

**Meeting of the
Advisory Audit Board
of the
Ethical Standards Commissioner**
held on
2 May 2024 at 14:00
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
Stephen Pringle, Director of Internal Audit, Wylie & Bissett
Colin Morrison, Senior Auditor, Audit Scotland
Jenni Green, Governance & Finance Officer, Ethical Standards Commissioner
Alice Malone, Governance & Finance Officer, Ethical Standards Commissioner

Agenda

1. Welcome, including any declaration of interests

- a) The Chair welcomed everyone to the meeting, noting that Colin Morrison is standing in for Anne MacDonald for Audit Scotland.
- b) The Chair 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 28 February 2024
- b) The Head of Corporate Services (HCS) confirmed that of the five actions, three were complete, one was scheduled for discussion at the next Officeholders Shared Services Network meeting and the extension to Wylie & Bissett's contract was nearing completion.

3. Update from the Commissioner

- a) Since the last meeting ESC has continued to make progress against its strategic and business plans and internal auditor's recommendations.
- b) The strategic plan for 2024 to 2028 was finalised and published in March following extensive consultation. The plan now places greater emphasis on public and stakeholder engagement. A standalone metrics document was produced which will be used to measure and report on the impact of ESC's work over the next four years. Each function is developing a two- to four-year action plan aligned to these strategic objectives.

- c) ESC has continued to see a rise in complaints which in turn has led to a record number of reports being submitted to the Standards Commission for Scotland (SCS) and a record number of hearings being held.
- d) ESC is also seeing a trend of increasing complaints relating to discourtesy and disrespect. ESC and the SCS will be writing to all political parties shortly to remind them of the importance of their members' adherence to the Code in the run up to the forthcoming elections.
- e) The ESC investigations team has done some extensive modelling to improve on team capacity and resilience and to further reduce waiting times.
- f) With regard to public appointments, the Commissioner has completed his investigation into a complaint relating to succession planning. He identified non-compliance with the Code although not material and is meeting SG officials soon to discuss his findings and recommendations.
- g) On the corporate side, business planning is also well underway, the new SMT arrangements seem to be working well and a quarterly review of the risk register was conducted in March.
- h) Engagement with the SCS has included participating in their Standards Officers workshop and also discussing with the SCS prospective revisions to the Ethical Standards in Public Life etc. (Scotland) Act 2000.
- i) Parliamentary interest in the work of our office continues unabated. The Commissioner gave evidence to the Standards, Procedures and Public Appointments Committee on his annual report and on his strategic plan in March. They showed considerable interest in public and stakeholder engagement and in the refresh of Diversity Delivers, intended to improve on the wider diversity of Scotland's public body boards.
- j) The Commissioner gave evidence, alongside other officeholders, to the Finance and Public Administration Committee further to their enquiry on the officeholder landscape. The shared services agenda featured in that session.
- k) The Chair thanked the Commissioner for his update and noted it had been a busy time.

4. Internal audit

- a) 2023/24 annual report
 - i. Wylie & Bisset (W&B) introduced their annual report 2023/24 and outlined the content.
 - ii. W&B carried out fieldwork between October 2023 and January 2024 and are satisfied that sufficient internal audit work has been undertaken to allow them to draw a conclusion about the adequacy and effectiveness of ESC's risk management, control and governance processes.
 - iii. W&B concluded that ESC had adequate and effective risk management, control and governance processes in place to manage the achievement of its objectives and has proper arrangements to promote and secure value for money.
- b) 2024/25 internal audit plan
 - i. W&B introduced the internal audit plan for 2024/25 and outlined three areas of focus.
 - Overall Financial Controls
 - Business Continuity Planning
 - Review of regulation of the Public Appointments Process

- ii. The Chair asked if issues arising from shared office space should be included in the scope for reviewing business continuity planning. W&B clarified the scope of the audit and assured the Chair that this element will be covered.
- iii. DW asked, as cyber security is a key risk, whether the review will focus on IT continuity arrangements. W&B stated that this would include some element of assessment of IT systems but would be wider. HCS advised that the previous year's review of cyber security arrangements included an action on IT business continuity systems which is scheduled for completion this year. W&B confirmed this will be considered as part of the follow-on audit.
- iv. The meeting agreed the internal audit plan for 2024/25.
- c) Progress against previous recommendations
 - i. The Chair asked the HCS to outline progress against last year's recommendations.
 - ii. Two actions were brought forward from 2022/23.
 - Investigating establishing a Memorandum of Understanding with the Scottish Parliamentary Corporate Body for the provision of AAB services. Proposals had been put to the SPCB with no further response. The AAB suggested this recommendation now be considered closed as ESC could take no further action. This was agreed.
 - Demonstrating evidence of challenge in SMT minutes. ESC has instituted changes to the format and minutes of the SMT meeting. These will be reviewed once bedded in. The Chair suggested this action be treated as complete and this was agreed.
 - iii. The actions from 2023/24 are complete, underway or scheduled.
- d) DW noted the progress made and that this is likely to be reflected in the Annual Report and Accounts and Governance Statement.
- e) Wylie & Bisset's internal audit service has been externally reviewed and has retained its accreditation of "full compliance" after an external quality assessment from the Chartered Institute of Internal Auditors.

5. External audit

- a) 2023/24 external audit plan
 - i. AUS introduced plan, highlighting that the materiality level was set at £20k. However, in practice any issues will be flagged and addressed prior to finalising the ARA. AUS will report any errors above £1k.
 - ii. One key risk has been identified that of material misstatement due to fraud caused by management override of controls.
 - iii. ESC has reviewed the plan and are content with the proposals.
 - iv. The Chair is familiar with the format of the plan and is content with the majority of its content. The Chair asked why the 'less complex bodies' exemption was not applied. AUS explained that the 'wider scope' element had been applied to allow AUS to seek assurance that the implementation of the s22 recommendations of 2020/21 has been fully embedded. The Chair asked why 'wider scope' applied when no risks were identified and suggested the 'less complex bodies' exemption with a focus on governance could be used. The Chair asked AUS to reconsider.
 - v. The Chair noted that the remaining items to be confirmed are AAB membership and dates. The Chair noted that final approval is moving closer to dovetailing with SPCB accounts but was not yet there and asked how the SPCB will be provided with assurance. HCS explained that ESC has agreed with AUS to flag key

concerns during the August audit. ESC would then be able to incorporate these into the letter of assurance to SPCB along with the draft governance statement.

6. Review of strategic risks

- a) HCS outlined the three current strategic risks and mitigating actions.
- b) The Chair welcomed the improvement in risk management processes.
- c) DW asked ESC to consider whether stakeholder engagement should be added as a strategic risk. DW suggested adding or amending a risk to reflect the current political position around the economic climate and officeholder funding in particular. The Commissioner will raise this with the SMT.
- d) DW asked if risk register will be revised to reflect the new financial year. HCS confirmed this will be undertaken at the next quarterly review of risks. This will also incorporate risks arising from the new strategic and business plans.
- e) Chair asked if target risk score of zero on risk 3.2 was correct. HCS to review.

7. Annual review of the risk management policy

- a) ESC have no proposed changes to the current policy. This was agreed.
- b) DW asked how ESC considers its risk management procedures to be operating. The Commissioner considers the risk management procedures to be well embedded. For example, risk assessment now forms part of the assignment of individual action plans. HCS considered that risk management processes are more fully incorporated than before. The quarterly review of risks was working very well and leads to healthy debate. The aim is to further improve by documenting risks at project level.

8. Annual review of the AAB's Terms of Reference

- a) The HCS confirmed that a draft of revised terms of reference has been circulated. There is only one change – consideration, in July 2024, of an annual data protection report. This flows from an internal audit.
- b) The Chair noted that the names and appointment terms of AAB member are provided in Terms of Reference (ToR) and asked that the details were updated to reflect his term in office ending on 31 May 2024.
- c) DW noted that the ToR stipulated three meetings with an option for a fourth, but the business schedule is designed for four meetings. DW suggested ESC consider whether three meetings plus informal meeting in July would work better. ESC and HCS to consider meeting frequency and content.
- d) DW also asked that the fact the minutes are published be added to the ToR.

9. Appointment of AAB members

- a) DW advised the meeting that his term of appointment was being extended by the SPCB and that he would become chair from 1 June 2024. SPCB is also recruiting for two new members, with appointments to be concluded in June.
- b) The HCS asked when DW's term ended. DW informed the meeting that his term had been extended and he will continue as Chair of the SPCB's AAB.

10. Update on ESC policy review

- a) The meeting considered the summary previously circulated regarding policies reviewed in the year. The Chair welcomed the progress made on policy maintenance.

- b) DW asked whether wider details of the policies are captured such as last review date, next review date, etc. HCS advised that the ESC operated a full policy register which contained all of this detail and the report supplied to the AAB was an extract.

11. AOB

- a) As this is the Chair's final meeting, the Commissioner expressed his thanks to the Chair for the advice and support he has provided over a particularly challenging time.
- b) HCS asked if the AAB would be willing for meetings to be recorded for minuting purposes. DW, as the new Chair, would be willing to try this. HCS to develop.

12. Date of next meeting

- a) HCS to circulate dates to David for July and October. Currently, sign-off meeting planned for 30 Sept, 1, 2, 7, or 8 October.

13. Actions

- i. W&B to note that the internal audit plan for 2024/25 is agreed
- ii. HCS to update records to show internal audit recommendations brought forward from 2022/23 as complete.
- iii. AUS to consider use of 'less complex bodies' exemption and provide the Chair with an update.
- iv. The Commissioner will consult the SMT about risks around stakeholder engagement and funding.
- v. HCS to review target score on risk 3.2.
- vi. ESC and HCS to consider AAB meeting frequency and content.
- vii. HCS to add fact that minutes are published to the ToR.
- viii. HCS to prepare updated ToR and circulate.
- ix. HCS to develop recording of AAB meetings for the purpose of drafting minutes.
- x. HCS to circulate dates for July and October meetings.