

**Meeting of the
Advisory Audit Board
of the
Ethical Standards Commissioner**
held on
24 October 2023 at 10.00
via MS Teams

Present:

Andy Shaw, Advisory Audit Board (AAB) – Chair
David Watt, AAB

In Attendance

Ian Bruce, Ethical Standards Commissioner
Karen Elder, Head of Corporate Services, Ethical Standards Commissioner
Jenni Green, Business Officer, Ethical Standards Commissioner
Anne MacDonald, Senior Audit Manager, Audit Scotland
Siobhan Archibald, Internal Audit Senior Auditor, Wylie & Bissett

Apologies

Stephen Pringle, Director of Internal Audit, Wylie & Bissett

Minutes

1. **Welcome, including any declaration of interests**
 - a) The Chair opened the meeting and invited those attending to declare any actual or perceived conflicts of interest that have not already been declared. No further conflicts of interest were declared.
2. **Previous minutes**
 - a) The meeting agreed the minutes of [20 July 2023](#).
3. **Update from the Commissioner**
 - a) ESC has completed work on all but one of the external auditor's recommendations arising from the 2020-21 audit and subsequent s22 reports. The outstanding item relates to the production of a formal Medium-Term Financial Plan (MTFP). Audit Scotland has reviewed our business planning and budgeting processes and concluded that current arrangements are sufficient. The Head of Corporate Services (HCS) has produced an overview paper documenting these arrangements which will be shared with the AAB.
 - b) A draft strategic plan for the period April 2024 to March 2028 has been developed and a pre-consultation draft has been provided to the Standards Commission for Scotland for comment. Thereafter, the plan will be issued for wider consultation.

- c) The Commissioner is meeting the Scottish Parliamentary Corporate Body (SPCB) in December to discuss a range of topics, including the draft strategic plan, the officeholder landscape and shared services.
- d) Good progress with internal audit's 2022/23 recommendations has been made, with ESC assessing all but one as complete. The SPCB is still to be approached regarding the development of a Memorandum of Understanding for the provision of AAB services.
- e) Initial assessment time for new complaints has reduced from the 11 months previously reported to four. ESC now maintains a webpage giving up to date information regarding waiting times.
- f) Internal audit has completed assessments of ESC's workforce planning and data protection practices and early indications are that the outcomes are positive.
- g) The following policies have been updated:
 - o SMT Terms of Reference
 - o Anti-Fraud Policy and Fraud Response Plan
 - o Anti-bribery Policy
 - o Remote Working Policy
 - o Whistleblowing Policy
 - o Standing Orders
 - o Code of Conduct
 - o Risk Management Policy
 - o Equality, Diversity and Inclusion Policy
- h) The Chair welcomed the positive progress made and noted that this was also reflected in the papers provided for the meeting.
- i) The Chair asked the Commissioner who was attending the SPCB meeting in December. The Commissioner confirmed he was meeting the MSP members. The Commissioner assumed the SPCB would be seeking to ensure that ESC offers value for money and perhaps raise a further review of officeholder services. The Commissioner commented that he is content to further discuss shared services. David Watt (DW) advised the Commissioner to refer to the draft Strategic Plan at the SPCB meeting as this includes a section on the difference ESC makes.

4. [Annual Report and Accounts for 2022/23](#)

- a) ESC issued the draft annual report and accounts (ARA) at the end of June and this was reviewed by the AAB in July. A "wraparound" audit was scheduled for July and August; that is no specific dates for fieldwork were set with audit work to be undertaken on an ad hoc basis. The timetable slipped significantly with Audit Scotland's comments on the ARA being received in early October. The mechanism for requesting and managing supporting information worked well. There were a few technical queries but otherwise minimal changes.
- b) The Chair noted the changes made to the ARA since July and had no further comments.
- c) DW welcomed the changes to Commissioner's statement and Remuneration Report.

5. [Progress report from external audit](#)

- a) Anne MacDonald (AM) advised that the letter of representation and auditor's report had been issued and this was an unqualified opinion.

- b) Further to the ISA260, there were no significant matters to report. Audit Scotland made no changes to any figures but did ask for further clarification around new posts and Senior Management Team and ESC/Acting ESC remuneration and these sections of the ARA have been updated.
- c) AM advised that any delays were caused by earlier audits overrunning.
- d) With regard to the outcome of Audit Scotland's wider scope audit work, AM does not anticipate a requirement for a further s22 report. However, this decision rests with the Auditor General.
- e) With regard to the one outstanding recommendation, Audit Scotland is content with ESC's current medium-term financial planning, which is suitable for ESC's financial structure.
- f) Some minor changes to the text of the ISA260 report were suggested and the HCS will provide these to AM.
- g) The Chair commented on the positive nature of report and had no further comments or queries.
- h) DW suggested that any work on medium-term financial planning be firmly bedded in and that reporting in this area be robust to ensure progress is adequately recorded.
- i) The Chair asked that AM uses her influence with Audit Scotland to ensure that next year's audit works to a robust timescale.
- j) The Chair confirmed that the annual report and accounts for 2022/23 has been approved and recommends the Commissioner approves them.

6. Progress report from internal audit

- a) W&B confirmed that internal audit activity is progressing in line with the assignment plan for 2023/24. Reviews of workforce planning and data protection processes were undertaken week commencing 9 October. There were no major findings. Draft reports are due for issue on 27 October.
- b) W&B undertook a review of the ESC's risk management processes in November 2022. The resulting report was issued in November 2022, circulated to the AAB and relevant ESC staff and final feedback provided to W&B in March 2023. However, finalisation of the report and formal acceptance at an AAB was not undertaken. It was agreed via correspondence to complete the process at this meeting. W&B talked to the report, outlining the audit work undertaken, conclusions and recommendations made. The Head of Corporate Services confirmed that all recommendations were complete. The meeting agreed the report.
- c) ESC considers all actions from the 2022/23 audit to be complete with the exception of investigating the development of a Memorandum of Understanding for the provision of AAB services with the SPCB.

7. Review of strategic risks

- a) The HCS introduced the latest risk register. Three strategic risks are listed relating to economic climate, severe disruption due to external circumstances and complete disruption of IT systems. Two strategic and two operational risks were originally scored as 'very high' but mitigating actions have reduced the risk to manageable levels.

- b) The HCS explained that, following recommendations from internal audit, a Strategic/Operational filter and target risk scores were added to the register. Both functions were working well. The target risk score ensured that ESC was assessing its risk appetite. As risks matured with mitigating actions put in place the target risk score would be met and the risk would be removed from the active register. These risks were retained in an historic risk register and revisited on a regular basis.
- c) ESC operates quarterly risk meetings. Current risks and mitigating actions are assessed, historic risk re-evaluated and horizon scanning is undertaken.

8. Update on statutory annual report

- a) The Commissioner advised that the annual report required under ESC's founding legislation will be published by the statutory deadline of 31 October 2023. The Performance Report set out in the ARA forms the statutory annual report.

9. AOB

- a) The Chair advised that the AAB terms with the SPCB are under negotiation.

10. Date of next meeting

- a) The Chair asked if dates for the next four meetings could be agreed. The Chair was also keen to bring ESC's reporting schedule in line with that of the SPCB (September each year) to ensure robust assurance is available to the SPCB when preparing their own accounts. The Commissioner was also keen to have the ARA process complete by September 2024. Audit Scotland advised that they could not commit to any dates in 2024 at this point. Given this, the Commissioner advised that the ESC's focus in quarter one of the financial year will be on business planning rather than on production of the ARA. The meeting agreed to try and secure dates for the next two meetings.
- b) The next meeting will be held in February 2024.

Actions

1. HCS to provide AAB with a copy of the Medium-Term Financial Planning overview paper.
2. ESC to ensure consultation draft of Strategic Plan 2024-2028 is provided to the AAB.
3. HCS to adjust "progress against corporate goals" table (Figure 19) to reflect progress on medium-term financial plan as partially achieved.
4. HCS to circulate and agree dates for the next two meetings.
5. HCS to circulate finalised Risk Management Policy to AAB.
6. HCS to provide AM with details of suggested, minor changes to ISA260.
7. HCS to finalise ARA and issue to AM for signature.