

# Commissioner for Ethical Standards in Public Life in Scotland

## Annual report on the 2013/14 audit



Prepared for the Commissioner for Ethical Standards in Public life in Scotland and the Auditor  
General for Scotland

September 2014

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. The Commission for Ethical Standards in Public Life in Scotland was constituted under Section 1 of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010.
2. The Commission had two members, the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland.
3. The Public Services Reform (Commissioner for Ethical Standards in Public Life in Scotland etc.) Order 2013 came into force on 1 July 2013. It abolished the posts of Public Standards Commissioner for Scotland and Public Appointments Commissioner for Scotland, dissolved the Commission, and created a single post of Commissioner for Ethical Standards in Public Life in Scotland. The functions of the Commission for Ethical Standards in Public Life in Scotland were transferred to the Commissioner on 1 July 2013.
4. This report is the summary of our findings arising from the 2013/14 audit of the former Commission for Ethical Standards in Public Life in Scotland and the Commissioner for Ethical Standards in Public Life in Scotland. 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.
5. 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 Commissioner for Ethical Standards in Public life in Scotland and no responsibility to any third party is accepted.
6. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Advisory Audit Board (AAB).

## Acknowledgements

7. We would like to express our thanks to the staff of the Commissioner for Ethical Standards in Public Life in Scotland for their help and assistance during the audit of this year's financial statements.

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## Financial statements

### Background Information

8. Stuart Allan was appointed as the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland between 1 April 2013 and 30 June 2013. Following the end of these appointments, Mr Allan was appointed as the Commissioner for Ethical Standards in Public Life in Scotland (the Commissioner) until the end of his appointment on 31 March 2014. Bill Thomson was appointed as the Commissioner with effect from 1 April 2014.
9. The Commissioner's main functions are to investigate complaints about the conduct of local authority councillors, members of public bodies and members of the Scottish Parliament and to regulate the making of appointments to the boards of regulated public bodies by the Scottish Ministers. Where the Commissioner determines that a councillor or member of a public body has breached their code of conduct he will refer the case to the Standards Commission for Scotland for adjudication. In addition where an MSP has breached their code of conduct the Commissioner reports this to the Scottish Parliament. Where a public appointment materially breaches the Commissioner's Code of Practice he also reports this to the Scottish Parliament.
10. During 2013/14 the Commissioner:
  - received 311 complaints about the conduct of local authority councillors or members of public bodies, an increase of 119 complaints from 2012/13
  - began investigation of 146 cases (some complaints were grouped together and investigated as a single case)
  - completed investigation of 291 complaints (2012/13:172) and reported 5 breaches of the relevant code to the Standards Commission for Scotland.

The increasing activity year on year and the resulting demands on capacity is considered to be a key risk for the Commissioner for Ethical Standards in Public Life in Scotland.

### Conduct and scope of the audit

11. 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 issued in February this year, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
12. 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 2013/14 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any work additional to our planned audit activity this fee remains unchanged.

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## Audit opinion & accounting issues

13. We have given an unqualified opinion that the financial statements of the Commissioner for Ethical Standards in Public Life in Scotland for 2013/14 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 15 July 2014.
14. We received the unaudited financial statements on 29 May 2014 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 4 June 2014.
15. The Commissioner is required to follow the 2013/14 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

## Financial position

16. The main financial objective for the Commissioner is to ensure that the cash drawn down for the year is within the budget allocated by the Scottish Parliamentary Corporate Body (SPCB). In 2013/14 the Commissioner recorded cash expenditure of £811,000. Cash drawn down from the SPCB totalled £815,000 which was £4,000 more than the cash required to meet funding requirements and also £18,000 over budget.
17. A net assets position of £19,000 was recorded in 2013/14 compared to £12,000 in 2012/13. The improved position has arisen as a result of the £4,000 increase in cash balance in addition to the requirement to account for activities on an accruals basis, whilst recording funding from the SPCB on a cash basis.

## Financial planning

18. During the year, SPCB approved a budget of £785,000 for 2014/15, which is £12,000 less than the budget for 2013/14.
19. As a result of receiving an increasing number of complaints it is difficult to accurately predict if the Commissioner has sufficient budget for 2014/15. Careful monitoring of outturn against budget will be required to ensure that sufficient funds are available to meet future liabilities.

## Corporate governance and systems of internal control

### Overall governance arrangements

20. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Commissioner had sound governance arrangements in place supported by a risk management policy and risk register.

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21. The Commissioner'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.
  22. The Commissioner'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

23. 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.
24. Based on an assessment of risk by the Commissioner, it was not considered necessary to employ any internal audit service during the year. The Commissioner will consider whether employing an internal audit service will provide value for money during 2014/15.
25. For 2013/14 the Commissioner for Ethical Standards in Public Life in Scotland informed its assessment of the effectiveness of its scheme of control by:
  - the work of the Advisory Audit Board in its consideration of risk and internal control measures
  - reports and comments made by the external auditors
  - the work of the management team
  - a review of the Commissioner for Ethical Standards in Public Life in Scotland's objectives as set out in its strategic and annual business plans
  - a review of the systems and procedures in place to manage staff, finances and risks.

### Prevention and detection of fraud, irregularity, and corruption

26. 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.
27. 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 Commissioner for Ethical Standards in Public Life in Scotland's overall arrangements for

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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.

## Best Value

28. 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 Commissioner agree to undertake local work in this area.
29. 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

30. The Commissioner for Ethical Standards in Public Life in Scotland is moving to new office premises in October 2014 and will share premises with the Scottish Legal Aid Board, the Judicial Appointments Board for Scotland, the Mental Welfare Commission for Scotland and the British and Irish Council from that date.
31. Sharing premises should facilitate the sharing of skills, knowledge and administration arrangements in the interest of demonstrating Best Value.