

NRS AUDIT AND RISK COMMITTEE MEETING

16 September 2021

MS Teams

ARC Members

Colin Ledlie (Chair)	NRS Non-Executive Director
Bill Matthews	NRS Non-Executive Director
Christine Martin	NRS Non-Executive Director

ARC Attendees

Asif Haseeb	External Auditor – Audit Scotland
Graeme Samson	External Auditor – Audit Scotland
Dougie Shepherd	Internal Auditor – Scottish Government
Lorraine Twyford	Internal Auditor - Scottish Government
Paul Lowe	NRS, Chief Executive
Linda Sinclair	NRS, Director of Corporate Services & Accountable officer
Claire Gillespie	NRS, Chief Financial Officer
Matthew Sinclair	NRS, Chief Technology Officer (Item 3)
Lesley Smillie	NRS Census Director team (Item 4)
Shirley Cameron	NRS, Business Management, Secretariat

Observer

Mandy Gallacher	NRS Non-Executive Director (Item 4)
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1. Welcome, Introductions and Declaration of Interests

1.1 The Chair welcomed everyone to the meeting. Mandy Gallacher, Non-Executive Director Member of the NRS Strategic Board attended for item 4. There were no new declarations of interest.

2. Minutes and Actions

2.1. The minutes of 8 June 2021 were accepted. The minutes would be published on the NRS Website Governance page.

2.2 No open actions were reported.

3. Deep Dive IT Disaster Recovery – Matthew Sinclair

3.1 Matthew Sinclair provided the Committee with an overview of activity to improve IT disaster recovery capability in NRS. The update also provided an overview of the initial position as well as the steps taken to improve resilience and security.

3.2 The Committee were interested to learn about contingency arrangements for shared services where NRS has a reliance and the steps in place to mitigate risks.

4. Scotland's Census 2022: Update Report – Lesley Smillie

4.1 Lesley Smillie provided Committee members with an update on the programme status. The following items were covered in the report:

- Programme Director's Summary Report, which highlighted progress and achievements in the programme since the last report to Audit and Risk Committee.
- Programme Strategic Risk Themes & Issues - it was noted that a review of strategic risks was underway. Specific risks highlighted included:
 - R001 - Right, Skilled People - capability or capacity - to successfully deliver the Census
 - R007 – Financial budget for year 2021/2022 .
 - R008 - Census solution go live risks.
- An operational readiness assessment report was included for information
- A report on the assurance activity for the programme included updates on activity undertaken to date and planned further activity :
 - Scottish Government Digital Assurance Office (DAO) reviews relating to the technical assurance framework (TAF). This included progress against the action plan from the Healthcheck review in July and planning for the delivery gate in November,
 - Scottish Government Digital First reviews on Census collect and on Census Outputs,
 - National Statistics Authority accreditation activity and
 - Independent Information Assurance Review.

4.2 Colin Ledlie asked that the Committee have advanced sight of the output of the strategic risk review ahead of the next ARC meeting.

Action : A01/21: Scotland's Census Risk Review - To provide the Committee with the strategic risk revisions when approved and in advance of the next ARC on 9 December 2021. Owner: Lesley Smillie

4.3 Mandy Gallacher asked for clarity around the TAF go/no go review planned for November and welcomed the positive update provided. Lesley Smillie reported that the technology aspects were in a strong position with action and focus to strengthen operational aspects underway.

5. NRS Annual Report and Accounts 2020-2021

NRS Annual Report and Accounts 2020-2021 and covering paper - Linda Sinclair/Claire Gillespie

5.1 The Committee had been provided with a draft copy of the NRS Annual Report and Accounts (AR&A) for 2020-2021.

5.2 Claire Gillespie invited the Committee to note the Chief Finance Officer statement which was recorded as 'I can confirm that to the best of my knowledge there are no events after the reporting period that I need to make the committee aware of'. Additionally, the Committee were invited to approve the AR&A, that members were content that the AR&A provided a true reflection of NRS as at 31 March 2021 and content that approval to sign the AR&A could be provided.

5.3 The Committee reviewed the governance statement in the annual report noting the Substantial Assurance opinion from Internal Audit.

5.4 Ahead of approving the AR&A the Committee sought the opinion from External Auditors, Audit Scotland.

External Audit – Annual Report 2020-2021 and ISA 260 covering letter - Asif Haseeb and Graeme Samson

5.5 Asif Haseeb introduced the ISA 260 Covering Letter and Annual Audit Report to the Committee. The main findings and key messages of the report were drawn to the Committee's attention by Graeme Samson including:

- The audit opinions on the annual report and accounts were unmodified
- The financial statements gave a true and fair view of the state of affairs of National Records of Scotland (NRS) as at 31 March 2021.
- A highlight of the key messages and two recommendations were noted.
 - Recommendation one – 'Management should continue to consider value for money when recruiting high-cost temporary staff'.
 - Recommendation two – 'NRS will need to continue to closely monitor progress with the Census programme and act on recommendations from reviews in order to ensure delivery in line with the revised budget and timetable'.

5.6 In discussion it was noted that NRS had been made aware of the Auditor General's intention to prepare a Section 22 report, under the Public Finance and Accountability (Scotland) Act 2000. It was noted that the Section 22 report provided the Auditor General with the mechanism to prepare a report on matters arising from the audit of the accounts of a public body and bring these to the attention of the Scottish Parliament, Public Audit Committee. The discussion covered:

- The reasons and purpose of the Section 22 report. Asif Haseeb noted it would be a short and factual report. He indicated that the Section 22 decision by the Auditor General was to put a marker down on the Census Programme. This would give the Auditor General the opportunity to come back after Census collect in Spring 2022 and do a further report at this stage if required, depending on success of delivery and spend. Asif also provided an overview of the mechanism and timescales, noting the report would be publicised.
- Paul Lowe reflected that neither he, as CEO of NRS, nor Linda Sinclair as NRS Accountable Officer, had officially been advised of the Section 22 report. Information had been provided to NRS via the Scottish Government which created communication challenges for NRS. A request for Audit Scotland to learn lessons from the NRS experience was noted.
- It was noted that the process would likely have a significant time pressure on NRS at a critical point in the delivery of the Census programme, as it approached the 'collect' phase. It was also observed that the timing of the publication of the report and scrutiny of the programme had the potential to impact negatively on public confidence and census messaging, with the potential to impact response rates.
- Asif Haseeb noted that the mechanism of communicating the Section 22 had not been ideal. He confirmed that NRS management would have the opportunity to view the draft report for accuracy before it was published.
- Bill Matthews suggested that ARC could support providing constructive feedback to Audit Scotland noting it that it would feel very unfortunate if the

mechanism AS have put in place or its timing, could negatively impact the delivery or the realisation of the benefits the programme was expected to deliver.

5.7 Following assurance that questions asked by the CFO had been answered, The Committee were content to recommend that the Accountable Officer approve and sign the NRS Annual Report and Accounts for 2020-2021 (AR&A).

5.8 The NRS Accountable Officer and Audit Scotland would sign the AR&A which would be submitted to the Auditor General. In due course the AR&A would be laid in the Scottish Parliament.

Draft Audit and Risk Committee Annual Report 2020-2021 to the NRS Chief Executive, Accountable Officer and Strategic Board – Colin Ledlie

5.9 A draft of the Audit and Risk Committee annual report, first reviewed on 8 June 2021 was presented to the Committee. Following discussion, it was agreed that a proposed final version of the report would be circulated to committee members in correspondence seeking approval of the report. Following approval the report would be published on the NRS website.

5.10 The Committee had noted the “Substantial Assurance” opinion received from internal audit and the unmodified opinion of Audit Scotland following their audit report.

6. NRS Finance Report 2021-2022 – Claire Gillespie

6.1 Claire Gillespie presented the report which asked members to note the financial position at the end of period 4 of 2021-2022.

6.2 A reported overspend on operating costs was being monitored closely. It was reported the NRS core expenditure to year end would be managed in line with budget.

6.3 The position with Census Programme operating costs was noted as near to forecast for the year to date. The year-end position was noted as posing a financial risk in terms of a pressure in line with go live being at year end. Action to manage the risk was ongoing across the programme with a resource review and commercial deep dive underway. The fluidity of the programme, contract costs based on volumetrics, which would be subject to actual demand and the timing of go live at the end of the financial year being noted as limiting factors in mitigating the risk.

6.4 It was advised that the capital position was reporting an underspend, with activity underway to identify initiatives, of which business cases would be subject to NRS governance approval routes.

6.5 Opportunities for revenue savings were continuing to be evaluated across NRS with opportunities to cross fund pressures and prioritise activities being considered where possible.

7. Internal Audit Progress Report for Audit and Risk Committee – Lorraine Twyford and Dougie Shepherd

7.1 Lorraine Twyford introduced the paper and indicated the 2021-2022 audit plan was being progressed and was reported to be on track to deliver. Additional capacity in the plan around quarter four 2021/2022 would be discussed with NRS management.

7.2 For the first time, the report included input directly from the SG Digital Assurance Office (DAO). A suggestion to invite colleagues from that team to ARC at an appropriate point would be considered by Internal Audit.

7.3 A report into the Health and Safety Governance review was expected to be issued to the Committee once it was finalised.

7.4 Other papers presented were taken as read and noted by the Committee.

8. Audit and Risk Committee Terms of Reference and Checklist Review

8.1 The Committee considered the Terms of reference and agreed minor amendments, they also agreed the business planned for the coming year.

8.2 Colin Ledlie invited comments from the Committee on the self-assessment report. After a short discussion, the Committee noted the content of the report and provided approval.

9. Committee Documents to Note and Questions

NRS Governance Report

9.1 Linda Sinclair introduced the paper, which provided a summary of activity across the NRS internal systems of control. Following a short discussion, the Committee noted the contents of the report.

NRS Portfolio report

9.2 The Committee noted the report, which provided an update on the status of current NRS projects and programmes.

NRS COVID-19 Report

9.3 The Committee noted the report, which provided an update on the activity and planning underway in relation to the pandemic.

NRS Assurance activities update

9.4 The Committee noted the report, which provided an update on the status of activities since the last report presented to Audit and Risk Committee in June 2021.

10. Forward Look Audit and Risk Committee

10.1 The report was included for information and outlined proposed ARC business for the next twelve months. A review of the forward plan activity had been undertaken by the ARC Chair and NRS Management during August 2021 which had been provided to ARC and to NRS Strategic Board for information.

11. Any other Business

11.1 No other business was noted

12. Date of next meeting

12.1 The next meeting was planned for 9 December 2021.

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