

**Minutes of the Audit and Risk Committee Meeting held on Friday 24 March 2023,
14:00-15:35**

Board Room, Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HD

Committee Members:

Marie Fallon (MF), Chair
Richard Dixon (RD)
Neil Oakley (NO)**

Board Attendee:

Jim Martin (JM), Chair of the
ESS Board

Attendees:

ESS Team

Mark Roberts (MR), CEO
Rebecca Peppiette (RP), Head of Corporate Services
and Communications
Rebecca Liu (RL), Interim Finance and Accountancy
Advisor
Jamie McGrandles (JMcG), Head of Investigations,
Standards and Compliance*
Charlotte Lowe (CL), Business and Case Support
Officer (Minutes)

Internal Audit (IA)

Iain Burns (IB), Lead Senior Internal Audit Manager
Douglas Falconer (DF), Internal Audit Manager**

External Audit (EA)

Pat Kenny (PK), Associate Partner, Deloitte LLP**

*present at item 6 only

**via Microsoft Teams

1.	<p>Welcome</p> <p>The Chair welcomed the Committee and attendees to the meeting, and led introductions for Pat Kenny, joining on behalf of Deloitte LLP.</p> <p>There were no declarations of interest.</p>
2.	<p>Minutes and matters arising</p> <p>There were no minutes to approve as the minutes of the 16 December 2022 Audit and Risk Committee meeting were approved at the 3 February 2023 Board meeting.</p> <p>On the matters arising, the Committee noted its upcoming self-assessment. All other matters were either completed or on the agenda for this meeting.</p>

3.	<p>Finance</p> <p>RP presented the expenditure and budget update, highlighting that, despite underspend in 2022/23 due to a slowed approach to recruitment, the team is confident in the budget profiling for 2023/24 and will be able to provide more detailed updates to the Committee going forward.</p> <p>RP also updated the Committee on external audit timelines and progress to date, noting that working relationships with external audit have been positive, but the timelines may be subject to change due to external factors at Deloitte LLP.</p> <p>Due to the sequencing of the March ESS Board and Committee meetings, it was noted that the Board had considered and approved the contents of the report just prior to the Committee meeting. The Committee discussed the potential perceived risk that sequencing meetings in this way prevents the Committee from supporting the Board, acknowledging that the changes to the schedule this year were necessary to coordinate with external audit timelines.</p>
4.	<p>Risk management and assurance</p> <p>CL presented the updated risk register. As per item 3, the Board had considered and approved the contents of the report just prior to the Committee meeting. The Committee discussed the register, recommending:</p> <ul style="list-style-type: none">• the risk register refer to “inherent risk” in place of “current risk”• the action target date against the cyber security risk be updated to reflect ongoing work to run an in-depth business continuity plan exercise <p>MR introduced the paper on ESS’ approach to risk management and reporting, noting that as ESS transitions from establishing to being established the approach can be streamlined to reflect ESS’ relative maturity. In discussion, the Committee recommended:</p> <ul style="list-style-type: none">• including a risk relating to external strategic context

- updating the risk appetite relating to judicial review to “cautious” to reflect ESS’ appetite to use these powers where success is likely, and to define judicial review within the document

The Committee agreed updates to the Risk Management Policy, subject to the above changes, and agreed the recommendations to:

- condense the current list of risks by merging aligned risks, and removing risks below risk appetite, subject to the Committee having sight of the changes in situ
- streamline the risk register cover report, but continue to attach a visual mapping of risks
- recommend to the Board a reduction in the frequency of risk reporting at Board meetings

The Committee requested that these recommendations be made to the Board at its 25 May 2023 meeting.

5. Governance

CL introduced the review of the Board Standing Orders and Audit and Risk Committee Terms of Reference. CL noted that the recommended updates align the Committee’s minute approval process with that of the Board, reflecting its independence of the Board. The Committee agreed the changes to be recommended to the Board, subject to amended wording regarding the Committee’s referral of “considerations” to the Board, rather than “decisions”.

RP introduced the review of Delegated Limits of Financial Purchasing and Payment Authority. RP noted that recommendations to increase the delegation limits, whilst still referring any items of contentious spend to the Board, have been benchmarked against comparator organisations, with thanks to external audit for their assistance.

The Committee agreed the recommendations for onward consideration by the Board, but requested that the documentation clarify the distinction between approval of budget and approval of individual items of expenditure.

	<p>RP presented the Committee's forward work plan for the year. The Committee noted ESS' individual corporate reporting requirements would not be included as part of this work plan, but requested a long list of requirements be presented at the next Committee meeting.</p>
<p>6.</p>	<p>Internal Audit</p> <p>IB presented the Internal Audit Progress Report and updated the Committee on ongoing work on Scottish Governments corporate systems and the current consultation on global standards for internal audit.</p> <p><i>At this point JMcG joined the meeting.</i></p> <p>DF introduced the Internal Audit Report on the Investigations review and presented the findings and recommendations, highlighting that a substantial assurance opinion was provided on the work of the Investigations team . JMcG confirmed the recommendations have been accepted and implementation timescales applied, and noted that the team had a positive learning experience working with internal audit.</p> <p>The Committee congratulated the Investigations team and thanked Internal Audit for their work. <i>JMcG left the meeting.</i></p> <p>IB presented the Internal Audit Annual Plan for 2023/24, outlining the proposed work that would be used to formulate the 2023/24 annual assurance opinion. The two main areas for internal audit review are Strategy and Analysis and Cyber Security. The Committee agreed to recommend approval of the Plan to the Accountable Officer.</p>
<p>7.</p>	<p>External Audit</p> <p>PK presented External Audit's work plan for the 2022/23 audit, highlighting key risks and developments in auditing standards.</p>

Marie Fallon

Chair, Environmental Standards Scotland Audit and Risk Committee

25 May 2023