

Standards Commission for Scotland

Annual report on the 2013/14 audit



Prepared for the Standards Commission for 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. This report is the summary of our findings arising from the 2013/14 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 established 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 Executive Director 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 in Public Life in Scotland (CES) on the outcome of his investigations and determine whether to:
 - take no further action
 - direct the CES to carry out further investigations; or
 - hold a Hearing.
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 - hold hearings to determine whether a councillor or member of a devolved public body has contravened the Councillor's or the Members' code

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- determine the sanction to be applied in accordance with the 2000 Act, following a Hearing where the Hearing Panel find that a councillor or member has breached the relevant code.
6. The Scottish Parliamentary Commission and Commissioners etc. Act 2010 provided that with effect from 1 April 2011 the Standards Commission would be supported by the Scottish Parliamentary Corporate Body (SPCB).

Role of Accountable Officer

7. The Executive Director is accountable for the finances of the Standards Commission to the Scottish Parliament and is the designated Accountable Officer. During 2013/14 the post of Accountable Officer was held by Ian Gordon, the Convener, as interim Accountable Officer from 1 April to 13 May 2013 until Lindsey McNeil commenced employment as the Standards Commission's Executive Director on 13 May 2013. Lindsey McNeil subsequently resigned from the Standards Commission on 8 July 2014.
8. . Until such time as a new Executive Director is appointed, Ian Gordon, the Convener, will perform the role of interim Accountable Officer.

Financial statements

Conduct and scope of the audit

9. 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 20 January 2014, and follow the requirements of the Code of Audit Practice.
10. 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.

Audit opinion & accounting issues

11. We have given an unqualified opinion that the financial statements of the Standards Commission 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 28 July 2014.
12. We received the unaudited financial statements on 20 May 2014 in accordance with the agreed timetable. The working papers were of a reasonable standard and staff provided good support to the audit team enabling us to complete our on-site fieldwork on 4 July 2014.
13. The Standards Commission 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

14. 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 2013/14 the Standards Commission recorded cash expenditure of £238,000. Cash drawn down from the SPCB totalled £238,000 which was in line with the budget allocated.
15. A net liabilities position of £13,000 was recorded in 2013/14 compared to a net liabilities position of £15,000 in 2012/13. 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.

Corporate governance and systems of internal control

Overall governance arrangements

16. 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 comprehensive governance arrangements in place supported by a risk management policy and risk register.
17. The Standards Commission is governed by a Convener and four Commission Members, who are all appointed on a part time basis. They meet monthly to discuss and agree on strategic Commission matters and to consider Breach reports. The Commission Members also consider recommendations from the Human Resources Committee and the Accounting and Audit Committee.
18. Two Commission members also sit on the Accounting and Audit Committee which meets on a quarterly basis to oversee business risk, control and governance processes.
19. 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.
20. 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

21. 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.

22. 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.
23. No material weaknesses in the accounting and internal control systems were identified during the 2013/14 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

24. 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.
25. In our Annual Audit Plan we 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

26. 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 2013/14 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.
27. The Standards Commission is currently considering the possibility of using other services in the SPCB.

Performance and Best value

Performance

28. The organisation has three employees, equating to 2.8 full time equivalents. During 2013/14 the sickness absence level was 18% (2012/13 13.8%) resulting in a significant reduction in available resources. There is a risk that the Standards Commission may have insufficient staff and skills to meet strategic plan objectives. This is a risk of which they are well aware.

Best Value

29. 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.
30. 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 statements. 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

31. 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.
32. The budget issued for 2014/15 was determined on the basis of operational activities identified within the 2014/15 Business Plan and includes estimated provisions to hold five Hearings. SPCB and the Standards Commission acknowledge that accurately determining budget requirements in this area is outwith their control. The cash allocation for 2014/15 is 5.2% lower than for 2013/14 and sound financial planning and monitoring arrangements will be key to delivering expenditure within a balanced budget.

Acknowledgements

33. 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.