



Commission for Ethical Standards
in Public Life in Scotland

**Commission for Ethical Standards in
Public Life in Scotland**

Annual Accounts

Year Ended 31 March 2012

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MANAGEMENT COMMENTARY

1. The accounts for the financial year ended 31 March 2012 are presented in accordance with paragraph 22(1) of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 (the Act), and prepared in accordance with an Accounts Direction given by the Scottish Ministers.

Background Information

2. The Commission for Ethical Standards in Public Life in Scotland (the Commission) was constituted under Section 1 of the Act which was passed by the Scottish Parliament on 9 June 2010 and received Royal Assent on 19 July 2010.
3. The Commission was established on 1 April 2011. This document forms the Commission's first set of accounts.
4. The Commission was formed by merging the offices of the Chief Investigating Officer, the Scottish Parliamentary Standards Commissioner and the Commissioner for Public Appointments in Scotland.
5. The Commission has two members, the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland.

Statutory Powers and Responsibilities

6. Under the Act, the Commission's functions are:
 - a) to provide the Commissioners with the property, staff and services they need in order to perform their respective functions, and
 - b) to make such arrangements as are appropriate and practicable for the co-ordination of the performance of those respective functions.
7. The Public Standards Commissioner is responsible for the functions previously undertaken by the Chief Investigating Officer and the Scottish Parliamentary Standards Commissioner as outlined in:
 - a) the Ethical Standards in Public Life etc. (Scotland) Act 2000 (the Ethical Standards Act), and
 - b) the Scottish Parliamentary Standards Commissioner Act 2002 (the Parliamentary Standards Act).
8. The Public Appointments Commissioner is responsible for the functions previously undertaken by the Commissioner for Public Appointments in Scotland as outlined in the Public Appointments and Public Bodies etc. (Scotland) Act 2003 (the Public Appointments Act).

Financial Position

9. It is standard practice to include prior year figures in these accounts. Due to the differing formal and informal accounting practices used by the three bodies merging, it has not been possible for the Commission to construct all the relevant figures for the prior year. Where it has been possible, these have been included. These figures are unaudited. Where it has not been possible to calculate a figure, this is recorded as 'Not available'.
10. The Commission's expenditure on administrative activities for the year ended 31 March 2012 totalled £807,000 (2010-11 £914,000). This was on staffing costs £567,000 (2010-11 £608,000), other administrative costs £233,000 (2010-11 £299,000), and depreciation £7,000 (2010-11 £7,000). Details of other administrative costs are shown in note 5 to the accounts.
11. The Commission earned no income in 2011-12 (2010-11 Not available).
12. A further £7,000 was spent on the purchase of tangible non-current assets during the financial year (2010-11 Not available) as detailed in note 6 to the accounts.
13. The Scottish Parliament awarded the Commission a cash budget of £852,000 for financial year 2011-12 (2010-11 £887,000). The Commission's cash expenditure at £807,000 (2010-11 £914,000) was £45,000 under budget (2010-11 £27,000 over budget). The £45,000 underspend comprises two elements:
 - demand for the services of Public Appointments Assessors (PAAs) fell by one third, resulting in a £22,000 underspend. The Commission will monitor whether activity has permanently reduced or merely delayed until 2012/13.
 - the Commission actively pursued cost reductions in the following areas resulting in a further £23,000 of savings.
 - £5,000 - Staff training
 - £5,000 - Public Appointments Assessor contracts
 - £4,000 - Annual report
 - £5,000 - ***Diversity Delivers***, the equal opportunities strategy for public appointments
 - £4,000 - Thematic audit of public appointments

The Commission withdrew £822,000 of the £852,000 budget provided for 2011-12. The SPCB will advise how the £15,000 cash drawn down, but not used, should be processed.

The 2010-11 overspend was due to the rationalisation of staff pay dates in preparation for the merger.

Payment of Creditors

14. Invoices were processed by the Commission. The Commission is committed to the CBI Prompt Payment Code for the payment of bills for goods and services received. Payments are normally made as specified in the agreed contract conditions. Where there is no contractual position or other understanding, they are due to be paid within 30 days of receipt of the goods or services. The Commission's payment performance for 2011-12 was 98% (2010-11 Not available).

Review of 2011-12

15. During its first year of operation the Commission's objectives were to:

- provide a fair, effective and efficient investigative service of excellence in relation to the ethical standards of conduct of MSPs, councillors and members of public body boards
- deliver risk-based, resource-effective scrutiny of the ministerial public appointments process
- provide leadership and commitment and make a positive and constructive contribution to the promotion of high ethical standards of conduct by public office holders.

16. During the year the Commission:

- assisted in the promotion of the new Councillors' Code of Conduct and the current Model Code of Conduct for Members of Devolved Public Bodies through the provision of specific advice and participation in educational events and road-shows
- assisted in the application of the revised Code of Conduct for Members of the Scottish Parliament, effective after May 2011, and provided assistance with the promotion of the Code through the provision of specific advice and participation in educational events
- introduced an innovative regulatory framework and new Code of Practice to deliver risk-based, resource-effective scrutiny of Scotland's ministerial public appointments process
- produced a handbook containing comprehensive guidance on the rationale behind the requirements of the new Code of Practice and suggestions on the ways in which they can be met
- established a rigorous model of regular review of expenditure to ensure the Commission remains within the currently approved budget

- effected the transfer of staff, assets and systems to the Commission in accordance with the provisions of section 31 of and schedule 7 to the Scottish Parliamentary Commissions and Commissioners etc. Act 2010.

Future Development

17. The Commission's strategic objectives are to:

1. provide a fair, effective and efficient investigative service of excellence in relation to the ethical standards of conduct of MSPs, councillors and members of public body boards
2. deliver risk-based, resource-effective scrutiny of the ministerial public appointments process and encourage continuous improvement through proportionate regulation and supportive guidance
3. create a leading standards body with effective performance and resource management.

In 2012-13, the Commission will work to achieving these by:

- setting and applying challenging performance targets, which will be reviewed annually
- reviewing the investigative service and monitoring the codes of conduct to ensure they reflect best practice, are proportionate and offer best value
- scrutinising all regulated appointment activity against the principles and practices contained in the Code of Practice for Ministerial Appointments to Public Bodies in Scotland (the code)
- monitoring, measuring and reporting on the achievement of **Diversity Delivers** targets and on stakeholder satisfaction with the public appointments process
- formulating, implementing and reviewing policies and practices for the Commission and Commissioners to meet their statutory responsibilities
- planning and preparing for a single Public Appointments Commissioner and Public Standards Commissioner and for any subsequent statutory restructuring.

The Public Standards Commissioner for Scotland

18. ***The Commissioner is:*** Stuart Allan
Appointed: 1 April 2011

Stuart Allan was appointed as Chief Investigating Officer on 17 January 2002 and Scottish Parliamentary Standards Commissioner on 2 April 2009. Further to the changes outlined in paragraph 4, he was appointed Public Standards Commissioner for Scotland on 1 April 2011. The appointment is for 3 years, ending on 31 March 2014. Stuart Allan was appointed Accountable Officer from 1 April 2012.

The Public Appointments Commissioner for Scotland

19. ***The Commissioner is:*** Karen Carlton
Appointed: 1 April 2011

Karen Carlton was appointed as Commissioner for Public Appointments in Scotland on 1 June 2004. Further to the changes outlined in paragraph 4, she was appointed Public Appointments Commissioner for Scotland on 1 April 2011. The appointment ended on 31 May 2012. Karen Carlton was appointed Accountable Officer for the period 1 April 2011 to 31 March 2012.

Equal Opportunities

20. The Commission supports the principle of equal opportunities in employment and operating practices. This means it is committed to pursuing positive action in the organisation's policies and practices to ensure that no individual is discriminated against, either directly or indirectly, unlawfully or unjustifiably because of their personal status in relation to race, ethnic or national origin, religion, age, gender, sexual or marital status or disability.

Provision of Information to Employees

21. The Commission has adopted the principles of openness and participation in its organisation and places a high level of importance on both informing and consulting staff. It does so by providing access to relevant documents, through oral and written briefings, by staff meetings and events. Information is only withheld where this can be shown to be justified or where a duty of confidence is owed to a third party.

Disclosure of Information to Auditors

22. As Accountable Officer with effect from 1 June 2012, I am not aware of any relevant information of which our auditors are unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant information and to establish that the auditors are also aware of this information.

Audit

23. The accounts are audited by the Auditor General for Scotland in accordance with section 22(1) of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010.

Authorisation

24. I authorised these financial statements for issue on 24 August 2012.



Stuart Allan
Public Standards Commissioner for Scotland

Date: 24 August 2012

REMUNERATION REPORT

The Commission has two members, the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland. Both members are appointed by the Scottish Parliament and their remuneration is set by the Scottish Parliamentary Corporate Body.

Stuart Allan has been appointed Public Standards Commissioner for Scotland for the period 1 April 2011 to 31 March 2014.

Karen Carlton has been appointed Public Appointments Commissioner for Scotland for the period 1 April 2011 to 31 May 2012.

The Commissioners' salary and pension entitlements are set out below. The Public Standards Commissioner for Scotland is employed on a full-time basis. The Public Appointments Commissioner for Scotland is employed on a part-time basis, working three days per week. The salary given below is based on this part-time employment.

	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in Kind (£100)	Salary £'000	Bonus Payments £'000	Benefits in Kind (£100)
Stuart Allan	80-85	Nil	Nil	80-85	Nil	Nil
Karen Carlton	45-50	Nil	Nil	55-60	Nil	Nil
Highest Earner's Total Remuneration (£'000)	80-85			80-85		
Median Total	37,466			Not available		
Ratio	2.17			Not available		

Salary includes basic salary and does not include employer National Insurance or pension contributions. The monetary value of benefits in kind covers any benefits provided by the Commission and treated by Her Majesty's Revenue and Customs as taxable.

	Accrued pension at pension age as at 31/03/12 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/12	CETV at 31/03/11	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Stuart Allan	5-10	0-2.5	160	139	14
	Lump sum	Lump Sum			
	20-25	0-2.5			
Karen Carlton	15-20	0-2.5	374	337	7
	Lump sum	Lump Sum			
	0-2.5	0-2.5			

Further detail about the pension scheme is given in notes 1.7 and 4 to the accounts.

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Stuart Allan
Public Standards Commissioner for Scotland

Date: 24 August 2012

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

The Scottish Parliamentary Corporate Body designated the Public Appointments Commissioner for Scotland as the Accountable Officer for the Commission.

The Accountable Officer is responsible for

- signing these accounts
- ensuring the propriety and regularity of the Commission's finances and
- ensuring the Commission's resources are used economically, efficiently and effectively.

Full details of the Accountable Officer's responsibilities are set out in the Memorandum to Accountable Officers for Other Public Bodies issued by the Scottish Government and published in the Scottish Public Finance Manual.

Under section 22 of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 the Commission is required to prepare a statement of accounts for each financial year in the form as directed by the Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the Commission's affairs at the year end and of the financial activities during the year.

In preparing the accounts, the Commission is required to:

- observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements
- prepare the financial statements on a "going concern" basis, unless it is inappropriate to presume that the Commission will continue in operation.

GOVERNANCE STATEMENT

As Accountable Officer, I am responsible for ensuring that appropriate and adequate internal controls are in place to safeguard the public funds under my control and to support the Commission in successfully achieving its objectives.

In developing the Commission's governance arrangements, I have considered the following definition of governance:

'The function of governance is to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for service users and operates in an effective, efficient and ethical manner. This principle should guide all governance activity.'

The Good Governance Standard for Public Services
The Independent Commission on Good Governance in Public Services
Office for Public Management Ltd/Chartered Institute of Public Finance and Accountancy/
Joseph Rowntree Foundation 2004

During this, our first year of operation, we identified and established the underpinning systems and procedures required for effective governance. This work was conducted diligently and linked to best practice outlined in The Good Governance Standard for Public Services (the Standard). In the coming year we will put in place methods to regularly assess those systems and procedures against the six principles and best practice outlined in the Standard.

Governance framework and operation during the year

The Commission comprises two Commissioners; the Public Standards Commissioner for Scotland (PSCS) and the Public Appointments Commissioner for Scotland (PACS). The Commission provides the Commissioners with the property, staff and services they need in order to perform their functions.

During the year, we established a management team to oversee the operational management of the Commission. This consists of the two Commissioners, the Business Manager and the two Investigations Managers. The management team meet formally each quarter to discuss and record key issues affecting the operation of the Commission. These meetings are minuted, with actions assigned to specific team members.

During 2011/12, the Commission worked to an interim business plan. This outlined our objectives for the year. It is published online and progress against the objectives is described in our annual report.

Our business plan forms the basis of our performance management system. Each year, staff members agree a series of specific objectives directly related to and designed to achieve the organisation-wide objectives outlined in the business plan.

Ensuring our finances are operated effectively, efficiently and economically

The Commission has developed a set of standing orders. These describe the key operating requirements of the Commission. This is accompanied by a scheme of delegation which outlines the level of authority delegated to specific staff members. These provide clear guidelines for the financial management of the Commission and are supported by a set of financial instructions.

The Commission is funded through the Scottish Parliament and, each year, submits an evidence-based budget bid for scrutiny and approval. The budget is based on the requirements of our business plans as well as prior year performance. Each budget element is reviewed to ensure the Commission is achieving best value; that is continuously improving, serving our stakeholders and meeting our objectives whilst achieving value for money. As an example, during the year the Commission reviewed its training requirements, processes and budget. It clearly benefits our stakeholders if staff maintain and update their skills to ensure they are effective in their roles. We considered how to achieve this whilst reducing costs. The Commission worked with the Scottish Parliament to share access to their online and workplace-based training and actively widened our access to free seminars provided by external bodies. This work resulted in an 88% reduction in budget, but an increase in staff training undertaken.

Performance against budget is analysed and reviewed on a monthly basis. Key issues are discussed with each Commissioner as they occur and as a Commission at management team meetings. This allows any financial concerns to be identified and resolved promptly.

As well as the SPCB, external oversight is also provided by Audit Scotland, who audit our annual accounts. In addition, the Commission operates an Advisory Audit Board, used to provide advice on governance and financial issues.

Ensuring our staff are managed effectively

As well as the performance management system, the Commission maintains a number of staff policy documents. These reflect our statutory duties to staff, as well as terms and conditions and HR-related procedures.

The Commission was formed by merging the offices of the Chief Investigating Officer, Scottish Parliamentary Standards Commissioner and Commissioner for Public Appointments. Staff from the existing offices were transferred to the Commission under a Transfer of Undertakings (Protection of Employment) (TUPE) arrangement. As part of the transfer staff were fully consulted about all the Commission's policies. These are extensive and include a Code of Conduct as well as Anti-Fraud, Grievance, Dignity at Work and Disciplinary policies. We also maintain a register of interests and gifts and hospitality. We regularly review our policies and procedures and our standard practice is to consult and inform staff about any revisions. This ensures that staff are regularly updated and fully aware of the rights and responsibilities they have.

Risk management arrangements, main risks during period and emerging risks

During its first year, the Commission has operated an interim risk management system, based on that of the Commissioner for Public Appointments in Scotland.

The system of internal control is designed to manage rather than eliminate the risks of failure to achieve the Commission's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of our objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The Commission maintains a risk register. This details the risks which may stop or hinder the organisation achieving its objectives and outlines the measures required or undertaken to reduce those risks. The risk register contains a set of base risks and is updated annually to reflect any risks associated with the objectives laid out in the business plan or other key issues as they arise. Any tasks associated with managing risks are fed back into staff objectives. We aim to update the Commission's base risks in the coming year.

The key risk during 2011/12 was the failure of the merger. This was managed by beginning the planning at least 15 months prior to the merger. The bodies involved met regularly and undertook much of the work in advance of the merger. When the Commission was launched on 1 April 2011, we had already completed the transfer of staff, developed joint staffing procedures, relocated to a combined office and had an agreed joint budget in place. This allowed the transition to a single Commission to progress smoothly. Audit Scotland has undertaken a review of public body mergers and the Commission's merger project plan will form part of their good practice guide.

Having reviewed our current position, I consider that the Commission is facing fewer and less challenging risks in 2012-13 than in 2011-12. The Commission has successfully completed its first year of operation. Our service to the public was maintained and our targets and objectives were met. We have financing in place and both staffing and financial policies and practices have been implemented and tested.

The key risk for 2012/13 is a change to the structure of the Commission. The previous Public Appointments Commissioner demitted office on 31 May 2012 and I have been appointed to both Commissioner roles from 1 June 2012. In order to ensure that this transition does not adversely affect our stakeholders or stop us from achieving our objectives, we developed a detailed restructuring proposal and submitted this to the Scottish Parliament in August 2011. We must ensure that the restructuring is fully monitored to ensure that any changes do not adversely affect our business plans.

A second key risk flows from this restructure. That is the risk of losing key staff members at a time of transition. Much of this risk was addressed in the restructuring proposal and we have implemented the staff changes agreed with the Scottish Parliament. Further to this we offer staff terms and conditions that are recognised as best practice. In addition, our job descriptions and contingency plans provide for the cover of key functions to mitigate this risk.

The Commission is a small organisation with just 9.9 FTE staff. Two staff will be on maternity leave in 2012-13, reducing staffing levels by 20%. There was a clear risk that our service levels would fall. In order to alleviate the risk we recruited fixed term staff in April 2012. This allowed a period of comprehensive training prior to both permanent staff members going on maternity leave.

Effectiveness of governance arrangements

Our governance arrangements, which include clearly defined objectives, regular management review and systems to manage staff, finances and risks, have proved effective. The Commission has achieved the aims for year as laid out in our interim business plan. It has done so whilst making significant cost savings, retaining staff and developing effective working methods and procedures following the merger.

In addition, our governance system is reviewed regularly to take account of changing legislation, the advice of my staff and advisors and the results of our external audit.

External oversight of our work is provided by the Scottish Parliament, Audit Scotland and our Advisory Audit Board.

I can confirm that no written authorities were issued to the Accountable Officer during 2011/12. I can also confirm that there were no lapses of data security during the period.



Stuart Allan
Public Standards Commissioner for Scotland

Date: 24 August 2012

Independent auditor's report to the Commission for Ethical Standards in Public Life in Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Commission for Ethical Standards in Public Life in Scotland for the year ended 31 March 2012 under the Scottish Parliamentary Commissions and Commissioners etc. Act 2010. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2011/12 Government Financial Reporting Manual (the 2011/12 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Management Commentary included in the Annual Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2012 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 FReM; and
- have been prepared in accordance with the requirements of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

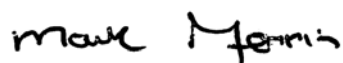
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary included in the Annual Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



Mark Ferris BA FCCA
Senior Audit Manager
Audit Scotland, 18 George St, Edinburgh, EH2 2QU

Date: 27 August 2012

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2012**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		£'000	£'000
<u>Income</u>			
Other income	2	0	Not available
<u>Administrative Costs</u>			
Staff Costs	3.3	567	608
Other Administration Costs	5	233	299
Depreciation	6	7	7
<u>Net Administration Costs</u>		807	914
<u>Net Operating Costs</u>		807	Not available

All amounts relate to continuing activities. There have been no gains or losses other than those recognised in the Statement of Comprehensive Net Expenditure.

The accompanying notes on pages 22 to 30 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2012

	<u>Notes</u>	<u>2012</u> £'000	<u>2011</u> £'000
<u>Non Current Assets</u>			
Property, Plant and Equipment	6	12	
Intangible Assets	6	0	
<i>Total Non Current Assets</i>		12	
<u>Current Assets</u>			
Trade and Other Receivables	7	13	
Cash and Cash Equivalents	8	57	
<i>Total Current Assets</i>		70	
<i>Total Assets</i>		82	
<u>Current Liabilities</u>			
Trade and Other Payables	9	(45)	
<i>Total Current Liabilities</i>		(45)	
<i>Non Current Assets plus Net Current Assets</i>		37	
<u>Non Current Liabilities</u>			
		-	
<u>Assets less Liabilities</u>		37	Not available
 <u>Taxpayers' Equity</u>			
General Fund		37	
<u>Total Taxpayers' Equity</u>		37	Not available

The accompanying notes on pages 22 to 30 form an integral part of these accounts.

Stuart Allan
Public Standards Commissioner for Scotland

Date: 24 August 2012

Statement of Cash Flows for Year Ended 31 March 2012

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>	£'000	£'000
Net Operating Costs	(807)	
Adjustment for Non Cash Transactions:		
Depreciation	7	
Movements in Working Capital		
Decrease/(Increase) in Trade and Other Receivables	(6)	
(Decrease)/Increase in Trade and Other Payables	25	
Net Cash Outflow from Operating Activities	(781)	Not available
<u>Cash Flows From Investing Activities</u>		
Purchase of Property, Plant and Equipment	(7)	
Net Cash Outflow from Investing Activities	(7)	Not available
<u>Total Net Cash Outflows</u>	(788)	Not available
<u>Cash Flows From Financing Activities</u>		
Financing from the Scottish Parliamentary Corporate Body (SPCB)	822	
Net Cash Inflow from Financing Activities	34	Not available
<u>Net Increase/(Decrease) in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents at the beginning of Period	23	
Cash Flow in Year	34	Not available
Cash and Cash Equivalents at the end of Period	57	available

Statement of Changes in Taxpayers' Equity
For Year Ended 31 March 2012

	<u>General</u> <u>Fund</u> £'000	<u>Total</u> <u>Reserves</u> £'000
Balance at 31 March 2011	22	22
Net Operating Costs for the Year	(807)	(807)
Funding From the SPCB	822	822
Balance at 31 March 2012	37	37

NOTES TO THE ACCOUNTS

1 Accounting Policies

These financial statements have been prepared in accordance with the *Government Financial Reporting Manual (FReM)* in compliance with the accounts direction issued by Scottish Ministers. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

1.2 Property, Plant and Equipment

1.2.1 *Capitalisation*

Purchases of assets for a value exceeding £1,000 inclusive of irrecoverable VAT are treated as capital with the exception of land and buildings where the threshold is set at £10,000 and IT equipment where the group value exceeds £1,000.

1.2.2 *Valuation*

As appropriate, non-current assets are valued at depreciated historic cost (DHC) as a proxy for fair value.

1.2.3 *Depreciation*

Depreciation is provided on all tangible non-current assets at rates calculated to write off the cost or valuation in equal instalments over the remaining estimated useful life of the asset.

1.2.4 *Estimated useful life of assets*

The estimated useful life of assets are as follows:

Furniture and equipment	5 years
Fixtures & Fittings	5 years
IT Equipment	3 years

1.3 **Intangible Non Current Assets**

Software and licences are capitalised as intangible non-current assets and amortised on a straight line basis over the expected life of the asset (3 years).

1.4 **Funding**

Funding received from the SPCB is credited directly to the general fund in the period to which it relates.

1.5 **Leases**

The Commission holds no material finance leases. Costs in respect of operating leases are charged to the Statement of Comprehensive Net Expenditure as they fall due. Details of operating leases are given in note 10.

1.6 **Pension Costs** ***The Commissioners***

Both Commissioners are members of the Principal Civil Service Pension Scheme (PCSPS).

Employees

The staff of the Commission are also members of the PCSPS. This is an unfunded multi-employer defined benefit scheme. Employers are unable to identify their share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet office: Civil Superannuation (<http://www.civilservice.gov.uk/pensions/governance-and-rules/actuarial-review/>)

Employer's contributions are payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The last review was in 2009-10.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

On death, pensions are payable to the surviving spouse at the rate of half of the member's pension. On death in service, the scheme pays a lump sum benefit of at least twice pensionable pay, depending on the scheme joined within PCSPS, and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

1.7 Value Added Tax

The Commission is not VAT registered. All amounts are recorded inclusive of VAT.

1.8 Financial Instruments

Financial assets are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

1.8.1 *Credit risk*

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other third parties.

The Commission reviews the credit risk associated with financial institutions on a regular basis and more frequently if market conditions are volatile or other information is made available on the financial security of UK banks and building societies.

The Commission receives funding on a monthly basis and restricts cash holdings to a minimum.

1.8.2 *Liquidity risk*

The Commission does not have any external borrowings.

1.8.3 Market risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. The Commission does not rely on interest receivable as its key source of income.

2 Income

	<u>2012</u> £'000	<u>2011</u> £'000
<i>Income from all Sources</i>		
Other income	0	
	0	Not available

3 Staff Numbers and Costs

3.1 *Average Staff Employed (Full Time Equivalent)*

The average number of full time equivalent (FTE) persons employed by the Commission during the period was as follows:

	<u>2012</u> FTE	<u>2011</u> FTE
Commissioners	1.6	1.6
Staff (including temporary staff)	8.3	8.5
	9.9	10.1

3.2 *Average Sickness Absence*

The average sickness absence per person was as follows:

	<u>2012</u> Days	<u>2011</u> Days
Commissioners and staff	2.2	1.2

3.3 Breakdown of Staff Costs - Administrative Costs

	Total <u>2012</u> £'000	Commissioner <u>2012</u> £'000	Staff <u>2012</u> £'000	Total <u>2011</u> £'000
Salaries / wages	453	132	321	497
Social security costs	36	13	23	39
Pension costs	78	31	47	72
	567	176	391	608

The Commission has a small permanent staff. In addition, the Public Appointments Commissioner for Scotland contracts for the services of Public Appointments Assessors who participate in each appointment round.

4 Pension Costs

For 2011-12 the employer's contributions of £77,789 (2010-11 Not available) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.

Outstanding scheme contributions at 31 March 2012 amounted to £4,673 (2011 – Not available).

5 Other Administrative Costs

	<u>2012</u> £'000	<u>2011</u> £'000
Travel & expenses	9	22
Training & recruitment	1	6
Property	66	76
Auditors & financial advisors	15	8
Legal advisors	23	3
PAA costs	74	102
Office costs	19	42
Hospitality	3	1
IT	13	26
Printing	9	11
Publicity & promotion	0	2
Research	1	0
	233	299

The above total includes £15,010 for external auditor's remuneration.

The Commission has a small permanent staff. In addition, the Public Appointments Commissioner for Scotland contracts for the services of Public Appointments Assessors. Assessors take part in each appointment round to the boards of public bodies under the Commissioner's remit. They provide the Commissioner with assurance that the processes used conform to the Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

6 Property, Plant and Equipment

6.1 Tangible Non Current Assets

	Fixtures, Fittings and Equipment £'000	IT Equipment £'000	Total £'000
<u>Cost</u>			
At 1 April 2011	3	17	20
Additions	1	6	7
Disposals	0	0	0
At 31 March 2012	<u>4</u>	<u>23</u>	<u>27</u>
<u>Depreciation</u>			
At 1 April 2011	0	8	8
Charge for Year	1	6	7
Disposals	0	0	0
At 31 March 2012	<u>1</u>	<u>14</u>	<u>15</u>
<u>Net Book Value at 31 March 2012</u>	<u>3</u>	<u>9</u>	<u>12</u>
<u>Net Book Value at 31 March 2011</u>	<u>3</u>	<u>9</u>	<u>12</u>

The Commission purchased £7,411 of additional assets in 2011/12. The additions comprised eight items of IT equipment and one drinks machine.

6.2 ***Intangible Non Current Assets***

	Software £'000	Total £'000
<u>Cost</u>		
At 1 April 2011	3	3
Additions	0	0
Disposals	(2)	(2)
At 31 March 2012	<u>1</u>	<u>1</u>
<u>Depreciation</u>		
At 1 April 2011	3	3
Charge for Year	0	0
Disposals	(2)	(2)
At 31 March 2012	<u>1</u>	<u>1</u>
<u>Net Book Value at 31 March 2012</u>	<u><u>0</u></u>	<u><u>0</u></u>
<u>Net Book Value at 31 March 2011</u>	<u><u>0</u></u>	<u><u>0</u></u>

7 **Receivables**

	<u>2012</u> £'000	<u>2011</u> £'000
Trade receivables	0	
Sundry receivables (rent deposit)	0	
Prepayments	13	
	<u>13</u>	Not available

8 **Cash and Cash Equivalent**

	<u>2012</u> £'000	<u>2011</u> £'000
Balance at 1 April	23	
Net Change in cash and cash equivalent balances	34	
Balance at 31 March	<u>57</u>	Not available
Cash Held at Commercial Banks	<u>57</u>	Not available

9 Payables

	<u>2012</u>	<u>2011</u>
	£'000	£'000
Trade Payables	(8)	
PAYE and National Insurance	(7)	
Pension Contributions	(5)	
Accruals	(25)	
	(45)	Not available

10 Leasing commitments

At 31 March 2012 the Commission had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	<u>2012</u>	<u>2011</u>
	£'000	£'000
Operating leases which expire:		
Within 1 year	69	76
	69	76

The Commission's lease for accommodation ran from 1 April 2011 to 31 March 2012 and had a value of £66,065. The subsequent lease runs from 1 April 2012 to 31 March 2013 with a value of £68,979. The 2010-11 figure of £76,386 consisted of £36,455 for CIO/SPSC accommodation and £39,941 for OCPAS.

11 Capital Commitments

There were no contracted capital commitments as at 31 March 2012 (2011 – Nil).

12 Contingent Liabilities

There were no contingent liabilities as at 31 March 2012 (2011 – Nil).

13 Related Party Transactions

The Commission was constituted by the Scottish Parliament which provides funding via the SPCB. The SPCB is regarded as a related body. The SPCB provided funding of £822,000 during the year.

Neither Commissioner, nor their staff or related parties has undertaken material transactions with SPCB during the year.

14 **Post Balance Sheet Events**

No event has occurred since the date of the balance sheet which materially affects the financial statements.



**COMMISSION FOR ETHICAL STANDARDS IN PUBLIC LIFE
IN SCOTLAND**

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 22 of the Scottish Parliamentary Commissions and Commissioners etc Act 2010, hereby give the following direction.
2. The Commission is required to prepare annual accounts.
3. The Statement of accounts for the financial year ended 31 March 2012, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 22 May 2012