

Commissioner for Ethical Standards in Public Life in Scotland

Annual report on the 2012/13 audit



Prepared for the Commissioner for Ethical Standards in Public life in Scotland, and the Auditor
General for Scotland

October 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key Messages

2012/13

We have given an unqualified opinion that the financial statements of the Commission for Ethical Standards in Public life in Scotland (the Commission) for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

In 2012/13 the Commission recorded cash expenditure of £737,000. Cash drawn down from the Scottish Parliamentary Corporate Body (SPCB) totalled £743,000 which was £55,000 less than the budget.

A net assets position of £12,000 was recorded in 2012/13 compared to £37,000 in 2011/12. The decrease has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the SPCB on a cash basis.

Overall we found the Commission had sound governance arrangements in place supported by a risk management policy and risk register, and arrangements for the prevention and detection of fraud, irregularities and corruption were satisfactory during 2012/13. From our review of the key controls within the main financial systems, we concluded that the Commission's systems of internal control are operating effectively.

During 2012/13 the key risk for the Commission was transferring the posts of Public Appointments Commissioner and Public Standards Commissioner to a single individual. A detailed restructuring plan was developed in 2011/12 and implemented in 2012/13, which ensured the transition was successfully achieved.

Outlook

The appointment of the Commissioner for Ethical Standards in Public Life in Scotland ends on 31 March 2014. The key risk for the Commissioner's office during 2013/14 is that there is no Accountable Officer in post on 1 April 2014.

Another significant risk during 2013/14 is that the lease for current office accommodation is due to expire on 31 March 2014. Work is ongoing to secure alternative accommodation, but there is a risk that alternative accommodation may not be available on 1 April 2014 and that there may be disruption to the business of the office.

Introduction

1. The Commission was constituted under Section 1 of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 which was passed by the Scottish Parliament on 9 June 2010 and received Royal Assent on 19 July 2010.
2. The Commission has two members, the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland.
3. The Public Services Reform (Commissioner for Ethical Standards in Public Life in Scotland etc.) Order 2013 came into force on 1 July 2013. It merges the posts of Public Standards Commissioner and Public Appointments Commissioner, dissolves the Commission, and creates a single Commissioner for Ethical Standards in Public Life in Scotland (the Commissioner). Schedule 3 of the order transfers all staff, property and liabilities to the Commissioner.
4. This report is the summary of our findings arising from the 2012/13 audit of the former Commission and Commissioners. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
5. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Commissioner for Ethical Standards in Public life in Scotland (the Commissioner) and no responsibility to any third party is accepted.
6. [Appendix A](#) is an action plan setting out the high level risk we have identified from the audit. Officers have considered the issue and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Commissioner understands the risks and has arrangements in place to manage these risks.
7. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Advisory Audit Board (AAB).

Financial statements

Background Information

8. Stuart Allan was the Public Standards Commissioner during 2012/13. Karen Carlton was the Public Appointments Commissioner during the year until 31 May 2012. Stuart Allan was the acting Public Appointments Commissioner from 1 June 2012 to 31 March 2013.
9. The statutory functions of the Commissioner in relation to public standards are:
 - to investigate complaints of contravention of the relevant Codes of Conduct by
 - Councillors
 - Members of Public Bodies
 - Members of the Scottish Parliament (MSPs) and, where there has been contravention of the relevant Code
 - to report
 - in the case of Councillors/Members of Public Bodies, to the Standards Commission for Scotland
 - in the case of MSPs, to the Scottish Parliament
10. The statutory functions of the Commissioner in relation to public appointments are:
 - to prepare and publish and, as necessary, review and revise a Code of Practice for Ministerial Appointments to Public Bodies in Scotland (the Code of Practice) to be followed by the Scottish Ministers and their officials when making appointments to the boards of public bodies.
 - to examine the methods and practices employed by the Scottish Ministers when making appointments, to ensure they comply with the Code of Practice. The Commissioner may issue guidance on Code compliance to the Scottish Ministers.
 - to report to the Scottish Parliament instances of material non-compliance with the Code of Practice. If an appointment has not been made, the Commissioner may also direct the Scottish ministers to delay making the appointment until Parliament has considered the case.

Conduct and scope of the audit

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the AAB on 13 September 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
12. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not

require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

13. We have given an unqualified opinion that the financial statements of the Commission for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 24 September 2013.
14. We received the unaudited financial statements on 29 May 2013 in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team enabling us to complete our on-site fieldwork on 10 June 2013.
15. The Commission is required to follow the 2012/13 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Financial position

16. The main financial objective for the Commission is to ensure that the cash drawn down for the year is within the budget allocated by the Scottish Parliamentary Corporate Body (SPCB). In 2012/13 the Commission recorded cash expenditure of £737,000. Cash drawn down from the SPCB totalled £743,000 which was £55,000 less than the budget. Cash reserves increased during the year from £57,000 at 31 March 2012 to £63,000 at 31 March 2013.
17. A net assets position of £12,000 was recorded in 2012/13 compared to £37,000 in 2011/12. The decrease has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the SPCB on a cash basis.

Financial planning

18. During the year, the Parliament approved a budget of £798,000 for 2013/14, which is the same as the budget allocated for 2012/13.
19. The Commission appears to be well placed to ensure expenditure remains in line with the budget as it has a budgeting framework in place which is appropriate and supports the structure and operations of the organisation particularly in light of the current economic climate.

Corporate governance and systems of internal control

Overall governance arrangements

20. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Commission had sound governance arrangements in place supported by a risk management policy and risk register.
21. During 2012/13 the key risk for the Commission was transferring the posts of Public Appointments Commissioner and Public Standards Commissioner to a single individual. A detailed restructuring plan was developed in 2011/12 and implemented in 2012/13, which ensured the transition was successfully achieved.
22. The Commission's governance arrangements are detailed in the governance statement included in the annual accounts. There is no set format of the governance statement but guidance has been published highlighting essential features which should be included.
23. The Commission's governance statement has been assessed as complying with good practice. The governance statement includes
 - details of the governance framework of the organisation
 - an assessment of corporate governance with reference to compliance with generally accepted best practice principles and relevant guidance,
 - an assessment of the organisation's risk management arrangements and risk profile, including, details of significant risk-related matters arising during the period
 - a statement to confirm there were no significant lapses of data security during the year.

Accounting and internal control systems

24. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
25. For 2012/13 the Commission informed it's assessment of the effectiveness of its scheme of control by:
 - the work of the AAB in its consideration of risk and internal control measures
 - reports and comments made by the external auditors
 - the work of the management team
 - review of the Commission's objectives as set out in its strategic and annual business plans
 - review of the systems and procedures in place to manage staff, finances and risks.

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26. Based on an assessment of risk by the Commission, it was not considered necessary to employ any internal audit service during the year. The Commissioner will consider whether employing an internal audit service will provide value for money during 2013/14.

Prevention and detection of fraud, irregularity, and corruption

27. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
28. In our Annual Audit Plan we also highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the Commission's overall arrangements for the prevention of fraud, irregularity and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularity or corruption entirely.

Best Value

29. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with the Commission agree to undertake local work in this area.
30. We did not undertake any specific work in this area during 2012/13. However, we were advised that during 2012/13 the Commission reviewed its method of investigating the reappointment of members to public bodies. A method of allocating this work to staff members rather than Public Appointments Assessors was developed; this resulted in saving the full budget allocated.
31. From our audits of numerous Commissioner and Commission bodies we note the considerable time investment made to ensure effective risk management and governance arrangements, and also for the preparation of financial accounts. At a time of reducing budgets we would encourage public bodies of a similar nature and size to work supportively with each other, sharing skills and strengths and internal developments which demonstrate best practice in these areas, in the pursuit of best value.

Outlook

32. We confirm the financial sustainability of the office of the Commissioner on the basis of its financial position and projected financial summary for 2013/14.
33. The appointment of the Commissioner for Ethical Standards in Public Life in Scotland, who is also the Accountable Officer, ends on 31 March 2014. The key risk for the office of the Commissioner during 2013/14 is that there is no Accountable Officer in place on 1 April 2014.

Refer action plan no 1

34. The lease for current office accommodation is due to expire on 31 March 2014. Work is ongoing to secure alternative accommodation, but there is a risk that alternative accommodation may not be available on 1 April 2014 and that there may be disruption to the business of the office.

Refer action plan no 2

Acknowledgements

35. We would like to express our thanks to the staff of the Commission for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	33	<p>Appointment of Accountable Officer</p> <p>The appointment of the Commissioner for Ethical Standards in Public Life in Scotland, who is also the Accountable Officer, ends on 31 March 2014.</p> <p><i>Risk: There is a risk there is no Accountable Officer in place on 1 April 2014.</i></p>	<p>The appointment of a new Commissioner is the responsibility of the SPCB and the process can take up to six months.</p> <p>CESPLS will seek regular updates from the SPCB on progress and ensure an Accountable Officer is in place on 1 April 2014.</p>	Commissioner	Jan14
2	34	<p>Office accommodation</p> <p>The lease for current office accommodation is due to expire on 31 March 2014.</p> <p><i>Risk: There is a risk that alternative accommodation may not be available on 1 April 2014 and that there may be disruption to the business of the office.</i></p>	<p>CESPLS will identify a preferred relocation option and seek agreement from the SPCB in good time.</p> <p>CESPLS will develop a project plan for managing the physical relocation.</p>	<p>Commissioner/ Business Manager</p> <p>Business Manager</p>	<p>Nov13</p> <p>Dec13</p>