

Minutes of the Audit and Risk Committee Meeting held on Monday 7 April 2025, 14:00 – 17:00

Lomond, Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HD and via Microsoft Teams

Committee Members:

Marie Fallon (MF), Chair
Morag Sheppard (MS)
Neil Oakley (NO)

Board members:

Chris Spray (CS), Observing

Attendees:

Internal Audit (IA)

Iain Burns (IB), Lead Senior Internal Audit Manager
Douglas Falconer (DF), Senior Internal Audit Manager
Kate Moffat (KM), Lead Senior Internal Audit Manager

*via Microsoft Teams

Attendees:

ESS Team

Mark Roberts (MR), CEO
Rebecca Peppiette (RP), Head of Corporate Services and Communications
Rebecca Liu (RL), Financial Accountant
Charlotte Lowe (CL), Governance Lead
Kirsty Laing (KL), Business Support Officer (Minutes)

External Audit (EA)

Simba Jana (SJ), Director, Deloitte LLP*
Rashid Zaman (RZ), Manager, Deloitte LLP*

Apologies:

Arslan Janjua (AJ), Assistant Manager, Deloitte LLP

1.	Private session
2.	Welcome The Chair welcomed the Audit and Risk Committee ('the Committee') members and attendees to the meeting. There were apologies from AJ.
3.	Minutes and matters arising

	<p>The Committee approved the minutes of the 25 November 2024 and 20 January 2025 meetings.</p> <p>On the matters arising, the Committee acknowledged completion of the benchmarking exercise comparing ESS and the Office for Environmental Protection (OEP) budgets. The Committee noted that both this benchmarking exercise, and the 10-year forward profile and financial resilience work, were useful to see. RP confirmed all items on the list of matters arising have been completed, or will be completed by the relevant deadline.</p>
4.	<p>Finance</p> <p>RP provided an update on the 2024/25 budget, noting that the final outturn will be presented at the June 2025 Committee meeting. In discussion, the Committee:</p> <ul style="list-style-type: none"> • noted the due diligence being carried out by the team in relation to issues arising from the SEAS to Oracle finance system transition, including the use of third-party expert assurance advice • considered the cause and consequences of the underspend, such as carrying vacancies, and requested further detail on this be included in the Board report for the meeting of 25 April 2025 <p>Action: to share further budget information with the Board at its meeting of 25 April 2025</p> <p>The Committee acknowledged the equalities considerations within the paper and noted that all ESS staff recently undertook training in equality impact assessments (EqIA). The Committee requested further guidance and materials in relation to EqIA.</p> <p>Action: to share further guidance and materials with Committee members on EqIA when this work is completed.</p>
5.	<p>Risk management and assurance</p> <p>CL presented the updated risk register, including recommendations from the November 2024 Committee meeting.</p> <p>In discussion, the Committee:</p>

	<ul style="list-style-type: none"> • requested further detail on actions planned and action target dates with particular reference to any risk outhwith risk appetite • recommended differentiating between strategic risks (with broader descriptions) and specific risks that require ET/Committee/Board-level oversight due to the nature of the risk • noted the absence of gross risk from the register and recommended that the team consider how to incorporate this for comparison against the current risk • agreed that there should be a functional Risk Register for each ESS department <p>Action: to incorporate these Committee recommendations to the risk register in due course.</p>
6.	<p>Governance</p> <p>CL presented the annual review of the Terms of Reference (ToR) and Board Standing Orders. The Committee approved the paper for onward consideration by the Board, subject to minor amendments.</p> <p>CL presented the final year-end figures for ESS' Performance Management Indicators (PMIs) 24/25 and the next steps for future analysis of PMIs. The Committee noted the content of the PMI update and recommended minor clarifications to the narrative accompanying the figures.</p>
7.	<p>Internal Audit</p> <p>IB presented Internal Audit plan 2025/26, noting the planned reviews will cover legal procedures and information management.</p> <p>The Committee noted that the Terms of Reference (ToR) for the reviews would be drafted in due course and discussed potential considerations that could be included, for example in relation to legal advice.</p>

	<p>Action: to consider potential considerations that could be included in the Internal Audit Terms of Reference in relation to the review of ESS legal advice.</p> <p>IB shared information on upcoming changes within the Internal Audit team.</p> <p>IB presented the Internal Audit progress report, which included updates following the Key Performance Indicators (KPIs) and Risk Management Reviews. DF provided further detail on the KPI review and noted that work is ongoing to implement the recommendations.</p> <p>IB provided an update on the new Global Internal Audit Standards and highlighted minor changes that may impact ESS on implementation.</p>
8.	<p>External Audit</p> <p>External Audit (EA) presented the planning report for the 2024/25 audit. It was noted ESS has implemented the 10-year financial plan as recommended by EA.</p> <p>The Committee agreed the 2024/25 Audit plan.</p>
9.	<p>Any other business</p> <p>The Committee noted its formal thanks to IB and DF for their work, from the set-up of ESS in 2021 to the present day. The last audit meeting IB and DF will attend will be 23 June 2025. The Committee formally welcomes KM, who will take on the lead IA role with ESS.</p>

Marie Fallon

Chair, Audit and Risk Committee

Environmental Standards Scotland

23 June 2025