

2021-2022 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 2021-2022 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 including security and assurance activities, COVID-19 pandemic and other business continuity risks, and business continuity relating to IT services.

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 2021-2022 was:

- Colin Ledlie, Committee chair and Non-Executive Director
- Bill Matthews, Non-Executive Director
- Christine Martin, Non-Executive Director
- Maggie Waterston, Non-Executive Director (appointed February 2022)

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 During 2021-2022 meetings were held by 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 2021-2022 audit plan set out arrangements for the audit of 2021-2022 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 2021-2022 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 2021-2022 Annual Audit Report which was considered on 15 September 2022.

5.4 The Committee considered the impact of the COVID-19 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.

5.5 The Committee was pleased to record that Audit Scotland had determined that the financial statements of NRS for 2021-2022 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 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 2021-2022 audit comprised reviews of:

- Assurance review: Health and Safety – Implementation of Amalgamate Recommendations.
- Assurance review: Programme/Project Management.
- Assurance review: Workforce Planning and Recruitment.
- Advisory review: Governance – Risk Management Horizon Scanning
- Follow-up activity: Financial Review – Income and ePC Usage.
- Follow-up activity: Impact of and Response to COVID-19 on Health and Safety Process and Procedures (Part One).
- Other assurance reviews carried out by DIAA in relation to Scotland's Census 2022.

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.

6.4 The Committee noted the Substantial 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 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
- Assurance activities for the Census programme.
- Census Security
- Covid-19 Risk and Business Continuity
- IT Services Business Continuity

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.