

Standards Commission for Scotland

Annual report on the 2012/13 audit



Prepared for the Standards Commission for Scotland, and the Auditor General for Scotland
October 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of the Standards Commission for Scotland (Standards Commission). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Standards Commission and no responsibility to any third party is accepted.
3. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Accounting and Audit Committee.

Background information

4. The Standards Commission was appointed by Scottish Ministers on 27 January 2002 in terms of the Ethical Standards in Public Life in Scotland etc. (Scotland) Act 2000 (the 2000 Act). It comprises a Convenor, four Commission members and its office of three staff, led by the Secretary to the Commission.
5. The Standards Commission's functions as provided for by the 2000 Act are to:
 - issue guidance to councils and devolved public bodies
 - assist councils and devolved public bodies in promoting high standards of conduct and on the Standards Commission's relationship with them in carrying out its functions under the 2000 Act
 - receive reports from the Commissioner for Ethical Standards(CES) on the outcome of his investigations and determine whether to:
 - direct the CES to carry out further investigations
 - hold a Hearing, or
 - take no action
 - hold hearings to determine whether a councillor or member of a devolved public body has contravened the Councillor's or the Members' code
 - determine the sanction to be applied in accordance with the 2000 Act, following a Hearing where the Panel find that a councillor or member has breached the relevant code.

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6. The Scottish Parliamentary Commission and Commissioners etc. Act 2010 provides that with effect from 1 April 2011 the Standards Commission is supported by the Scottish Parliamentary Corporate Body (SPCB).
 7. The Secretary to the Commission is accountable for the finances of the Standards Commission to the Scottish Parliament and is the designated Accountable Officer. However, following the resignation of the post holder with effect from 25 February 2013, the SPCB appointed Ian Gordon, the Convener, as interim Accountable Officer until Lindsey McNeil commenced employment as the Standards Commission's Executive Director on 13 May 2013.

Financial statements

Conduct and scope of the audit

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Accounting and Audit Committee on 13 May 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
9. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

10. We have given an unqualified opinion that the financial statements of the Standards Commission for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 30 September 2013.
11. We received the unaudited financial statements on 3 July 2013 in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team enabling us to complete our on-site fieldwork on 19 July 2013. The Standards Commission is required to follow the 2012/13 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Financial position

12. The main financial objective for the Standards Commission is to ensure that the cash drawn down for the year is within the budget allocated by the SPCB. In 2012/13 the Standards Commission recorded cash expenditure of £209,000. Cash drawn down from the SPCB totalled £186,000 which was £47,000 less than the budget allocated. The remaining costs of £23,000 for 2012/13 were funded from reserves brought forward.

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13. A net liabilities position of £15,000 was recorded in 2012/13 compared to a net assets position of £6,000 in 2011/12. This has arisen as a result of the requirement to account for activities on an accruals basis, whilst recording funding from the SPCB on a cash basis.

Financial planning

14. The financial year 2012/13 was the second year of a 3 year plan which was established to reduce the budget of the Standards Commission by 15% in real terms. The Standards Commission is working to achieve this target, and during 2012/13 demonstrated efficiency savings of £47,000. These savings represent twenty percent cash reduction on the budget for 2012/13.

Corporate governance and systems of internal control

Overall governance arrangements

15. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Standards Commission had sound governance arrangements in place supported by a risk management policy and risk register.
16. The Standards Commission's governance arrangements are detailed in the governance statement included in the annual accounts. There is no set format of the governance statement but guidance has been published highlighting essential features which should be included.
17. The Standards Commission's governance statement has been assessed as complying with good practice. The governance statement includes
- details of the governance framework of the organisation
 - an assessment of corporate governance with reference to compliance with generally accepted best practice principles and relevant guidance,
 - an assessment of the organisation's risk management arrangements and risk profile, including, details of significant risk-related matters arising during the period
 - a statement to confirm there were no significant lapses of data security during the year.

Accounting and internal control systems

18. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
19. Internal audit is an important element of the Standards Commission's governance structure, and the Standards Commission makes arrangements for the internal audit of systems annually, setting out priority areas based on assessment of risk and assurances required.

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20. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud, irregularity, and corruption

21. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
22. In our Annual Audit Plan we also highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the Standards Commission's overall arrangements for the prevention of fraud, irregularity and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularity or corruption entirely.

Shared services

23. Since April 2012 the Standards Commission has moved a considerable way to shared services with the SPCB. Following authorisation by the Standards Commission, the SPCB pays invoices on the Standards Commission's behalf. The financial information detailed within the Standards Commission's Annual Accounts 2011/12 were prepared on behalf of the Standards Commission by the Scottish Parliament's Financial Controller, and Internal Audits have been undertaken by the Parliament's Chief Internal Auditor. Support and advice is provided as required by SPCB staff.
24. The Standards Commission is currently considering the possibility of utilising other services in the SPCB.

Best value

25. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with the Standards Commission agree to undertake local work in this area.
26. From our audits of numerous Commissioner and Commission bodies we note the considerable time investment made to ensure effective risk management and governance arrangements, and also for the preparation of financial accounts. At a time of reducing budgets we would encourage public bodies of a similar nature and size to work supportively

with each other, sharing skills and strengths and internal developments which demonstrate best practice in these areas, in the pursuit of best value.

Outlook

27. We confirm the financial sustainability of the Standards Commission on the basis of confirmation received from the SPCB that they will fund liabilities as they arise.
28. Over the three year period between 2010/11 and 2013/14 the Standards Commission is committed to continuing to comply with the duty to ensure that its resources are used economically, efficiently and effectively and to reducing budgeted expenditure where possible. Sound financial planning and monitoring arrangements will be key to delivering balanced budgets.

Acknowledgements

29. We would like to express our thanks to the staff of the Standards Commission for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.