

# National Library of Scotland

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the National Library of Scotland and the Auditor General for Scotland

September 2023

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# Contents

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Key messages	3
Introduction	4
1. Audit of 2022/23 Annual Report and Financial Statements	6
2. Financial management	12
3. Financial sustainability	17
4. Vision, leadership and governance	19
5. Use of resources to improve outcomes	23
Appendix 1. Action plan 2022/23	27

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# Key messages

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## 2022/23 Annual Report and Financial Statement

- 1 An unqualified independent auditor's report has been issued for the 2022/23 Annual Report and Financial Statements.
- 2 Expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.
- 3 The Annual Report of the Board, Remuneration and Staff Report and Governance Statement are consistent with the accounts and properly prepared in accordance with applicable guidance.

## Financial management

- 4 Planned expenditure on National Library of Scotland's (NLS) voluntary severance scheme contributed to an overspend against budget in 2022/23.
- 5 There are well-established budget monitoring and reporting processes in place and NLS has appropriate financial control arrangements.
- 6 Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.

## Financial sustainability

- 7 The 2023/24 budget is balanced but there remains uncertainty over future funding for pay awards.
- 8 Planning for the medium-term is challenging given the uncertainties over future funding settlements and cost pressures.

## Vision, leadership and governance

- 9 NLS has a clear vision and strategy.
- 10 Effective governance and decision-making arrangements were in place during 2022/23 with business conducted in an open and transparent manner.

## Use of resources to improve outcomes

- 11 NLS has arrangements in place to secure Best Value, including an effective performance management framework.

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# Introduction

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**1.** This report summarises the findings from the 2022/23 annual audit of National Library of Scotland (NLS). The scope of the audit was set out in an Annual Audit Plan presented to the 13 March 2023 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of National Library of Scotland Annual Report and Financial Statements.
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

**2.** This report is addressed to the Board of National Library of Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Responsibilities and reporting

**3.** National Library of Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an Annual Report and Financial Statements that are in accordance with the Accounts Direction from the Scottish Ministers. NLS is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

**4.** The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

**5.** 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 NLS from its responsibility to address the issues we raise and to maintain adequate systems of control.

## Communication of fraud or suspected fraud

**6.** In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should Board members have any such knowledge or concerns relating to the risk of fraud within the Library, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Report and Financial Statements being certified.

## Auditor Independence

**7.** 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 therefore the 2022/23 audit fee of £27,780 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**8.** We add value to National Library of Scotland by:

- identifying and providing insight on significant risks and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

**9.** The audit team would like to thank Library staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

# 1. Audit of 2022/23 Annual Report and Financial Statements

NLS is required to prepare an Annual Report and Financial Statements. This is the principal means of accounting for the stewardship of public funds.

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## Main judgements

An unqualified independent auditor's report has been issued for the 2022/23 Annual Report and Financial Statements.

Expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.

The Annual Report of the Board, Governance Statement and the Remuneration and Staff Report are consistent with the accounts and properly prepared in accordance with applicable guidance.

Key risks arising from the audit of National Library of Scotland Annual Report and Financial Statements were presented to the Audit Committee on 13 March 2023 in our Annual Audit Plan. There are no significant matters from that work to draw to the attention of the Board.

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## An unqualified independent auditor's report has been issued for the 2022/23 Annual Report and Accounts

**10.** The Board approved the Annual Report and Financial Statements for National Library of Scotland for the year ended 31 March 2023 on 27 September 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 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.
- the Annual Report of the Board, Governance Statement and the audited part of the Remuneration and Staff Report were consistent with the

financial statements and properly prepared in accordance with the relevant legislation and guidance.

**11.** We are satisfied that there are no matters upon which we are required by the Auditor General to report by exception.

### The unaudited Annual Report and financial Statements were received in line with the agreed audit timetable

**12.** The unaudited Annual Report and Financial Statements were received in line with our agreed audit timetable on 12 June 2023. The document submitted for audit was of a high standard as were the supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Overall materiality was assessed as £1.865 million

**13.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**14.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited Annual Report and Financial Statements and is summarised in [exhibit 1](#).

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## Exhibit 1

### Materiality levels

Materiality level	Amount
<p><b>Overall materiality:</b> This is the figure we calculate to assess the overall impact of audit adjustments on the Financial Statements. It has been set at 1.5% of net assets for the year ended 31 March 2023. We have used gross assets as the basis for calculating materiality as a primary function of National Library of Scotland is to operate as a custodian of public assets. This treatment is in line with ISA (UK) 320 (<i>Materiality in planning and performing an audit</i>) and Practice Note 10 (<i>Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>).</p>	£1.865 million
<p><b>Performance materiality:</b> This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.</p>	£1.210 million

Materiality level	Amount
<b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have ensured this threshold is reasonable to allow appropriate testing of income and expenditure items.	£0.035 million

Source: Audit Scotland

## We have no significant findings to report on the Annual Report and Financial Statements

**15.** Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to the Board of Trustees, including our view about the qualitative aspects of NLS's accounting practices.

**16.** The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the Financial Statements.

**17.** We have no issues to report from the audit.

**18.** The qualitative aspects of NLS's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

**19.** In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

### No misstatements were identified

**20.** It is our responsibility to request that all misstatements, other than those below our reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance.

**21.** There were no identified misstatements within the financial statements above our reporting threshold. In addition, we have no unadjusted misstatements to report.

## Our audit work responded to the risk of material misstatement we identified in the Annual Report and Financial Statements

**22.** We have obtained audit assurances over the identified significant risk of material misstatement in the Annual Report and Financial Statements. [Exhibit 2](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.



## Exhibit 2

### Significant risk of material misstatement in the Annual Report and Financial Statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Management override of controls</b></p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>Owing to the nature of this risk, assurances from management are not applicable in this instance.</li> </ul>	<p><b>Results:</b> We assessed the design and implementation of controls over journal entry processing. No issues were noted.</p> <p>Journal adjustments were tested, and no indication of management override of controls were found.</p> <p>We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>We reviewed transactions during the year – no issues were identified with significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p><b>Conclusion:</b> No instances of management override of controls were identified.</p>

Source: Audit Scotland

**23.** In addition, we identified “other areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. The area of specific audit focus was:

- Valuation of land and buildings:** We reviewed the RICS (Royal Institute of Chartered Surveyors) indexation factors and the application of these to land and buildings. The use of indexation resulted in a net increase of £5.240 million to land and buildings in 2022/23. Land and buildings have been properly accounted for in the financial year. For those valued on a Depreciated Replacement Cost basis, which would be impacted by changes in build costs during the year, we have performed an analysis of changes in the Build Costs Information Service index ('BCIS') and concluded that management's assessment of the BCIS impact is reasonable.

24. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

### **The Annual Report of the Board complies with applicable guidance**

25. The Annual Report of the Board is a narrative statement from the Trustees which the charity regulations (Charities SORP 2019) require to be included alongside the statement of accounts. Additionally, in line with the Accounts Direction, the Annual Report of the Board should meet the requirements for a Performance Report in line with the HM Treasury Government Financial Reporting Manual (FReM).

26. The report should provide a fair, balanced, and understandable review of the charity's structure, legal purposes, objectives, activities, financial performance, and financial position.

27. Our review of the Annual Report of the Board found that it was of a reasonable standard and covered all areas and disclosures required.

### **The Governance Statement provides an appropriate level of disclosure on the Library's governance arrangements during 2022/23**

28. The FReM requires inclusion of a Governance Statement in the Annual Report and Financial Statements. The Scottish Public Finance Manual (SPFM) sets out guidance on the content and minimum requirements of the statement but does not prescribe a format.

29. The National Library of Scotland's Governance Statement complies with SPFM guidance and presents a reasonable explanation and assessment of its governance arrangements for the year under review.

### **The audited part of the Remuneration and Staff Report was consistent with the accounts and has been prepared in accordance with applicable guidance**

30. As reported in 2021/22, a change to the Government Financial Reporting Manual (FReM) included the requirement for Charitable Non-Departmental Public Bodies (NDPB) to disclose the content required of the Remuneration and Staff Report. This can be either within a separate report contained within the accounts or by expanding the existing staff cost note disclosure. Following discussions with management, for 2022/23 a separate Remuneration and Staff Report has been disclosed in the Annual Report and Financial Statements. This includes details of:

- the Library's remuneration policy
- details of the remuneration of senior officers, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures as at 31 March 2023
- the number and cost of exit packages approved during the financial year

- a percentile pay disclosure and a range of other information on staff costs, numbers, and related activity.

**31.** We have no issues to report in relation to the information disclosed within the Remuneration and Staff Report in the Library's 2022/23 Annual Report and Financial Statements.

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusion

Planned expenditure on National Library of Scotland's (NLS) voluntary severance scheme contributed to an overspend against budget in 2022/23.

There are well-established budget monitoring and reporting processes in place and NLS has appropriate financial control arrangements.

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

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### Planned expenditure on NLS's voluntary severance scheme contributed to an overspend against budget in 2022/23

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

**33.** As a charitable Non-Departmental Public Body, NLS is primarily funded by the Scottish Government (SG) by way of grant-in-aid. For 2022/23, the Financial Statements for NLS show that it was due to receive £21.105 million from the SG. This comprised a resource grant of £15.655 million, capital of £1.850 million and funding for depreciation of £3.600 million.

**34.** NLS has reported an overspend of £0.357 million against its final resource and capital grant budgets for 2022/23. The resource budget was overspent following the planned expenditure on the 2022/23 voluntary severance scheme. Changes to capital funding allocations were agreed after the issue of the updated offer letter following the closure of the SG budget revision period in the spring of 2023. The changes were as a result of revised timings in the planned capital expenditure against the Library's fire protection project. It has been agreed with SG that this funding will be utilised in 2024/25. The financial performance against fiscal resources is shown in [exhibit 3](#).

**Exhibit 3**

Performance against fiscal resource in 2022/23

Performance	Final budget £'million	Outturn £'million	Variance (under)/over £'million
Resource	15.655	15.980	0.325
Capital	1.850	1.823	(0.027)
Depreciation	3.600	3.659	0.059
Total	21.105	21.462	0.357

Source: National Library of Scotland Audited 2022/23 Annual Report and Financial Statements

**35.** NLS also recognises other income of £2.163 million in the Statement of Financial Activities. This consists of donations, income from charitable activities, income from other trading activities and income from investments.

**36.** A large element of NLS's resource expenditure (87%) consists of staff costs, which amounted to £13.639 million in 2022/23. Whilst NLS has seen a recovery from the pandemic, as evidenced by its improved income position, 2022/23 continued to be a challenging financial environment for it to operate in. The ongoing war in Ukraine has contributed to the rising cost of inflation which impacted on utility costs, and the implementation of pay settlements contributed to a significant increase in its staff costs (£1.46 million). NLS was able to offset some of the inflationary increases in its utility costs through a reduction in its carbon footprint.

**37.** Overall, NLS remains in satisfactory financial health. The balance sheet shows what is owned and owed by NLS as at 31 March 2023. This currently shows net assets of £124.348 million, an increase of £3.958 million on the prior year. This increase is mainly attributable to increases to tangible assets following indexation (see [paragraph 23](#)). NLS also continued to comply with its reserve strategy of maintaining at least £0.450 million available for use in its unrestricted General Reserve, with £0.597 million being held as at 31 March 2023. This has decreased from £0.859 million in 2021/22, but NLS planned for this. These funds were used to manage the costs associated with the voluntary severance scheme it ran in 2022/23. NLS considers its current level of General Reserve to be a reasonable cushion given the financially challenging environment it is operating in.

### **There are well-established budget monitoring and reporting process in place**

**38.** NLS continues to have strong financial management processes in place which are sufficiently robust to manage financial activity and capture and address any challenges to the achievement of financial targets. This is supported by an experienced finance team.

**39.** The Leadership Team, Audit Committee and Board regularly review progress against budget throughout the year, with financial reports included on the agenda of each meeting of the Audit Committee and Board. The budget updates provide a good level of information on the reasons for variances, where savings have been made and the challenges facing NLS for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from Trustees. Additionally, the level of reserves held by the charity are subject to regular review by Trustees.

**40.** We concluded that NLS has effective budgetary and financial management processes in place that allow Trustees to carry out effective scrutiny of its finances.

### **NLS has appropriate financial control arrangements in place**

**41.** From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach we did not identify any internal control weaknesses which could affect NLS's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the accounts.

**42.** The key controls within the main financial systems were designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to its annual accounts is low.

### **Internal audit reported that NLS had reasonable risk management, control, and governance arrangements in place during 2022/23**

**43.** NLS's internal audit function is carried out by BDO. The internal audit service, in any organisation, is an important element of internal control. It provides Trustees and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

**44.** As part of our review of the Governance Statement included within the 2022/23 Annual Report and Financial Statements, we considered internal audit's Annual Audit Report, presented to the August 2023 Audit Committee. This disclosed internal audit's opinion that NLS had reasonable risk management, control, and governance arrangements in place during 2022/23.

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

**45.** NLS's Board is responsible for ensuring that appropriate standards of corporate governance and personal conduct on the part of Trustees and staff are maintained.

**46.** NLS management is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. The arrangements in place at NLS include:

- codes of conduct for Trustees and staff

- fraud prevention and response policies
- whistleblowing policy
- gifts, fees, hospitality, bribery, and corruption policy
- system of internal controls in place which includes segregation of duties, and multiple levels of authorisation and approval.

**47.** NLS continues to participate in the National Fraud Initiative (NFI), a biennial counter-fraud exercise co-ordinated by Audit Scotland that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity. NLS has made good progress with the 2022/23 exercise with all matches being investigated and closed.

**48.** We have concluded that adequate arrangements are in place for the prevention and detection of fraud and other irregularities. In addition, our testing of expenditure and income during the audit did not highlight any issues with the regularity of NLS transactions, or any instances of business decisions being taken that did not appear to reflect value for money. We are not aware of any specific issues that we need to bring to your attention.

### **NLS has arrangements in place to manage cyber security risks and work is ongoing to achieve Cyber Essentials accreditation in 2023/24**

**49.** There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place to help mitigate these. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

**50.** Cyber security is included within the NLS strategic risk register. The risk register is reported to each meeting of the Board and Audit Committee for review, amendment, and approval. The Library also holds a separate, more detailed, cyber security risk register that is subject to regular review by the Leadership Team.

**51.** NLS has in place a cyber security plan that outlines cyber security activities for the financial year. These are aligned with the cyber security risk register. Items marked as high priority on the plan address the highest risks on the risk register. The cyber security plan is overseen by the Cyber Security Steering Group which reports to the Library Security Board. Updates on cyber security are provided to the Audit Committee. For 2022/23 NLS reported that no significant cyber incidents or vulnerabilities occurred.

**52.** NLS has progressed with cyber security projects in 2022/23. This has included the implementation of immutable backups. These backups are a way of protecting data by ensuring it is fixed, unchangeable, encrypted, or unable to be modified therefore, protecting the Library's data in the event of a ransomware attack. These are a requirement of Cyber Essentials accreditation.

**53.** In 2020/21 the external auditor reported that NLS no longer held the Cyber Essentials accreditation. This provides assurance that the arrangements within an organisation to manage cyber security risks are adequate. Through the completion of the items in its 2023/24 cyber security plan, the Library considers it will be in a position to complete the Cyber Essentials accreditation process. To help prepare for this, third-party support from JISC Cyber Services has been obtained. They will support the Library through a Cyber Essentials gap analysis exercise, the outputs of which will inform areas of focus ahead of accreditation.

**54.** Given the nature and sophistication of cyber-attacks no organisation can be fully protected against these. NLS has arrangements in place to manage cyber security risks, but it recognises the importance of Cyber Essentials accreditation and is working towards achieving this in 2023/24 ([see appendix 1 b/f recommendation 1](#)).



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## 3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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### Conclusion

The 2023/24 budget is balanced but there remains uncertainty over future funding for pay awards.

Planning for the medium-term is challenging given the uncertainties over future funding settlements and cost pressures.

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### The 2023/24 budget is balanced but there remains uncertainty over future funding for pay awards

**55.** The Board approved a balanced budget for 2023/24 in March 2023. The draft budget provides a good level of detail on the assumptions used. These appear reasonable and are based on the latest and best available information to management.

**56.** The budget sets out £20.113 million of total expenditure in 2023/24 with a corresponding level of income, including £16.088 million in revenue Grant in Aid from the Scottish Government (SG). This is an increase of £0.733 million from 2022/23. This is to fund increasing running costs and the 2022/23 pay award. Grant in Aid will therefore remain NLS's main (93%) source of income. The £1.225 million of non-GIA revenue, includes income from self-generation, other grants, and trading.

**57.** The main risk to the budget relates to the pay award. At the time of considering the budget, the SG was still to confirm if it would fund the 2023/24 pay award and as such this remains an uncertainty within the budget.

**58.** We recognise that NLS is operating in a difficult financial environment, with high inflation, the cost-of-living crisis and national pay awards all representing challenges to its budget. This is against the backdrop of relatively flat, real terms resource funding contributions to the cultural collections over the past several years, including NLS, as [reported](#) by the Scottish Parliament Information Centre (SPICe) in June 2023. Management have confirmed that should the SG not provide the budget for the 2023/24 pay award, they will re-visit the budget.

**59.** NLS has good financial management arrangements in place and has a history of operating within its budget. We are satisfied from a review of the 2023/24 budget, consideration of the actual position in 2022/23, and the assumption of continued provision of services set out in the FReM and Practice Note 10, that it is appropriate to prepare the Financial Statements on a going

concern basis, and that no material uncertainty on going concern exists. Management have made appropriate disclosures relating to going concern in the Annual Report and Financial Statements.

### **Planning for the medium-term is challenging given the uncertainties over future funding settlements and cost pressures**

**60.** In May 2022, the Scottish Government (SG) published its first Resource Spending Review (RSR) since 2011. The RSR set out indicative spending plans for five years up to 2026/27. High-level spending plans were outlined for each government portfolio and included several assumptions and expectations such as the delivery of three per cent efficiency savings from all public bodies, and maintaining public sector pay costs at around 2022/23 levels. Since the publication, the financial pressures facing the SG, and the wider public sector, have intensified as tougher economic conditions such as higher inflation and increased interest rates have emerged in recent months. Added to this, the SG has intimated its intention for public sector reform, with further details on this expected later in 2023.

**61.** Set in this context, as part of the 2023/24 budget paper, management outlined forecasts for 2024/25 and 2025/26. The forecasts are presented as scenario planning, with positive, neutral, and negative scenarios for each year. The forecasts highlight a challenging financial position over the medium-term, in part due to the rising cost of inflation and the impact this has on utilities and maintenance costs. There also remains uncertainty over future pay settlements. As further information is made available from the SG, NLS will have to assess the impact of the RSR and reform announcements on its forecasts.

**62.** Planning for the medium to longer-term term is difficult, but necessary to manage the levels of uncertainty and volatility facing NLS' budgets. The development of these forecast will bring into focus the identified challenges together with opportunities to address them.

**63.** Staff costs comprise the greater part of the NLS's annual expenditure (87% of total expenditure in 2022/23). This should dictate that the NLS adopts a strategic approach to workforce and succession planning and that this should be closely related to its Strategy and budgets.

**64.** In 2021/22 internal audit undertook a review of Staff Development that included a recommendation for the development of a clear workforce planning policy. Each year NLS produces and HR Plan which identifies objectives for the year ahead. The 2022/23 plan included the Library's response to the internal audit recommendations. The Library has identified risks in relation to its current demographics which could expose it to workforce pressures in the medium-term. It is taking steps to mitigate this risk through staff development to aid with its succession planning. For example, a second cohort of six managers has recently completed a six-month coaching programme focussed on specific strategic areas of interest to the Library. The Library's Business Continuity Planning process has also been expanded to include risks of unplanned departures of critical staff. Efforts are also being made to recruit younger staff with a pilot scheme, currently under development, aimed at bringing at least one Modern Apprentice into the Library.

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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

NLS has a clear vision and strategy.

Effective governance and decision-making arrangements were in place during 2022/23.

NLS conducts its business in an open and transparent manner.

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## NLS has a clear vision and strategy

**65.** The National Library of Scotland Act 2012 confirms that NLS's Board of Trustees has the responsibility of:

- reserving, conserving, and developing its collections.
- making the collections accessible to the public and to persons wishing to carry out study and research.
- exhibiting and interpreting objects in the collections.
- promoting collaboration and the sharing of good practice with and between other persons providing library and information services, and the adoption of good practice by those persons.

**66.** To support the Board in achieving these responsibilities, NLS has established a clear strategic vision as set out in its Library Strategy 2020-25. The specific strategic aims over this period are:

- Safeguarding collections
- Improving access
- Engaging audiences
- Supporting learning, research, and discovery
- Developing the organisation

**67.** Responsibility for delivering the Strategy and operational objectives is devolved to the National Librarian and the NLS Board, supported by the Library Leadership Team.

**68.** In addition to setting out the strategic aims for NLS, the plan provides a link to the Scottish Government's National Performance Framework, setting out how NLS will contribute to this.

**69.** The delivery of the Strategy will be monitored through a suite of key indicators (analysed further in [paragraph 85 to 89](#)).

**70.** To help progress the priorities of the Strategy, each year an operational Library Plan is established that identifies key objectives linked to each of the five priority areas. The year's budget is included as part of this which helps link, and evidence, the Library's use of resource to its strategic aims and priorities. At each meeting of the Board, the National Librarian presents a report that is structured around the strategic priorities and Library Plan. The reports detail various activities the Library is involved in and features real life case studies to help evidence its impact.

**71.** The 2022/23 year-end Library Plan was considered by the Board in March 2023 and indicates a good level of progress with the objectives (43 out of 48 achieved). For those targets that were missed, clear explanations were provided by management and these actions are largely included in the 2023/24 plan.

**72.** The Library Plan also identifies a number of risks to the successful achievement of the objectives and priorities, with grant-in-aid, inflation, and cyber security some of the risks. These are key areas of focus within NLS's financial planning evidencing a joined-up approach that ensures NLS's resource is prioritised to meet its strategic aims.

**73.** Our view on the Library's vision and strategy is supported by internal audit's findings in its Strategic Planning review undertaken in 2022/23. They provided substantial assurance over the design and operational effectiveness of the controls in place in relation to the Library's strategic planning, with only a small number of improvements actions noted.

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## Good practice

The Library has a clear vision and strategy that is supported by an annual Library Plan. The annual budget is then aligned to the plan ensuring resources are used efficiently to achieve the objectives for the year, and the overall strategic priorities. There is transparent monitoring and reporting against the Library Strategy 2020-25 which helps to evidence the Library's impact, both against its Strategy, but also its role in delivering on the national priorities.

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## Effective governance and decision-making arrangements were in place during 2022/23

**74.** A Framework Document is in place between the Scottish Government and NLS. It sets out the broad framework within which NLS will operate and defines key roles and responsibilities which underpin the relationship between it and the Scottish Government. The Framework Document was subject to review and update in 2022/23 and was approved by the Board in June 2023.

**75.** The Board of Trustees is responsible for the overall governance of the NLS. It is responsible for ensuring the governance framework is operating as intended, together with the monitoring of the adequacy and effectiveness of these arrangements. NLS's governance arrangements have been set out in the Governance Statement in its Annual Report and Financial Statements. We are of the view that governance arrangements remained effective in 2022/23.

**76.** There are ten Trustees plus a Chair on the Board. All members are appointed by the Scottish Ministers. In 2022/23, the term of three Trustees ended, and three new Trustees were appointed. A full induction process was undertaken for the new members to familiarise them with their roles and responsibilities.

**77.** The Board provides leadership, direction, support, and guidance to ensure NLS 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 several committees, including an Audit Committee (AC).

**78.** From our attendance at AC 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.

## NLS conducts its business in an open and transparent manner

**79.** There is an increasing focus on how public money is used and what is achieved. Transparency means that the public have access to understandable, relevant, and timely information about how NLS is taking decisions and how it is using resources such as money, people, and assets.

**80.** There is evidence from several sources which demonstrate the Library's commitment to openness and transparency:

- NLS makes its Annual Report and Financial Statements available on its website. These include a Trustees Annual Report which adequately explains NLS's financial performance and use of resources for the year.
- The NLS website provides the public with access to a wide range of corporate information including details of its strategy, its annual plan and performance, and equality and diversity reporting.
- On its website, it publishes, in an accessible and transparent way, an annual review that evidences its use of resource and key activities over the past year.

**81.** In line with previous year's audit comments, consideration has been given to publishing papers along with the Board minutes, however, NLS has decided to continue to publish minutes of its Board meetings only. Board and Committee papers are available on request, but we recommend that this position is regularly reviewed as is out of line with other public sector bodies. The minutes of Board meetings held in 2022/23 should be made available on the website.

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# 5. Use of resources to improve outcomes

NLS need to make best use of its resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

NLS has arrangements in place to secure Best Value.

There is an effective performance management framework in place. Overall performance levels improved during 2022/23.

NLS has arrangements in place to achieve the climate change targets set by the Scottish Government.

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## NLS has arrangements in place to secure Best Value

**82.** [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.

**83.** The duty of Best Value in Public Services is as follows:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance,
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

**84.** We have not undertaken any specific Best Value work in 2022/23. However, based on our findings in this report, we consider that NLS has arrangements in place to secure Best Value. This is evidenced through:

- a clear strategy and performance reporting, including its framework for continuous improvement.
- established governance and decision-making arrangements.

- recognition that strategic priorities must be delivered within the financial and workforce resources available.

## **There is an effective performance management framework in place. Overall performance levels improved during 2022/23**

**85.** NLS's performance is monitored by the Board against several performance targets which support the delivery of the priorities in its Library Strategy 2020-25. The responsibility for the detailed review and scrutiny of operational and financial performance lies with the Board, which meets quarterly.

**86.** At each meeting of the Board, the National Librarian presents a report to the Trustees covering key operations matters. Included within this is information on the key indicators assigned to the Strategy along with detailed information for each these.

**87.** This year has continued to see the Library recover from the impacts of the pandemic. For example, exhibition and reading room visitor numbers increased back towards the levels seen pre-pandemic. NLS improved on its 2021/22 performance in 10 out of the 13 indicators and exceeded its planned targets for 2022/23 performance in 11 of the 13 recorded areas, [exhibit 4](#). These key indicators are transparently reported within the Annual Report and Financial Statements.

**88.** There were two indicators where performance was not met in 2022/23:

- **Percentage reduction in hidden collections:** The Library has made significant progress in this area over the past two years, with almost a million additional items catalogued. However, it was reported that progress had slowed in 2022/23 as resource was required to deal with the backlogs in legal deposit material which built up because of the pandemic. The Library has set a target of 72% for 2023/24.
- **Staff absence rate (days per employee):** The pandemic continued to impact on this indicator, with around 20% of all absences attributed to Covid-19. The lasting impact of Covid-19 e.g. long Covid, has been factored into the 2023/24 target. The Library has in place arrangements to support attendance and reduce absence through its Attendance Management Policy and it has continued to support more hybrid forms of working in 2022/23.

**89.** NLS has a clear performance management framework in place aligned to its Strategy and its performance is strong.



**Exhibit 4**

## Library Strategy 2020-25 key performance indicators

	2021/22 Results	2022/23 Target	2022/23 Results
Environmental compliance	● 98.30%	95%	● 98.02%
Growth in the collections	● 2.030 million	1.400 million	● 2.484 million
Percentage reduction in hidden collections	● 61.4%	70%	● 68.24%
Percentage of collections available in a digital format	● 28.9%	31%	● 32.98%
Number of research collaborations	● 57	50	● 59
Public events	● 215	200	● 352
Exhibition visitors	● 27,945	50,000	● 119,123
Website usage	● 5.08 million	4.8 - 5.0 million	● 5.2 million
Reading room visits	● 20,976	25,000 - 30,000	● 43,178
Staff absence rate (days per employee)	● 6.8	7.1 - 7.4	● 9.0
Percentage raised against fundraising target	● 181%	100%	● 105%
Central support costs as a percentage of income	● 9.1%	10%	● 8.60%
Reduction in CO2 emissions	● 2%	1%	● 2.5%

Source: NLS Annual Report and Financial Statements 2022/23

### NLS has arrangements in place to achieve the climate change targets set by the Scottish Government

**90.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

- 91.** We have considered how climate change and sustainability is factored into the Library's strategic priorities, its action plan, and targets for reducing its emissions, and the monitoring and reporting arrangements of these.
- 92.** Sustainability is one of the objectives included within the "*developing the organisation*" strategic aim of the Library Strategy 2020-25. The strategy commits the NLS to continually improve on its sustainability efforts and minimise its environmental impact.
- 93.** NLS is transparent in its reporting against its responsibilities under the Climate Change Act (Scotland) 2009. In November 2022 it published its Climate Action Plan 2021 to 2025. This is derived from the Act and it provides a framework for how the Library will achieve the objective set out in its Strategy as well as setting out how it contributes to the national climate change targets.
- 94.** NLS regularly report on progress towards climate goals, including within the Annual Report of the Board and from the publication of an annual sustainability report that helps monitor the progress with the Climate Action Plan.
- 95.** Within its revised Climate Action Plan, NLS has set its own emissions reductions target of 77.5 per cent by the end of the plan (2025). As at March 2022 it had achieved a reduction in CO2 emissions of 75 per cent compared to its baseline year. The figures for 2022/23 are currently being collected and are expected to see a continuation in the overall downward trend as the Library aims for net zero by 2045.
- 96.** NLS is also required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed on it by the Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 and the Climate Change (Scotland) Amendment Order 2020. The information returned by NLS is compiled into a national analysis report, published annually on the [Sustainable Scotland Network website](#). This includes data for all public sector organisations and supersedes the previous requirement for public bodies to publish individual sustainability reports.

# Appendix 1. Action plan 2022/23

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>b/f 1. Cyber security risk</b></p> <p>Cyber security remains an ongoing risk and officers are still working towards cyber essentials plus. Since 2020/21 the Library has not held the Cyber Essentials accreditation.</p> <p><b>Risk:</b> There is a continued risk of data loss, ransomware, and reputational damage while the Library is exposed to cyber-attacks.</p>	<p>Management should continue to make the required improvements to achieve Cyber Essentials and Cyber Essentials Plus status.</p>	<p><b>In Progress</b></p> <p>Work carried out under the 2022/23 cyber security plan, and the proposed work included in the 2023/24 plan will address many of the requirements for accreditation.</p> <p>The Library is working with JISC Cyber Services in preparing for Cyber Essentials accreditation in 2023/24.</p> <p>See <a href="#">paragraphs 49 to 54</a></p>

# National Library of Scotland

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