual report and accounts.

Overall materiality is £1.9 million

24. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#). The revised materiality levels did not result in a change in our audit approach. Our group and single entity levels of materiality were the same.

Exhibit 1 Materiality values

Materiality level	Planning Materiality	Revised Materiality
Overall materiality	£1.8 million	£1.9 million
Performance materiality	£1.3 million	£1.3 million
Reporting threshold	£40 thousand	£40 thousand

Source: Audit Scotland

2021/22 Financial Position

25. A large element of NMS's resource expenditure consists of staff costs, which amounted to around £17.7million. Expenditure is split into the various charitable activities of NMS, with Public Displays and Events and Estates and Buildings the most significant areas of spend. NMS's main source of income continues to be Grant in Aid funding from the Scottish Government which was approximately £25.3m (72% of overall income) in 2021/22.

26. NMS also recognise other income of approximately £9.4m in the Statement of Financial Activities. This consists of donations, income from charitable

activities and income from other trading activities. This also includes restricted income with a value of £2.3m which relates to heritage assets donated under HMRC's Cultural Gifts Scheme.

We have one significant finding to report on the annual report and accounts

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant finding is summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Valuation of donated heritage assets</p> <p>We identified that the value applied in respect of assets received through HMRC's Cultural Gifts Scheme, had been overstated by £1m as a result of outdated information being provided by the Registrar team to finance. The valuation is based on the amount of tax settled by the acceptance of the asset.</p>	<p>Management adjusted the financial statements to reflect the correct valuation for the artwork. This resulted in a reduction to the carrying value of heritage assets by £1m and associated decrease recognised in restricted income.</p> <p>We have audited the revised valuation and confirmed there were no other donated heritage assets through this scheme, therefore assurance that the issue noted was not indicative of a risk of material misstatement in the population.</p> <p>Recommendation 1 (Refer Appendix 1, action plan)</p>

Source: Audit Scotland

28. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3**Significant risks of material misstatement in the financial statements**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>Although we have not identified any specific risks of management override of controls relating to NMS, Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Consider the need to test journal entries and other adjustments during the period.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	<p>No issues identified.</p> <p>No issues identified.</p> <p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>Substantive testing of transactions throughout the year the year were concluded as satisfactory.</p> <p>No changes to methods identified.</p> <p>Substantive testing of transactions around the year end were concluded as satisfactory.</p> <p>Focussed testing on accruals and prepayments did not identify any instances of management override of controls.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>

Other areas of audit focus

29. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- **Estimation in the value of land and buildings:** NMS hold land and buildings with a NBV of £156m as at 31 March 2022, with land and buildings revaluated on a five-year rolling basis. RICS approved indexation factors for the valuation of NMS's land and buildings are applied in the years where a full revaluation is not undertaken.

30. We kept these areas under review throughout our audit based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

Other matters arising from the audit of the financial statements

31. Financial Reporting Requirements: Changes to the Government Financial Reporting Manual (FReM) include the requirement for Non Departmental Public Bodies (NDPB) to include the content required of the remuneration and staff report, either in report format or current note on staff costs expanded to include these required disclosures. We discussed the changes required with management and they updated their Note 4 to include our required audit adjustments. Management have agreed to review the FReM requirements going forward with a view to enhancing the disclosures in 2022/23.

Recommendation 2

Management should revise the process for drafting the accounts to ensure compliance with relevant financial reporting framework.

Identified misstatements of £1.1 million were adjusted in the accounts, these were less than our performance materiality and we did not need to revise our audit approach

32. Total misstatements identified were £1.1 million.

33. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We did not need to review our audit approach.

34. Adjustments made in the financial statements decreased the net movement in funds in the Statement of Financial Activities by £1m and decreased net assets in the Balance Sheet by £1m. A reclassification adjustment of £142k was required between income and expenditure in relation to group activities – this netted off and had no impact on the Statement of Financial Activities.

35. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold; there are no unadjusted errors to report.

Good progress was made on prior year recommendations

36. The body has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

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

Main judgements

National Museums Scotland operated within its revised fiscal resources reporting an underspend of £0.450m.

National Museums Scotland has appropriate and effective financial management in place with regular budget monitoring reports provided to the board of trustees.

Controls within the main financial systems are operating effectively while standards for the prevention and detection of fraud remain appropriate.

National Museums Scotland operated within its revised budget in 2021/22

37. The main financial objective for NMS is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers. NMS also must self-generate income and manage costs over the long-term to ensure financial sustainability.

38. As a charitable Non-Departmental Public Body, NMS is primarily funded by the Scottish Government by way of grant-in-aid. For 2021/22, the single entity accounts for NMS show that it received £25.3 million from the Scottish Government. This comprised a revenue grant of £24.25 million and capital of £1.05 million.

39. The body has reported an outturn of £25.3 million against its overall budget for 2021/22 with an underspend of £0.450 million. The financial performance against fiscal resources is shown in [Exhibit 4](#).

Exhibit 4 Performance against fiscal resource in 2021/22

Performance	Final budget £m	Outturn £m	Over/(under) spend £m
Resource	24.50	24.25	(0.25)

Capital	1.25	1.05	(0.20)
Total	25.75	25.30	(0.45)

Source: NMS 2021/22 accounts, NMS 2021/22 grant in aid letter.

Budget processes were appropriate

40. We reviewed NMS's budget setting and monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at Audit and Risk Committees we confirmed that senior management and trustees continue to receive regular, timely and up to date financial information on the financial position.

41. We concluded that NMS have sound budgetary processes that allow Board members and officers to carry out effective scrutiny of finances.

Consolidated Accounts

42. NMS has a wholly owned subsidiary, National Museums Scotland Enterprises Ltd (NMSE) which promotes and develops NMS's commercial activities such as catering services, retail, publishing books and developing intellectual property. NMSE donates its taxable annual profits available for distribution to NMS, in accordance with the Government's Gift Aid legislation, and the company's financial results are consolidated into the NMS Annual Report and Accounts. For 2021/22 NMSE made a loss of £173k and was unable to provide an unrestricted contribution to NMS.

Financial systems of internal control are operating effectively

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

44. During our interim audit work which started in February 2022 we reviewed key financial systems and assessed controls in the general ledger, payroll and banking.

45. We confirmed our understanding of the key controls, carried out walkthroughs of each control and concluded that they are suitably designed to detect and/or prevent risk of material misstatement. We concluded that the key controls were operating effectively.

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

46. There are appropriate arrangements for the prevention and detection of fraud, error, and irregularities. National Museums Scotland is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, the board is responsible for

ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

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

3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services

Main judgements

The Covid-19 pandemic has had an impact on the short-term finances of the body. Commercial income was impacted in 2021/22 due to ongoing restrictions throughout the year. The number of physical visitors increased on prior year, however for 2021/22 recovered to 49% pre pandemic levels. Operational costs were below budget because of the reduction in public programmes due to Covid-19 restrictions.

NMS approved its 2022/23 budget and prepared a forecast up to financial year 2024/25.

We have obtained audit assurances over the wider audit dimension risks relating to Financial Sustainability identified in our 2021/22 Annual Audit Plan

48. [Exhibit 5](#) sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 5

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>Financial sustainability</p> <p>NMS, like other public sector bodies, face challenges and uncertainty over future funding allocations. The main financial target for NMS is to maintain a stable and sustainable financial environment and adequate financial outturn for the year, compared to the budget</p>	<p>Regular communication with senior finance officers regarding budget plans and finance reports.</p> <p>Focused cut off testing at year-end to confirm expenditure and income has been accounted for in the correct financial year.</p>	<p>Results & Significant Judgements: We reviewed NMS's financial management arrangements and concluded that these are appropriate.</p> <p>Conclusion: We have discussed financial sustainability and ongoing financial pressures with management and reviewed</p>

Audit risk	Assurance procedure	Results and conclusions
<p>allocated by Scottish Ministers. NMS are projecting a surplus for 2021/22.</p> <p>Although NMS are on course to meet its financial target in 2021/22, the organisation continues to face a risk over its financial sustainability in the coming years due to uncertainty over future funding allocations and the impact of Covid-19.</p>	<p>Ongoing monitoring of budgets and finance reports presented to the Board and Audit & Risk Committee.</p>	<p>budgets and forecasts for 2022/23 and beyond.</p> <p>No issues were identified from out cut off testing in relation to income and expenditure.</p> <p>Regular financial reporting is provided to the Board, Finance, Audit and Risk Committees and Corporate Management Team.</p>

NMS's medium-term financial plan has been revised to reflect the impact of the Covid-19 pandemic

49. The financial impact of the pandemic on NMS is likely to extend across several years. This has been acknowledged in their most recent budget with ongoing pressures on generating income out with Grant in Aid is an area of concern. The budget for 2022/23 assumes more visitors will return to NMS in 2022/23 and assumes the trading company will return to profit and be able to make a contribution to NMS again.

50. The draft budget for 2022/23 was presented to the Board on 23rd March 2022. The budget sets out £27.7 million total expenditure in 2022/23 and income is expected to be £27.4million including £24 million Grant in Aid from the Scottish Government (SG). This funding will therefore remain NMS's main (87%) source of income. The £3.4 million of non-GIA revenue, includes income from self-generation, other grants, exhibitions and trading.

51. The 2022/23 budget and the forecast for 2023/24 and 2024/25 acknowledge areas of concern going forward including the income assumptions used, rising cost of inflation and the impact this has on backlog maintenance and securing funds to implement future pay policies.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

Arrangements have been adapted to reflect the impact of the Covid-19 pandemic. We have considered these measures and have concluded that NMS has appropriate and effective governance arrangements in place.

Governance arrangements

52. The National Heritage Act (Scotland) 1985 confirms that NMS's Board has responsibility to:

- Care for, preserve and add to the objects in their collections
- Secure that the objects are exhibited to and interpreted for the public
- Secure that the objects are available to persons seeking to inspect them in connection with study or research
- Generally, promote the public's awareness, appreciation and understanding of matters agricultural, archaeological, architectural, artistic, cultural, environmental, historical, industrial, military, scientific and social, both by means of the collections and by such other means, including collaboration with other institutions, as appropriate
- Provide education, instruction and advice and carry out research.

53. There are twelve trustees plus a Chair on the Board. All members are appointed by the Scottish Ministers.

54. The role of the Board is to provide leadership, direction, support, and guidance to ensure NMS delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. The Board is supported in its governance role by the following committees:

- Audit and Risk Committee (ARC)
- Personnel and Remuneration Committee
- Finance Committee

- Estates Committee
- Acquisition Committee
- Nominations and Governance Committee

55. This committee structure is unchanged from last year. The ARC and the Personnel & Remuneration Committee have delegated responsibility for certain matters under the Scheme of Delegation.

56. Responsibility for delivering the strategy and operational objectives is devolved to the Director, supported by Senior Management. The Director is also the Accountable Officer for the use of public resources.

57. NMS is generally open and transparent in the way it conducts its business. There is scope for improvement in the publication of Board and committee reports.

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

59. The impact of Covid-19 for 2021-22 has been set out in NMS's annual report and accounts. We reported in prior year's annual audit report on the revised governance arrangements introduced by NMS which included moving all Board and committee meetings virtually in order to maintain good governance.

60. We have also reviewed revisions to key financial controls as a result of Covid-19 during 2021/22. We can confirm that appropriate controls were in place and operating during the year.

Openness and transparency

61. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means that the public have access to understandable, relevant, and timely information about how the board is taking decisions and how it is using resources such as money, people, and assets.

62. The Board meetings are in private and a public annual review meeting is held. Board and other committee papers are not made publicly available.

63. As raised in prior year Annual Audit Reports, National Museums Scotland should consider improving the transparency of its functions to aide scrutiny by members of the public and wider society.

Cyber Security

64. The Scottish Government issued a Public Sector Action Plan on Cyber Resilience in November 2017. This requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate.

65. In 2018/19 we reported NMS had achieved Cyber Essentials Plus accreditation. The re-accreditation had not been achieved in 2019/20, 2020/21 and has not been achieved for 2021/22. The closure of museums in March 2020 delayed the ongoing IT improvements as the infrastructure-based improvements required direct access to the site, which was not possible. NMS noted the requirements for the Cyber Essentials accreditation are largely based on keeping onsite computers up to date.

66. NMS have now reengaged with the Cyber Essentials programme. Cyber Essentials Plus certification is anticipated in 2022/23.

5. Value for money

Using resources effectively and continually improving services

Main judgements

There is a well-developed performance management framework in place which supports the achievement of value for money and continuous improvement in the way services are delivered.

Performance monitoring has continued throughout 2021/22. Whilst there have been improvements in the key performance indicators from the prior year, the pandemic has continued to have a significant impact on National Museums Scotland's key performance indicators for 2021/22.

NMS has satisfactory best value arrangements and good performance reporting in place

67. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

68. From our discussions with officers, review of Board and committee papers and attendance at committee meetings, we conclude that NMS has satisfactory best value arrangements and performance reporting in place.

Performance Management

69. NMS's performance is monitored by the Board against several performance targets which support the delivery of the Scottish Government's national performance framework. These targets and their plans are set out in the NMS's 2020-22 Strategic Plan Update.

70. Responsibility for detailed review and scrutiny of operational and financial performance lies with the Board which meets quarterly.

71. NMS Trustees' Annual Report for 2021/22 includes details of several KPI's which are monitored by management during the year. There are 10 KPI's included within these reports which cover a range of areas such as visitor numbers, online engagement, customer satisfaction and energy emissions.

72. The 2021/22 KPI'S improved from 2020/21 due to the easing of Covid-19 restrictions. For 2021/22, the number of physical visitors had recovered to 49% pre pandemic levels. Website sessions increased by 49% on the prior year, total learning participation saw a 180% increase from the prior year. Commercial

income increased by 97% from the prior year but is equivalent to 50% pre – pandemic levels. Commercial income suffered from not having any paid exhibitions for the current year and the cancellation of other events such as the air show at National Museum of Flight. Visitor satisfaction increased by 7% to 87% for 2021/22.

73. Each meeting of the Board receives a Director’s Report to the Trustees. Performance is normally reported using a traffic light system covering 10 key indicators. Performance reports contain detailed information for each performance target including four years of trend analysis, specific performance issues and actions being taken to improve performance. These planned performance targets continue to be paused for 2021/22 due to the impacts of Covid-19.

74. We concluded that NMS has a good performance management framework in place which supports the achievement of value for money and continuous improvement in the way services are delivered.

National performance audit reports

75. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2021/22 several reports were published which may be of direct interest to the body. These are outlined in [Appendix 2](#).

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Valuation of donated heritage assets</p> <p>We identified that the value applied in respect of assets received through HMRC's Cultural Gifts Scheme, had been overstated by £1m as a result of outdated information being provided by the Registrar team to finance. The valuation is based on the amount of tax settled by the acceptance of the property.</p> <p>Risk – Continued errors in future valuations placed on donated assets.</p>	<p>Management should ensure the accounts are prepared using the most up to date information available.</p> <p>Exhibit 2</p>	<p>Arts Council England is the NDPB with responsibility for administering the Cultural Gifts Scheme. The Finance Team will obtain a copy of the annual <i>Cultural Gifts Scheme & Acceptance in Lieu Annual Report</i> from Arts Council England to cross-check the valuation of any assets received under this scheme in future.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: 2023</p>
<p>2. Remuneration and Staff disclosures</p> <p>Our audit work identified that not all remuneration and staff disclosures as required by the Government Financial Reporting Manual (FReM) were included in Note 4.</p> <p>Risk – There is a risk all future required disclosures are not included.</p>	<p>Management should revise the process for drafting the accounts to ensure compliance with relevant financial reporting framework.</p> <p>Paragraph 31</p>	<p>NMS Finance Team will review FReM at audit planning stage and will discuss any changes to required disclosures with the audit team at that time.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Journal Authorisation 2020/21 AAR</p> <p>We identified through our journals testing that there was no evidence of secondary review of journals prepared by the Head of Finance.</p> <p>Risk -There is a risk that journals are entered in error and not identified by secondary review.</p>	<p>An independent review of journals on a monthly basis should be completed and evidenced by a senior officer</p>	<p>Complete</p> <p>As part of our audit work, we reviewed the controls in place around this area. Our review of journals confirmed NMS have actioned and documented the review of journals on a monthly basis.</p>

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

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