

Extraordinary Governance Board Meeting Minutes
10:00-12:00 21st June 2017
Governor's House

Attendees

Lady Susan Rice – Chair
Alasdair Smith - Commissioner
David Wilson - Commissioner
John Ireland – Chief Executive, SFC
Mairi Spowage – Deputy Chief Executive, SFC
Laura Bailie – Head of Corporate Services, SFC
Mark Taylor – Audit Scotland
Iain Burns - Internal Audit Directorate
Douglas Falconer – Internal Audit Directorate

1. Welcome and Introduction

Mark Taylor from Audit Scotland and Iain Burns and Douglas Falconer from Internal Audit Directorate were introduced and welcomed to the Commission. The purpose of the meeting was to get to know the auditors; provide a clear understanding of the role of the internal and external audit function and an overview of the audit process; establish the Commissioner membership of the Audit and Risk Committee (ARC); and decide on the approach to appointing an external member of the ARC.

2. External Audit presentation

Mark Taylor gave an overview of the role of Audit Scotland, the Audit process and the Code of Audit Practice. He informed the Commission that he expected to be formally appointed as our external auditor by the Auditor General over the summer and that his role as auditor was to provide independent assurance to the public that public money is spent properly and provides value. He outlined that, as well as looking at the accounts, the audit will also cover the corporate governance of the organisation, change management processes and performance. The focus for the annual audit will be determined following a risk-based approach. The importance of transparency in decision making was highlighted, as was the need to ensure that there was clarity of when, how and by whom decisions were made.

There was discussion of the auditing of the Commission's performance and that this related to how the organisation was establishing and then implementing its governance systems, performance and risk management alongside delivering its functions.

3. Internal Audit presentation

Iain Burns outlined the work of Internal Audit Directorate for both the Scottish Government and a number of arms-length bodies under similar shared service

agreements to that in place with the Commission. The internal audit process provides assurance to the Accountable Officer over the operation of the Commission which allows them to sign the Governance Statement. Internal Audit Directorate will also liaise with the external auditors to ensure effective and proportionate auditing.

4. Audit and Risk Committee membership options.

The Commissioners sought the views of the auditors on the paper and the need to establish a Committee with the right skills to provide challenge but that operated in a manner proportionate to the size and risks facing the organisation. The auditors agreed that an external member who was independent but with suitable experience of the public sector and audit and risk would be a valuable addition to the ARC.

There was a discussion of attendance at ARC meetings. Mark Taylor emphasised the importance of all being present for the formal business. There were advantages in ARC members having time for informal discussion with the internal and external auditors as part of the regular cycle of meetings.

At this point Mark Taylor, Iain Burns and Douglas Falconer left the meeting. The Commissioners agreed that the staff should remain for the discussion on membership of the ARC.

It was agreed that the ARC membership would be David Wilson who would also Chair the Committee, Alasdair Smith as a member and an external 3rd co-opted member who would not have voting rights. Susan Rice, as Chair of the Commission, would attend the meetings. The Commissioners confirmed that they expected the internal and external auditors to attend ARC meetings. The Chief Executive, Deputy Chief Executive and Secretariat (Laura Bailie) would also attend for the Committee's formal business.

There was a discussion on recruitment of the co-opted member. It was agreed that an open process modelled on a public appointment take too long at this stage, given the urgency to identify a candidate to make an immediate contribution. The Commissioners agreed that Laura Bailie would provide an initial draft specification, outlining the skills and experience required, for agreement by the Commissioners, to allow co-option routes to be explored. In line with best practice, the initial period of appointment of the co-opted member is restricted to a year. The Skills Specification would then be circulated to a number of relevant organisations to suggest possible candidates, who would be considered for the role. It was agreed that the role would be remunerated, at the same rate as the Commissioners, and that there was sufficient funding in the budget this year.

Proposals to agree on the recruitment of a full member would be reconsidered later in the year.

The Commissioners agreed that the first meeting of the ARC should be in August 2017.

Action: Laura Bailie to provide a draft of the skills and experience for the external ARC member for the Commissioners comments and agreement.