

2022-2023 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 2022-2023 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 collect reports and lessons learned. Other reviews included background, functions and work carried out by the Delivery Directorate and a deep dive into NRS risk management.

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 2022-2023 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 2022-2023 was:

- Colin Ledlie, Committee chair and Non-Executive Director (until 15 September 2022)
- Bill Matthews, Non-Executive Director (Committee chair from 16 September 2022)
- Christine Martin, Non-Executive Director
- Maggie Waterston, Non-Executive Director
- Anne Moises, Non-Executive Director (from 15 September 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 The Chief Executive for NRS during 2022-2023 were:

- Paul Lowe, last attended ARC on 15 September 2022
- Janet Egdeall, Interim Chief Executive, first attended ARC on 28 February 2023

4.4 During 2022-2023 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 2022-2023 audit plan set out arrangements for the audit of 2022-2023 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 2022-2023 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 2022-2023 Annual Audit Report, reviewed on 28 September 2023 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 2022-2023 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 2022-2023 audit comprised reviews of:

- Assurance Review: Capital Strategy and Planning
- Assurance Review: Registration Services
- Assurance Review: Culture Review
- Follow Up: H&S Implementation of Amalgamate Recommendations (Part 2)
- Follow Up Programme and Project Management
- Assurance / Advisory Review SG Shared Systems Reasonable Assurance

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 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 programme
- Lessons learned from Census 2022 collect operation
- NRS Delivery Directorate review
- NRS Risk Management

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.