

## **2023-2024 ANNUAL REPORT BY NRS AUDIT and RISK COMMITTEE**

### **1. Executive summary**

1.1 The Audit and Risk Committee (the Committee) of NRS completed its programme of work for 2023-2024 and was satisfied that the range of assurances and evidence of effective internal controls, together with responses to strengthen internal controls, supplied to the Committee were sufficiently reliable to provide overall assurance and support to the Accountable Officer in their financial stewardship responsibilities.

1.2 Sources of assurance considered by the Committee during the year include reports from the external auditors, internal auditors, objective scrutiny of risk management systems, and internal controls reports received from management.

1.3 The Committee was satisfied with the quality and relevance of the reports it received from both the external auditors and internal auditors.

1.4 The Committee noted the **reasonable** assurance opinion received from Scottish Government Directorate for Internal Audit and Assurance (DIAA).

1.5 During the year the Committee conducted thematic reviews into the Census Programme including Census 22 programme and development of the Future of Population Statistics. Other reviews included Estates follow up and the development of a business case to support the Archival and Digital Storage Programme.

### **2. Purpose of the Committee**

2.1 The Committee has been appointed to provide independent advice and support to the Accountable Officer of NRS in delivering their responsibilities for issues of risk, internal controls and governance.

2.2 The Committee operates by providing robust constructive challenge and scrutiny to support the Accountable Officer, including reviewing the effectiveness of internal controls, risk management arrangements, financial information, and the integrity and independent audit of the Annual Report and Accounts.

2.3 The Committee carries out a planned schedule of four meetings per year but may convene additional meetings if necessary. For 2023-2024 financial year, no additional meetings were held. The quorum is a minimum of two Non-Executive members.

### **3. Duties of the Committee**

3.1 The Committee will advise the NRS Chief Executive Officer, Accountable Officer and the NRS Strategic Board on:

- the strategic processes for risk, control and governance and the governance statement;
- the approval and signing of the annual report and accounts, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;

- the planned activity and results of both internal and external audit including reports, advice and findings from external audit on NRS financial statements in the annual report and accounts, in accordance with ISA 260;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- the effectiveness of the internal control environment;
- the formulation of an effective three lines of defence assurance framework focussed on the organisation's key risks;
- counter-fraud policies, whistle-blowing processes, and arrangements for special investigations.

3.2 The Committee primarily utilises work of internal audit, external audit and other sources of assurance, but will not limit itself to these sources. It will also seek reports and assurances from NRS as appropriate, concentrating on the over-arching systems of governance, risk management and internal control, together with indicators of their effectiveness.

3.3 The Committee can also recommend to the Accountable Officer issues of concern and/or opportunity it deems appropriate to bring to the attention of the NRS Strategic Board.

## 4. Membership and meetings

4.1 Membership of ARC during 2023-2024 was:

- Bill Matthews, Non-Executive Director (Committee chair from 16 September 2022 to 27 June 2023)
- Maggie Waterston, Non-Executive Director (from 1 February 2022, Committee chair from 28 September 2023)
- Christine Martin, Non-Executive Director (until September 2023)
- Anne Moises, Non-Executive Director (from August 2022)
- Tim Wright, Non-Executive Director (from February 2024)
- Gordon Shipley, Non-Executive Director (attended February 2024 to ensure quorate)

4.2 Other regular attenders were NRS Chief Executive, NRS Accountable Officer, NRS Chief Finance Officer, NRS Head of Business Management, External Auditors (Audit Scotland) and Internal Auditors (Scottish Government Internal Audit Division)

4.3 The Chief Executive for NRS during 2023-2024 was:  
Janet Egdell, Interim Chief Executive

4.4 During 2023-2024 meetings were held by Microsoft Teams.

## 5. External Audit (Grant Thornton UK LLP) activities

5.1 External audit provide a significant independent test of the financial integrity, effectiveness of internal controls and robustness of sources of assurance at NRS. The 2023-2024 audit plan set out arrangements for the audit of 2023-2024 financial statements, as well as consideration and review of the following dimensions:

- Financial management
- Financial sustainability
- Governance and transparency

- Value for money

5.2 The main review activities carried out were:

- an interim audit of the National Records of Scotland's main financial systems and governance arrangements
- an audit of the National Records of Scotland's 2022-2023 annual report and accounts including the issue of an independent auditor's report
- a review of NRS' arrangements in relation to the audit dimensions noted above

5.3 Grant Thornton UK LLP have been appointed by the Auditor General for Scotland as external auditors for NRS from 2023-2024 financial year. The appointment is for five years. The Committee received updates relating to the transition from Audit Scotland to Grant Thornton including their audit plan. The Committee also considered the 2023-2024 Annual Audit Report, reviewed on 28 August 2024 as part of the Annual Accounts process.

5.4 The Committee was pleased to record that external auditors Grant Thornton UK LLP had determined that the financial statements of NRS for 2023-2024 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The Committee also noted the recommendations raised in the report and the agreed actions with management.

## 6. Scottish Government Directorate for Internal Audit and Assurance (DIAA) activities

6.1 DIAA focus on key activities which are relevant to NRS's business purpose and objectives. Audits are designed to ensure that an independent opinion on the adequacy of governance, risk management and internal control arrangements is provided.

6.2 The 2023-2024 audit comprised reviews of:

- Data Governance and Management
- NHSCR Cyber Incident Management
- Budget Monitoring and Reporting
- Storage of Records
- Workforce Planning and Recruitment
- Registration Services

6.3 The Committee received regular progress reports from DIAA against the audit plan, considering recommendations made to NRS and the response to these including monitoring implementation of recommendations by NRS throughout the year. The committee received regular briefings regarding the NHSCR cyber incident and historical thefts. Updates were given regularly at committee meetings.

6.4 The Committee noted the **reasonable** assurance opinion received from DIAA.

## 7. Budget Monitoring Activities

7.1 The Committee regularly scrutinised budget-monitoring reports during the year, which reported projected outturns against the budgets approved by the Executive Management Board and Scottish Government limits.

## **8. Risk Management Activities**

8.1 The Committee reviewed quarterly reports from management at each meeting covering the following topics;

- General NRS business and planning updates
- Financial Performance and Financial Balance
- Key Risks
- Fraud Risk
- Procurement Risks
- Health & Safety
- Human Resources
- Equality
- IT & Cyber Risk
- Organisational Resilience and Business Continuity
- Corporate Projects
- Assurance Reporting

8.2 The Committee conducted a series of thematic reviews into key areas of risk. These included reviews of:

- The Census and Future of Population Statistics programmes
- Estates follow up
- Archival and digital storage programme

## **9. Effectiveness of the Committee**

9.1 The Committee annually reviews the effectiveness of its own operations, in line with good practice, using the “Audit Committee Self-Assessment Checklist” contained in the Scottish Government’s Audit Committee Handbook and seeks to put in place actions plans for any areas for improvement identified. The Committee also meets privately with the Chief Executive and the Accountable Officer and seeks feedback on the Committee’s performance. The review was completed by the Committee on 7<sup>th</sup> June 2024 and the results are attached as Appendix 1. A number of improvement actions were identified and the action list is included as Appendix 2.

## Appendix 1: NRS Audit & Risk Committee Self-assessment checklist: 7th June 2024

Role and remit	YES/NO/NA	Comments/Action
Does the committee have written terms of reference?	Yes	<i>Refreshed for changes in membership as they arise</i>
<a href="#">Do the terms of reference cover the core functions as identified in the SG Audit and Assurance Committee Handbook?</a>	Yes	<i>The View of ARC members is that the TOR may be too detailed in parts and should be reviewed in Autumn 2024 to see if they could be condensed</i>
Are the terms of reference approved by the Audit and Assurance Committee and reviewed periodically?	Yes	
Has the committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Yes	<i>During the period since the last checklist in September 2023, the Committee has had three members including an instance of co-opting a board member to join one ARC meeting to bring NXD representation to 2 people.</i>  <i>Quorum of the committee is two (which includes the Chair) as noted in the Committee terms of reference. ARC members believe this is insufficient as it does not allow for broad experience, business continuity and succession planning to take place. ARC members would recommend moving back to 4 Non Executive members.</i>
Does the body's governance statement mention the committee's establishment and its broad purpose?	Yes	<a href="#">NRS Framework</a>
Does the committee periodically assess its own effectiveness?	Yes	<i>Annual basis - next review due September 2024.</i>
<b>Membership, induction and training</b>		
Has the membership of the committee been formally agreed by the management board and or Accountable Officer and a quorum set?	Yes	<i>As previously mentioned ARC members recommend that the membership is increased to 4 NXD members with a quorum of 3.</i>
Are members appointed for a fixed term?	Yes	
Does at least one of the committee members have a financial background?	Yes	<i>Chair of ARC is qualified accountant</i>

Are all members, including the Chair, independent of the Executive function?	Yes	<i>All appointed on a Non-Executive Director basis.</i>
Are new committee members provided with an appropriate induction?	No	<i>The most recent appointment to the Committee would have welcomed a more comprehensive pack of material describing NRS, its function, remit, key personnel and internal structures as a way of quickly familiarising with the organisation. None of the ARC members have visited all of the NRS estate. The points made here should be rectified.</i>
Has each member formally declared his or her business interests?	Yes	<i>A register of interests is in place on the NRS website. Committee members are also invited to declare any interests at each Committee meeting.</i>
Are members sufficiently independent of the other key committees of the Board?	Yes	
Has the committee considered the arrangements for assessing the attendance and performance of each member?	Yes	<i>NRS Chief Executive has 1 - 2 - 1 conversations with 2 of the committee members in their roles as NRS Non-Executive Directors. The newest member should be added to this process. There is no formal accountability process in place where the performance and capability of members is assessed.</i>
<b>Meetings</b>		
Does the committee meet regularly, at least four times a year?	Yes	
Do the terms of reference set out the frequency and broad timing of meetings?	Yes	
Does the committee calendar meet the body's business and governance needs, as well as the requirements of the financial reporting calendar?	Yes	<i>There are times when the meeting has had to be rescheduled or agenda changed and the BMU are extremely nimble when this happens. The Committee are grateful for this responsiveness. Members of the Committee believe that meetings should be scheduled to be face to face for at least 50% of the meetings to improve the fostering of knowledge and enabling a better understanding of NRS.</i>
Are members attending meetings on a regular basis and if not, is appropriate action taken?	Yes	
Does the Accountable Officer attend all meetings and, if not, is he/she provided with a record of discussions?	Yes	



Does the committee have the benefit of attendance of appropriate officials at its meetings, including representatives from internal audit, external audit and finance?	Yes	<i>Both SG internal audit and external audit attend each meeting along with with a core of NRS staff. Subject matter expert NRS staff also attend where the committee requests deep dive reviews into selected areas of risk.</i>
<b>Internal control</b>		
Does the committee consider the findings of annual reviews by internal audit and others, on the effectiveness of the arrangements for risk management, control and governance?	Yes	<i>Internal audit submit an Annual Assurance Opinion as well as interim progress reports at each meeting.</i>
Does the committee consider the findings of reviews on the effectiveness of the system of internal control?	Yes	
Does the committee have responsibility for review of the draft governance statement and does it consider it separately from the accounts?	Yes	<i>It might be helpful for members to review the draft Governance Statement in advance of it going to ARC as a formal paper</i>
Does the committee consider how accurate and meaningful the governance statement is?	Yes	
Does the committee satisfy itself that the arrangements for risk management, control and governance have operated effectively throughout the reporting period?	Yes	<i>The Committee receives risk summaries at each meeting and carries out deep dive reviews into selected operational areas with a focus on the key risks. Committee members would like to formalise the deep dive schedule for consideration at meetings</i>
Has the committee considered how it should coordinate with other committees that may have responsibility for risk management and corporate governance?	Yes	<i>Strategic Board includes all Committee members</i>
Has the committee satisfied itself that the body has adopted appropriate arrangements to counter and deal with fraud?	Yes	<i>Fraud is covered within the standard governance report tabled for each meeting. A review of the Fraud policy should take place during the next 12 months</i>
Has the committee been made aware of the role of risk management in the preparation of the internal audit plan?	Yes	<i>Included as standard in the internal audit plan for the year ahead.</i>

Does the committee's terms of reference include oversight of the risk management process?	Yes	<i>Section 3 of the terms of reference refers. The Committee receives risk summaries at each meeting and carries out deep dive reviews into selected operational areas with a focus on the key risks. The schedule of deep dives is yet to be agreed for 2024/25</i>
Does the committee consider assurances provided by senior staff?	Yes	
Does the committee receive and consider stewardship reports from senior staff in key business areas such as Finance, HR and ICT?	Yes	<i>These reports are included for noting at the end of the ARC agenda. The Committee would like more time at the ARC to explore these reports more fully.</i>
<b>Financial reporting and regulatory matters</b>		
Is the committee's role in the consideration of the annual accounts clearly defined?	Yes	<i>Section 3 of the terms of reference refers. See also section 4.21 of the revised Handbook.</i>
Does the committee consider, as appropriate:		
• the suitability of accounting policies and treatments	Yes	<i>In doing so the committee considers the findings and associated recommendations made by External Audit.</i>
• major judgements made	Yes	
• large write-offs	Yes	
• changes in accounting treatment	Yes	
• the reasonableness of accounting estimates	Yes	
• the narrative aspects of reporting?	Yes	
Is a committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Yes	<i>The committee receives the External Audit Annual Report which is tabled at the September ARC meeting in tandem with the final NRS Annual Report and Accounts.</i>
Does the committee review management's letter of representation?	Yes	<i>The letter of representation is part of the set of papers that External Audit table at the September ARC meeting.</i>
Does the committee gain an understanding of management's procedures for preparing the body's annual accounts?	Yes	<i>An audit plan is presented at Committee in advance of the audit and updates provided following the year end.</i>



Does the committee have a mechanism to keep it aware of topical legal and regulatory issues?	Yes	<i>Both external and internal audit provide the committee with access to summary reports that provide the committee with insight on latest developments. NRS also provided the committee with information on regulatory changes affecting NRS as these occur and the plans for handling these.</i>
<b>Internal audit</b>		
Does the Head of Internal Audit attend meetings of the committee?	Yes	<i>The Senior Internal Audit Manager attends each meeting alongside selected internal audit staff.</i>
Does the committee consider, annually and in detail, the internal audit plan including consideration of whether the scope of internal audit work addresses the body's significant risks?	Yes	<i>A draft plan is presented at the February meeting and a final plan at the May meeting.</i>
Does internal audit have a direct reporting line, if required, to the committee?	Yes	<i>Internal Audit have the contact details for all Committee members</i>
As well as an annual report from the Head of Internal Audit, does the committee receive progress reports from internal audit?	Yes	<i>In year progress reports against the annual audit plan are tabled at each meeting.</i>
Are outputs from follow-up audits by internal audit monitored by the committee and does the committee consider the adequacy of implementation of recommendations?	Yes	<i>NRS provide a summary of progress at each meeting on implementation of recommendations from internal and external audit reviews.</i>
If considered necessary, is the committee chair able to hold private discussions with the Head of Internal Audit?	Yes	<i>On an annual basis the committee meets with internal audit for a private discussion.</i>
Is there appropriate co-operation between the internal and external auditors?	Yes	
Does the committee review the adequacy of internal audit staffing and other resources?	Yes	<i>Commitments in terms of approach, skills and resources are covered in the IAD Charter which is tabled annually. Issues are highlighted as necessary as part of in-year progress reporting.</i>
Are internal audit performance measures monitored by the committee?	Yes	
Has the committee considered the information it wishes to receive from internal audit?	Yes	

Has the committee considered formal terms of reference defining internal audit's objectives, responsibilities, authority and reporting lines?	Yes	<i>The IAD Charter is tabled annually at the May committee meeting alongside the IAD Strategy and NRS plan for the year ahead. These collectively set out internal audit approach, controls and objectives for the year ahead and longer term.</i>
<b>External audit</b>		
Does the external audit representative attend meetings of the committee?	Yes	<i>The Engagement Lead attends each meeting alongside selected external audit staff.</i>
Do the external auditors present and discuss their audit plans and strategy with the committee (recognising the statutory duties of external audit)?	Yes	
Does the committee chair hold periodic private discussions with the external auditor?	Yes	<i>On an annual basis the committee meets with external audit for a private discussion.</i>
Does the committee review the external auditor's annual report to those charged with governance?	Yes	<i>External Audit Annual Report is tabled at the September meeting in tandem with the final NRS Annual Report and Accounts.</i>
Does the committee ensure that officials are monitoring action taken to implement external audit recommendations?	Yes	<i>NRS provide a summary of progress at each meeting on implementation of recommendations from internal and external audit reviews.</i>
Are reports on the work of external audit presented to the Audit and Assurance Committee?	Yes	<i>External Audit Annual Report is tabled at the September meeting in tandem with the final NRS Annual Report and Accounts.</i>
Does the committee assess the performance of external audit?	Yes	<i>On an annual basis the committee meets with external audit for a private discussion. The Committee do not formally assess the performance of External Audit.</i>
Does the committee consider the external audit fee?	Yes	<i>The committee has visibility of the fee through the external audit annual report tabled at the September meeting, with agreement of the fee primarily a matter for NRS and external audit.</i>
<b>Administration</b>		
Does the committee have a designated secretariat?	Yes	<i>NRS Business Management Unit provide support with allocated resource in place.</i>
Are agenda papers circulated in advance of meetings to allow adequate preparation by committee members and attendees?	Yes	<i>Standard is 5 working days in advance of each meeting which is met by BMU. Occasionally there are late papers which is acceptable on occasion but if late papers are lengthy it could cause a problem.</i>
Do reports to the committee communicate relevant format at	Yes	

the right frequency, time and in a format that is effective?		
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## Appendix 2: NRS Audit & Risk Committee Self-assessment checklist: Improvement Action Plan.

Action	By Who	By When
Committee Terms of Reference to be reviewed and condensed if possible	BMU & Committee	31 December 2024
Consider an increase of Quorum to 3 and number of Committee members to 4	Chair/CEO/Accountable Officer	31 December 2024
Induction pack and process to be reviewed based on most recent experience	BMU	31 December 2024
All Members to have a tour of the full estate	BMU	ASAP
Regular 1:1 meetings to be arranged between CEO and all members	BMU	ASAP
Process for review of Committee Member's performance to be introduced	BMU	31 March 2025
Committee Calendar to schedule 50% of ARC meetings to be held in person and 50% via Teams	BMU	ASAP
Draft Governance Statement to be reviewed informally by members prior to it being introduced as a paper to an ARC meeting	BMU/CFO/AO	30 June 2025
A review of the Fraud Policy to be included in the agenda for a future meeting	BMU	31 March 2025

**M. Waterston**  
**Chair Audit and Risk Committee**  
**14 June 2024**