

## Minutes of Environmental Standards Scotland Audit and Risk Committee

15 March 2022, 14:00 – 16:00

(Held on MS Teams)

### Present

Marie Fallon (MF)                      Chair  
Richard Dixon (RD)                  Member

### In attendance

#### Executive Team:

Brendan Callaghan (BC)          Interim CEO  
Rebecca Peppiette (RP)          Head of Secretariat  
James Aldred (JA)                  Business Manager (Minutes)

#### Scottish Government Internal Audit:

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

#### Audit Scotland External Audit:

Tom Reid (TR)                      External Audit Manager

<b>1.</b>	<b>Welcome and declarations of interest</b>  The Chair welcomed all attendees to the meeting.  BC's declaration of interest as a part owner of forestland in receipt of grants from Scottish Forestry, and as a partner in a local community wood energy scheme, remained current.  The Chair provided a verbal update on the recent Audit Committee Chairs Network meeting, including a presentation from Mike Taylor of Audit Scotland. Key points included the importance of a balance between challenge and support from Audit Committee members, and a planned longer-term forward approach from Audit Scotland, that would include a focus on cybersecurity. Going forward the group was to meet three times a year.
<b>2.</b>	<b>Minutes and matters arising</b>  The minutes of the previous meeting were agreed for submission to the Board.  On matters arising item 1, RP confirmed that the issue was one of alignment between the documents and that no changes to the delegated limits would be proposed. The revised documents would be brought back to the Committee for review.  On item 8, RP noted that the risk card approach taken by SEPA had been reviewed. The Committee agreed to retain the current ESS system at present. This item was therefore agreed as closed.

<p><b>3.</b></p>	<p><b>Finance</b></p> <p>RP introduced the budget paper, noting that ESS' financial system had been implemented in February and that reconciliation against the interim system was now underway. Additional underspend was expected due to the delayed recruitment of staff.</p> <p>An option was being explored to bring in support from the Scottish Fiscal Commission's finance department, to advise on their set-up learning, prior to the recruitment of ESS accounting support.</p> <p>The Committee noted discussions at the previous Board meeting around the use of any projected underspend, and requested that any options for reallocation be brought to the September 2022 Committee meeting for review.</p> <p>The report was approved for submission to the Board.</p>
<p><b>4.</b></p>	<p><b>Risk management and assurance</b></p> <p>BC introduced the report and the updated register.</p> <p>The Committee requested that a report be brought to the September meeting of the Committee to review the approach to risk reporting. Options discussed for consideration included:</p> <ul style="list-style-type: none"> <li>• Incorporating a stated risk tolerance level for each risk, in line with ESS' stated risk appetite;</li> <li>• Determining an approach to the removal of risks where mitigation had reduced the residual risk level below tolerance;</li> <li>• Strengthening the link between risks and ESS' strategic priorities.</li> </ul> <p>The register was approved for submission to the Board.</p>
<p><b>5.</b></p>	<p><b>Governance</b></p> <p>JA introduced the review of the Standing Orders.</p> <p>Regarding the issue of divergence from prescribed agenda items, the Committee felt that although these two points were not substantial, the Standing Orders in question should be amended to reflect actual practice.</p> <p>Regarding the approval of minutes, the Committee noted ESS' stated value of transparency and queried whether, as Board meetings have moved to bimonthly, this would mean minutes were being published too long after decisions were being made to fulfil this stated value. The Committee recommended that the Board consider whether to amend the process set out in the existing Standing</p>

	<p>Order to allow minutes to be approved for publication (i.e. rather than approved as a draft) by correspondence, with the opportunity for review and amendment at the next Ordinary Board meeting.</p> <p>Regarding the Scheme of Delegation, the Committee recommended that at delegation 1.2.2, “Approve audit plans” be delegated jointly to the Chief Executive Officer and the Audit and Risk Committee, subject to advice from the Interim Governance Advisor as to whether this was in accordance with the responsibilities of the CEO as Accountable Officer.</p> <p>Regarding the decisions reserved to the Board, the Committee noted that, in addition to these reserved decisions, the Board had also been involved in determining which investigations would be pursued, and which issues would be prioritised for analysis. The Committee considered whether the reserved decisions list should be amended to include these as areas in which the Board could take decisions, but decided that the current approach provided sufficient flexibility for decisions to be taken between the Board and Chief Executive.</p> <p>On the updated Code of Conduct, the Committee requested officers to explore the possibility to:</p> <ul style="list-style-type: none"> <li>• Amend the Model Code’s approach to identifying contacts to limit this to 'close' or 'significant' contacts;</li> <li>• Incorporate a contextual section laying out the values of the organisation that Board members are expected to promote.</li> </ul> <p>It was also requested that officers bring a report to the May Board on the basis of the outcome of that discussion.</p> <p>On the job description for the co-opted member(s), MF noted that recruiting two members was being considered, to provide a potential development opportunity for future Board members. The Committee approved the job description.</p> <p>On the Forward Plan, BC noted the proposed June deep-dive on risks and issues on management of contracts and service level agreements and the likely six-week lead time for the preparation of such a report. MF suggested this be scoped and timescales determined after the 25 March Board.</p>
<p><b>6.</b></p>	<p><b>Internal Audit</b></p> <p>DF and IB presented a progress report on Internal Audit work undertaken and planned for 2021/22. DF confirmed that the planned governance audit would look at the finance system as whole, providing input on expected controls and monitoring approach, and looking at the audit trail of financial control and governance. The report was approved.</p>

	<p>The terms of reference for the proposed Corporate Governance Advisory review were approved.</p> <p>On the Annual Audit Plan 2022-23, the Committee requested that Internal Audit look at incorporating an audit of ESS' cybersecurity arrangements into the plan. IB undertook to review this and noted work underway within the Scottish Government around cybersecurity and its operation across arms' length bodies.</p>
<b>7.</b>	<p><b>External Audit</b></p> <p>TR introduced himself and the report, noting that work planned and undertaken for 2021/22 was limited due to ESS' direction not to produce accounts until the end of 2022/23. The 2022/23 Plan would be brought to the Committee in a year's time, with planning to commence towards the end of the current calendar year.</p> <p>TR noted that Audit Scotland audits two-thirds of public bodies with the remaining one-third audited by private firms, with bodies rotated to maintain independence and quality. It was highly likely that ESS would continue to be audited by Audit Scotland for the coming year.</p> <p>TR undertook to circulate a guide for Audit and Risk Committees regarding pandemic review and oversight.</p> <p>In response to a query as to whether Audit Scotland would look at decisions taken by the Scottish Government during the setup of ESS, TR noted that audits would take a risk-based audit approach and this would depend on audit planning.</p> <p>The report was received for information.</p>
<b>8.</b>	<p><b>Horizon Scanning</b></p> <p>RP noted the recently published <a href="#">Scottish Government relationships with public bodies: progress review</a> and its findings.</p>
<b>9.</b>	<p><b>AOB and forward meeting dates</b></p> <p>No Other Business was declared.</p> <p>The forward meeting dates were approved.</p>

**Marie Fallon**  
**Chair, Audit and Risk Committee**  
**20 May 2022**