

**Minutes of the meeting of the Audit and Risk Committee (via Microsoft Teams)**  
**Monday 5 September 2022, 13:00 – 15:00**

**Committee:**

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

**Attendees:**

**Environmental Standards Scotland Team members (ESS Team):**

Mark Roberts (MR), CEO/Accountable Officer  
 Rebecca Peppiette (RP), Head of Corporate Services and Communications  
 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

	Item
1.	<p><b>Welcome and declarations of interest</b></p> <p>The Chair welcomed all attendees to the Audit and Risk Committee (the Committee) meeting.</p> <p>There were no new declarations of interest.</p>
2.	<p><b>Minutes and matters arising</b></p> <p>The Committee noted that the minutes of the previous meeting were approved at the Board meeting of 29 July 2022.</p> <p>On the matters arising, RP reported that the majority of items have been completed. It was noted that the action regarding cyber security arrangements would move from IB to RP's ownership, reflecting ongoing internal work on this.</p>

### **3. Finance**

RP presented the paper on budget and expenditure, reporting progress against five areas of planned activity.

It was noted that a 4% return on in-year expenditure was being assessed, in light of wider public sector finance pressures. The Committee agreed the importance of longer-term financial planning, highlighting that ESS' operational model (and therefore budget and expenditure) are still in development. The Committee recommended that communications with Scottish Government clearly reflect this.

### **4. Risk management and assurance**

RP updated the Committee on progress with the Deep Dive "Establishing ESS during a pandemic" planning, including onboarding consultant Eleanor Ryan to lead on this piece of work. In discussion, the Committee:

- Highlighted the value of ESS' unique perspective and sharing this learning with the wider public bodies network;
- Agreed the gateway review-style approach, with pre-planned timelines and approval processes;
- Agreed the subjects of the review, including key ESS team members and a selection of third-party agents, to be determined;
- Agreed to invite Eleanor Ryan to the December Committee meeting to discuss the format of the final report.

MR presented the paper on the updated risk register and the annual review of the risk appetite statement.

On the risk register, the Committee recommended that:

- The business continuity risk relating to a cyber-attack be updated to reflect the risk in losing data, as well as releasing confidential information;
- The owner of the risk be included in future reports to the Committee and to the Board;

- The ESS team consider producing a graph displaying where risks sit alongside the risk register.

On the risk appetite statement, the Committee requested that:

- The description of compliance and regulatory risk make clear the distinction between ESS having an illegal approach to individual actions, and ESS being unsuccessful at judicial review, to highlight that ESS has no appetite for behaving illegally;
- The risk of data loss be articulated in a way that emphasises the risk to business continuity, rather than to reputation or operations;
- A list of minor amendments be made to the formatting and general wording throughout the document.

The Committee also discussed the approach to risk management and reporting risk to the Board. It was agreed that the current risk management tools provide sufficient detail in an easy-to-read format. However, the Committee will recommend that the Board consider reducing the frequency of reporting. The Committee proposed to verbally update the Board on these discussions at the September 2022 Board meeting. The current approach will continue until the new financial year.

## **5. Governance**

The Committee discussed options for an in-person learning and development session taking place in tandem with the December 2022 meeting of the Audit and Risk Committee. RP, CL and the Chair undertook to produce an agenda for the day and circulate for comment in advance.

RD provided a verbal update on his attendance at the Audit Committee Chairs Network meeting on the Chair's behalf, which focused on risk management and risk appetite. RD highlighted discussions on political and staff performance risks, as well as the role of Audit and Risk Committees. In discussion, the Committee recommended that the risk register be adjusted to include reference to staff performance alongside staff continuity.

On external audit, RP reported that Audit Scotland has initiated the procurement

	<p>process for their replacement as ESS' auditors. The Committee discussed concerns around the timeline for external audit being in place, agreeing the importance of external audit attending the December meeting of the Committee.</p>
<p><b>6. Internal Audit</b></p>	<p>IB introduced the Internal Audit Governance Advisory Review. The Committee thanked DF for this report.</p> <p>The Committee also thanked RP and the ESS team for the establishment of the ESS corporate governance approach, and the Substantial assurance rating attained, as outlined in the review.</p> <p>In discussion, the Committee:</p> <ul style="list-style-type: none"> <li>• Acknowledged that a management response would be included in formal assurance reports;</li> <li>• Agreed to present the Governance Advisory Review to the Board for information.</li> </ul> <p>MR updated the Committee on the Terms of Reference for the Investigations Audit, referring the Committee to the template provided by Internal Audit that had been circulated in advance of the meeting. As a final recommendation, correspondence and contact with the representer will be addressed under the communications plan item.</p> <p>IB presented the Internal Audit Progress Report. The Committee undertook to consider items for the 2023/24 Internal Audit Plan ahead of the December Committee meeting.</p>
<p><b>7. AOB and forward meeting dates</b></p>	<p>CL undertook to circulate a schedule for forward Committee meeting dates for 2023 for approval.</p>

**Marie Fallon**  
**Chair of the Audit and Risk Committee**  
**23 September 2022**