



## **Annual Accounts**

**Year Ended 31 March 2014**

**INTEGRITY IN PUBLIC LIFE**

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## MANAGEMENT COMMENTARY

### Introduction

The accounts for the financial year ended 31 March 2014 are presented in accordance with the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended by the Scottish Parliamentary Commission and Commissioners etc. Act 2010 and prepared in accordance with the Accounts Direction given by the Scottish Ministers.

### Background information

The Standards Commission for Scotland (the 'Standards Commission') was established by Scottish Ministers on 27 January 2002 through the 'Ethical Standards in Public Life etc. (Scotland) Act 2000'. This Act created a framework whereby Councils and Devolved Public Bodies are required to adopt Codes of Conduct for their members. Complaints about breaches of these Codes are investigated by the Commissioner for Ethical Standards in Public Life in Scotland ('CES') and, where he determines that a breach of the code of conduct occurred these cases are thereafter adjudicated upon by the Standards Commission.

Following enactment of an additional Act, the 'Scottish Parliamentary Commissions and Commissioners etc. Act 2010', the 2000 Act was amended and the Standards Commission transferred from being a sponsored body of the Scottish Government to become a supported body of the Scottish Parliamentary Corporation with effect from 1 April 2011.

The overall role of the Standards Commission is to encourage high ethical standards in public life through the promotion of an ethical standards framework and enforcement of the Councillors' Code of Conduct and Code of Conduct for Members of Devolved Public Bodies. The Standards Commission adjudicates on potential breaches of the Codes following completion of an investigation into complaints by the CES. The Standards Commission has no remit to undertake investigations into complaints about alleged breaches of the Codes of Conduct.

At the 31 March 2014, there were 32 Councils and 121 Devolved Public Bodies which came under the requirements of the Ethical Standards Framework, meaning that compliance with the Codes of Conduct is required from 1222 Councillors and approximately 1600 Board Members.

The Standards Commission has a four year strategic plan for the period 2012-2016 which identifies 4 key objectives:

1. To promote the Ethical Standards Framework to ensure the Codes of Conduct are recognised and respected by the public and other stakeholders.
2. To assist councils and public bodies to achieve the highest ethical standards of conduct and ensure the advice and support provided by the Standards Commission responds to their needs.
3. To enforce the Codes of Conduct impartially, timeously and in accordance with legislation.
4. To operate in accordance with the principles of good governance, best value, joint working and working in partnership.

### Operational Activities during 2013/14

During the period 1 April 2013 – 31 March 2014, the Standards Commission focused their resources on expanding their engagement activities with a range of audiences, as well as dealing with an increased number of Hearings held within this period .

Engagement activities included:

- An extensive programme of meetings with senior officials in councils and devolved public bodies;

- Liaison with Scottish Government in relation to the launch of the revised Model Code of Conduct for devolved Public Bodies; and
- Delivery of two national workshops for Monitoring Officers and Standards Officers seeking feedback on what information may be required in future Guidance Notes.

**Overall Performance**

Details of the Standards Commission’s performance during the reporting year will be provided in our Annual Report which will be available during September 2014 on our website at [www.standardscommissionscotland.org.uk](http://www.standardscommissionscotland.org.uk).

A brief summary of our performance against a range of our corporate objectives include:

*NB: For information about the number of complaints received / cases reviewed by the Commissioner for Ethical Standards ('CES'), please refer to his Annual Report.*

	<b>2013-14</b>	<b>2012-13</b>
a) Number of notes of decisions for cases received from CES (No breach)	27	14
b) Number of breach cases received from CES	5	4
c) Number of hearings held	5	1
d) Number of engagement events held	11	17
e) Number of meetings with Senior Officers of Councils and National Devolved Public Bodies	81	N/A
f) Number of requests for guidance	24	19
g) Number of responses received from targeted surveys	N/A	195
h) Number of external consultations responded to	1	4
i) Number of joint working / partnership initiatives in place	4	4

The CES investigates complaints in which a Councillor, or a Member of a Devolved Public Body, is alleged to have contravened a Code of Conduct. Where the CES completes the investigation and concludes that no breach of the Code occurred, a note of the conclusion is issued to the Standards Commission. The Standards Commission keeps under review any learning points from these notes which could usefully be included into guidance. The number of complaints investigated by the CES is variable and fluctuates year-on-year.

In each case where the CES determines that a breach of the Code of Conduct has occurred, these cases are considered by the Members of the Commission, who may decide to take no further action; direct the CES to carry out further investigations; or hold a Hearing. During 2013-14, there was a requirement to hold 5 Hearings.

The Standards Commission took a decision to focus on a greater variety of stakeholder engagements during the operational year, to support its underlying objective of raising awareness of the ethical standards framework. This was met through conducting regional workshops, bespoke training events and also one-to-one meetings between the Executive Director and senior officials in councils and devolved public bodies.

Following the previous two surveys conducted in 2011/12 and 2012/13, the Standards Commission decided not to conduct any further surveys during 2013/14, and focused resources on alternative methods of gaining feedback from stakeholders. This situation will be reviewed during 2014/15 in light of the publication of the revised Model Code of Conduct for Devolved Public Bodies.

### Payment Performance

Payments to suppliers of goods and services are provided on behalf of the Standards Commission by the Scottish Parliamentary Corporate Body (SPCB) through a Shared Service Agreement with the Scottish Parliament's Finance Office. However, the underpinning principal of the policy applied by the SPCB is to comply with the Confederation of British Industry's (CBI) Prompt Payers Code. The CBI stated target is for payment to be made within agreed terms or 30 days of receipt of invoices not in dispute for goods and services received. The overall payment performance achieved by the SPCB for 2013-14 was (99.6%) (2012-13 99.4%) and within this overall figure 100% of the Standards Commission invoices were paid within contract terms (2012-13 100%).

In 2008-09 the SPCB introduced a voluntary initiative to further improve payment performance in support of the business suppliers. Under this initiative the SPCB aim to make payments within 10 days of receipt of the invoice. During 2013-14 100% of the Standards Commission's invoices were paid within 10 days (2012-13 98.5%).

### Funding

The Standards Commission receives funding on a cash basis from the overall budget of the Scottish Parliamentary corporation. The Parliamentary corporation approved a cash budget of £226,000 to the Standards Commission for the financial year 2013-14 (2012-13 £233,000), with an agreed additional funding of £12,500 to cover legal fees associated with a judicial review and additional Hearings. This equates to a final cash budget allocation of £238,500.

### Financial Position

The Statement of Comprehensive Net Expenditure shows the income and expenditure for the year. The Standards Commission's net expenditure on operating activities for the year ended 31 March 2014 totalled £236,000 (2012-13 £207,000). This includes a £3,000 charge for depreciation.

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.

During the year £237,613 was drawn down from the allocated cash budget of £238,500. At the start of the financial year negative equity of £15,000 was brought forward. Consequently by the end of the year the total taxpayers' equity was negative £13,000.

Details of expenditure are shown the Statement of Comprehensive Net Expenditure and Notes to the Accounts. The main reason for the disparity between planned budget and actual expenditure was as a result of meeting the costs associated with a judicial review and a greater number of Hearings being held than projected.

Expenditure on the purchase of non-current assets during the financial year is detailed in note 5 to the Accounts. The Standards Commission received no other income.

### Principal Risks and Uncertainties

As reflected in the Risk Register, the key risks to the Standards Commission remain the same as previous years. These are:

- Insufficient staff to maintain operational effectiveness
- Out of date / insufficient material available to provide guidance to stakeholders

- Lack of understanding of the Codes of Conduct and associated Guidance, leading to more potential breaches by Councillors and Board Members.

Due to the demand-led nature of complaints, and the distinct and separate roles of the CES and the Standards Commission, there is uncertainty around the number of alleged breach cases which could potentially be submitted by the CES to the Standards Commission. This remains a matter which is out with the control of the Standards Commission.

Additionally, the planned departure of one Commission Member during January 2015 may have a significant impact on the Standards Commission depending on the timescale in which the vacancy will be filled.

### Future Development

The Standards Commission's priorities in the coming year are to:

- Focus on providing revised Guidance for the Model Code and the Councillors' Code of Conduct to meet stakeholders' needs.
- Establish separate Monitoring Officers and Standards Officers networks, to facilitate information sharing and good practices.
- Work with the CES to identify improvements to working practices.
- Continue to review complaints referred by CES in relation to the determination and sanction of Breach cases.

### Organisation Structure

The organisation structure is indicative of the size of the funding and expenditure outlined in the accounts. The Standards Commission comprises of:

- The Convener (employed 3 days per month);
- Four Commission Members (employed 2 days per month); and
- Three members of office based staff (equating to 2.8 full time equivalents)

*For the purposes of reporting in a consistent format across the Public Sector, Commission Members are deemed to be 'Directors' and the Executive Director/Accountable Officer is considered the 'Senior Manager'.*

	<i>Male</i>	<i>Female</i>
<i>Directors</i>	2	3
<i>Senior Manager</i>	0	1
<i>Employees</i>	0	2

### Business Model

The organisation sets out a four year Strategic Plan (2012-16), supported by annual Business Plans. These are published on our website ([www.standardscommissionscotland.org.uk](http://www.standardscommissionscotland.org.uk)), and are monitored by quarterly performance reports to the Standards Commission.

Expenditure reports and risk management are regularly overseen by the Accounting and Audit Committee, with Human Resources issues being dealt with by the Human Resources Committee as required. Both committees report and make recommendations to the Standards Commission.

### **Sustainability**

The Standards Commission recognises the importance of environmental issues and sustainability and therefore endeavours to consider these matters in all our business decisions. Although not directly covered by the Greening Government commitments, we support the Scottish Parliament's effort in meeting their targets whilst being a tenant within their facilities.

Mindful of our carbon footprint, work has been completed to assess our impact, and we continually seek ways to find methods of work which support this.

### **Social, Community & Human Rights Issues**

The Standards Commission has no issues to report in these areas. In order to demonstrate good practise in these areas, we address these through:

- Conducting Hearings in public in the general locale where the Respondent is alleged to have committed a Breach in order to show openness and transparency, as well as offering ease of access to members of the public who may wish to view proceedings.
- Ensuring fair access and equalities of arms in conducting Hearings, through making sure that everyone is kept informed of progress and that all parties within a Hearing have the right to seek legal counsel if they wish to do so (but no imperative placed upon them if they choose not to do so).
- The Hearings seek to ensure a fair representation of the case, consideration of the evidence presented, and take into account any mitigating factors when it comes to determination and sanction.

### **Equal Opportunities**

The Standards Commission supports the principle of equal opportunities in carrying out operational functions and employment practices. This means that it is committed to pursuing 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 age, disability, gender, marital status, pregnancy and maternity, race, religion, belief or sexual orientation.

### **Provision of Information to Employees**

The Standards 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 all 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 confidentiality is owed to a third party.

### **Post Balance Sheet Events**


There were no material events occurring after the year-end which had a bearing on the accounts (2012-13 Nil).

### **Disclosure of Information to Auditors**

As Accountable Officer, I confirm that, so far as I am aware, there is no relevant audit information of which our auditors are unaware. I have taken all reasonable steps as Accountable Officer to ensure that I make myself aware of any relevant audit information and to establish that the auditors are also aware of this information.

**Authorisation**

I authorised these financial statements for issue on 28 July 2014.

Signed on behalf of the Standards Commission for Scotland:	
	
Ian A Gordon Accountable Officer	Date: 28 July 2014



## DIRECTOR'S REPORT

### Going Concern

The financial statements for the year ended 31 March 2014 show a deficit on the General Fund of £13,000 (2012-13 £15,000). This situation arises as a result of the requirement to account for the activities of the Standards Commission for Scotland on an accruals basis, whilst recording funding from Parliamentary corporation on a cash basis. Net current liabilities will be funded by Parliamentary corporation as they arise. As a consequence these financial statements have been prepared on a going concern basis.

### Convener and Members of the Standards Commission

The Convener and Members of the Standards Commission hold office in accordance with the 2000 Act as amended by the 2010 Act.

The Convener and Members appointed before 1 April 2011 were originally appointed by Scottish Ministers for a period of 4 years and were thereafter eligible for a period of reappointment by the Parliamentary corporation with the provision that the total period of appointment did not exceed eight years in office. Mrs Gallanders was appointed after 1 April 2011 by the Parliamentary corporation for a period of six years

		<u>Date of appointment</u>	<u>Date of re-appointment</u>
Convener:	Ian A Gordon OBE, QPM, LL.B (Hons)	1 Feb 2010	1 Feb 2014 (3 years)
Members:	Jan Polley	18 Jan 2010	17 Jan 2014 (1 year)
	Matt Smith OBE, JP	1 Apr 2010	1 Apr 2014 (3 years)
	Julie Ward	18 Jan 2011	
	Lindsey Gallanders	15 Feb 2013	

The Convener and Members are appointed on a part-time basis for 3 days and 2 days per month respectively and additional time associated with the conduct of Hearings.

As stated in the Remuneration Report, appointment as either the Convener or a Member of the Standards Commission is not pensionable.

### Register of Interests

The Standards Commission maintains a register of interests held by the Convener and Members of the Standards Commission. This is available on our website at <http://www.standardscommissionscotland.org.uk/content/members-commission>

The only interest to declare is that Jan Polley, a Member of the Standards Commission, provided training services to the Scottish Parliamentary Corporate Body (the SPCB) on a sub contract basis, through the SPCB training contract with Bray Leino.

The Convener nor any other Member of the Standards Commission or member of staff or related parties has undertaken material transactions with SPCB during the year.

### Accountable Officer

During the period 1 April - 12 May 2013 the Convener of the Standards Commission was appointed as Accountable Officer. Lindsey McNeill was appointed as the Standards Commission's Executive Director and the Accountable Officer with effect from 13 May 2013 until her resignation from the Standards Commission. With effect from 9 July 2014 the SPCB designated Ian Gordon, Convener, as the Accountable Officer.

#### Auditors

Under the Public Finance and Accountability (Scotland) Act 2000, the Standards Commission's external auditors were appointed by the Auditor General for Scotland in accordance with the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended. Audit Scotland was appointed as the Standards Commission's auditor for the financial period 2011-12 – 2015-16.

The auditors were remunerated in the sum of £2,400 in respect of the statutory audit services for the financial year 2013-14 (2012-13 £2,400). No payments were made in respect of non-audit work.

Additionally the Standards Commission were supported by the SPCB internal audit service during the financial year. This was at no cost to the organisation. Work undertaken included a review of the shared services arrangements with Scottish Parliament Finance Office, and a review of the payroll and pensions arrangements within the Standards Commission.

#### Employee Sickness

As indicated in the Management Report, the organisation has 3 employees, equating to 2.8 full time equivalents. Due to on-going issue during 2013/14 s the sickness absence figure during the period is 18% (2012/13 - 13 8%).

#### Employee Pension Liabilities

As outlined in greater detail within the Remuneration Report and note 1.6 to the Annual Accounts, employees are members of the Principal Civil Service Pension Scheme. These statutory arrangements are unfunded with the costs of benefits met by monies voted by Parliament each year.

#### Personal Data Related Incidents


There were no personal data related incidents during 2013-14 (2012-13 Nil).

#### Charitable Donations

There were no charitable donations made during 2013-14(2012-13 Nil).

#### Disclosure of Information to Auditors

The Convener and Members' confirm that, in so far as they are aware, there is no relevant audit information of which our auditors are unaware. The Convener and Members' further confirm that they have taken all reasonable steps to ensure that they have made themselves aware of any relevant audit information and to establish that the auditors are also aware of this information.

Signed on behalf of the Standards Commission for Scotland:	
	
Ian A Gordon Accountable Officer	Date: 28 July 2014

## REMUNERATION REPORT

The Convener and Members salary and pension entitlement are set out below. The Convener is paid £10,312 per annum (2012-13 £10,260) and Members are paid £5,741 per annum (2012-13 £5,712). The hourly rate for Hearings related activity is £31.89 (2012-13 £31.73).

Appointment as either the Convener or a Member of the Standards Commission is not pensionable. No gratuity or allowance is payable on termination of the appointment for whatever reason.

<b>Remuneration - Convener and Members</b>	<b><u>2013-14</u></b>	<b><u>2012-13</u></b>
	<b><u>£'000</u></b>	<b><u>£'000</u></b>
Ian A Gordon	10-15	10-15
Lindsey Gallanders (appointed 15 Feb 2013)	5-10	0-5
Jan Polley	5-10	5-10
Matt Smith	5-10	5-10
Julie Ward	5-10	5-10
Benefits in kind	Nil	Nil

Remuneration includes basic salary and payments for participation at Hearings. It does not include Employer National Insurance Contributions.

At the end of the financial year no members of staff were on secondment from other organisations. No members of Standards Commission's staff left under voluntary or compulsory exit schemes in 2013-14 (2012-13 None).

The senior manager employed by the Standards Commission in 2012-13 was Janet Nixon, Secretary to the Commission. Ms Nixon resigned from her post on 25 February 2013.

Lindsey McNeill was appointed by the Standards Commission as the Executive Director on 13 May 2013.

### Remuneration – Secretary to the Commission / Executive Director

<b>Name</b>	<b>Salary: full year equivalent 2013-14 £'000</b>	<b>Benefits in kind</b>	<b>Salary: full year equivalent 2012-13 £'000</b>	<b>Benefits in kind</b>
Janet Nixon			55-60	nil
Lindsey McNeill	45-50	nil		

### Median Salary Ratio

	<b>2013-14 £'000</b>	<b>2012-13 £'000</b>
Highest paid member of staff – salary band (full year equivalent £'000)	<b>45-50</b>	<b>55-60</b>
Average total remuneration (Median not appropriate)	<b>25-30</b>	<b>25-30</b>
Ratio	<b>1.7</b>	<b>2.1</b>

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid member of the senior staff in their organisation and the median remuneration of the organisation's workforce. Excluding the Executive Director, there are two employees. Therefore the average salary has been disclosed instead of the median salary with the 2012-13 figures restated.

The mid-point of the banded remuneration of the highest-paid member of senior staff employed by the Standards Commission in the financial year 2013-14 was £47,500 (2012-13 £57,500). This was 1.7 times (2012-13, 2.1) the average remuneration of the workforce, which was within the band £25-30k (2012-13, £25-30k). The senior manager post was assessed following the departure of the Secretary to the Standards Commission and re-classified as the Executive Director. The Executive Director was appointed on the pay minimum of the payscale which has reduced the indicative comparison figures.

In 2013-14 no employees (2012-13, no employees) received remuneration in excess of the highest-paid senior member of staff.

Total remuneration includes basic salaries. There were no payments of non-consolidated performance-related pay, benefits-in-kind or severance payments. It does not include employer pension contributions and the cash equivalent transfer value of the pensions.

#### **Pensions Benefits**

	<b>Accrued pension at pension age as at 31/03/14</b>	<b>Real increase in pension £'000</b>	<b>CETV at 31/3/2014 £'000</b>	<b>CETV at 31/3/2013 £'000</b>	<b>Real increase in CETV £'000</b>
<b>Executive Director</b>	<b>16</b>	<b>1</b>	<b>92</b>	<b>N/A*</b>	<b>5</b>

\*The Executive Director was appointed on 13 May 2013.

#### **Civil Service Pensions**

The Executive Director is a member of the Principal Civil Service Pension Scheme.

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme, however, the Standards Commission is unable to identify its share of the underlying assets and liabilities. Consequently it is accounted for as a defined contribution scheme. The scheme actuary valued the scheme as at 31 March 2007. You will find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

In 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). These statutory arrangements are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions increase legislation.

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

Further details about the Pension scheme are provided in notes 1.6 and 3 to the accounts.


**The Cash Equivalent Transfer Value (CETV)**

This 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. It 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 pension benefits accrued in their former scheme.

The pension figures shown relate to the benefits the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in the senior capacity to which the disclosure applies. CETVs are calculated 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 effectively 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.

Signed on behalf of the Standards Commission for Scotland:	
	
Ian A Gordon Accountable Officer	Date: 28 July 2014

## STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

The relevant responsibilities as Accountable Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Executive and published in the Scottish Public Finance Manual.

The Accountable Officer is responsible for

- signing these accounts;
- ensuring the propriety and regularity of the Standards Commission's finances; and
- ensuring the Standards Commission's resources are used economically, efficiently and effectively.

Under the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended, the Accountable Officer 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 Standards Commission's statement of financial position at the year end, statement of comprehensive net expenditure, cash flows and changes in taxpayers' equity for the financial year.

In preparing the accounts, the Accountable Officer is required to:

- (i) 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.
- (ii) make judgements and estimates on a reasonable basis.
- (iii) state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements.
- (iv) prepare the financial statements on a "going concern" basis, unless it is inappropriate to presume that the Standards Commission will continue in operation.

## GOVERNANCE STATEMENT

### Scope of Responsibility

As Accountable Officer, I am responsible for maintaining a sound system of internal control that supports the Standards Commission in the achievement of organisational policies, aims and objectives whilst safeguarding the public funds and assets for which I am responsible, in accordance with the responsibilities assigned to me.

I ensure that arrangements for delegation are robust and promote good and proper management systems and procedures are in place to support service delivery.

The Standards Commission is an independent public body and in the exercising of its functions is not subject to the direction or control of any member of the Scottish Parliament, any member of the Scottish Government or the Parliamentary Corporation. An annual budget bid is submitted to the Scottish Parliamentary Corporate Body (SPCB) together with the supporting detail relating to each item of planned expenditure. This information is used by the SPCB in the preparation of its own budget submission to the Scottish Parliament.

The Standards Commission is governed by a Convener and four Commission Members, appointed on a part-time basis for 3 days and 2 days per month respectively and additional time associated with the conduct of Hearings. They meet monthly to discuss and decide on a range of strategic Commission Matters and to consider Breach Reports. The Commission Members also consider recommendations from both the HR Committee and the Accounting and Audit Committee.

Agendas for all meetings are prepared in consultation with the relevant Chairs, and align with business plan and statutory timescales. Reports are prepared by the Executive Director or Business Manager, with decisions being made by the Standards Commission.

The Accounting and Audit Committee tests the way in which assurances are developed and the management of priorities in order to guarantee that the assurances are reliable and continue to meet business and organisational requirements. Two Commission Members (Jan Polley and Julie Ward) sit on this Committee, and provide oversight and assurance to me in overseeing and reviewing the business risk, control and governance processes through constructive challenge. The Committee paid particular attention this year to reviewing the risk management policy; reviewing risks and their underlying assumptions, controls and mitigating actions, establishing a Memorandum of Understanding with SPCB Internal Audit; reviewing the results of the internal audits conducted on the shared service agreement with SPCB Finance and the payroll and pensions processing systems; as well as maintaining regular monitoring of expenditure against planned budget.

The Human Resources Committee are charged with overseeing all matters in relation to providing advice to the Commission on its responsibilities for matters pertaining to staff and human resource arrangements. Two Commission Members (Matt Smith and Lindsey Gallanders) sit on this Committee, and this year the Committee focused on job descriptions, ensuring consistency of terms and conditions of employment across all staff, and advised the Commission in relation to attendance management issues.

### Risk Management

The Standards Commission operates a risk management strategy in accordance with accepted best practice principles and relevant guidance. A business risk register is maintained with input from the Convener, Members and staff of the Standards Commission.

The key strand is identification and regular review of the risks which may deflect the Standards Commission from the achievement of its objectives which are detailed within the strategic plan and the business plan. The risks identified are logged in a register where the operational, financial and reputational risks to which the organisation is exposed are considered, and the identified risks are weighted in light of their significance in terms of the impact they would have on the business process and the likelihood of the risk and its associated impacts occurring.

The management of risk is embedded in organisational activity. The business risk register is reviewed by the Accounting and Audit Committee on a quarter year basis and following each review a verbal report is provided to the Standards Commission. In addition the Convener, Members and staff of the Commission complete an annual review of the register where business risks are identified for the forthcoming year.

As stated in the Strategic Report, the primary risks identified within the Standards Commission's risk register relate to an inability to deliver statutory functions and strategic objectives due to:

- insufficient staffing or financial resources
- out of date or insufficient material available to provide guidance to stakeholders
- a lack of understanding of the ethical standards framework by key stakeholders

The register is reviewed to ensure that actions to eliminate or reduce risks remain under scrutiny and managed appropriately and that new or changing risks are identified throughout the operational year. These risks are identified and assigned to specific objectives in the business plan.

Over the course of the financial year 2013/14, the variety and number of risks to the Standards Commission have remained the same, although the level of risks has been re-assessed. Many of the risks have had their scores reduced when reviewed in light of actions undertaken to mitigate potential risks. This has included a range of stakeholder engagement activities to address lack of awareness, and a greater number of Hearings which have demonstrated the enforcement powers of the Standards Commission.

Overall, the Standards Commission does not face significant risk given that the organisation's functions are laid out within legislation, and Hearings can be conducted without attendance by named Respondents. The key risk during 2013/14 was identified as staffing, and this remains so going forward into 2014/15. The impact of this risk relates not only to the level of resources, which includes the impact of service delivery in relation to supporting the Standards Commission's statutory responsibility for Hearings and also in providing a broad spectrum of educational material in a timely fashion.

### **Assurance**

The system of internal control is designed to identify the principle risks to the achievement of the organisation's policies, aims and objectives and to manage them efficiently, effectively and economically. The system is made up of a number of operating procedures intended to provide reasonable assurance that objectives will be achieved and funds properly managed. It is designed to manage these risks, not eliminate them, and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

A system of internal control is an on-going process designed to:

- identify the principal risks to achieving our objectives
- evaluate the nature and extent of those risks, and
- manage them efficiently, effectively and economically.

### **Review of Effectiveness**

As Accountable Officer, I have responsibility to review the effectiveness of the system of internal control. These measures are reviewed regularly to:

- take into account changing legislation
- reflect the views of the Accounting and Audit Committee
- consider advice from the staff who contribute to the development and maintenance of the internal control framework
- review and respond to reports from internal audit and implement recommendations; and
- review and address the outcomes identified by external auditors in their management letter.



More generally, the Standards Commission is committed to a process of continuous development and improvement; seeking to improve systems in response to any relevant reviews and initiatives in best practice in this area; and will continue to be guided by the Scottish Public Finance Manual in reviewing our systems.

Overall, the Standards Commission has effective controls in place, and these have been described in earlier paragraphs within this 'Governance Statement' section. The regular programme of various meetings undertaken by the Standard Commission's Members measures this effectiveness through quarterly updates of performance against the business plan, as well as regular reviews of the actions undertaken to mitigate risks. Effectiveness is also reflected in the positive results demonstrated through the internal audit and external audit reports.

#### Internal Audit

The objective of internal audit is to provide independent assurance on the adequacy and effectiveness of systems of governance and controls, financial management and others, which have been established to manage the risks of the organisation to enable the achievement of organisational goals and ensure accountability for public funds.

The Accounting and Audit Committee continue to use the services of the Scottish Parliament's Head of Internal Audit to provide internal audit services to the Standards Commission. The internal audit process includes identification of a work programme with the Accounting and Audit Committee and thereafter a report is provided for consideration of the Committee.

During 2013-14 an internal audit review of the shared services arrangements with Scottish Parliament Finance and a review of the payroll and pensions arrangements within the Standards Commission was completed which concluded that controls are in place and these are operating effectively.


The main recommendation from the Internal Audit was that consideration should be given to establishing additional Service Level Agreements with other services within Scottish Parliament Corporate Body. This was agreed and implemented.

#### External Audit

Audit Scotland is the appointed auditor for the Standards Commission for Scotland for the period 2011-12 to 2015-16.

#### Significant Issues Arising During the Year

- Management of sick absence was conducted throughout the year in accordance with approved policies to ensure operational requirements continue to be met.

Signed on behalf of the Standards Commission for Scotland:	
	
Ian A Gordon Accountable Officer	Date: 28 July 2014

## Independent Auditor's Report to the Members of the Standards Commission for Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Standards Commission for Scotland for the year ended 31 March 2014 under the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended by the Scottish Parliamentary Commission 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 2013/14 Government Financial Reporting Manual (the 2013/14 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, and disclosures 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended by the Scottish Parliamentary Commission 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 2014 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 2013/14 FReM; and
- have been prepared in accordance with the requirements of the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended by the Scottish Parliamentary Commission 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:

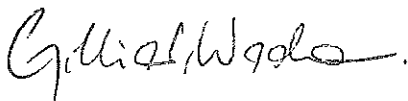
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended by the Scottish Parliamentary Commission and Commissioners etc. Act 2010 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary 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  
Audit Scotland  
18 George Street  
Edinburgh  
EH2 2QU

Date:

31 July 2014

## Statement of Comprehensive Net Expenditure For Year Ended 31 March 2014

	Notes	2013-14 £'000	2012-13 £'000
<b>Administration costs</b>			
Staff costs	2	182	173
Other administration costs	4	51	31
Depreciation	5	3	3
<b>Net operating costs</b>		<b>236</b>	<b>207</b>

All amounts relate to continuing activities, with the key variances being explained as follows:

The 'Staff costs' variance of £9k reflects the fact that during 2013/14 the Standards Commission had a full complement of Commission Members following a vacancy in the previous year, and also reflects Members costs associated with conducting a greater number of Hearings during 2013/14 (5 Hearings) than in 2012/13 (1 Hearing).

The 'Other administration costs' variance of £20k mainly reflects the costs associated with defending a judicial review, as well as meeting the associated costs of venue hire and travel associated with the greater number of Hearings during 2013/14.


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 26 form an integral part of these accounts.

Statement of Financial Position  
As at 31 March 2014

	Notes	31 March 2014	31 March 2013
		£'000	£'000
<b><u>Non current assets</u></b>			
IT equipment	5	<u>3</u>	<u>5</u>
<b>Total non current assets</b>		<u>3</u>	<u>5</u>
<b><u>Current assets</u></b>			
Trade and other receivables	6	<u>-</u>	<u>4</u>
		<u>-</u>	<u>4</u>
<b>Total current assets</b>		<u>-</u>	<u>4</u>
<b>Total assets</b>		<u>3</u>	<u>9</u>
<b><u>Current liabilities</u></b>			
Trade and other payables	7	<u>(16)</u>	<u>(24)</u>
<b>Total current liabilities</b>		<u>(16)</u>	<u>(24)</u>
<b>Assets less liabilities</b>		<u>(13)</u>	<u>(15)</u>
<b><u>Taxpayers' equity</u></b>			
General fund		<u>(13)</u>	<u>(15)</u>
<b>Total taxpayers' equity</b>		<u>(13)</u>	<u>(15)</u>

The financial statements were approved by the Standards Commission for Scotland on 28 July 2014 and authorised for issue by:

	
<b>Ian A Gordon</b> Accountable Officer	Date: 28 July 2014

The accompanying notes on pages 22 to 26 form an integral part of these accounts.

Statement of Cash Flows  
For Year Ended 31 March 2014

	Notes	2013-14 £'000	2012-13 £'000
<b><u>Cash flows from operating activities</u></b>			
Net operating cost		(236)	(207)
<b>Adjustment for non cash item</b>			
Depreciation	5	3	3
<b>Movements in working capital</b>			
(Increase)/decrease in trade and other receivables	6	4	-
Increase/(decrease) in trade and other payables	7	(8)	(4)
<b>Net cash outflow from operating activities</b>		<u>(237)</u>	<u>(208)</u>
<b><u>Cash flows from investing activities</u></b>			
Purchase of IT equipment	5	(1)	(1)
<b>Net cash outflow from investing activities</b>		<u>(1)</u>	<u>(1)</u>
<b>Net cash requirement</b>		(238)	(209)
<b><u>Cash flows from financing activities</u></b>			
Financing from the Scottish Parliamentary Corporate Body		238	186
<b>Net cash inflow from financing activities</b>		<u>238</u>	<u>186</u>
<b><u>Net increase/(decrease) in cash and cash equivalents</u></b>		<u>-</u>	<u>(23)</u>
Cash and cash equivalents at s at 1 April		-	23
Cash and cash equivalents at end of period s at (31 March)		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>-</u>	<u>(23)</u>

**Statement of Changes in Taxpayers' Equity  
For Year Ended 31 March 2014**

	2013-14	2012-13
	£'000	£'000
<b>General Fund</b>		
<b>Balance at 31 March 2013</b>	(15)	6
Net operating costs for the year	(236)	(207)
Funding from the SPCB	238	186
<b>Balance at 31 March 2014</b>	<u>(13)</u>	<u>(15)</u>

## NOTES TO THE ACCOUNTS

### **1 Statement of 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 Standards Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Standards 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 Tangible non-current assets**

##### **1.2.1 Capitalisation**

IT Equipment purchased with a group value exceeding £500, inclusive of irrecoverable VAT, is treated as a non-current asset.

##### **1.2.2 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 estimated useful life of the asset. These are as follows:

IT Equipment	3 years
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#### **1.3 Intangible non-current assets**

The Standards Commission has no intangible non-current assets.

#### **1.4 Funding**

Funding received from the Scottish Parliamentary Corporate Body is credited directly to the general fund in the period to which it relates. The SPCB provides a transaction processing and recording function for the Standards Commission. Accordingly a bank account is not operated.

#### **1.5 Leases**

The Standards Commission holds no finance leases and no operating leases.



## 1.6 Pension Costs

### Employees

The staff of the Standards Commission are eligible to be members of the Principal Civil Service Pension Scheme. This is an unfunded multi-employer defined benefit scheme but the Standards Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details of the resource accounts of the Cabinet Office: Civil Superannuation can be found at [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions).

## 1.7 Value Added Tax

The Standards Commission is not VAT registered and all VAT is charged to the Accounts.

## 2 Staff Numbers and Costs

### 2.1 Average staff employed (full time equivalent)

The average number of full time equivalent (FTE) persons employed by the Standards Commission during the year was as follows:

	2013-14	2012-13
	FTE	FTE
Convener and members	0.5	0.5
Staff	2.8	2.8
	<u>3.3</u>	<u>3.3</u>

### 2.2 Breakdown of Staff Costs – Administration Costs

	2013-14	2013-14	2013-14	2012-13
	£'000	£'000	£'000	£'000
	Total	Convener & Members	Staff	Total
Salaries and wages	153	45	108	143
Social security costs	10	2	8	10
Pension costs	19	-	19	20
	<u>182</u>	<u>47</u>	<u>135</u>	<u>173</u>

## 3 Staff Pension Costs

Staff members may be in one of four defined benefit schemes provided by the Principal Civil Service Pension Scheme. The various schemes provided are final salary schemes (classic, premium, classic plus) or a whole career scheme (nuvos). These statutory arrangements are unfunded with the costs of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation

Employee contributions are salary related and range between 1.5% and 3.9% of pensions earnings for classic and 3.5% to 5.9% for premium, classic plus and nuvos. Increases to employee contributions applied from 1 April 2013. There is no automatic lump sum on retirement.

For 2013-14 the employers contributions of £19,919 (2012-13 £20,176) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience in the scheme.

Outstanding scheme contributions at 31 March 2014 amounted to £440 (31 March 2013 £602).

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 at least twice pensionable pay, depending on the scheme joined within PCSPS, and also provides a service enhancement on computing the spouse's/ eligible partner'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.

#### 4 Administration Costs

	2013-14	2012-13
	£'000	£'000
Legal advice	17	3
Audit fee	2	2
Recruitment costs	-	6
Hearing costs accommodation	3	1
Information technology costs	5	2
Printing and promotion costs	2	2
General administration costs	5	2
Officeholders travel and expenses	7	7
Staff travel and expenses	10	6
	<b>51</b>	<b>31</b>

The 'Legal advice' variance of £14k mainly reflects the costs associated with defending a judicial review.

The 'Staff travel and expenses costs' variance of £4k reflects the costs associated with supporting 5 Hearings, as well as those costs incurred from meeting senior officers In Councils and Public Bodies around Scotland.

5 Tangible non-current assets

	2013-14	2012-13
	£'000	£'000
<b>IT equipment</b>		
<b>Cost</b>		
At 1 April 2013	13	12
Additions	1	1
Disposals	(1)	-
At 31 March 2014	<u>13</u>	<u>13</u>
<b>Depreciation</b>		
At 1 April 2013	8	5
Charged in year	3	3
Disposals	(1)	-
At 31 March 2014	<u>10</u>	<u>8</u>
<b>Net Book Value</b>		
At 31 March 2014	<u>3</u>	<u>5</u>
At 31 March 2013	<u>5</u>	<u>7</u>

6 Trade and other receivables: amounts falling due within one year

	2013-14	2012-13
	£'000	£'000
Ministry of Justice deposit	<u>-</u>	<u>4</u>

7 Trade and other payables: amounts falling due within one year

	2013-14	2012-13
	£'000	£'000
Payroll accrual	6	15
General accruals	8	9
Ministry of Justice	2	-
	<u>16</u>	<u>24</u>

**8 Capital commitments**

There were no contracted capital commitments as at 31 March 2014 (2013 Nil).

**9 Contingent liabilities**

There were no contingent liabilities as at 31 March 2014 (2013 Nil).

**10 Related Party Transactions**

The Standards Commission was constituted by the Scottish Parliament which provides funding via the Scottish Parliamentary Corporate Body (the SPCB). The SPCB is regarded as a related body. In 2013-14 the SPCB provided actual funding of £237,613 (budget funding of £238,500). From 26 October 2011, the Standards Commission has been accommodated at £nil cost within the Scottish Parliament building and other services such as telephone and post at £nil cost.

Jan Polley, a Standards Commission Member, has provided training services to the SPCB on a sub contract basis, through the SPCB training contract with Bray Leino. The Convener nor any other Member of the Standards Commission or member of staff or related parties have undertaken material transactions with SPCB during the year.

**11 Post Statement of Financial Position Events**

No event has occurred since the date of the statement of financial position which materially affects the financial statements.

**12 Impending application of newly issued accounting standards not yet effective**

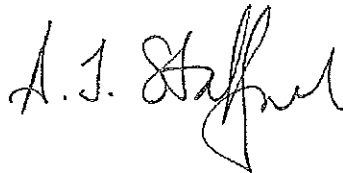
A number of new accounting standards have been issued or amendments made to existing standards, but have not yet been applied in these financial statements. The anticipated impact on the financial statements is not considered material.



**STANDARDS COMMISSION FOR SCOTLAND**

**DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of Schedule 1 paragraph 10E of the Ethical Standards in Public Life etc (Scotland) Act 2000, 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 (FRoM) 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



INTEGRITY IN PUBLIC LIFE