

Minutes of the Audit and Risk Committee Meeting

Friday 16 December 2022, 10:00 – 12:00

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

Committee:

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

Attendees:

ESS Team

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

Internal Audit (IA)

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

External Audit (EA)

Rebecca McConnachie (RM), Manager - Audit and
Assurance, Deloitte

Glen Shuraig Consulting

Eleanor Ryan (ER), External Consultant*

*Present at items 2 and 3 only

1. Welcome (Chair)

The Chair welcomed the Committee and attendees to the meeting, extending a particularly warm welcome to Rebecca Liu, ESS' Interim Finance and Accountancy Advisor, Rebecca McConnachie from ESS' appointed external auditor, Deloitte, and Eleanor Ryan from Glen Shuraig Consulting.

The Committee agreed to take agenda items 4 and 5 relating to the Deep Dive into establishing ESS during a pandemic and the Committee's review of effectiveness next.

<p>2.</p>	<p>Deep Dive into Establishing ESS during a pandemic</p> <p>ER presented a summary of the methodology and findings from the deep dive into establishing ESS during a pandemic, which reviewed ESS' initial set-up phase. Key highlights from a range of external, internal and Board interviews included:</p> <ul style="list-style-type: none"> • No concerns were reported regarding ESS' independence; • Positive reflections on collaborative and open working externally and within the ESS team; • Praise for “heroic” efforts in getting ESS up and running. <p>The Committee discussed areas where learning could be captured and implemented going forward, such as maintaining agility between the ESS team, the Committee and the Board, and being vigilant of, and mitigating, substantial workloads and efforts in the set-up phase. In discussion, the Committee:</p> <ul style="list-style-type: none"> • Recommended that the Board are updated on integration of newer ESS team members, including updates on pulse survey results, meeting colleagues at Board meetings, etc.; • Recommended that the results of the deep dive are fed back to relevant stakeholders, particularly where the issues raised were out of ESS' hands; • Requested that ER present the findings, updated as per Committee discussions, and a report to the Board at the 3 February 2023 Board meeting in order to agree the next steps for the outputs; • Thanked ER for her work on this exercise; • Thanked the ESS team for their work in setting ESS up, with particular reference to Alasdair Dewar, Business and Finance Manager, for his part in setting up corporate services.
<p>3.</p>	<p>Review of Committee effectiveness</p> <p>RP presented the Audit and Assurance Committee Handbook Self-assessment Checklist. The Committee agreed to use this as a starting point for the review of</p>

	<p>Committee effectiveness, and that ER would lead on gathering and analysing the review information.</p> <p><i>At this point ER left the meeting.</i></p>
<p>4.</p>	<p>Minutes and matters arising</p> <p>There were no minutes to approve as the minutes of the 5 September 2022 Audit and Risk Committee meeting were approved at the 23 September 2022 Board meeting.</p> <p>The Committee discussed the process of approving minutes of the Audit and Risk Committee meetings, noting the Committee’s independence from the Board.</p> <p>There were no comments on the matters arising.</p>
<p>5.</p>	<p>Finance</p> <p>MR introduced the paper on budget and expenditure, highlighting an increase in ESS’ budget for 2023/24 in the Government’s recent draft budget announcement, whilst noting some challenges relating to underspend arising from delays in recruitment. In discussion, the Committee;</p> <ul style="list-style-type: none"> • Considered the presentation of resource for judicial review in the budget, agreeing its necessity in exercising ESS’ formal powers; • Requested that the ESS team present, where applicable, information on expected outturn as part of the budget update; • Recommended that working budgets set out the type of billing applied to each item of expenditure, for example monthly, quarterly or annually.
<p>6.</p>	<p>Risk management and assurance</p> <p>MR introduced the paper on the corporate risk register, highlighting revisions made by the ESS team including:</p> <ul style="list-style-type: none"> • A new risk relating to Scottish Government’s environmental governance review;

	<ul style="list-style-type: none"> • A new risk relating to the replacement of ESS' current finance system; • A number of amendments to scoring, planned controls, and some merged risks. <p>In discussion, the Committee requested that the ESS team:</p> <ul style="list-style-type: none"> • Update the risk relating to the new finance system to reflect its risk to ESS specifically; • Consider revisions to the risk register relating to an increase in budget; • Consider the scoring of, and specify an action target date for, the risk relating to cyber security; • Consider the controls planned where residual risk falls lower than the risk appetite. <p>RP noted that the process of reporting risk to the Board would be reviewed at the next Committee meeting.</p>
<p>7. Governance</p>	<p>RP introduced the papers on the review of delegated limits of financial purchasing and payment authority policy, noting work undertaken to determine the process and limits employed by various organisations, for comparison. RM agreed to provide anonymised benchmarking support in this exercise.</p> <p>The Committee discussed the papers, recommending some minor textual changes and the inclusion of graphics, as well as agreeing to consider recommendations to review and improve the process at the next Committee meeting.</p>
<p>8. Internal Audit</p>	<p>IB introduced the Internal Audit Progress Report as well as providing a verbal update on the review of Investigations. DF highlighted positive reflections so far on the Investigations team's guidance documents and systems in place, noting that there is</p>

	<p>work outstanding against testing governance and quality assurance checkpoints in a particular investigation.</p> <p>The Committee discussed the Internal Audit work plan for 2023/24. Items raised for consideration were business continuity and cyber security and an audit of ESS' strategy and analysis function. IB agreed to provide further details on the plan at the 6 March 2023 Committee meeting.</p>
9.	<p>AOB and forward meeting dates</p> <p>The Committee discussed the forward meeting dates, noting that changes may arise from the need to coordinate meetings alongside external audit's planning timeline.</p> <p>The Committee requested that a forward plan of the Committee's work be included as a standing item on the agenda going forward. It was also agreed that a further Committee development session would be held in December 2023.</p>

Marie Fallon

Chair of the Environmental Standards Scotland Audit and Risk Committee

3 February 2023