

Annual Audit Report for National Records of Scotland

Financial year ended 31 March 2023

Prepared for those Charged
with Governance and the
Auditor General for Scotland

2 October 2023



Contents



**Your key Grant Thornton
team members are:**

Angela Pieri

Engagement Lead

T: 0161 214 6337

E: Angela.L.Pieri@uk.gt.com

Hannah McKellar

Audit Manager

T: 0131 659 8568

E: Hannah.L.McKellar@uk.gt.com

Andrew Wallace

In-charge Auditor

T: 0141 223 0671

E: Andrew.D.Wallace@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect National Records of Scotland or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary

This table summarises the key findings and other matters arising from the external audit of National Records of Scotland and the preparation of the financial statements for the year ended 31 March 2023 for those charged with governance (Audit and Risk Committee) and the Auditor General for Scotland.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- National Records of Scotland's financial statements give a true and fair view of the financial position of the organisation at the 31 March 2023;
- National Records of Scotland's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (FReM);
- National Records of Scotland's financial statements and the audited parts of the Remuneration Report and Staff Report have been prepared in accordance with the requirements of the 2022/23 Financial Reporting Manual (FReM) and directions made thereunder by the Scottish Ministers;
- In all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers; and
- the Performance Report and Governance Statement is prepared in accordance with the FReM and is consistent with the financial statements.

We are required to report whether other information published together with the audited financial statements in the Annual Report and Accounts is consistent with the financial statements and has been prepared in accordance with the requirements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of National Records of Scotland.

We received the first draft of the financial statements on 26 June 2023. The target submission dates have moved back to pre-Covid timetables with 31 August 2023 as the target date. National Records of Scotland have convened a meeting to authorise a final version of the financial statements on 28 September 2023, therefore, the target deadline will not be met.

Our audit work was substantially completed during July and August 2023 with completion processes in September 2023. Our findings are summarised on pages 7 to 23. Subject to the conclusion of outstanding matters listed on page 4, we have identified one adjustment to the primary financial statements which was identified as part of our audit procedures and one disclosure adjustment that impacted the classification in the Statement of Financial Position but did not impact on the total. Further details are set out in [Appendix 1](#) including disclosure adjustments.

We have raised 6 financial statements recommendations for management as a result of our audit work on the financial statements. These are set out in [Appendix 2](#). Our wider scope audit has raised 3 recommendations, and these are outlined within [Appendix 3](#).

Executive Summary

This table summarises the key findings and other matters arising from the external audit of National Records of Scotland and the preparation of the financial statements for the year ended 31 March 2023 for those charged with governance (Audit and Risk Committee) and the Auditor General for Scotland.

Financial Statements

Our work is complete and any outstanding items as part of the usual closing processes have now been received.

We issued our unmodified audit opinion on 2 October 2023 after the Audit and Risk Committee considered our report on the 28 September 2023.

Any items outstanding in the version of our Annual Audit Report to the Committee were completed by or received on 28 September 2023.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team in completing the external audit as the response to our audit queries has been prioritised with a high level of engagement in the external audit process.

Introduction (1)

Scope of our audit work

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to National Records of Scotland and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

This Annual Audit Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit and Risk Committee in September 2023.

As auditor, we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Responsibilities

National Records of Scotland has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. National Records of Scotland is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Audit Scotland, are set out in the Code, supplementary guidance, and International Standards on Auditing in the UK.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Audit approach

Our audit approach was based on an understanding of the organisation's business and is risk based, and in particular included:

- An evaluation of the internal control environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Adding value through our audit work

We aim to add value to National Records of Scotland throughout our audit work by

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our wider scope work
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Introduction (2)

Wider scope

Under the Audit Scotland Code of Audit Practice (‘the Code’), the scope of public audit extends beyond the audit of the financial statements. The Code requires auditors to consider National Records of Scotland’s arrangements in respect of financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes.

In our External Audit Plan for the year ended 31 March 2023, we documented our assessment of the wider scope risks and planned audit work. At the planning stage, we identified two significant risks:

- **Financial sustainability** – future financial plans for 2023/24 and beyond
- **Use of Resources to Improve Outcomes** - lessons learned from the Census

We outline our work undertaken in response to the arrangements in place and conclude on the effectiveness and appropriateness of the arrangements in place based on the work carried out.

Further details of the work undertaken are outlined on pages 25 to 37.

We have raised three recommendations for management as a result of our audit work on wider scope. These are set out in [Appendix 3](#).

Audit of the annual report and accounts

Our approach to the audit of the financial statements



Overall materiality

£1.001m which represents 1.5% of the company's gross expenditure.

This has increased by £0.17m from the Audit Plan value of £0.984m due to the update of the materiality based upon the values within the 2022/23 draft financial statements.

Key audit matters

The key audit matters were identified as:

- Management override of controls (ISA (UK) 240); and
- Risk of fraud in expenditure recognition – non payroll expenditure (PN10) ; and
- Valuation of Property, Plant and Equipment

We identified the following other risk:

- Implementation of IFRS 16.

Internal control environment

In accordance with ISA requirements, we have developed an understanding of National Records of Scotland's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses from this work which would have caused us to alter the planned approach as documented in our plan.

Recap of our audit approach and key changes in our audit strategy

We have not identified any changes in our approach since our Audit Plan presented to you on 27 June 2023. The risks identified remain the same.

Status of Audit Work

Our audit team and the finance team continue to work together to complete the audit.

As an audit team we have focused on concluding our work on the key audit matters, the significant audit risks and the significant classes of transactions we have identified in our scoping. These are the areas of the accounts that are, in our view, at greater risk of material misstatements, with a potential to impact our auditor's opinion.

We have completed our audit work and we issued an unmodified opinion on 2 October 2023.

Audit quality is important to us, and it is important as auditors that we take a step back to consider all our audit evidence and the quality of our audit work on file on completion. This includes sufficient documentation of our key auditor judgements and conclusions.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our Audit Plan.

- We reviewed and updated our assessment of materiality from planning based upon your 2022/23 draft financial statements and concluded that materiality is £1.001m representing 1.5% of National Records of Scotland gross expenditure.
- Performance materiality was set at £0.650m, representing 65% of our calculated materiality.
- We report to Officers (Management) any differences identified over £0.050m.
- We applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Officer and Board Member Remuneration Tables due to the sensitive nature of this disclosure, the lower materiality applied to this area was £5,000.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to National Records of Scotland and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2022/23 Code of Audit Practice.
- We enquired of Senior Officers and the Audit and Risk Committee, concerning National Records of Scotland's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of National Records of Scotland's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We have reviewed the principal risks to journal entries that could alter National Records of Scotland's financial performance for the year and the risk of fraud in expenditure recognition. Our audit procedures in relation are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - National Records of Scotland's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - National Records of Scotland's control environment, including the policies and procedures implemented by National Records of Scotland to ensure compliance with the requirements of the financial reporting framework.

Overview of audit risks

The table below summarises the key audit matters, significant and other risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work to date
Management override of controls	Significant	↔	✓	✓	Low	Substantive	● Green
Risk of fraud in expenditure	Significant	↔	✓	✓	Medium	Substantive	● Green
Valuation of property, plant and equipment	Significant	↔	✗	✓	Low	Substantive	● Green
Implementation of IFRS 16	Other	↔	✗	✗	Low	Substantive	● Green

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

Green - Not considered likely to result in material adjustment or change to disclosures within the financial statements

Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements

Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks and Key Audit Matters (1)

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

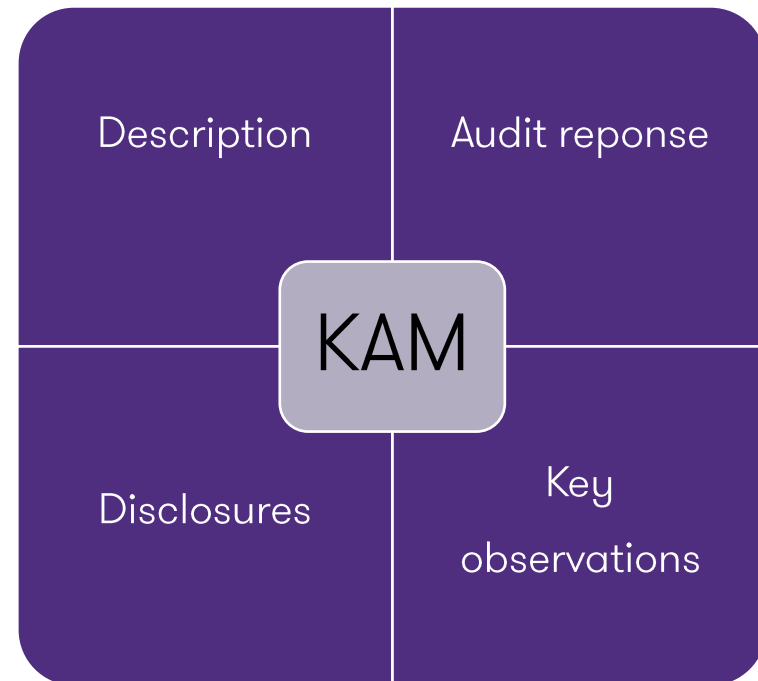
These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.



Significant risks and Key Audit Matters (2)

Other significant risks identified in our Audit Plan

Commentary

Management override of controls

As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.

In response to the risk highlighted in the audit plan, we carried out the following work:

- Documented our understanding of and evaluated the design effectiveness of management's key controls over journals;
- Analysed your full journal listing for the year and use this to determine our criteria for selecting high risk journals;
- Tested the high-risk journals we have identified;
- Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness;
- Gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Our results

Our testing of journals to date has identified one control weaknesses:

- Where both the poster and authoriser of the journal had left the organisation, supporting documentation for journals including evidence of authorisation was not available and retained in a shared location. This was noted in four sample items, which represented 14% of the total sample population. This creates a risk that inappropriate journals could be posted without appropriate supporting documentation or approval.

A control recommendation in relation to the above has been raised within the Action Plan in [Appendix 2](#). Our testing of journals has not identified any inappropriate or fraudulent journal postings in the financial year.

Significant risks and Key Audit Matters (3)

Other significant risks identified in our Audit Plan Commentary

The revenue cycle includes fraudulent transactions

As set out in ISA (UK) 240 (Revised May 2021) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.
(rebutted)

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the National Records of Scotland, we have determined that the risk of fraud arising from revenue recognition for all revenue streams can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited

Therefore, we do not consider this to be a significant risk for the National Records of Scotland.

Our results

Our work has not identified any issues in relation to revenue recognition.

Significant risks and Key Audit Matters (4)

Other significant risks identified in our Audit Plan

Commentary

Risk of fraud in expenditure recognition (Practice Note 10)

As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition.

National Records of Scotland's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such, we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area.

We therefore focussed our risk on the non-payroll expenditure streams. Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll expenditure.

In response to the risk highlighted in the audit plan we carried out the following work:

- Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the FReM;
- Performed detailed testing of expenditure transactions at and around year-end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period;
- Reviewed the judgements and estimates made by management when recognising accruals and provisions at year end within the financial statements and where appropriate challenge management accordingly; and
- Our testing included a specific focus on year-end cut-off arrangements, including consideration of the existence of accruals in relation to non-payroll expenditure.

Our results

Our work carried out has not identified any issues in relation to this risk.

Other risks

Other risks identified in our Audit Plan

Implementation of IFRS16 – the revised accounting standard for leases

IFRS 16 was implemented by central government bodies under the FReM from 1 April 2022. Under IFRS 16, a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2023.

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. IFRS 16 requires all leases to be accounted for ‘on balance sheet’ by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases. IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating).

Commentary

In response to the risk highlighted in the audit plan, we carried out the following work:

- evaluated management’s assessment made in relation to IFRS 16; and
- assessed the completeness of disclosures within the financial statements in accordance with the applicable standards.

Our results

Our audit work identified no issues with the assessments made by management in relation to IFRS 16. We reviewed the disclosures made within the accounting policies and Note 1.13 and noted enhancements could be made to the information provided to meet the requirements of the FReM and these have been included within Appendix 1.

Financial Statements – key judgements and estimates (1)

As required in National Records of Scotland's Accounting Policies note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (2)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Property, Plant and Equipment: depreciation including useful economic lives (UELs). – £1.554 million</p> <p>Intangible Assets: amortisation including useful economic lives (UELs). – £1.293 million</p>	<p>National Record of Scotland's approach to depreciation is set out in accounting policies:</p> <p>Note 1.3 – Property, plant and equipment - depreciation</p> <p>Depreciation is provided on property, plant and equipment on a straight-line basis at rates sufficient to write down their cost or re-valued amounts to their residual values over their estimated useful lives.</p> <p>Note 1.4 – Intangible assets - amortisation</p> <p>Amortisation is provided on intangible assets on a straight-line basis at rates sufficient to write down their costs over their estimated useful lives.</p>	<p>Our testing of both property, plant and equipment and intangible assets included reviewing the useful lives. Our work identified the following issue:</p> <ul style="list-style-type: none"> Assets which were fully depreciated with a nil net book value held in the fixed asset register. <p>Conclusion</p> <p>Although there is no impact to the Statement of Financial Position, the gross cost and gross depreciation in the property, plant and equipment disclosure note may be inflated. We have raised recommendations within Appendix 2 in relation to this matters.</p>	<p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious.</p>

Financial Statements – key judgements and estimates (3)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Accrued Expenditure – £1.870 million	<p>National Records of Scotland accrues for expenditure to ensure that all expenditure that is incurred during the financial year, but has not yet been billed, invoiced or paid for, is recording in the year to which it relates. National Records of Scotland has one main types of accrual:</p> <p>Manual accruals</p> <p>These are largely based on non-purchase order-based accruals. Examples include the holiday and flexi pay accruals and amounts due from other government bodies. These are often based on best available information.</p>	<p>We have performed substantive testing on a sample of accruals. Our work has not identified any errors.</p> <p>Conclusion</p> <p>Our work is concluded in this area, and we have no matters to raise.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other key elements of the financial statements (1)

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is National Records of Scotland's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding National Records of Scotland's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquiries of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of National Records of Scotland's accounting policies, accounting estimates and financial statement disclosures. We have identified disclosure adjustments required to the financial statements which have been detailed in Appendix 1.
Matters in relation to related parties	We have identified one related party that was omitted from the draft financial statements that has been added in the final version. We are not aware of any related parties or related party transactions which have not been disclosed in the final version of the accounts.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at National Records of Scotland.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other key elements of the financial statements (2)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Governance Statement is consistent with the financial statements and prepared in accordance with the requirements of the Financial Reporting Manual (FReM).
Matters on which we report by exception	We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Opinion on other aspects of the annual report and accounts	We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been properly prepared in accordance with the requirements of the Financial Reporting Manual (FReM), and directions there under. We have identified minor changes to the disclosures, which are reported fully in Appendix 1.
Regularity	The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance Accountability (Scotland) Act 2000. In our opinion in all material aspects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
Written representations	A letter of representation has been requested from National Records of Scotland as required by auditing standards. This can be found as a separate item to this report. We have requested two specific representations in this letter around the first year implementation of IFRS 16 and with regards to the categorisation of intangible assets.

Other key elements of the financial statements (3)

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Board recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Company meets this criteria, and so we have applied the continued provision of service approach.</p> <p>In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
National Fraud Initiative	<p>The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. Participating bodies, including the organisation, receive matches for investigation. No issues were identified to highlight to the Committee and the organisation continue to be committed to the NFI exercise.</p>
Other returns to Audit Scotland	<p>In accordance with the Audit Scotland Planning Guidance, as appointed auditors, we have prepared and submitted Fraud Returns and have contributed to shared intelligence for sector meetings and Technical Guidance Notes. There is nothing we need to bring to your attention in this respect.</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
SEAS	ITGC assessment (design, implementation and operating effectiveness)	● Green	● Green	● Green	● Green	All significant risk areas
PECOS/ EASEbuy	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	Fraud in expenditure recognition
Real Asset Management	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	Valuation of Property, Plant and Equipemnt

Assessment

- **Red** - Significant deficiencies identified in IT controls relevant to the audit of financial statements
- **Amber** - Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- **Green** - IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- **Grey** - Not in scope for testing

Wider scope conclusions

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope audit dimensions. We take a risk-based audit approach to wider scope. Within our audit plan we identified two wider scope risks relating to financial sustainability and the use of resources to improve outcomes.

As part of our ongoing audit planning audit work during the year we have not identified any additional wider scope audit risks.

Wider scope dimension	Plan risk	Wider scope audit response and findings
<p>Financial Sustainability</p> <p>We are required to look ahead to the medium and longer term to consider whether National Records of Scotland is planning effectively.</p>	<p>Significant risk identified in relation to future financial plans for 2023/24 and beyond.</p>	<p>Budgeting</p> <p>The NRS budget for 2023/24 was included in the Scottish Budget published by the Scottish Government in December 2022. This set out the draft total allocation for NRS for 2023/24 of £33.0 million, which is a £26.6 million (45%) decrease compared to the initial 2022/23 budget allocation. The decrease in allocation mainly reflects a decrease in the Census Programme allocation, reflecting the completion of the collect phase of the programme and the reduced costs expected as a result.</p> <p>NRS' main source of funding is from Scottish Government, which typically accounts for around 80% - 90% of total income. The 2023/24 allocation assumes operating costs will be offset by £5.8 million of income. This income relates to forecast retained income (income generated by NRS in addition to Scottish Government funding). This will mainly consist of income from services from the Scotland's People website, charges for access to records, and income from the NHS Central Register contract.</p> <p>The Scottish Government is required to set a balance budget each year, and as a Non-Ministerial Department of the Scottish Government (SG). NRS is likewise required to start the financial year with a balanced budget.</p> <p>Medium Term financial planning</p> <p>The Executive Management Board (EMB) are regularly updated on the financial pressures faced by the organisation. They are engaged in reviewing staffing structures and agreeing savings plans. However, NRS do not have a formal savings plan in place, or a formal future looking workforce plan.</p> <p>Scottish Government has produced a Medium-Term Financial Strategy (MTFS) covering the period of 5 years from 2023/24 to 2027/28. Whilst this provides a picture for the backdrop against which NRS' main source of funding is provided, it does not relate directly to NRS and NRS do not produce a MTFS of their own.</p>

Wider scope audit (2)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Financial Sustainability (continued)		<p>Conclusions and recommendations</p> <p>Through our cumulative audit knowledge and planning risk assessment we identified a significant audit risk in relation to NRS' financial sustainability arrangements - future financial plans for 2023/24 and beyond. From our work performed, we have concluded that a significant risk remains in this area.</p> <p>NRS continues to be mainly funded by the Scottish Government and the draft resource allocation for 2023/24 was £33.0 million. NRS is required to start the year with a balanced budget, however, there is significant pressure on the 2023/24 budget, due to staffing expenditure, which is currently unresolved. NRS is actively working to seek solutions to this issue, by reviewing their recruitment, backfill of posts and temporary staff along with other measures. The EMB are regularly updated and are engaged in reviewing staffing structures and agreeing savings plans.</p> <p>NRS does not have a medium-term financial strategy (MTFS), nor have a formal savings plan for the short or medium term. Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from SG cover a one-year period, this should not prevent NRS assessing their spending needs and options over a longer period.</p> <p>We recommend that NRS endeavours to produce a financial strategy covering at least the next 5-year period, including projected levels of income, how spending will be funded and, where relevant, why reserves are held and how they will be used. To enable NRS to implement this strategy, we also recommend that they develop detailed financial and savings plans that outline spending commitments and required savings over the short (one year) and medium term (two to five years).</p> <p>We also recommend that NRS develop a formal future looking workforce plan. Recommendations are raised at Appendix 3.</p>

Wider scope audit (3)

Wider scope dimension	Plan risk	Wider scope audit response and findings
<p>Financial Management</p> <p>We are required to consider if National Records of Scotland has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.</p>	<p>No significant wider scope risks identified.</p>	<p>Financial Performance</p> <p>The main financial objective for National Records of Scotland is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.</p> <p>NRS have reported an outturn of £59.7 million against an overall resource budget of £60.3 million, giving an underspend of £0.6 million. The £0.6 million underspend is predominantly in relation to depreciation which is a non-cash budget line. The total resource spend was £56.7, resulting in a total underspend in 2022/23 of £0.026 million. This comes after the initial cash budget was increased by £3.9 million at the Spring Budget Revision (SBR) after a Scottish Government budget transfer was secured for the Census Programme to fund the extension to the census collection period.</p> <p>NRS have reported a small underspend on its capital budget, even after surrendering £0.4 million of their original budget. The underspend is the result of delays to the completion of key stages of NRS strategic projects.</p> <p>Over the past few years total staff costs have been rising by around 11%-13% per year, with the proportion of those costs coming from temporary staff also steadily rising. In 2022/23 total staff costs fell by £7.6 million to £27.3 million. Additionally, the proportion of staff costs coming from temporary staff fell from 42% in 2021/22 to just 17% in 2022/23, which is the lowest it has been for a number of years.</p> <p>The high staff costs in 2021/22 were mainly attributed to high-cost contractors working on the Census and specialist IT projects, which was to be expected due to the short-term nature of Census work. The 2022 census collection phase ended on 1 June 2022 and consequently, the number of temporary staff has fallen.</p> <p>NRS have workforce planning controls in place through formal governance to assess value for money (VFM) when planning and recruiting vacant posts or extending contract posts. These arrangements will continue across NRS.</p>

Wider scope audit (4)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Financial Management (continued)		<p>Financial Management Arrangements</p> <p>Financial performance is reported to the EMB on a quarterly basis and is an integral part of the budget monitoring process. We have observed that senior management and the Audit and Risk Committee continued to receive regular and accurate financial information on the NRS' financial position.</p> <p>Variances from budget are clearly explained within the finance reports, with actions identified for any adverse variances. This provides senior management and members the opportunity for scrutiny and challenge.</p> <p>Finance Team</p> <p>NRS continue to strengthen the support within the finance team, but with any small organisation if any staff shortages of sickness arise the organisation could face significant capacity issues. Due to the size of NRS there are few officers involved in the financial statements preparation process. There are effective quality control procedures in place to ensure the Annual Report and Accounts are prepared in compliance with relevant guidance.</p> <p>Arrangements for the prevention of fraud and error</p> <p>NRS is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, the body is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.</p> <p>We have reviewed NRS' arrangements, including its Fraud Response Plan and Whistleblowing Policy. There are established procedures with the aim of preventing and detecting fraud and corruption; and preventing breaches in standards of conduct.</p> <p>We have concluded that NRS has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.</p>

Wider scope audit (5)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Financial Management (continued)		<p>Conclusions</p> <p>Through our cumulative audit knowledge and planning risk assessment we did not identify any significant audit risks in relation to the Board's financial management arrangements.</p> <p>The financial outturn for 2022/23 was within less than 1% of the overall resource budget for the year.</p> <p>NRS have made significant progress in addressing the high staff cost issues of previous years, reducing overall staff costs by 22% and increasing the proportion of permanent vs temporary staff from 58% to 83%. Appropriate workforce planning controls are in place, although these should be formally recorded.</p> <p>NRS have appropriate internal controls around the financial management systems and arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption.</p> <p>The finance team is small, and therefore vulnerable to staff shortages in the case of absence or resignation. However, there are effective quality control procedures in place to ensure the Annual Report and Accounts are prepared in compliance with relevant guidance.</p> <p>We observed that senior management and the Audit and Risk Committee continued to receive regular and accurate financial information on the NRS' financial position.</p>

Wider scope audit (6)

Wider scope dimension	Plan risk	Wider scope audit response and findings
<p>Vision, Leadership and Governance</p> <p>We are required to consider the clarity of National Records of Scotland’s plan to implement the vision, strategy and priorities adopted by management.</p> <p>We also consider the effectiveness of the governance arrangements for delivery; robustness of scrutiny and working arrangements; and reporting of decisions and outcomes, and financial and performance information.</p>	<p>No significant wider scope risks identified.</p>	<p>National Records of Scotland (NRS) is a Non-Ministerial Department of the Scottish Government. NRS' purpose is to collect, preserve and produce information about Scotland's people and history and make it available to inform current and future generations. NRS was established on 1 April 2011, following the merger of the General Register Office for Scotland (GROS) and the National Archives of Scotland (NAS).</p> <p>NRS is headed by Janet Egdell, Interim Chief Executive Officer, who fulfils the roles of two non-ministerial office holders – the Registrar General for Scotland and the Keeper of the Records of Scotland.</p> <p>The CEO chairs the Executive Management Board (EMB) which is the overarching executive board setting the strategic direction and organisation of NRS, with management and oversight of NRS key assets. The CEO receives advice from the Strategic Board (SB) which provides support and constructive challenge on the operations of NRS, using the experience of Non-Executive Directors (NXDs) to identify opportunities and emerging issues that ought to be taken into consideration.</p> <p>The Audit and Risk Committee (ARC) supports the CEO and the Accountable Officer in their responsibilities for issues of risk, control and governance and associated assurance by providing constructive challenge. The Committee is also attended by NRS’ Chief Financial Officer and Scottish Government Internal Audit Division and External Audit colleagues who have an independent advisory role.</p> <p>All significant projects and programmes are overseen by a Project or Programme Board whose role is to oversee delivery and manage the associated risks. The 2022 Census is overseen by the Census Programme Board (CPB) chaired by the CEO. The Joint Partnership Board (JPB) meets quarterly and provides the EMB with the opportunity to consult with the trade unions at the formative stages of NRS organisational policy development, both at strategic and operational level, and to discuss any NRS specific issues.</p>

Wider scope audit (7)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Vision, Leadership and Governance (continued)		<p>We have regularly attended ARC meetings and noted that committee papers are well prepared and distributed in advance of meetings to allow members sufficient time for review, enabling well-prepared and appropriate questions.</p> <p>Meeting minutes are published on NRS' website published for all EMB, SB and ARC meetings ensuring the public's access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources such as money, people and assets. A register of interests for the non-executive directors is available on the website. We have seen that there has been engagement with service users through meetings and customer surveys to gather feedback, particularly with regard to the Census Programme.</p> <p>Governance Statement</p> <p>The governance statement details the composition and governance structure of NRS and how that supports the achievement of the organisation's priority themes. Linda Sinclair holds the role of Accountable Officer and will sign the statement. There are no significant governance issues noted in the Annual Governance Statement.</p> <p>Risk Management</p> <p>NRS maintains a strategic risk register which is derived from the high-level risks of the organisation, along with corporate risks. Risks are evaluated by considering their probability of occurring along with their potential to impact on the outcomes expected of NRS, the organisation's operations and its stakeholders. The risks and management's mitigating actions are reviewed and scrutinised by the Audit and Assurance Committee at every meeting.</p>

Wider scope audit (8)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Vision, Leadership and Governance (continued)		<p>Internal controls</p> <p>Internal audit activity is undertaken by the Scottish Government Directorate of Internal Audit and Assurance (SGDIAA). Internal audit undertook four internal audits reviews during the financial year, covering Capital Strategy and Planning (limited assurance), Registration Services (limited assurance), Culture Review (reasonable assurance) and SG Shared Systems (reasonable assurance). This resulted in an overall assurance opinion for the 2022/23 financial year as reasonable assurance.</p> <p>Conclusions and recommendations</p> <p>Through our cumulative audit knowledge and planning risk assessment we did not identify any significant audit risks in relation to the Board’s vision, leadership or governance arrangements</p> <p>NRS’s board and committee structures are appropriate and allow for effective governance. Boards and committees are provided with relevant, accurate and timely information to enable proper governance and decision making.</p> <p>NRS strives to operate in an open and transparent manner, publishing non-executive register of interests on the website and having regularly liaison with service users. Meeting minutes are available on the website; however, these are brief and supporting papers are not published along with the minutes, limiting the public’s access to information about NRS’s decision making.</p> <p>We recommend that full meeting minutes should be published for all EMB, SB and ARC meetings. A recommendation is raised at Appendix 3.</p>

Wider scope audit (9)

Wider scope dimension	Plan risk	Wider scope audit response and findings
<p>Use of Resources to Improve Outcomes</p> <p>We consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of National Records of Scotland and deliver continuous improvements in priority services.</p>	<p>Significant risk identified from the lessons learned from the previous Census</p>	<p>2022 Census</p> <p>NRS are responsible for delivering the census in Scotland every 10 years. The latest census was originally planned to take place in 2021, however this was postponed to 2022 due to the impact of the Covid-19 pandemic. The census collect phase went live, as planned, at the end of February 2022, but the collection phase was extended by 1 month, due to lower than expected return rates, and finished on 1 June 2022. The extension improved the return rate by around 10 percentage points, to 89%.</p> <p>The 2022 Census collection phase was followed by a Census Coverage Survey (CCS) which ran between 13 June and 22 August. The CCS collected information from around 1.5% of postcodes in Scotland and achieved a response rate of 57.8% which was broadly similar to, albeit slightly lower than, that achieved by the Office for National Statistics (ONS) for England and Wales.</p> <p>Prior to the Census, NRS developed an assured statistical methodology which was designed to take the Census returns from around 94% of Scotland's population, and 85% in each Council area, and deliver population estimates representing 100% of Scotland. Due to the lower-than-expected return rates this approach has been updated by extending the use of administrative data and evolving the statistical estimation methodology.</p> <p>The Census Programme Board (CPB) is responsible for monitoring the progress of the 2022 Census Programme. The progress of the programme against the plan is regularly monitored, and any risks associated with the delivery of the plan are identified and monitored. The progress of the Census Programme is reported to the EMB, ARC and SB on a regular basis.</p> <p>In May 2022, the Registrar General for Scotland convened an International Steering Group (ISG) chaired by Professor James Brown from the University of Technology, Sydney and comprised of census and administrative data experts. The group is comprised of preeminent international authorities in census coverage and use of administrative data and is providing NRS with external advice as to the quality of the census and the statistical approaches that will be used to produce high quality census outputs. The group meets around every 2 weeks.</p> <p>In May 2022, the Cabinet Secretary announced additional funding of up to £9.8 million to cover any additional costs, which NRS has managed and it was estimated that the extension has increased programme costs by around £6 million in 2022/23 to a total of £140 million, which equates to approximately 4% of the revised lifetime costs of the Census programme.</p>

Wider scope audit (10)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Use of Resources to Improve Outcomes (continued)		<p>The Census programme has been subject to regular reviews throughout its lifetime. These include Scottish Government (SG) Internal Audit activity, reviews undertaken by the Office for Statistics Regulation, Digital First assessment reviews, external Technical Assurance Framework (TAF) reviews and Gateway reviews.</p> <p>NRS had been working towards delivery of the first outputs from the census by the end of August 2023.</p> <p>The latest TAF review which took place in early July returned an 'Amber/Green - proceed to next stage' assessment. This rating has been described as "Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery." This review focussed on achieving Output 1A and 1B, future releases and transitioning to BAU, and assessed Future of Census activity.</p> <p>At the end of May 2023, the assessed likelihood of failing to deliver the first outputs by the target date of August 2023 was increased from medium to high to reflect slippage against the plan. This risk rating remains the same to date.</p> <p>NRS's target date for the first release of census data was subsequently changed to 14 September, so that the data was not released whilst parliament was in recess. The first results from Scotland's Census 2022 was published on this date and included estimates of Scotland's total population and the population size in every local authority area including a breakdown by five-year age groups and sex. Additionally, figures showing the change in population since the last Census in Scotland, population density and household numbers were released.</p> <p>The second release of Census outputs is expected to be in Spring 2024 which will include detailed population data to support community planning. Furthermore, a series of topic data will be published providing new insights into the characteristics of Scotland's people including data on ethnicity, religion, the labour market, education, housing and for the first time, information on armed forces veterans, sexual orientation and gender identity, The next TAF review is expected towards the end of 2023 and will focus on the release of the 1B outputs.</p> <p>An evaluation of Scotland's 2022 Census with a focus on lessons learned for any future Census and other complex programmes will be prepared for Ministers and provided to Parliament by the end of 2024.</p> <p>Audit Scotland made recommendations in both their 2018/19 and 2021/22 Annual Audit Reports. We have followed up on these recommendations to understand management's assessment of their progress against them – these responses can be found at Appendix 4. We are content that adequate progress has and is being made against the recommendations.</p>

Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Use of Resources to Improve Outcomes (continued)		<p>Corporate plan and performance reporting</p> <p>During 2016/2017, NRS put in place a corporate plan, covering the period 2016-2022, which describes its long-term objectives. The corporate plan is refreshed annually to include a business plan for the year ahead. The annual business plan provides more detail on the steps NRS will be taking to make progress towards their strategic objectives. The plans include how NRS supports the Scottish Government's National Performance Framework. This means that the organisations' corporate objectives are aligned to the larger national framework to demonstrate how NRS deliver on the objectives.</p> <p>NRS has adopted a number of Key Performance Indicators (KPIs), which are measurable values that demonstrate how effectively the organisation is achieving its objectives. Performance against the indicators has been mixed for 2022/23 when compared with 2021/22, with some improving and some worsening. The KPIs are reported to the Strategic Board as part of the corporate overview report, allowing for decisions to be made on the basis of performance.</p>

Wider scope audit (11)

Wider scope dimension	Plan risk	Wider scope audit response and findings
Use of Resources to Improve Outcomes (continued)		<p>Conclusions</p> <p>Through our cumulative audit knowledge and planning risk assessment we identified a significant audit risk in relation to NRS' use of resources to improve outcomes – lessons learned from the 2022 Census. From our work performed, we have concluded that a significant risk remains in this area.</p> <p>NRS will be more reliant on the CCS and administrative data, due to the lower-than-expected return rates. NRS is engaging with the ISG to ensure that the quality of census outputs is not negatively affected.</p> <p>NRS is working collaboratively with the SG chief statistician, SG Chief Data Officer, and the SG Digital Director to review lessons learnt and provide advice on future census. Recommendations are expected to be made to Parliament in 2024.</p> <p>The delivery of the Census Programme is closely monitored, and progress reported to the relevant governance boards and committees. The delivery of the first Census outputs were released in September 2023 which was a key deliverable for NRS and the second release of Census outputs is expected to be in Spring 2024. Additionally, an evaluation of Scotland's 2022 Census including lessons learned for any future Census and other complex programmes will be prepared for Ministers and provided to Parliament by the end of 2024. We have raised an audit recommendation around the transparency of future follow ups including the reporting required going forward in relation to both outputs and the lessons learned report.</p> <p>NRS is hosting regular stakeholder engagement events to explain the work being carried out in relation to the census and assess the needs of data users.</p> <p>From our review of the annual business plan, and subsequent monitoring we conclude the plan is clear and the focus on defining and measuring outcomes is defined.</p>

Wider scope audit (12)

Wider scope dimension	Plan risk	Wider scope audit response and findings
<p>Other wider scope areas</p> <p>In addition to the wider scope risks set out above, Audit Scotland's Planning Guidance 2022/23 requires us to consider the following national risks as part of our wider scope work:</p> <ul style="list-style-type: none"> - Climate change - Cyber security. 	<p>We did not identify any specific risks in relation to climate change at NRS</p> <p>We did not identify any specific risks in relation to cyber security at NRS</p>	<p>Climate Change</p> <p>Taking into account the long-term trends of climate emergency, digitalisation and demographic change, NRS have workstream activities which sets out how the company intends to achieve its targets as well as measuring and monitoring progress in its commitment to achieving net-zero greenhouse gas emissions by 2045.</p> <p>NRS includes references to climate change within its narrative reporting which accompanies the financial statements. NRS has considered the impact of climate change on its financial statements. It has determined that climate change will have an impact on the company's financial statements in future years including downward trends on energy usage, business travel and fleet costs whilst the organisation will face increased costs on building improvement programmes.</p> <p>Cyber Security</p> <p>We have considered risks related to cyber security at NRS as part during our audit of the Board's financial statements in line with the guidance issued by Audit Scotland's Digital Audit team. We have not identified any significant issues in relation to cyber security or the arrangements in place at the company in relation to cyber security.</p>

Best Value

The Scottish Public Finance Manual explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. There is ministerial guidance to ensure that arrangements are in place to secure Best Value in public services.

There are seven Best Value characteristics set out within the Manual and they were reviewed as part of our risk assessment.

Audit Scotland require us as auditors to undertake work on the Fairness and Equality characteristic at least once during our audit appointment, we have not undertaken that work during 2022/23.

Best Value work under the new Code of Audit Practice is fully integrated within the annual audit work performed by appointed auditors and their teams. As part of our integrated wider-scope annual audit work, we as appointed auditors use a risk-based approach to assess and report whether the company has made proper arrangements for securing Best Value. We have not identified any significant risks in relation to the arrangements in place to secure best value from our work performed over wider scope areas as outlined in this report.

Appendices

1. Audit Adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement, the Statement of Financial Position, and the reported net expenditure of the organisation for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £	Statement of Financial Position £	Impact on total net expenditure £
<i>Being adjustment in relation to transfer between the revaluation reserve and general fund</i>	-	345	-
Dr General Fund	-	(345)	-
Cr Revaluation Reserve	-	(345)	-

1. Audit Adjustments (2)

Impact of unadjusted misstatements

As at the date of this report, there are no unadjusted audit misstatements that are above our reporting level.

We will report our final conclusions and any agreed audit adjustments on conclusion of the outstanding work.

Impact of unadjusted misstatements in the prior year

There were no unadjusted misstatements brought forward from the 2021/22 audit carried out by your predecessor auditor.

1. Audit Adjustments (3)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This is not a complete list, as this does not include minor changes requested by the audit team, including typos and formatting requests.

This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on National Records of Scotland's reported financial position.

Disclosure	Auditor recommendations	Adjusted?
Review of Annual Report and Accounts (General)	We identified a number of minor casting errors, figures which had not yet been included and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	Yes
Remuneration and staff report	<p>We identified the following issues within the Remuneration and Staff Report which has been subsequently updated:</p> <p>Subject to Audit:</p> <p>The disclosures which are subject to audit where not clearly identifiable in line the FReM and disclosures have been updated to make this clear.</p> <p>Pension Benefits:</p> <p>The pension benefits have been recorded as a negative figures however, where this arises, pension benefits should be recorded as nil – this has subsequently been updated.</p> <p>Off Payroll Appointments:</p> <p>National Records of Scotland have added a disclosure to confirm there were no off-payroll appointments.</p> <p>The following changes were not made to the Remuneration and Staff Report:</p> <p>Trade Union Disclosures:</p> <p>The current trade union disclosures provide the information to the users of the financial statements however, are not in the format set out within the FReM.</p>	Partially

1. Audit Adjustments (4)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Note 1.1 Key Estimates and Judgements	<p>International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates.</p> <p>Significant estimates relate to assumptions and estimate at 31 March that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Judgements relates to areas that aren't significant estimates. In the draft accounts, management have combined critical estimate and judgements. These have been updated and separated into separate disclosures.</p> <p>We have identified that there is an opportunity to enhance the disclosure to focus on those key areas of estimation that may have a significant risk of material misstatement in the next 12 months. This should focus on those key areas of assumptions, include a sensitivity analysis and detail of what the carrying balance of the area is subject to the uncertainty.</p>	Partially
Note 1.13 Leases	<p>Given the current reference to peppercorn leases which are in the scope of IFRS 16, the disclosure was updated within the accounts to provide clarity around the assessment made by management as to why this asset does not fail under the scope of IFRS 16.</p> <p>Further disclosures could be made around the judgement made by management in relation to the implementation of IFRS 16.</p>	Partially
Note 6 – Heritage Assets	<p>We identified that under the FReM, heritage assets should be shown separately on the face of the Statement of Financial. As a material balance, this also requires a separate disclosure note and National Records of Scotland have updated their financial statements to reflect.</p>	Yes

1. Audit Adjustments (5)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Note 13 – Related Parties	Within Note 13, there are certain bodies disclosed within the note whereby full details of the transactions including the transaction amount and total amount outstanding or due to National Records of Scotland at year-end are not detailed due to the nature and sensitivities of the transactions.	No
Note 15 – Financial Instruments	<p>The financial instruments has been updated to note that National Records of Scotland is exposed to minimal amounts of financial risk, largely because of the non-trading nature of its activities and the way Government is financed.</p> <p>The disclosure has not been amended to include disclosure of the fair value of financial assets and financial liabilities compared to the carry valuing including reference to the valuation technique and assumptions used.</p>	Yes
Note 16 – Segmental Analysis	<p>The segmental analysis note was updated to reflect minor changes across the reporting segments in terms of the reportable profit and loss during the financial period.</p> <p>Additionally, the note was amended to reflect that if the necessary information about the geographical areas is not available and the cost to develop it would be excessive, that fact shall be disclosed.</p>	Yes
Note 17 – Post Balance Sheet Events	The draft financial statements did not include a post balance sheet events note – this has subsequently been added into the annual accounts.	Yes

2. Action plan and recommendations – Financial statements audit (1)

We have identified six recommendations for National Records of Scotland during our audit of the financial statements for the year ended 31 March 2023. We have agreed our recommendations with management and will report on progress on these recommendations during our 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p>Nil net book value assets</p> <p>The organisation's draft asset register included £6.377 million of assets with a nil net book value and are fully depreciated in the asset register. There are two risks in relation to this issue:</p> <ul style="list-style-type: none"> • if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; and • if these assets are operational, there is a risk that the organisation is not assigning appropriate asset lives to its assets. <p>The potential impact of these risks is that the gross cost and accumulated depreciation disclosed within Note 6 is overstated. There is no impact on the primary financial statements, which comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, and the Consolidated Statement of Cash Flows and the Consolidated Statement Changes in Equity.</p>	<p>Perform a detailed review of their Useful Economic Lives policy and updated where appropriate.</p> <p>Embed a formal process for reviewing assets which have outlived their Useful Economic Lives on an annual basis, to ensure the assets are still in existence.</p> <p>Management response</p> <p>NRS Finance has already begun the process of changing its approach to managing the asset register, with a full asset verification review having been undertaken in early 2023. This work will continue to evolve and future work will include reviewing the Useful Economic Lives policy.</p> <p>As noted by Grant Thornton the Finance Department is small and whilst this work is of a high importance, as identified by the current CFO, NRS has not had sufficiently qualified resources in place to lead on this work. A qualified accountant has been recruited and will lead on this key piece of work going forward.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

2. Action plan and recommendations – Financial statements audit (2)

Assessment	Issue and risk	Recommendations
<p>Medium</p>	<p>Grouping of Intangible Assets</p> <p>The fixed asset register records intangible assets at a high level which results in difficulties arising in determining the nature of the asset for example, project staff costs rather than providing details of these costs including individual names.</p>	<p>National Records of Scotland should revisit the nature of their intangible asset descriptions within the fixed asset register and update as appropriate to ensure the nature of all intangible assets are easily identifiable.</p> <p>Management response</p> <p>The Scottish Government is due to replace several corporate systems in April 2024, including the non current asset register (NCAR system). This will allow an opportunity to review asset descriptions. Any new assets added include the required level of detail.</p> <p>The assets specifically called out by Grant Thornton relate to assets that were added a number of years ago, pre dating the current staffing cohort and in some cases the records are no longer available. They will have been subject to audit in the years they were added. As a result, NRS finance are satisfied that the assets in question do not provide a medium level risk.</p>
<p>Medium</p>	<p>Journals</p> <p>From our work completed on journals, it was noted that where both the poster and approver of the journal is no longer within the organisation, the supporting documentation behind the journal is not retained and can be difficult to find.</p>	<p>National Records of Scotland should ensure all journals including supporting documentation and evidence of approval is retained and available to access by key members of the finance team. This will ensure in the event of staff absences/sickness, the supporting documentation for all journals can be found supporting the business rationale for posting the journal.</p> <p>Management response</p> <p>NRS Finance has a clear process for documenting journals and all staff are aware of and appreciate the importance of following it.</p> <p>This one instance was in relation to a temporary member of staff whose contract was terminated early.</p>

2. Action plan and recommendations – Financial statements audit (3)

Assessment	Issue and risk	Recommendations
Low	<p>Floor Plans</p> <p>National Records of Scotland were unable to provide a copy of the underlying floor plans for the four buildings occupied. These had to be obtained by the audit team from the valuer who had held on record from a previous handover with the predecessor valuer.</p>	<p>National Records of Scotland should retain appropriate records including underlying floor plans for future valuations and other business needs.</p> <p>Management response</p> <p>The original floor plans of the buildings are held by the District Valuer Services (DVS), a division of the Valuation Office agency (VOA), who value NRS buildings annually. NRS has access to these at any time. NRS hold a set of floor plans used for ways of working and planning of estate changes.</p>
Low	<p>Related Parties Disclosure</p> <p>As part of our audit work, we completed a review over the completeness of the register of interest forms completed by members. From this review, we identified one related party which had not been disclosed within the signed forms, which are completed and updated on an annual basis.</p> <p>Additionally, the registers of interests published only include non-executive members and do not include executive members.</p>	<p>Management should confirm members fully understand the requirement to complete the forms and ensure the signed forms are reviewed and checked for accuracy and completeness, to ensure all appropriate related parties have been disclosed.</p> <p>Management should consider publishing the register of interests for executive members.</p> <p>Management response</p> <p>NRS will remind members of the requirements for the register of interest forms. NRS will continue to publish the register of interests for non-executive members only.</p>

2. Action plan and recommendations – Financial statements audit (4)

Assessment	Issue and risk	Recommendations
Low	<p>Late timeline of Audit and Risk Committee</p> <p>The target date specified by Audit Scotland for submission audited accounts and the Annual Audit Report were brought forward in the 2021 Code to 31 August 2023. The AAC is convening to sign the final Annual Report and Accounts on 28 September 2023. This is after the target submission date of 31 August 2023.</p>	<p>Review the date which the Audit and Risk Committee meets the date for signing the final Annual Report and Accounts in 2023/34 to meet the target submission date.</p> <p>Management response</p> <p>As suggested by Grant Thornton in the Executive Summary the target deadline date not being met was not as a result of the NRS ARC meeting scheduling. Grant Thornton audit work commenced on 26 June 23 and was not substantially completed until late August with the first draft of the AAR received on 5 September. The schedule of ARC meetings for 2024 is being finalised with the target deadline a key consideration in the planning.</p>

3. Action plan and recommendations – Wider scope and Best Value

We have set out below, based on our audit work undertaken in 2022/23, the key recommendations arising from our wider scope and Best Value audit work:

Recommendation

Financial Sustainability

Long-term financial strategies covering a five to ten-year period help set the context for annual budgets. They also help clarify the financial sustainability of an organisation over an extended period and can help identify problems with affordability at an early stage. Although funding allocations from SG cover a one year period, this should not prevent NRS assessing their spending needs and options over a longer period. NRS does not currently have a medium-term financial strategy or have a formal savings plan for the short or medium term.

Recommendation

NRS should develop a medium-term financial strategy supported by shorter term detailed financial and savings plans.

Agreed management response

Management Response

In the current financial environment a 5-10 year financial strategy would not be cost effective to produce. The nature of SG budget setting and the fluidity of changing priorities across SG requires a more organic approach to financial planning.

NRS have assessed their spending needs to March 25 incorporating spending review initial allocations, the known SG pay deal to March 25, and the identified resource cohort to enable a number of strategic objectives to be planned for and implemented, whilst managing affordability constraints.

This work will continue to evolve as the organisations strategy evolves, including accounting for consequential from SG decisions and priorities which can impact NRSs transformative plans.

Given the wider financial environment and the availability of professional financial capability, NRS will plan to continue to develop short to medium term financial plans.

Financial Sustainability

The Executive Management Board (EMB) are regularly updated on the financial pressures faced by the organisation. They are engaged in reviewing staffing structures and agreeing savings plans. However, NRS do not have a formal future looking workforce plan.

Recommendation

NRS should develop a formal future looking workforce plan. This would also support the short to medium term financial strategy.

Management Response

Alongside the current financial year planning, work has been undertaken to identify the required staffing cohort required for 2024/25 and beyond. The affordability and the business needs/criticality of each role is reviewed by the Workforce Planning Group periodically and reported to EMB. This work helps support and identify key workforce trends and requirements across the organisation.

3. Action plan and recommendations – Wider scope and Best Value (2)

Recommendation

User of Resources to Improve Outcomes

NRS have released the first Census outputs in September 2023 with the second release of Census outputs expected to be in Spring 2024.

An evaluation of Scotland's Census 2022, with a focus on lessons learned for any future Census and other complex programmes will be prepared for ministers and provided to Parliament by the end of 2024.

Recommendation

NRS should ensure that following the release of the first outputs, there is clear transparency including the timelines of future follow ups and reporting to ensure both the public and Ministers are well informed. Any outputs should be published and both clearly identifiable and easy to find on the NRS website.

Agreed management response

Management Response

NRS will set out dates for the publication of future Census Outputs and the Census Evaluation Report beyond the current indicative timelines in due course. The outputs schedule is published on the [Scotland's Census website](#) and this will be updated with the key dates. Publication will be associated with a media release and made available on the Scotland's Census website for continuity and ease of access. The Census Evaluation Report will be submitted to Parliament and published with appropriate media release.

4. Follow up of prior year recommendations (1)

Progress against prior year audit recommendations

The predecessor auditor identified the following issues in their 2021/22 audit of National Records of Scotland's financial statements, which resulted in 6 recommendations being reported in their 2021/22 Annual Audit Report.

As part of our final accounts we will follow up on the implementation of these prior year recommendations in full. The response at this stage for our Plan, is management's response.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Closed	<p>1. Business Plans</p> <p>NRS has not published a Business Plan for 2022/23 and development of a longer-term business strategy has been delayed.</p> <p>Recommendation: NRS should ensure that Business Plans are up-to-date and continue their extensive on-going work to develop and conclude a longer-term business strategy.</p>	<p>The final detail of the NRS Annual Business Plan commitments for 2022/23 have been approved by NRS Executive Management Board and were published with the Annual Business Plan delivery evaluation for 2021/22 on 7th October.</p> <p>Work has concluded on the development of the draft long term strategy for NRS. CEO commenced staff engagement in June 2023, with associated stakeholder engagement materials with comments being collated from teams across NRS.</p> <p>Target Operating Model and Capability map being finalised, following engagement and will be delivered in 2023/24 to inform delivery activities.</p>

4. Follow up of prior year recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Superseded	<p data-bbox="331 363 477 392">2. Census</p> <p data-bbox="331 443 1055 783">NRS successfully launched the Census in March 2022, having delayed it from March 2021, as commented upon in the prior year Annual Audit Report. However the Census deadline was extended as it had achieved lower return rates than required. There is a risk that the Census outputs may be delayed or that the usefulness of the Census outputs are reduced due to the return rates received.</p> <p data-bbox="331 831 600 860">Recommendation:</p> <p data-bbox="331 871 1055 1171">NRS should continue to make progress with the planned work on analysing and validating Census results towards publication of first outputs to the planned timeframe. They should also conclude and share the lessons learned from the Census Programme delivery to date, and consider delivery plans of the remaining objectives to 2024/25, which includes planning for the next Census.</p>	<p data-bbox="1084 363 2121 632">NRS has focused on the development and use of further administrative data to complement the data gathered through the census and census coverage survey within the estimation and imputation methodology. It has continued to take advice and direction from the RG's International Steering Group, with the intention of starting to deliver high quality census outputs in the financial year 2023/24, with first outputs in late August 2023, around one year from the end of the data collection phases.</p> <p data-bbox="1084 647 2121 799">NRS has continued to learn from Census 2022. NRS Delivery Directorate have worked closely with the Census 2022 PMO and Commercial Team to transition knowledge, skills, documentation and processes important for both future Censuses and NRS-wide change initiatives.</p> <p data-bbox="1084 815 2121 999">NRS is also incorporating findings into the recommendations for future Census options. An over-arching General Report on Census 2022 will be laid with Scotland's Parliament in 2024, and around the same time recommendations on the approach for future census data collection will also be made by NRS to Scottish Ministers.</p> <p data-bbox="1084 1015 2121 1091">First outputs were published on 14 September 2023 as planned. Work is on schedule for future releases and future census planning is underway.</p>

4. Follow up of prior year recommendations (3)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Closed	<p>3. Embedding equality values</p> <p>NRS have the opportunity to embed equality values in the following key areas:</p> <ul style="list-style-type: none"> - Regular reporting to the EMB. - Consideration of more equality characteristics in its Mainstreaming Equalities Duty biennial report. - Carrying out equality impact assessments for significant projects or activities. - Providing Equality and Diversity refresher training to staff. <p>There is a risk NRS working arrangements or staff entitlements are adversely affected if equality and diversity values are not properly considered.</p> <p>Recommendation: Management should consider the improvements recommended at paragraph 78 of the 2019/20 Annual Audit Report.</p>	<p>1) Reporting: NRS' Delivery Director is the executive Equalities Champion taking lead to ensure a periodic assessment of strategic objectives and equality outcomes are discussed at EMB. All to be formally reviewed and updated every 2 years as required.</p> <p>2) Protected characteristics: Commitment to further consultation with Scottish Government (SG) to ascertain whether NRS can utilise the additional protected characteristics information SG hold for use in future NRS equalities reports.</p> <p>3) Impact assessments: Ongoing improvement and consistent use of Equality Impact Assessments (EQIA) across NRS. Equalities Champion to leverage existing EQIA arrangements, such as those used by the Census programme and expand use across other NRS core activities. Consider inclusion of EQIA in key decisions and business cases.</p> <p>4) Training: We continue to provide equality, diversity and inclusion training to all new members of staff. All hiring managers and interview panellists are also required to complete an inclusive recruitment e-learning package. We have now developed advice and guidance to support colleagues with the completion of equality related impact assessments.</p>

5. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and National Records of Scotland that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the entity or investments in the organisation held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the organisation as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and National Records of Scotland.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place, note that there are no non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the organisation's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

5. Audit fees, ethics and independence (2)

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to National Records of Scotland. The table summarises all non-audit services which were identified.

External Audit Fee

Service	Audit Plan £	Annual Audit Report £
External Auditor Remuneration	£68,410	£68,410
Pooled Costs	£4,540	£4,540
Contribution to Audit Scotland support costs	£2,410	£2,410
Sectoral Cap Adjustment	(£5,540)	(£5,540)
2022/23 Audit Fee	£69,820	£69,820

Fees for other services

Service	Fees £
We confirm that for 2022/23, we did not receive any fees for non-audit services	Nil

There has been no changes to the audit fees from those outlined within our Audit Plan which was approved by the Audit and Risk Committee on the 27 June 2023.

5. Audit fees, ethics and independence (3)

The fees reconcile to the financial statements (round £'000 in the financial statements).

- Fees per financial statements £69,820
- Total fees per previous page £69,820

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021](#) [grantthornton.co.uk]

6. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of National Records of Scotland's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•



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