

# MINUTE Meeting date: Tuesday 19 July 2022

## IN ATTENDANCE ONLINE

- Mike McCormick (Chair)
- Suzanne Vestri
- Lorna Johnston, Executive Director & Accountable Officer
- Paul Walker (Standards Commission Convener) (observing only)
- Claire Gardiner, Senior Audit Manager, Audit Scotland
- Andy Munro, Head of Internal Audit, Scottish Parliamentary Corporate Body (SPCB)

ITEM	CONTENT	ACTION
<b>STANDING ITEMS</b>		
1.	<p><b>WELCOME, APOLOGIES and DECLARATIONS OF INTEREST</b></p> <p>Mr McCormick welcomed all attendees. Apologies for absence were received from Sarah Nicholson, Officer Manager.</p> <p>No declarations of interest were made.</p>	
2.	<p><b>DRAFT MINUTE OF PREVIOUS MEETING</b></p> <p>The draft minutes of the meeting on 24 May 2022 were approved.</p>	
3.	<p><b>MATTERS ARISING</b></p> <p>The Committee noted that all matters arising had been completed.</p>	
<b>BUSINESS ITEMS</b>		
4.	<p><b>RISK REGISTER 2022/23</b></p> <p>The Committee reviewed the contents of the Risk Register and agreed to recommend to the Standards Commission that:</p> <ul style="list-style-type: none"> <li>• The impact score for risk 2 (being that the Standards Commission could experience a significantly increased workload as a result of the recommendations made by, and scrutiny of, Audit Scotland in its Section 22 report, published on 22 December 2021, on the Ethical Standards Commissioner's 2020/21 audit) be reduced from 4 to 2, with the overall score decreasing from 6 to 4. This was in light of the decision taken by the Acting ESC not to re-open any previously closed cases.</li> <li>• The overall score for risk 6 (being that the Standards Commission has insufficient resources in terms of both Members and staff) remains at 8. The Committee noted that the probability score for this risk was reduced after the meeting on 30 May 2022 in light of discussions with Officeholder Services about the recruitment of new Members and willingness of the Acting ESC to provide information about when cases are likely to be referred. It considered, however, that this risk should remain as 'amber' until the recruitment of the two new Members had been completed and an induction programme finalised.</li> <li>• The overall risk score for risk seven (being that expenditure substantively exceeds or is significantly less than the Standards Commission's agreed budget) remains at 16 until</li> </ul>	Chair

	<p>amount of expenses for which the Standards Commission is liable is known, in respect of the successful appeal on case LA/R/2257 &amp; 3262.</p> <ul style="list-style-type: none"> <li>• The overall risk score for risk eight (being a loss of confidence in the overall ethical standards framework as a result of delays at the investigation stage) remains at 9, as the Acting ESC confirmed at the joint meeting with the Standards Commission on 28 June 2022 that there were still backlogs at the investigation stage and that he did not expect to be able to clear this unless funding was agreed to enable him to recruit new staff (the Committee noted that a business case seeking such funding has been submitted).</li> <li>• The probability score for risk ten (being a lack of understanding amongst stakeholders, the public and the media of the work of and decisions made by the Standards Commission) be reduced from 3 to 2, with the overall score decreasing from 12 to 8, in light of the work undertaken and, particularly, the media engagement undertaken.</li> </ul>	
5.	<p><b>ANNUAL ACCOUNTS 2021/22</b></p> <p><b>a) Review Draft Annual Report &amp; Accounts 2021/22</b>  The Committee reviewed the draft Annual Accounts for 2021/22 and, subject to some minor amendments, agreed they should be submitted for final review and approval by the Standards Commission at its meeting on 25 July 2022.</p> <p>Mrs Gardiner and the Committee thanked the SPCB’s Finance Team for their assistance with the preparation of the accounts.</p> <p><b>b) External Audit: Independent Auditor’s Report Management Letter</b>  Mrs Gardiner introduced the external auditor’s report on the Standards Commission’s Annual Report and Accounts 2021/22. Mrs Gardiner advised that Audit Scotland was satisfied that the annual accounts had been properly prepared in accordance with applicable legislation and that the financial statements gave a fair and true view of the Standards Commission’s affairs and net expenditure.</p> <p>In light of the external report, the Committee agreed the terms of the draft ISA 580 management response letter. The Committee noted that the Executive Director was not aware of any instances involving fraud or subsequent events that had occurred since 31 March 2022, that would require to be brought to the attention of the independent auditors. The Committee agreed, therefore, that it was content for the letter to be submitted to the Standards Commission for approval at its meeting on 25 July 2022.</p> <p><b>c) Draft Audit Report 2021/22</b>  Mrs Gardiner introduced the proposed annual external audit report. She advised that the auditors had applied the provisions relating to small bodies under the Code of Audit Practice 2016. Mrs Gardiner confirmed that the independent audit had concluded that the Standards Commission had adequate short, medium and long-term financial planning and governance arrangements and plans in place. Mrs Gardiner further confirmed that she was satisfied that the disclosures in the Governance Statement were consistent with the financial statements and the statement had been prepared in accordance with the relevant statutory guidance.</p> <p>Mrs Gardiner advised that the Auditor General for Scotland was responsible for the appointment of external auditors to central government bodies, with external auditors usually being appointed for a five-year term either from Audit Scotland’s Audit Services Group or a private firm of accountants. Mrs Gardiner noted that 2021/22 was the last year of the current appointment round. While Audit Scotland would continue to be the appointed auditor for the Standards Commission, the engagement lead and other staff working on the audit would be changed for the 2022/23 audit, in order to maintain the independence and objectivity of the audit team.</p>	Executive Director

	<p>The Chair and Executive Director both thanked Mrs Gardiner for her attendance at the meeting and for her invaluable assistance over the past few years.</p>	
<p>6.</p>	<p><b>INTERNAL AUDIT SERVICES</b></p> <p><b>a) Annual Internal Audit Assurance Report</b></p> <p>Mr Munro introduced the draft Internal Audit Assurance Report, which provided the Accountable Officer and Committee with an assurance on the adequacy and effectiveness of the systems of internal control in operation during 2021/22. Mr Munro reported that he was satisfied that he could offer a satisfactory level of assurance that arrangements, systems, processes, and internal controls were robust and were operating effectively, thereby ensuring risk is maintained at an acceptable level. As such, Mr Munro was able to advise the independent auditors that they could take substantial assurance from the areas reviewed as evidence in support of the Accountable Officer’s Governance Statement in the Annual Report and Accounts 2021/22.</p> <p><b>b) Communication between Staff and Members and Members’ time recording</b></p> <p>Mr Munro then introduced the internal audit report on governance arrangements. Mr Munro advised that, in light of the findings as outlined in Audit Scotland’s Section 22 report on the Ethical Standards Commissioner, published in December 2021, the SPCB had sought assurances from other officeholders regarding the resilience of governance arrangements.</p> <p>Mr Munro advised that the audit covered how Members and staff of the Standards Commission exchanged information and how Members’ time is recorded and monitored. The overall aim had been to ensure that the Standards Commission was prepared to respond to any requests for assurance, but noted that the aim of the audit was also to identify any scope for improvements to ensure best practice.</p> <p>Mr Munro advised that the audit had found that sufficient evidence had been found to confirm that the Standards Commission has appropriate governance arrangements in place, which allow for sufficient scrutiny and accountability whilst enabling prompt decisions and responses. These arrangements include regular meetings between Executive Team members, the Convener and Members and the Standards Commission’s committees.</p> <p>Mr Munro noted that the audit had found that while responsibilities in relation to Members’ time recording were clearly documented and communicated to all Members, not all records had been completed accurately. As such, he had recommended that improvements be made in this area.</p> <p>The Chair advised that Members had volunteered to time record in order to check whether they were spending more time on Standards Commission’s work than required by their terms and conditions, and also to establish the nature of the work (i.e. whether it was casework or governance related). The Chair advised, however, not all members had been consistent in their recording and, as a result, some varying and incomplete recording had taken place. The Chair further advised that Members had also noted that the workload could vary significantly from month to month, depending on the number of cases referred, the complexity of these cases, and whether or not committee meetings, Commission meetings and training events were scheduled.</p> <p>The Chair noted that only three of the five months of recording conducted to date fell within the audit year 2020/21 and argued, therefore, that it was premature to include in the audit any recommendation that implied that Members were failing in a recording exercise and were apparently not undertaking the required hours.</p> <p>Mr Munro accepted this context and advised that he would work with the Executive Director to see if the wording of the recommendation could be amended to reflect the points made. Mr Munro advised that an amended report would be circulated to Committee members for approval in the following few days.</p>	

	The Chair thanked Mr Munro for his assistance and attendance at the meeting.	
<b>ANY OTHER BUSINESS</b>		
7.	No other business was raised.	
<b>NEXT MEETING</b>		
8.	The Committee noted that it was next scheduled to meet on Tuesday, 24 January 2023.	