

**Meeting of the
Advisory Audit Board
of the
Ethical Standards Commissioner**
held on
02 October 2024 at 14.00
at Thistle House, Edinburgh

Present:

David Watt, Advisory Audit Board (AAB) – Chair
Siobhan White, AAB Member (attended remotely) (SW)

In Attendance

Anne MacDonald, Senior Audit Manager, Audit Scotland (AUS)
Conor McGinley, Assistant Manager, WBG (WBG)
Ian Bruce, Ethical Standards Commissioner
Karen Elder, Head of Corporate Services, Ethical Standards Commissioner (HCS)
Jenni Green, Governance & Finance Officer, Ethical Standards Commissioner
Alice Malone, Governance & Finance Officer, Ethical Standards Commissioner

Nikolas Thomsen, Corporate Support Officer, Ethical Standards Commissioner

APOLOGIES

Stephen Pringle, Director for Internal Audit, WBG

Agenda

1. Welcome, including any declaration of interests
 - a. The Chair welcomed all attendees and acknowledged Conor McGinley standing in for Stephen Pringle of WBG.
 - b. The Chair introduced Siobhan White (SW), the newly appointed member of the Advisory Audit Board (AAB), who will work alongside the current AAB Chair.
 - c. The Chair opened the meeting and invited participants to declare any actual or perceived conflicts of interest that had not already been disclosed.
 - d. The Commissioner noted a potential conflict of interest for SW who is a board member of two public bodies that ESC oversees. The meeting agreed that appropriate action will be taken should any perceived or actual conflicts of interest arise.
 - e. No further conflicts of interest were declared.
2. Previous minutes
The minutes from the previous formal meeting on 2 May were approved.
ACTION: HCS to arrange publication of minutes from 2 May.
3. Update from the Commissioner

The Commissioner provided the meeting with an update on ESC activity over the past five months. The key points are:

- a. ESC's strategic plan for 2024 to 2028 was finalised and published in March following extensive consultation. The Biennial Business Plan for 2024 to 2026 was published in May and actions have been cascaded to the organisation through performance appraisals.
- b. The Senior Management Team (SMT) meets quarterly for an in-depth review of risks. Most recently these were updated to reflect constraints in the public finances and a possible reduction to working hours in March 2026 which will require increased productivity.
- c. The Commissioner recently met the Clerks to the Standards, Procedures, and Public Appointments Committee and separately with the Clerks to the Local Government Housing and Planning Committee to discuss issues of mutual interest.
- d. ESC has continued to see a rise in complaints this year which in turn has led to increased numbers of reports to the Standards Commission for Scotland (SCS) and an increased number of hearings being held. A growing number of complaints relate to discourtesy and disrespect.
- e. The investigations team has carried out further extensive modelling in order to improve on team capacity and resilience and to further reduce waiting times.
- f. ESC and SCS have written jointly to the Scottish Ministers to propose revisions to the 2000 Act with a view to improving the ethical standards framework.
- g. On the public appointments side, the Commissioner met with Scottish Government officials to discuss his recommendations relating to succession planning.
- h. ESC is currently tendering for new Public Appointments Advisers and for a contractor to take forward the refresh of Diversity Delivers.
- i. The Data Protection Officer attended a recent SMT meeting to provide an update on data protection matters and discuss our arrangements.
- j. ESC is moving to M365 and SharePoint during October. This has involved extensive work to prepare the records for migration.

4. Annual Report and Accounts for 2023/24

- a. The ESC issued the draft Annual Report and Accounts (ARA) at the end of June, which was reviewed by the AAB in July. External audit took place in August, with no major changes needed to the report.
- b. SW inquired about the socio-economic questions in the public appointments section of the report and how the ESC utilises the gathered information. The Commissioner explained that this data is essential for reporting on and making improvements to the diversity profiles of boards. Further detail is provided in a standalone report.
- c. The Chair suggested minor amendments to two areas to clarify the funding received and remuneration provided.
- d. The meeting approved the ARA.

ACTION: HCS to prepare and amended draft for agreement with AUS and then proceed to finalisation and signing.

5. Progress report from external audit

- a. Anne MacDonald (AUS) reported that the letter of representation and the auditor's report had been issued, and an unqualified opinion was given.
- b. AUS highlighted management override as a potential risk.

- c. The auditors considered four areas under its wider scope responsibilities. The Chair asked the auditors to maintain the use of “wider scope” to ensure assurance.
- d. The Chair commented on the length of the ARA. AUS will provide suggestions for reducing the length of the ARA next year.

ACTION: HCS to liaise with AUS over reduction of report length for 2024/25.

6. Progress report from internal audit

- a. WBG confirmed that internal audit activities were being carried out according to the audit plan. The latest review was of ESC’s overall financial controls and this concluded that a strong level of assurance was in place.
- b. WBG confirmed that ESC’s existing Scheme of Delegation was adequate. The Chair noted that the Scheme dates to 2022. The Commissioner advised that a revised Scheme had recently been finalised by the SMT.
- c. One recommendation was made regarding the sign-off process for payroll, suggesting that it should be rotated amongst suitably trained staff members only.
- d. The use of petty cash has been minimal; the Chair proposed discontinuing its use, and this will be considered by the SMT.

The HCS gave an update on progress against previous recommendations. Work is either complete or underway on all elements.

ACTION: HCS to arrange a review of the use of petty cash.

7. Review of strategic risks

- a. The HCS presented the latest risk register. Risks are considered at monthly SMT meetings with a separate in depth, quarterly review. The latest quarterly review took place on 5th September 2024. The strategic risks identified include constraints on public finance, a potential reduction in working hours and severe disruption due to external factors. Improvements to the resilience of ESC’s IT systems are being made with the transition to SharePoint.
- b. SW remarked that some risks were not cross-referenced to Strategic or Business plans. The HCS clarified that some risks, such as severe disruptions, were existential risks to the organisation as opposed to being directly related to plans. The HCS will ensure that risks are appropriately cross-referenced to the strategic or business plans.
- c. The Chair suggested revising the wording of the risk around potential merger.
- d. The Chair also recommended horizon scanning for legislative changes to identify potential threats, risks, emerging issues, and opportunities and also to consider the impact of AI, which may lead to an increase in fake complaints.

ACTION: HCS to include above three actions at next quarterly risk review.

8. Update on Statutory Annual Report 2023/24

- a. The Commissioner noted that the annual report required under the ESC’s founding legislation and drawn from the ARA will be published by the statutory deadline of 31 October.

9. Revised AAB Terms of Reference

- a. The Chair and SW confirmed their appointment terms.
- b. The meeting approved the revised Terms of Reference.
- c. SW agreed to circulate wording covering inquorate meetings for reference.

ACTION: HCS to arrange for the Terms to be finalised, circulated and published.

ACTION: SW to circulate wording covering inquorate meetings for reference.

10. AOB

No other business was raised.

11. Date of next meeting

- a. The Chair asked if it would be possible to agree meeting dates for 2025. The next meeting, scheduled for February, is to consider the audit plan. The Chair also highlighted the aim of synchronising the finalisation of officeholder accounts with those of the Scottish Parliamentary Corporate Body. AUS noted that Audit Scotland is not aiming to return to previous audit timings until 2027/28. AUS is not able to confirm 2025 dates at this stage.

ACTION: HCS to circulate potential dates for meetings in 2025.