



Commission for Ethical Standards
in Public Life in Scotland

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

Annual Accounts

Year Ended 31 March 2013

<u>Contents</u>	<u>Page Number</u>
Management Commentary	2-7
Remuneration Report	8-10
Statement of Accountable Officer's Responsibilities	11
Governance Statement	12-15
Auditor's Report	16-17
Statement of Comprehensive Net Expenditure	18
Statement of Financial Position	19
Statement of Cash Flows	20
Statement of Changes in Taxpayers' Equity	21
Notes to the Accounts	22-31
Appendix 1: Accounts Direction	32

MANAGEMENT COMMENTARY

1. The accounts for the financial year ended 31 March 2013 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 second 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. The Scottish Parliament awarded the Commission a budget of £798,000 for financial year 2012-13 (2011-12 £852,000).
10. The Commission's expenditure on administrative activities for the year ended 31 March 2013 totalled £768,000 (2011-12 £807,000). This was on staffing costs £534,000 (2011-12 £567,000), other administrative costs £227,000 (2011-12 £233,000), and depreciation £7,000 (2011-12 £7,000). Details of other administrative costs are shown in note 5 to the accounts.
11. The Commission drew down £758,000 of the budget allocated (2011-12 £822,000); £743,000 in 2012-13 and £15,000 carried forward from 2011-12, resulting in a £40,000 underspend.
12. These accounts are prepared on an accruals basis meaning that expenses are recognised in the period in which they were incurred, rather than when the cash payment is made. Including adjustments for accruals and prepayments, expenditure is £768,000 (2011-12 £807,000) resulting in a £30,000 underspend.
13. The underspend comprised two elements:
 - In 2012-13, the budget for investigating complaints about the conduct of Members of the Scottish Parliament, local authority councillors and members of public bodies was £131,300. The actual spend was £108,700, resulting in an underspend of £22,600 (17.2%). Investigations into 192 complaints were completed in 2012-13 compared to 218 in 2011-12, a decrease in activity of 12%.
 - In addition, the budget for travel and expenses for Investigating Officers was £14,300. However, this had been based on incorrect classification during the merger and was much higher than necessary. The actual costs were £5,400 giving an underspend of £8,900.
14. The Commission earned no income in 2012-13 (2011-12 Nil).
15. A further £9,000 was used, during the financial year, to purchase non-current assets (2011-12 £7,000) as detailed in note 6 to the accounts.

Payment of Creditors

16. 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 2012-13 was 96% (2011-12 98%).

Review of 2012-13

17. The Commission's objectives are 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 and encourage continuous improvement through proportionate regulation and supportive guidance
- create a leading standards body with effective performance and resource management.

18. During the year the Commission:

- continued to assist in the promotion of the new Councillors' Code of Conduct through the provision of specific advice and participation in educational events and road-shows
- contributed to the development of a revised Model Code of Conduct for Members of Devolved Public Bodies
- assisted in the application of the revised Code of Conduct for Members of the Scottish Parliament and provided assistance with the promotion of the Code through the provision of specific advice and participation in educational events
- participated in one hearing held by the Standards Commission for Scotland
- scrutinised all regulated public appointments against the principles and practices contained in the Code of Practice for Ministerial Appointments
- made one report to the Scottish Parliament regarding a breach of the Code of Practice for Ministerial Appointments
- inducted and trained four new Public Appointments Assessors
- surveyed applicants on their experience of the public appointments process
- published its Strategic Plan for 2012-16
- ensured the transition to a single office-holder for both Commissioner posts was effective and efficient.

Future Development

19. In 2013-14, the Commission will work to achieve its objectives 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 regulated appointment activity against the principles and practices contained in the Code of Practice for Ministerial Appointments
- consulting on and introducing a revised Code of Practice
- 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 the creation of a single Commissioner for Ethical Standards in Public Life in Scotland. 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 Appointments Commissioner and Public Standards Commissioner, dissolves the Commission for Ethical Standards and creates a single Commissioner for Ethical Standards. Schedule 3 of the order transfers all staff, property and liabilities to the Commissioner for Ethical Standards.
- planning and preparing for the recruitment of a new Commissioner for Ethical Standards
- planning and preparing for the relocation of the Commission's offices.

The Public Standards Commissioner for Scotland

20. **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 and acting Public Appointments Commissioner from 1 June 2012. Stuart was appointed Commissioner for Ethical Standards in Public Life in Scotland on 1 July 2013.

The Public Appointments Commissioner for Scotland

21. *The Commissioner was:* Karen Carlton
Appointed: 1 April 2011 to 31 May 2012
The Commissioner is: Stuart Allan
Appointed: 1 June 2012

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. Stuart Allan was appointed acting Public Appointments Commissioner for Scotland on 1 June 2012. His appointment ends on 31 March 2014.

Equal Opportunities

22. 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

23. 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

24. As Accountable Officer with effect from 1 April 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

25. 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

26. I authorised these financial statements for issue on 24 September 2013.

A handwritten signature in black ink, appearing to read 'D. Stuart Allan', with a large, stylized initial 'D'.

Stuart Allan
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 24 September 2013

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 Parliamentary Corporate Body (SPCB) with the agreement of the Parliament. Their remuneration is set by the SPCB.

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

Stuart Allan has been appointed Public Standards Commissioner for Scotland for the period 1 April 2011 to 31 March 2014. He has also been appointed acting Public Appointments Commissioner for Scotland for the period 1 June 2012 to 31 March 2014.

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

The Public Standards Commissioner for Scotland, supported by staff restructuring, absorbed the work of the Public Appointments Commissioner for Scotland and is employed on a full-time basis.

	2012-13			2011-12		
	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	5-10	Nil	Nil	45-50	Nil	Nil
Highest Earner's Total Remuneration (£'000)	80-85			80-85		
Median Total	38,351			37,466		
Ratio	2.12			2.17		

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 31/03/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Stuart Allan	5-10	0-5	179	160	16
	Lump sum	Lump Sum			
	20-25	0-5			
Karen Carlton	20-25	0-5	396	374	21
	Lump sum	Lump Sum			
	0-5	0-5			

Further detail about the pension scheme is given in notes 1.6 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.

A handwritten signature in black ink, appearing to read 'D. Stuart Allan'.

Stuart Allan
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 24 September 2013

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

The Scottish Parliamentary Corporate Body (SPCB) designated the Public Standards 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 the Accountable Officer of the Commission for Ethical Standards in Public Life in Scotland from the SPCB dated March 2012.

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.

Governance framework and operation during the year

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

The previous Public Appointments Commissioner demitted office on 31 May 2012. Thereafter, in addition to my role as Public Standards Commissioner, I was appointed as acting Public Appointments Commissioner.

I lead a management team which oversees the operation and development of the Commission. The team consists of the Commissioner, the Business Manager, the Compliance 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 2012/13, the Commission worked to its Strategic Plan 2012-16 supported by an annual business plan. The annual business plan outlined our objectives for the year. Both documents are published online and progress against the objectives is described in our annual reports.

Our annual 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 strategic and annual business plans.

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 type and 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 strategic and annual 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 method of investigating the reappointment of members to public bodies. We developed a method of allocating this work to staff members rather than Public Appointments Assessors, saving the full budget allocated.

Performance against budget is analysed and reviewed on a monthly basis. Key issues are raised with me, as Accountable Officer, 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.

These documents 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 members are regularly updated and fully aware of the rights and responsibilities they have.

Risk management arrangements, main risks during period and emerging risks

The Commission's 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.

In 2011/12 its first year of operation the Commission worked to an interim risk management system based on that of the Commissioner for Public Appointments in Scotland. During 2012/13, the Commission developed and introduced its own risk management policy.

The Commission maintains a risk register. It 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 is updated annually to reflect

any risks associated with the objectives laid out in the strategic or annual business plans or other key issues as they arise. Any tasks associated with managing risks are fed back into staff objectives.

The key risks during 2012/13 were:

- 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. The transition has been successfully achieved as is evidenced by our business objectives for the year being met.
- retaining key staff members during a period of transition. Key staff members were closely involved with the development of the restructuring plan and this contributed to their retention during the year.
- ensuring adequate staffing levels to cover significant levels of maternity leave. Early recruitment under fixed-term contracts allowed staff members covering maternity leave to be trained in good time and retained during the year.

Having reviewed our current position, the main risks for 2013-14 onwards are maintaining performance, ensuring the robustness of our decision-making and delivering our objectives whilst planning and preparing for:

- the merger of the posts of Public Appointments Commissioner and Public Standards Commissioner, the dissolution of the Commission and the creation of a single Commissioner for Ethical Standards
- the recruitment of a new Commissioner for Ethical Standards
- the relocation of the Commission's offices.

Effectiveness of governance arrangements

To ensure our effectiveness the Commission reviews its scheme of internal control. This assessment is informed 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 our strategic and annual business plans
- review of the systems and procedures in place to manage staff, finances and risks.

Compliance with generally accepted best practice principles and relevant guidance on corporate governance has been assessed using an internal control checklist. The checklist is based upon that provided within the Scottish Public Finance Manual, and a proportionate approach has been adopted, reflecting the relatively small size and simple structure of the Commission.

Completion of the internal control checklist confirmed that effective controls and systems are in place.

I can confirm that no written authorities were issued to the Accountable Officer during 2012/13. I can also confirm that there were no lapses of data security during the period.

A handwritten signature in black ink, appearing to read 'D. Stuart Allan'.

Stuart Allan
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 24 September 2013

Independent auditor's report to the Commissioner 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 2013 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 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 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 in accordance with the Public Finance and Accountability (Scotland) Act 2000.

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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements, irregularities 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 2013 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 2012/13 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 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.



Gillian Woolman MA FCA
Assistant Director of Audit
Audit Scotland, 18 George Street, Edinburgh EH2 2QU

Date: 24 September 2013

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2013**

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		£'000	£'000
<u>Income</u>			
Other income	2	0	0
<u>Administrative Costs</u>			
Staff Costs	3.3	534	567
Other Administration Costs	5	227	233
Depreciation	6	7	7
		<u>768</u>	<u>807</u>
<u>Net Administration Costs</u>			
		<u>768</u>	<u>807</u>
<u>Net Operating Costs</u>			

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 31 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2013

	<u>Notes</u>	<u>2013</u> £'000	<u>2012</u> £'000
<u>Non Current Assets</u>			
Property, Plant and Equipment	6	11	12
Intangible Assets	6	3	0
<i>Total Non Current Assets</i>		14	12
<u>Current Assets</u>			
Trade and Other Receivables	7	4	13
Cash and Cash Equivalents	8	63	57
<i>Total Current Assets</i>		67	70
<i>Total Assets</i>		81	82
<u>Current Liabilities</u>			
Trade and Other Payables	9	(69)	(45)
<i>Total Current Liabilities</i>		(69)	(45)
<i>Non Current Assets plus Net Current Assets</i>		12	37
<u>Non Current Liabilities</u>			
		-	-
<u>Assets less Liabilities</u>		12	37
<u>Taxpayers' Equity</u>			
General Fund		12	37
<u>Total Taxpayers' Equity</u>		12	37

The accompanying notes on pages 22 to 31 form an integral part of these accounts.



Stuart Allan
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 24 September 2013

Statement of Cash Flows for Year Ended 31 March 2013

<u>Cash Flows From Operating Activities</u>	<u>2013</u> £'000	<u>2012</u> £'000
Net Operating Costs	(768)	(807)
Adjustment for Non Cash Transactions:		
Depreciation	7	7
Movements in Working Capital		
Decrease/(Increase) in Trade and Other Receivables	9	(6)
(Decrease)/Increase in Trade and Other Payables	24	25
Net Cash Outflow from Operating Activities	<u>(728)</u>	<u>(781)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Property, Plant and Equipment	(9)	(7)
Net Cash Outflow from Investing Activities	<u>(9)</u>	<u>(7)</u>
<u>Total Net Cash Outflows</u>	<u>(737)</u>	<u>(788)</u>
<u>Cash Flows From Financing Activities</u>		
Financing from the Scottish Parliamentary Corporate Body (SPCB)	743	822
Net Cash Inflow from Financing Activities	<u>6</u>	<u>34</u>
<u>Net Increase/(Decrease) in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents at the beginning of Period	57	23
Cash Flow in Year	6	34
Cash and Cash Equivalents at the end of Period	63	57

Statement of Changes in Taxpayers' Equity
For Year Ended 31 March 2013

	<u>General</u> <u>Fund</u> £'000	<u>Total</u> <u>Reserves</u> £'000
Balance at 31 March 2012	37	22
Net Operating Costs for the Year	(768)	(807)
Funding From the SPCB	743	822
Balance at 31 March 2013	12	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 Principal Civil Service Pension Scheme. The PCSPS is a contracted out, unfunded, defined benefit, pay-as-you-go occupational pension scheme operated by the Scheme Management Executive on behalf of members of the Civil Service who satisfy the membership criteria.

From 30 July 2007 members may be in one of four defined benefit schemes, whether a final salary scheme (classic, premium, classic plus) or a whole career scheme (nuvos).

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Scheme Management Board. The contributions partially fund payments made by the Scheme, the balance of funding being provided by the UK Parliament. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions increase legislation.

Employers are unable to identify their share of the underlying assets and liabilities. Consequently pension costs are accounted for as a defined contribution scheme. 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>)

Employee contributions are salary related and range between 1.5% and 3.9% of pensions' earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013.

The Classic scheme offers an automatic lump sum on retirement which can be exchanged for additional pension. Members in the premium and nuvos schemes can convert some of their pension into a lump sum on retirement. Either option is available to members of classic plus depending on their entry date.

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 most recent assessment of employer contributions was carried out by the Scheme Actuary as at 31 March 2007 and included recommendations for the contribution rates applicable from 1 April 2009.

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

<i>Income from all Sources</i>	<u>2013</u> £'000	<u>2012</u> £'000
Other income	0	0
	<u>0</u>	<u>0</u>

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>2013</u> FTE	<u>2012</u> FTE
Commissioners	1.1	1.6
Staff (including temporary staff)	8.4	8.3
	<u>9.5</u>	<u>9.9</u>

3.2 *Average Sickness Absence*

The average sickness absence per person was as follows:

	<u>2013</u> Days	<u>2012</u> Days
Commissioners and staff	2.0	2.2

3.3 *Breakdown of Staff Costs - Administrative Costs*

	<u>Total</u> <u>2013</u> £'000	<u>Commissioners</u> <u>2013</u> £'000	<u>Staff</u> <u>2013</u> £'000	<u>Total</u> <u>2012</u> £'000
Salaries / wages	425	90	335	453
Social security costs	35	10	25	36
Pension costs	74	22	52	78
	534	122	412	567

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 2012-13 the employer's contributions of £73,544 (2011-12 £77,789) 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 2013 amounted to £6,078 (2012 - £4,673).

5 Other Administrative Costs

	<u>2013</u> £'000	<u>2012</u> £'000
Travel & expenses	10	9
Training & recruitment	0	1
Property	69	66
Auditors & financial advisors	12	15
Legal advisors	6	23
PAA costs	86	74
Office costs	17	19
Hospitality	3	3
IT	14	13
Printing	9	9
Publicity & promotion	0	0
Research	1	1
	227	233
	227	233

The above total includes £12,000 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 assess 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 <u>£'000</u>	IT Equipment <u>£'000</u>	Total <u>£'000</u>
<u>Cost</u>			
At 1 April 2012	4	23	27
Additions	0	5	5
Disposals	(0)	(1)	(1)
At 31 March 2013	<u>4</u>	<u>27</u>	<u>31</u>
<u>Depreciation</u>			
At 1 April 2012	1	14	15
Charge for Year	1	5	6
Disposals	(0)	(1)	(1)
At 31 March 2013	<u>2</u>	<u>18</u>	<u>20</u>
<u>Net Book Value at 31 March 2013</u>	<u>2</u>	<u>9</u>	<u>11</u>
<u>Net Book Value at 31 March 2012</u>	<u>3</u>	<u>9</u>	<u>12</u>

The Commission purchased £4,989 of additional assets in 2012/13 (2011/12 £7,411). The additions comprised nine items of IT equipment.

6.2 **Intangible Non Current Assets**

	Software £'000	Total £'000
<u>Cost</u>		
At 1 April 2012	0	0
Additions	4	4
Disposals	0	0
At 31 March 2013	<u>4</u>	<u>4</u>
<u>Depreciation</u>		
At 1 April 2012	0	0
Charge for Year	1	1
Disposals	0	0
At 31 March 2013	<u>1</u>	<u>1</u>
<u>Net Book Value at 31 March 2013</u>	<u>3</u>	<u>3</u>
<u>Net Book Value at 31 March 2012</u>	0	0

The Commission purchased £4,240 of additional intangible assets in 2012/13 (2011/12 Nil). The additions comprised the purchase of software for 14 users. In addition, the Commission reviewed its capitalisation policy. As a result only assets with a value over £1,000 will be recorded. This has resulted in software, which was already written down, being removed from the above table.

7 **Receivables**

	<u>2013 £'000</u>	<u>2012 £'000</u>
Trade receivables	0	0
Prepayments	4	13
	<u>4</u>	<u>13</u>

8 Cash and Cash Equivalents

	<u>2013</u> £'000	<u>2012</u> £'000
Balance at 1 April	57	23
Net Change in cash and cash equivalent balances	6	34
Balance at 31 March	63	57
	63	57
Cash Held at Commercial Banks	63	57

9 Payables

	<u>2013</u> £'000	<u>2012</u> £'000
Trade Payables	(24)	(8)
PAYE and National Insurance	(8)	(7)
Pension Contributions	(6)	(5)
Accruals	(31)	(25)
	(69)	(45)
	(69)	(45)

10 Leasing commitments

At 31 March 2013 the Commission had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	<u>As at 31</u> <u>March 2013</u> £'000	<u>As at 31</u> <u>March 2012</u> £'000
Operating leases which expire:		
Within 1 year	69	69
	69	69
	69	69

The Commission's lease for accommodation ran from 1 April 2012 to 31 March 2013 and had a value of £68,734. The subsequent lease runs from 1 April 2013 to 31 March 2014 with a value of £68,629.

11 Capital Commitments

There were no contracted capital commitments as at 31 March 2013 (2012 – Nil).

12 Contingent Liabilities

There were no contingent liabilities as at 31 March 2013 (2012 – 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 £743,000 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