

2020-2021 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 2020-2021 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 and to the Management Board 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 substantial assurance opinion received from internal audit.

1.5 During the year the Committee conducted thematic reviews into the Census Programme, the response to CoVid19 and business continuity, estates risks and IT services risks. The Committee noted that the organisation had responded well to the significant challenges during an exceptional year.

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. 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 2020-2021 was:

- Colin Ledlie, Committee chair and Non-Executive Director
- Bill Matthews, Non-Executive Director
- Christine Martin, Non-Executive Director

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

4.3 During 2020-2021 meetings were held by telephone conference call or via Microsoft Teams.

5. External Audit (Audit Scotland) 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 2020-2021 audit plan set out arrangements for the audit of 2020-2021 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 2020-2021 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 The Committee received regular progress reports from Audit Scotland against the audit plan which culminated in Audit Scotland's 2020-2021 Annual Audit Report which was considered on 16 September 2021.

5.4 The Committee considered the impact of the CoVid19 pandemic on the audit plan and the financial statements. The Committee was pleased that work was delivered to the normal timetable with the risks associated with the pandemic being effectively managed.

5.4 The Committee was pleased to record that Audit Scotland had determined that the financial statements of NRS for 2020-2021 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. Internal Audit (Scottish Government Internal Audit Division) activities

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

6.2 The 2020-2021 audit plan comprised reviews of:

- Assurance review - Finance Review of Income and ePC usage
- Assurance review - Impact of and response to Covid 19 on H&S processes and procedures
- Advisory review - Response to People Survey (Phase 1) People Action Plan

6.3 The Committee received regular progress reports from Internal Audit 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 noted amendments to the original plan due to the CoVid19 pandemic during the year. These changes were considered appropriate and necessary responses to a challenging operating environment.

6.4 The Committee noted the substantial assurance opinion received from internal audit.

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 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
- 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 programme
- Covid19 Response & Business Continuity
- Estates Risk
- IT Services Risk

8.3 The Committee noted that the organisation had responded well to the significant challenges during an exceptional year.

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.