

**Minutes of the Environmental Standards Scotland Audit and Risk Committee meeting
held on Monday 5 June, 14:00-16:00**

Via Microsoft Teams

Committee Members:

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
Charlotte Lowe (CL), Governance Lead (Minutes)

Internal Audit (IA)

David Stark (DS), Senior Internal Audit Manager
Douglas Falconer (DF), Internal Audit Manager

External Audit (EA)

Kirsty Hair (KH), Assistant Manager, Deloitte LLP
Muhammad Fadhil (MFad), Manager, Deloitte LLP

Apologies

Iain Burns (IB), Lead Senior
Internal Audit Manager
Rebecca Liu (RL), Interim
Finance and Accountancy
Advisor

1. Private session
2. Welcome The Chair welcomed all attendees to the meeting of the Audit and Risk Committee (“the Committee”), and led introductions for Kirsty Hair and Muhammad Fadhil, Deloitte LLP, joining as ESS’ external audit team, and David Stark from the Scottish Government Directorate of Internal Audit and Assurance (SGDIAA). There were apologies from Iain Burns and Rebecca Liu. There were no declarations of interest. The Chair provided a verbal update from the recent Audit Committee Chairs Network meeting, which included discussions on sustainability in international

	<p>accounting standards, public sector reform and collaboration between public bodies. The Committee considered avenues for collaboration with other public bodies in the context of ESS' independence in its scrutiny role.</p>
<p>3.</p>	<p>Minutes and matters arising</p> <p>There were no minutes to approve, as the minutes of the 24 March 2023 Committee meeting were approved at the 25 May 2023 meeting of the Board.</p> <p>RP highlighted that a number of matters arising had been marked as completed following the 25 May 2023 Board meeting.</p>
<p>4.</p>	<p>Finance</p> <p>RP provided a verbal update on progress in drafting ESS' Annual Report and Accounts.</p> <p>RP presented the budget and expenditure update, reporting a low-level underspend against projections to date for 2023/24 and introducing a baseline long-term financial plan.</p> <p>In discussion, the Committee:</p> <ul style="list-style-type: none"> • considered the format and detail of the year-to-date budget, requesting further clarity on figures for contingency and total variance • recommended scenario planning to support development of the long-term financial plan • requested that the ESS team bring an updated version of the plan, including further narrative, to the Committee's December meeting
<p>5.</p>	<p>Risk management</p> <p>CL presented the risk register, noting that the streamlined register and approach to risk management and reporting has been approved at the 25 May 2023 Board meeting. The Committee reviewed the register and</p>

recommended:

- revising down the risk appetite level against financial and business continuity risks
- revisiting the business continuity risk description in regards to organisational leadership
- considering the frequency of performance and management indicator reporting to the Committee

6. Governance

RP provided a verbal update on the Committee's annual report to the Board and related assurance procedures, and agreed to circulate a detailed overview of this process.

CL presented ESS' corporate reporting schedule, highlighting that ESS has complied with its reporting requirements to date. The Committee also noted the addition of a requirement relating to ESS' designation as a prescribed person for whistleblowing. In discussion, the Committee sought clarity on monitoring of trigger points in relation to the Fairer Scotland Duty, noting that whilst ESS is not currently subject to the duty it is being considered in the development of an equality and diversity policy.

7. Internal Audit

DS provided an update on Scottish Government corporate systems and noted that a copy of the corporate systems annual assurance report would be shared with the Committee.

DF presented the internal audit annual assurance opinion, highlighting that ESS has achieved substantial assurance. This assurance rating related to the internal audit reviews of corporate governance and investigations, which took place during 2022/23, as well as the wider assurance landscape including: engagement with internal and external audit; Board and Committee activities and minutes; and external work such as the deep dive into establishing during

	<p>a pandemic.</p> <p>DF noted that a draft of the terms of reference for the review of Strategy and Analysis systems is scheduled for quarter two.</p> <p>The Committee thanked the ESS team for their work towards achieving substantial assurance and thanked internal audit for their ongoing support. It was noted that the annual assurance opinion would be included in the Annual Report and Accounts.</p>
<p>8.</p>	<p>Forward plan for next meetings</p> <p>RP presented the Committee’s forward work plan. The Committee considered the agenda for its development session in December, noting that the results of the Committee’s self-assessment may highlight development opportunities. The Committee agreed to share thoughts on potential development opportunities with the Chair.</p>
<p>9.</p>	<p>Any other business</p> <p>The Committee noted forward meeting dates for ordinary Committee meetings and extraordinary meetings relating to the Annual Report.</p>

Marie Fallon,
Chair, Audit and Risk Committee, Environmental Standards Scotland
4 September 2023