



Annual Accounts

Year Ended 31 March 2015

INTEGRITY IN PUBLIC LIFE

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MANAGEMENT COMMENTARY

Introduction

The accounts for the financial year ended 31 March 2015 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 the Accounts Direction given by Scottish Ministers on 22 May 2012.

Background information

The Standards Commission for Scotland ('the Standards Commission') was established by Scottish Ministers on 27 January 2002 following the enactment of the 'Ethical Standards in Public Life etc. (Scotland) Act 2000' ('the 2000 Act'). This Act created a framework for securing the observance of high standards of conduct by councillors and other persons holding public appointments. Scottish Ministers issue Codes of Conduct for Councillors and a Model Code of Conduct for members of devolved public bodies. Each devolved public body is required to submit a draft Code of Conduct for approval of Ministers. Once approved, the code becomes the Members' Code of Conduct applicable to members of that body. Complaints about breaches of these Codes are investigated by the Commissioner for Ethical Standards in Public Life in Scotland ('CESPLS') and, where he determines a contravention of the code of conduct may have occurred, the CESPLS submits a report to the Standards Commission.

Statutory Duties

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 the enforcement of the Councillors' Code of Conduct and the Codes of Conduct for Members of Devolved Public Bodies.

The Standards Commission does not conduct investigations into complaints about alleged breaches of the Codes of Conduct as this function falls within the remit of the CESPLS. The Standards Commission adjudicates on cases referred by the CESPLS where, following his investigation into a complaint, he considers that a contravention of a Code of Conduct may have occurred.

Members of the Standards Commission consider cases referred by the CESPLS and decide to:

- (a) direct the CESPLS to carry out further investigations;
- (b) hold a hearing; or
- (c) do neither.

As of the 31 March 2015, there were 32 Councils and approximately 120 devolved public bodies covered by the requirements of the ethical standards framework. This means compliance with the Codes of Conduct is a requirement for 1,222 Councillors and approximately 1,600 Board Members.

The Standards Commission's four year strategic plan, covering the period 2012-2016, identified four 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.

STRATEGIC REPORT

Operational Activities during 2014/15

During the period 1 April 2014 – 31 March 2015, the Standards Commission focused its resources on expanding its engagement activities in respect of the first two strategic objectives with a range of key stakeholders. There was also a significant increase in the number of Hearings held during this year.

During 2014/15, the Standards Commission conducted nine Hearings. A further Hearing commenced during 2014/15 but was continued and will be concluded during 2015/16.

The Standards Commission focused on stakeholder engagements during the operational year in support of its underlying aim of raising awareness of the ethical standards framework. This was achieved through conducting workshops and bespoke training events. In addition, Guidance was developed to support the revised Model Code of Conduct, which was issued by Scottish Government. The Standards Commission also conducted a review of its Hearing Rules to ensure these were relevant, accessible and fit for purpose.

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. Underpinning the SPCB payment policy is compliance with the Confederation of British Industry's (CBI) Prompt Payers Code. The CBI's stated target for payments is that they are paid within the agreed terms or by 30 days of receipt of invoices not in dispute for goods and services received. The overall payment performance achieved by the SPCB for processing invoices on behalf of the Standards Commission was 100% (2013/14 100%).

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 2014/15, 99.1% of the Standards Commission's invoices were paid within 10 days (2013/14 100%).

Funding

The Standards Commission receives funding on a cash basis from the overall budget of the Scottish Parliamentary corporation. The Scottish Parliamentary Corporate Body approved a cash budget of £226,000 for the Standards Commission for 2014/15 (in 2013/14 the cash budget was £226,000 with an additional £12,500 provided to cover one off exceptional expenditure relating to costs associated with a judicial review taken against the Standards Commission which was unsuccessful).

Financial Position

During 2014/15 the Standards Commission's cash expenditure was £214,987 (2013/14 £237,613). The Statement of Comprehensive Net Expenditure and the Notes to the Accounts shows the income and expenditure for the year. The Standards Commission's net expenditure on operating activities for the year ended 31 March 2015 totalled £215,000 (2013/14 £236,000).

This was divided between staffing costs £164,000 (2013/14 £182,000); other administrative costs £49,000 (2013/14: £51,000); and depreciation £2,000 (2013/14 £3,000). Details of other administrative costs are shown in note 4 to the accounts.

The primary reason for the disparity between the planned budget and the actual expenditure was due to decreased staffing costs during the period 9 July 2014 to 30 November 2014 as a result of the impact of a vacancy following the resignation of the Executive Director on the 8 July until a new Executive Director was appointed on 1 December 2014. However, some of the underspend caused by the reduced staffing level was used to off-set increased costs associated with Hearings related activities as a result of a significant rise in the number of Hearings held by the Standards Commission during the operational year.

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.

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.

Going Concern

The financial statements for the year ended 31 March 2015 show a deficit on the General Fund of £12,000 (2013/14 £13,000). This situation arises because the Standards Commission for Scotland's Annual Accounts are presented on an accrual basis, whilst recording of funding provided by the Scottish Parliamentary Corporate Body is based on cash accounts. Net current liabilities will be funded by the Scottish Parliamentary Corporate Body as they arise. As a consequence, these financial statements have been prepared on a going concern basis.

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 staffing or financial resources to maintain operational effectiveness;
- insufficient Members to support Hearings related functions;
- out of date or insufficient material available to provide guidance to stakeholders; and
- a lack of confidence in or understanding of the ethical standards framework by key stakeholders.

Furthermore, due to the demand led nature of complaints investigated by the CESPLS, there will always be a difficulty in accurately forecasting the number of alleged breach cases which the CESPLS will submit for consideration of the Standards Commission during each operational year. The number of complaints made and the consequent number of cases submitted by the CESPLS are outwith the control of the Standards Commission, however, the activities of the CESPLS impacts on the statutory function of the Standards Commission.

Future Development

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

- Focus on providing revised Guidance for the Councillors' Code of Conduct to ensure stakeholders' needs continue to be met.
- Support Monitoring Officers' and Standards Officers' networks through facilitating workshops to support opportunities for information gathering and sharing, and discussions about good practices.
- Work with the CESPLS to identify issues and identify improvements in working practices that will support key stakeholders.
- Continue to review cases referred by CESPLS in relation to the determination and sanction of potential breach cases.
- Review and redesign our website to make it more accessible and user friendly.
- Continuously monitor and review the Hearings Rules and Procedures, and ensure determinations and sanctions are applied consistently following consideration of the evidence and mitigating factors.

Organisation Structure

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

- A Convener (employed 3 days per month);
- Four Commission Members (employed 2 days per month); and
- Three staff (equating to 2.8 full time equivalents).

Following the departure of one Member during January 2015, the Standards Commission operated with three Members. During 2015/16 the Scottish Parliamentary Corporate Body will seek to appoint, with the agreement of the Scottish Parliament, a Member to the Standards Commission.

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'. As of 31 March 2015, the staffing breakdown consists of the following:

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

Business Model

The Standards Commission's aims are detailed within its four year Strategic Plan (2012 - 2016), which is supported by annual Business Plans. The Strategic Plan and annual Business Plans are published on the Standards Commission's website at www.standardscommissionscotland.org.uk, and are monitored by quarterly performance reports to the Standards Commission.

During January 2015, the role of the Standards Commission's Accounting and Audit Committee was reviewed and its terms of reference updated to support the business requirement of an Audit and Risk Committee. During 2014/15 the Audit and Risk Committee reported to the Standards Commission on a quarterly basis. Matters relating to personnel and staffing resources are dealt with by the Human Resources Committee as required. Both committees of the Standards Commission are advisory and make recommendations for consideration by the Standards Commission.

Sustainability

The Standards Commission recognises the importance of environmental issues and sustainability and endeavours to consider these matters in all its business decisions. Although not directly covered by the Greening Government commitments, as a tenant within the SPCB premises, the Standards Commission supports the Scottish Parliament's effort in meeting their targets and adheres to the SPCB policies and procedures.

Mindful of its carbon footprint, the Standards Commission has undertaken work to assess its impact, and continually seeks ways to improve this.

Social, Community & Human Rights Issues

The Standards Commission has no specific social, community or human rights issues to report. However, in order to demonstrate good practice in these areas, the Standards Commission ensures:

- Hearings are conducted in public. If the Respondent is a Councillor, this will be held in the local authority area in which the Councillor was elected. If the Respondent is a Member of a devolved public body it will be in the area where the devolved public body holds its meetings. This demonstrates openness and transparency, as well as offering ease of access to members of the public and press who may wish to view

proceedings.

- Hearings are conducted in a fair, transparent and accessible manner through the production, distribution and adherence to Hearing Rules, which outline the procedures to be followed. The Standards Commission also updates all parties as to arrangements for Hearings and the decision made by the Panel. All parties within a Hearing have the right to be represented, which includes being able to seek legal advice and counsel.
- A fair representation of the case before the Hearing Panel, which considers all relevant evidence presented when determining the case and, should a breach of the Code of Conduct be found, takes into account any mitigating factors when applying a 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 continually reviewing and updating 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. Equality impact assessments are undertaken in respect of all new policies, procedures and practices.

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 informing and consulting with its staff. It does so by providing access to all documents, through oral and written briefings, staff meetings and the involvement of staff at 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.

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.

Audit

These accounts are audited by the Auditor General for Scotland in accordance with section 10(E)(1) of the Ethical Standards Act in Public Life (etc.) Scotland Act (as amended by the Scottish Parliamentary Commissions and Commissioners etc. Act 2010)

Authorisation

I authorised these financial statements for issue on 28 July 2015.

Signed on behalf of the Standards Commission for Scotland:	
	
Lorna Johnston Accountable Officer	Date: 28 July 2015

DIRECTOR'S REPORT

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 appointed by Scottish Ministers for a period of four years and were thereafter eligible for a period of reappointment by the Scottish Parliamentary corporation with the provision that the total period of appointment does not exceed eight years in office. Lindsey Gallanders was appointed by the Scottish Parliamentary corporation, with effect from 15 February 2013, for a period of six years.

	<u>Date of appointment</u>	<u>Date of re-appointment</u>	<u>Date Appointment ceases</u>
Convener: Ian A Gordon OBE, QPM, LL.B (Hons)	1 Feb 2010	1 Feb 2014	31 Jan 2017
Members: Jan Polley	18 Jan 2010	17 Jan 2014	17 Jan 2015
Matt Smith OBE, JP	1 Apr 2010	1 Apr 2014	31 Mar 2017
Julie Ward	18 Jan 2011	18 Jan 2015	17 Jan 2018
Lindsey Gallanders	15 Feb 2013		14 Feb 2019

The Convener and Members are appointed on a part-time basis for three and two days per month respectively. However they may be asked to work additional time in order to conduct Hearings. Appointment as either the Convener or as 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, who was a Member of the Standards Commission, provided training services to the Scottish Parliamentary Corporate Body (the SPCB) on a sub contractual basis, when the SPCB training contract was operated by Bray Leino.

No material transactions with the SPCB have been undertaken during the year by the Convener or Member of the Standards Commission, staff of the Standards Commission, or any related party.

Accountable Officer

Lindsey McNeill was appointed as the Standards Commission's Executive Director and the Accountable Officer with effect from 13 May 2013 until 8 July 2014 when she left the employment of the Standards Commission. With effect from 9 July 2014, the SPCB designated Ian Gordon, Convener, as the interim Accountable Officer. Lorna Johnston was appointed by the SPCB as both the Standards Commission's Executive Director and Accountable Officer on 1 December 2014.

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 to 2015/16.

The auditors were remunerated in the sum of £2,435 in respect of the statutory audit services for the financial year 2014/15 (2013/14 £2,400). No payments were made in respect of non-audit work.

Additionally, the Standards Commission was supported by the SPCB internal audit service during the financial year, on a nil cost basis. Planned activities completed through a Memorandum of Understanding between the Standards Commission and the SPCB Internal Audit service included the completion of reviews examining the Business Risk Register and also the Budget Setting and Management processes.

Employee Sickness

As indicated in the Management Report, the organisation has three employees which equates to 2.8 full time equivalents. During the reporting year the overall staffing reduced to 1.8 full time equivalent employees between July and November 2014. However, following the return of one member of staff from long term sick absence a significant improvement in the overall sickness absence figures occurred during the year with the overall annual total during 2014/15 reducing to 6% (2013/14 27%).

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 the UK Parliament each year.

Personal Data Related Incidents

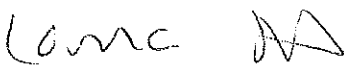
There were no personal data related incidents during 2014/15 (2013/14 Nil).

Charitable Donations

There were no charitable donations made during 2014/15 (2013/14 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 the 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:	
	
Lorna Johnston Accountable Officer	Date: 28 July 2015

REMUNERATION REPORT

The Convener and Members' salary and pension entitlements are outlined below. The Convener is paid £10,414 per annum (2013/14 £10,312) and Members receive £5,856 per annum (2013/14 £5,741). The hourly rate for Hearings related activity is £32.21 (2013/14 £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.

Remuneration - Convener and Members	2014/15	2013/14
	£'000	£'000
Ian Gordon	15-20	10-15
Lindsey Gallanders	5-10	5-10
Jan Polley (appointment ended 17 Jan 2015)	5-10	5-10
Matt Smith	10-15	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 2014/15 (2013/14 None).

The senior officers employed by the Standards Commission in 2014/15 were Lindsey McNeill, Executive Director to the Standards Commission who resigned from her post on 8 July 2014. Lorna Johnston was appointed by the Standards Commission as the Executive Director on 1 December 2014.

Remuneration – Executive Director

Senior Officer	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000)		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Lorna Johnston	15-20 (50-55 full year equivalent)	-	-	-	-	-	6,000	-	20-25	-
Lindsey McNeill	10-15 (50-55 full year equivalent)	45-50	-	-	-	-	6,000	17,000	15-20	70-75

Median Salary Ratio

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.

	2014/15 £'000	2013/14 £'000
Highest paid member of staff – salary band (full year equivalent £'000)	50-55	45-50
Average remuneration (Median not appropriate)	25-30	25-30
Ratio	1.8	1.7

The mid-point of the banded remuneration of the highest-paid member of senior staff employed by the Standards Commission in the financial year 2014/15 was £52,500 (2013/14 £47,500). This was 1.8 times (2013/14, 1.7) the average remuneration of the workforce, which was within the band £25-30k (2013/14, £25-30k).

In 2014/15 no employees (2013/14, 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. Total remuneration does not include employer pension contributions or the cash equivalent transfer value of the pensions.

Pensions Benefits

	Accrued pension at pension age as at 31/03/15	Real increase in pension £'000	CETV at 31/3/2015 £'000	CETV at 31/3/2014 £'000	Real increase in CETV £'000
Lindsey McNeill	0-5	0-2.5	10	8	2
Lorna Johnston	0-5	0-2.5	3	0	2

Lindsey McNeill left the Standards Commission on 8 July 2014.

Lorna Johnston was appointed to the role of Executive Director on 1 December 2014.

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

The figures relating to pension and pension benefits are provided by MyCSP Ltd which administers the Civil Service Pension Scheme on behalf of the Cabinet Office.

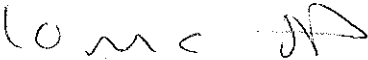
The Cash Equivalent Transfer Value (CETV)

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. A CETV is a payment made by a pension scheme, an arrangement to secure pension benefits in another pension scheme or an 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.

The figures include the value of any pension benefit in another scheme or arrangement, which the member has transferred to the Civil Service pension arrangements. They also include any additional pensions benefit accrued to the member as a result of their buying additional pension benefits at their own cost. 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.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and common market valuation factors are used for the start and end of the period.

Signed on behalf of the Standards Commission for Scotland:	
	
Lorna Johnston Accountable Officer	Date: 28 July 2015

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; and
- (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 and that 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 Scottish Parliamentary Corporate Body. 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, who are appointed on a part-time basis for three days and two days per month respectively and, in addition, can undertake further work associated with the conduct of Hearings. In 2014/15 the Standards Commission met monthly to discuss and decide on a range of strategic matters and to consider Breach Reports submitted by the CESPLS. The Commission Members also considered recommendations from both the Human Resources Committee and the Audit and Risk Committee (prior to January 2015, this was known as 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.

Until December 2014, the Accounting and Audit Committee supported the way in which the operational plan was developed and priorities were managed to guarantee that the assurances were reliable and continued to meet business and organisational requirements. Following a review of the work of the Committee, the Standards Commission determined that the Committee's terms of reference would, with effect from January 2015, focus on the business of managing and monitoring audit and risk. The Committee became the Audit and Risk Committee. Two Commission Members are appointed by the Standards Commission to sit on the Audit and Risk Committee. Members continue to provide oversight and assurance to me in reviewing the business risks, together with providing constructive challenge in relation to control and governance matters. During 2014/15 the Committee paid particular attention to reviewing the business risks and their underlying assumptions, along with the controls and mitigating actions. This included consideration of the results from two internal audit reviews which were conducted during 2014/15. Up to December 2014 the Committee was also responsible for considering reports detailing expenditure against planned budget.

The Human Resources Committee is charged with overseeing matters and giving advice and recommendations to the Standards Commission on its responsibilities in respect of staff and personnel matters. Two Commission Members sit on this Committee. During 2014/15 the Committee focused on recruitment and appointment of an Executive Director. It also conducted a review of the job descriptions; considered and reviewed the staff reporting arrangements to ensure consistency of terms and conditions of employment; and supported the introduction of a competency framework together with a new performance management system. The Committee also continued to monitor and report to the Standards Commission in relation to attendance management.

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 annual business plan. The risks identified are recorded in a register where operational, financial and reputational risks to which the organisation is exposed are considered. The identified risks are scored in accordance with their significance in terms of the impact they would have, and also in the terms of 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/Audit and Risk Committee regularly 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 to maintain operational effectiveness;
- insufficient Members to support Hearings related functions;
- out of date or insufficient material available to provide guidance to stakeholders; and
- a lack of confidence in or understanding of the ethical standards framework by key stakeholders.

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

Overall, the Standards Commission does not face significant risk given that the funding arrangements and the organisation's functions are outlined by legislation, and Hearings can be conducted without attendance by the Respondent, if the Respondent so chooses. The key risk identified during 2014/15 related to staffing, and this remains so going forward into 2015/16. This is because the Standards Commission operates with 2.8 FTE staff. The impact of this risk relates not only to the level of resources, which includes the impact on service delivery in relation to supporting the Standards Commission's statutory responsibility to conduct Hearings, but also to knowledge, experience and understanding of the organisations functions and procedures.

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 the organisations 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 (and with effect from January 2015 the Audit and Risk 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. It will continue to be guided by the Scottish Public Finance Manual in reviewing its systems.

Overall, the Standards Commission has effective controls in place, which have been described in earlier paragraphs within this 'Governance Statement' section. The regular programme of meetings undertaken by the Standard Commission's Members measures their 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 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 and the Audit and Risk Committee continued to use the services of the Scottish Parliament's Head of Internal Audit through the use of a Memorandum of Understanding. The internal audit process includes agreement of a work programme with the Committee and following the conclusion of the planned activities a report is provided for consideration of the Committee. The Accounting and Audit Committee met three times during 1 April – 31 December 2014 with the Audit and Risk Committee meeting on one occasion during the latter part of the operational year.


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

The Standards Commission identified the following as key risks for the organisation during 2014/15.

- Increasing hearing activity placing excessive demands on current resources and the impact of this on Members and staff; and
- the impact of staffing matters and the ability of the Standards Commission to provide support and guidance to assist key stakeholders in implementing the ethical standards framework

Signed on behalf of the Standards Commission for Scotland:	
	
Lorna Johnston Accountable Officer	Date: 28 July 2015

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 2015 in accordance with the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended by the Scottish Parliamentary Commissions 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 2014/15 Government Financial Reporting Manual (the 2014/15 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 Commissions 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 2015 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 2014/15 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 Commissions 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:

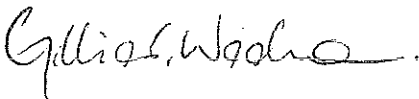
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Ethical Standards in Public Life etc. (Scotland) Act 2000 as amended by the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 and directions made thereunder by the Scottish Ministers; 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

30 July 2015

Statement of Comprehensive Net Expenditure
For Year Ended 31 March 2015

	Notes	2014/15	2013/14
		£'000	£'000
Administration costs			
Staff costs	2	164	182
Other administration costs	4	49	51
Depreciation	5	2	3
Net operating costs		215	236

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

The 'Staff costs' variance of -£18k reflects the fact that between July and November 2014 there was no senior officer in post. As a result, there was an overall reduction in salary costs during 2014/15.


There have been no gains or losses other than those recognised in the Statement of Comprehensive Net Expenditure.

The accompanying notes on pages 21 to 25 form an integral part of these accounts.

**Statement of Financial Position
As at 31 March 2015**

	Notes	31 March 2015 £'000	31 March 2014 £'000
<u>Non current assets</u>			
IT equipment	5	1	3
Total non current assets		<u>1</u>	<u>3</u>
<u>Current assets</u>			
Trade and other receivables		-	-
Total current assets		<u>-</u>	<u>-</u>
Total assets		<u>1</u>	<u>3</u>
<u>Current liabilities</u>			
Trade and other payables	6	(13)	(16)
Total current liabilities		<u>(13)</u>	<u>(16)</u>
Assets less liabilities		<u>(12)</u>	<u>(13)</u>
<u>Taxpayers' equity</u>			
General fund		(12)	(13)
Total taxpayers' equity		<u>(12)</u>	<u>(13)</u>

The financial statements were approved by the Standards Commission for Scotland on 28 July 2015 and authorised for issue by:

	
Lorna Johnston Accountable Officer	Date: 28 July 2015

The accompanying notes on pages 21 to 25 form an integral part of these accounts.

Statement of Cash Flows
For Year Ended 31 March 2015

	Notes	2014/15 £'000	2013/14 £'000
<u>Cash flows from operating activities</u>			
Net operating cost		(215)	(236)
Adjustment for non cash item			
Depreciation	5	2	3
Movements in working capital			
(Increase)/decrease in trade and other receivables		0	4
Increase/(decrease) in trade and other payables	6	(3)	(8)
Net cash outflow from operating activities		<u>(216)</u>	<u>(237)</u>
<u>Cash flows from investing activities</u>			
Purchase of IT equipment	5	(0)	(1)
Net cash outflow from investing activities		<u>(0)</u>	<u>(1)</u>
Net cash requirement		<u>(216)</u>	<u>(238)</u>
<u>Cash flows from financing activities</u>			
Financing from the Scottish Parliamentary Corporate Body		216	238
Net cash inflow from financing activities		<u>216</u>	<u>238</u>
<u>Net increase/(decrease) in cash and cash equivalents</u>		<u>-</u>	<u>-</u>
Cash and cash equivalents at s at 1 April		-	-
Cash and cash equivalents at end of period s at (31 March)		-	-
Net increase/(decrease) in cash and cash equivalents		<u>-</u>	<u>-</u>

**Statement of Changes in Taxpayers' Equity
For Year Ended 31 March 2015**

	2014/15 £'000	2013/14 £'000
General Fund		
Balance at 31 March 2014	(13)	(15)
Net operating costs for the year	(215)	(236)
Funding from the SPCB	216	238
Balance at 31 March 2015	<u>(12)</u>	<u>(13)</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 SPCB 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 Civil Service Pension Scheme. It is not possible for the Standards Commission to identify its share of the underlying liabilities in the scheme, which can be attributed to the employees of the Standards Commission. 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. For the purposes of this Statement of Account, it is therefore accounted for on the same basis as a defined contribution scheme.

Employee contributions are salary related and range between 1.5% and 6.85% of pensions earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum, **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March 2015) the members earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007, members of the scheme may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **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 Pension Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit statement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at, or over, pension age. Pension age is 60 for member of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

New Career Average pension arrangements have been introduced from 1 April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>.

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:

	2014/15	2013/14
	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

	2014/15	2014/15	2014/15	2013/14
	£'000	£'000	£'000	£'000
	Total	Convener & Members	Staff	Total
Salaries and wages	137	52	85	153
Social security costs	10	3	7	10
Pension costs	17	-	17	19
	<u>164</u>	<u>55</u>	<u>109</u>	<u>182</u>

3 Staff Pension Costs

For 2014/15 the employer contribution of £16,592 (2013/14 £19,919) was payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands.

Outstanding scheme contributions at 31 March 2015 amounted to £1,714 (2014 £440).

4 Administration Costs

	2014/15	2013/14
	£'000	£'000
Legal advice	3	17
Audit fee	2	2
Recruitment costs	3	-
Hearing costs accommodation	9	3
Information technology costs	5	5
Printing and promotion costs	3	2
General administration costs	4	5
Officeholders travel and expenses	11	7
Staff travel and expenses	9	10
	<u>49</u>	<u>51</u>

The 'legal advice' variance of £-14k reflects the costs associated with defending a judicial review during 2013/14.

The 'Hearing costs accommodation' variance of £6k reflects the costs associated with sourcing accommodation for 10 Hearings, which includes room hire for events in local hotels where it was not possible to have access to Local Authority premises. The increased requirement for Hearings related work also impacted on 'Officeholders travel and expenses', which resulted in a £4k variance. The increase in Hearings related costs did not impact on staff travel and expenses due to a decision of the Standards Commission to reduce administrative support from two members of staff to one person per Hearing.

5 Tangible non-current assets

	2014/15 £'000	2013/14 £'000
IT equipment		
Cost		
At 1 April 2014	13	13
Additions	-	1
Disposals	-	(1)
At 31 March 2015	13	13
Depreciation		
At 1 April 2014	10	8
Charged in year	2	3
Disposals		(1)
At 31 March 2015	12	10
Net Book Value:		
At 31 March 2015	1	3
At 31 March 2014	3	5

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

	2014/15 £'000	2013/14 £'000
Payroll accrual	7	6
General accruals	5	8
Ministry of Justice	1	2
	13	16

7 Capital commitments

There were no contracted capital commitments as at 31 March 2015 (2014 Nil).

8 **Contingent liabilities**

There were no contingent liabilities as at 31 March 2015 (2014 Nil).

9 **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. From 26 October 2011, the Standards Commission has been accommodated at Enil cost within the Scottish Parliament building.

Jan Polley, a Standards Commission Member, provided training services to the SPCB on a sub contract basis, through the SPCB training contract with Bray Leino. No Member of the Standards Commission (including the Convenor), member of staff or related parties have undertaken material transactions with the SPCB during the year.

10 **Post Balance Sheet Events**

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

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

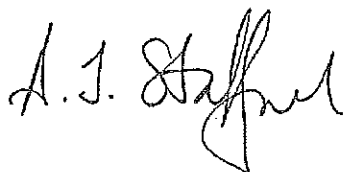
A number of new accounting standards have been issued or amendments made to existing standards, but have not yet been applied in these financial statements. The anticipated impact on the financial statements is not considered material.



STANDARDS COMMISSION FOR SCOTLAND

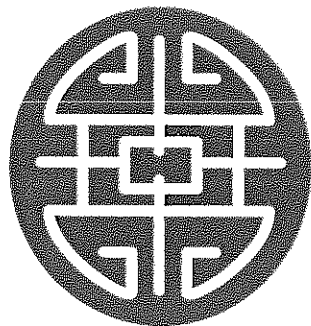
DIRECTION BY THE SCOTTISH MINISTERS

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 (FRM) 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