



Commissioner for Ethical Standards
in Public Life in Scotland

**Commissioner for Ethical Standards in
Public Life in Scotland**

Annual Accounts

Year Ended 31 March 2014

<u>Contents</u>	<u>Page Number</u>
Management Commentary	2-11
Strategic Report	3-9
Commissioner's Report	10-11
Remuneration Report	12-14
Statement of Accountable Officer's Responsibilities	15
Governance Statement	16-19
Auditor's Report	20-21
Statement of Comprehensive Net Expenditure	22
Statement of Financial Position	23
Statement of Cash Flows	24
Statement of Changes in Taxpayers' Equity	25
Notes to the Accounts	26-35
Appendix 1: Accounts Direction	36

MANAGEMENT COMMENTARY

1. The accounts for the financial year ended 31 March 2014 have been prepared in accordance with the Accounts Direction given by the Scottish Ministers on 22 May 2012 in pursuance of Section 22(1) of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 (the 2010 Act).

HISTORY AND STATUTORY BACKGROUND

2. The Commission for Ethical Standards in Public Life in Scotland (the Commission) was established on 1 April 2011 under Section 1 of the 2010 Act.
3. The Commission had two members, the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland, and was formed by merging the offices of the Chief Investigating Officer, the Scottish Parliamentary Standards Commissioner and the Commissioner for Public Appointments in Scotland.
4. The Public Services Reform (Commissioner for Ethical Standards in Public Life in Scotland etc.) Order 2013 (Scottish Statutory Instrument 2013/197) created the post of Commissioner for Ethical Standards in Public Life in Scotland (the Commissioner). It also abolished the posts of Public Standards Commissioner for Scotland and Public Appointments Commissioner for Scotland and dissolved the Commission.
5. The functions of the Commission were transferred to the Commissioner on 1 July 2013.
6. These accounts therefore relate to the final three months of operation of the Commission and the first part year of the activities of the Commissioner.

STATUTORY DUTIES

7. The Commissioner is responsible for functions outlined in:
 - a) the Ethical Standards in Public Life etc. (Scotland) Act 2000 (the Ethical Standards Act)
 - b) the Scottish Parliamentary Standards Commissioner Act 2002 (the Parliamentary Standards Act)
 - c) the Public Appointments and Public Bodies etc. (Scotland) Act 2003 (the Public Appointments Act).
8. The Commissioner's primary functions are to investigate complaints about the conduct of local authority councillors, members of public bodies and Members of the Scottish Parliament and to regulate the making of appointments to the boards of regulated public bodies by the Scottish Ministers.

STRATEGIC REPORT

REVIEW OF 2013-14

9. The Commissioner's strategic objectives are to:
- a) provide a fair, effective and efficient investigative service of excellence in relation to the ethical standards of conduct of MSPs, councillors and members of public body boards
 - b) deliver risk-based, resource-effective scrutiny of the ministerial public appointments process and encourage continuous improvement through proportionate regulation and supportive guidance
 - c) create a leading standards body with effective performance and resource management.

Full details of the Commissioner's business strategy are given in the Strategic Plan 2012-16 available on the website – www.ethicalstandards.org.uk.

10. During the year the Commissioner:
- a) received 311 complaints (2012-13: 192) about the conduct of local authority councillors or members of public bodies
 - b) began investigation of 146 cases (2012-13: 120) (some complaints were grouped together and investigated as a single case)
 - c) completed investigation of 291 complaints (2012-13: 172) about the conduct of local authority councillors or members of public bodies and reported 6 breaches (2012-13: 5) of the relevant Code of Conduct to the Standards Commission for Scotland
 - d) gave evidence at 6 hearings called by the Standards Commission for Scotland in relation to reported breaches (2012-13: 1)
 - e) at the year end, the Commissioner had 76 'open' complaints (2012-13: 56) and no breaches were under assessment by the Standards Commission for Scotland (2012-13: 4).
 - f) investigated and assessed 75% of complaints within three months (2012-13: 87%)
 - g) received 21 complaints (2012-13: 20) about the conduct of Members of the Scottish Parliament. Three complaints were withdrawn prior to assessment of admissibility (2012-13: 1)

**Commissioner for Ethical Standards in Public Life in Scotland
Accounts For The Year Ended 31 March 2014**

- h) assessed the admissibility of 18 complaints about the conduct of Members of the Scottish Parliament (Stage 1) (2012-13: 19). There were 18 identified as inadmissible (2012-13: 19). All complaints were assessed within the statutory two month period (2012-13: All)
- i) at the year end, there were no 'open' complaints (2012-13: Nil)
- j) monitored 59 appointment rounds active in the year (2012-13: 62) allocated to 12 Public Appointments Assessors (2012-13: 15)
- k) consulted on and published the 2013 Code of Practice for Ministerial Appointments to Public Bodies in Scotland
- l) issued statutory guidance on the 2013 Code and revised the risk framework associated with scrutiny of appointment activity
- m) provided training on the 2013 Code to Public Appointments Assessors, Scottish Government officials and board members
- n) found no material breaches of the Code of Practice requiring a report to the Scottish Parliament (2012-13: 1)
- o) surveyed applicants on their experience of the public appointments process
- p) established a new complaints handling system compatible with guidance provided by the Scottish Public Services Ombudsman
- q) recruited and inducted three new staff members
- r) assessed and secured replacement office accommodation in advance of the lease of current accommodation ending in October 2014
- s) managed the dissolution of the Commission for Ethical Standards in Public Life in Scotland, the abolition of the posts of Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland and the transfer of their functions to the newly-created post of Commissioner for Ethical Standards in Public Life in Scotland
- t) prepared for the end of the Commissioner's term of office on 31 March 2014 and the start of the term of office of a replacement Commissioner.

RISKS AND UNCERTAINTIES

11. The 2013/14 risks are discussed on p17. The Commissioner has identified the following as key risks for the organisation in 2014/15 and put in place mitigating actions.
- a) Failure to manage relocation to new office premises
 - b) Increasing activity placing excessive demands on the capacity of current resources
 - c) Insufficient evidence of improvements to the public appointments process and the diversity of board members
 - d) Reduced performance of the IT system for logging and processing complaints.

FINANCIAL POSITION

12. The Scottish Parliament allocated to the Commissioner a budget of £797,000 for financial year 2013-14 (2012-13: £798,000).
13. The Commissioner drew down £815,000 (2012-13: £758,000); resulting in an £18,000 overspend (2012-13: £40,000 underspend), in cash terms.
14. The Commissioner's expenditure on administrative activities for the year ended 31 March 2014 totalled £808,000 (2012-13: £768,000). This was divided between staffing costs £569,000 (2012-13: £534,000), other administrative costs £232,000 (2012-13: £227,000), and depreciation £7,000 (2012-13: £7,000). Details of other administrative costs are shown in note 5 to the accounts.
15. 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. Including adjustments for accruals and prepayments, expenditure is £808,000 (2012-13: £768,000) resulting in an £11,000 overspend (2012-13: £30,000 underspend).

16. The overspend was the result of resources being applied to the investigation of a significantly increased number of complaints about the conduct of local authority councillors.
- a) The Commissioner employs a team of Investigating Officers to investigate complaints about the conduct of Members of the Scottish Parliament, local authority councillors and members of public bodies. Investigating Officers work on an ad hoc basis, increasing hours to meet demand. In 2013/14, the budget for remuneration was £126,000 (405 days). The actual spend was £165,000 (514 days), resulting in an overspend of £39,000 (31%). Investigations into 312 complaints about MSPs, councillors and board members were completed in 2013-14 compared to 192 in 2012-13, an increase in activity of 62.5%
 - b) The Commissioner put in train a number of measures to make savings in other work areas to offset these costs. Although savings were achieved, the Commissioner had to request contingency funding of £18,500 from the Scottish Parliamentary Corporate Body. The request was approved and funding was drawn down prior to the end of March 2014. In the event, only £11,000 of this funding was required. The balance of £7,500 will be offset against the 2014-15 budget.
17. The Commissioner earned no income in 2013-14 (2012-13: Nil).
18. £3,000 was used, during the financial year, to purchase non-current assets (2012-13: £9,000) as detailed in note 6 to the accounts.

PAYMENT OF CREDITORS

19. Invoices were processed by the Commissioner. The Commissioner is committed to the CBI Prompt Payment Code for the payment of bills for goods and services received. Payments are normally made as specified in the agreed contract conditions. Where there is no contractual position or other understanding, they are due to be paid within 30 days of receipt of the goods or services. The Commissioner's payment performance for 2013-14 was 96% (2012-13 96%).

FUTURE DEVELOPMENT

20. In 2014-15, the Commissioner will work to achieve his objectives by:
- a) ensuring the investigation of complaints about local authority councillors, members of public bodies and Members of the Scottish Parliament is carried out fairly and rigorously
 - b) reviewing procedures and ensuring that, wherever possible, and consistent with good practice, complaints are investigated within a shorter timeframe than hitherto

- c) providing briefings and advice on the Codes of Conduct to the Scottish Government, local authority officials and councillors, board members, Scottish Parliament, MSPs and others as required
- d) scrutinising regulated appointment activity against the principles and practices contained in the Code of Practice for Ministerial Appointments
- e) conducting a review of the first year of operation of the 2013 Code
- f) monitoring, measuring and reporting on stakeholder satisfaction with the public appointments process
- g) planning and preparing for the relocation of the Commissioner's offices.
- h) developing and implementing a comprehensive, updated records management system
- i) monitoring current and projected levels of activity and ensuring that sufficient financial and other resources are in place.

ENVIRONMENTAL MATTERS

21. The Commissioner recognises that his activities may have both positive and negative impacts in Scotland and further afield. Through his policies and procedures, the Commissioner encourages the use of public transport wherever possible. The new records management system will reduce reliance on paper copies and, subject to levels of activity, reduce consumption.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

22. The Code of Practice for Ministerial Appointments to Public Bodies in Scotland was revised during the year to include a new principle of "Diversity and Equality", which along with other code revisions is intended to make the appointment process more attractive and accessible to those groups currently under-represented on the boards of our public bodies. All of the Commissioner's activities are intended to ensure the application of high levels of ethical standards to the conduct of elected members and those appointed to public office by Ministers and to ensure fairness, transparency and equality of opportunity in the appointment process.

EMPLOYEE GENDER BREAKDOWN

23. As at 31 March 2014, the Commissioner employed:

	Female	Male
Directors	0	1
Senior Managers	0	0
Employees	8	8
Total	8	9

See note 3.2 to the accounts for further information.

EQUAL OPPORTUNITIES

24. The Commissioner supports the principle of equal opportunities in employment and operating practices. This means he is committed to pursuing positive 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 race, ethnic or national origin, religion, age, gender, sexual or marital status or disability.

PROVISION OF INFORMATION TO EMPLOYEES

25. The Commissioner has adopted the principles of openness and participation in the organisation and places a high level of importance on both informing and consulting staff. He does so by providing access to relevant 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 confidence is owed to a third party.

DISCLOSURE OF INFORMATION TO AUDITORS

26. As Accountable Officer with effect from 1 April 2014, I am not aware of any relevant information of which our auditors are unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant information and to establish that the auditors are also aware of this information.

AUDIT

27. The accounts are audited by the Auditor General for Scotland in accordance with section 22(1) of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010.

AUTHORISATION

28. I authorised these financial statements for issue on 15 July 2014.

A handwritten signature in black ink that reads "Bill Thomson". The signature is written in a cursive style with a large initial 'B'.

Bill Thomson
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 15 July 2014

COMMISSIONER'S REPORT

OFFICE-HOLDERS

29. The Public Standards Commissioner for Scotland

The Commissioner was: Stuart Allan
Appointed: 1 April 2011
Term ended: 30 June 2013

Stuart Allan was appointed as Chief Investigating Officer on 17 January 2002 and Scottish Parliamentary Standards Commissioner on 2 April 2009. Further to the merger outlined in paragraph 3, he was appointed Public Standards Commissioner for Scotland on 1 April 2011. The appointment ended on 30 June 2013.

30. The Public Appointments Commissioner for Scotland

The Commissioner was: Stuart Allan
Appointed: 1 June 2012
Term ended: 30 June 2013

Stuart Allan was appointed acting Public Appointments Commissioner for Scotland on 1 June 2012. The appointment ended on 30 June 2013.

31. The Commissioner for Ethical Standards in Public Life in Scotland

The Commissioner was: Stuart Allan
Appointed: 1 July 2013
Term ended: 31 March 2014

Stuart Allan was appointed Commissioner for Ethical Standards in Public Life in Scotland on 1 July 2013. The appointment ended on 31 March 2014. Stuart Allan was appointed Accountable Officer from 1 April 2012 to 31 March 2014. Bill Thomson was appointed as Commissioner and Accountable Officer with effect from 1 April 2014.

MANAGEMENT TEAM

32. The Commissioner leads a management team which oversees the operation and development of the office. During 2013-14, this comprised:

Name	Position
Ian Bruce	Public Appointments Manager
Karen Elder	Business Manager
Helen Hayne	Investigations Manager
Brenda McKinney	Investigations Manager
David Sillars	Senior Investigating Officer

ADVISORY AUDIT BOARD

33. In addition, the Commissioner operates an Advisory Audit Board (AAB), used to provide advice on governance and financial issues. Members of the Commissioner's AAB are drawn from the Scottish Parliamentary Corporate Body's Advisory Audit Board. During 2013-14, the Commissioner was assisted by Kevin Sweeney and Jean Couper.

REGISTER OF INTERESTS

34. The Commissioner maintains a register of company directorships and other significant interests held by the Commissioner and staff. This is available on request. During 2013-14 no interests were assessed as significant.

AVERAGE SICKNESS ABSENCE

35. The average sickness absence per person was as follows:

	<u>2013-14</u> Days	<u>2012-13</u> Days
Commissioners and employees	2.9	2.0

PENSION ARRANGEMENTS

36. Details of the Commissioner's pension arrangements are given in the Remuneration Report and in the Notes to the Accounts (Nos. 1.6 and 4).

AUDITORS FEES

37. External auditor's remuneration for the year was £11,500 (2012/13: £12,000). External audit received no fees in relation to non-audit work.

PERSONAL DATA RELATED INCIDENTS

38. There were no lapses of data security during the period.



Bill Thomson
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 15 July 2014

REMUNERATION REPORT

From 1 April to 30 June 2013, the Commission comprised two members, the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland. The Scottish Parliamentary Corporate Body (SPCB), with the agreement of Parliament, made appointments to these posts. Remuneration was set by the SPCB.

On 1 July 2013, further to the Public Services Reform (Commissioner for Ethical Standards in Public Life in Scotland etc.) Order 2013, the Commission was abolished and replaced by the Commissioner for Ethical Standards in Public Life in Scotland. The Commissioner is appointed by the SPCB with the agreement of the Parliament. The Commissioner's remuneration is set by the SPCB.

Stuart Allan was appointed Public Standards Commissioner for Scotland from 1 April 2011. He was also appointed acting Public Appointments Commissioner for Scotland from 1 June 2012. When the two Commissioner posts were abolished and the Commission dissolved, he was appointed Commissioner for Ethical Standards for the period 1 July 2013 to 31 March 2014.

Bill Thomson, who was appointed as Commissioner from 1 April 2014, receives a salary in the £70-75K band.

During the period 1 April 2013 to 31 March 2014 the Commissioner was employed on a full-time basis and drew a single salary. The Commissioner's salary and pension entitlements are set out below.

Single total figure of remuneration					
Commissioner – Stuart Allan					
	Salary (£'000)	Bonus payments (£,000)	Benefits in kind (to nearest £100)	Pension benefits (£'000)*	Total (£'000)
2013-14	80-85	Nil	Nil	14	95-100
2012-13	80-85	Nil	Nil	17	95-100

* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

The 'Salary' category covers both pensionable and non-pensionable amounts. It includes gross salary and, if awarded, overtime, recruitment and retention allowances, taxable allowances and any ex-gratia payments. It does not include employer National Insurance or pension contributions.

The monetary value of benefits in kind covers any benefits provided to the Commissioner and treated by Her Majesty's Revenue and Customs as taxable.

Remuneration Ratio		
	2013-14	2012-13
Highest Earner's Total Remuneration (£,000)	80-85	80-85
Median Total	39,676	38,351
Ratio	2.08	2.15

The 'Median Total' is the annual, full-time equivalent total remuneration, as at 31 March 2014, of the staff member lying in the middle of the linear distribution of the total staff, excluding the highest paid office-holder.

	Accrued pension at pension age as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
	<i>Bands £5,000</i>	<i>Bands £2,500</i>			
Stuart Allan	5-10	0-2.5	199	179	13
	Lump sum	Lump Sum			
	25-30	2.5-5			

Further detail about the pension scheme is given in notes 1.6 and 4 to the accounts.

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

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) 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 or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which 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 pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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 that is 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.



Bill Thomson
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 15 July 2014

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

The Scottish Parliamentary Corporate Body (SPCB) designated Stuart Allan, first as Public Standards Commissioner for Scotland, then as Commissioner for Ethical Standards, as Accountable Officer for the period to 31 March 2014. The SPCB has appointed Bill Thomson as Commissioner for Ethical Standards and Accountable Officer from 1 April 2014.

The Accountable Officer is responsible for

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

Full details of the Accountable Officer's responsibilities are set out in the Memorandum to the Accountable Officer of the Commissioner for Ethical Standards in Public Life in Scotland from the SPCB dated March 2014.

Under section 22 of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 the Commissioner 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 Commissioner's affairs at the year end and of the financial activities during the year.

In preparing the accounts, the Commissioner is required to:

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

GOVERNANCE STATEMENT

As Accountable Officer, the Commissioner is responsible for ensuring that appropriate and adequate internal controls are in place to safeguard the public funds under his control and to support the office in successfully achieving its objectives.

Governance framework and operation during the year

These accounts cover the period 1 April 2013 to 31 March 2014. From 1 April to 30 June 2013, the Commission for Ethical Standards comprised two Commissioners; the Public Standards Commissioner for Scotland and the Public Appointments Commissioner for Scotland. The Commission provided the Commissioners with the property, staff and services they needed in order to perform their functions. On 1 July 2013, both Commissioner posts were abolished and the Commission dissolved. Their functions were transferred to the new post of Commissioner for Ethical Standards in Public Life in Scotland.

From 1 April to 30 June, Stuart Allan was Public Standards Commissioner and acting Public Appointments Commissioner. From 1 July, Stuart Allan was appointed Commissioner for Ethical Standards. His term of office ended on 31 March 2014. Bill Thomson was appointed Commissioner for Ethical Standards from 1 April 2014.

The Commissioner led a management team which oversaw the operation and development of the office. The team consisted of the Commissioner, the Business Manager, the Public Appointments Manager, the Senior Investigating Officer and the two Investigations Managers. The management team met formally each quarter to discuss and record key issues affecting the operation of the office. These meetings were minuted, with actions assigned to specific team members.

During 2013/14, the office worked to its Strategic Plan 2012-16 supported by an annual business plan. The annual business plan outlined the objectives for the year. Both documents are published online and progress against the objectives is described in the Commissioner's annual reports.

The annual business plan forms the basis of the performance management system. Each year, staff members agree a series of specific objectives directly related to and designed to achieve the organisation-wide objectives outlined in the strategic and annual business plans.

Ensuring finances are operated effectively, efficiently and economically

The Commissioner developed a set of standing orders. These describe the key operating requirements of the Commissioner's office. This is accompanied by a scheme of delegation which outlines the type and level of authority delegated to specific staff members. These provide clear guidelines for the Commissioner's financial management and are supported by a set of financial instructions.

The Commissioner is funded through the Scottish Parliament and, each year, submits an evidence-based budget bid for scrutiny and approval. The budget is based on the requirements of the strategic and annual business plans as well as prior year performance. Each budget element is reviewed to ensure the office is achieving best value; that is continuously improving, serving stakeholders and meeting objectives whilst achieving value for money. As an example, the Commissioner positively supported requests for flexible working. As part of the assessment of these requests, the Commissioner reviewed the financial impact. Further introduction of flexible working during the year realised savings in the staffing budget of 6.4% (£8,300).

Performance against budget is analysed and reviewed on a monthly basis. Key issues are raised with the Accountable Officer, as they occur and at management team meetings. This allows any financial concerns to be identified and resolved promptly.

As well as the SPCB, external oversight is also provided by Audit Scotland, who audit the annual accounts. In addition, the Commissioner operates an Advisory Audit Board, used to provide advice on governance and financial issues.

Ensuring staff are managed effectively

As well as the performance management system, the Commissioner maintains a number of staff policy documents. These reflect statutory duties to staff, as well as terms and conditions and HR-related procedures.

These documents are extensive and include a Code of Conduct as well as Anti-Fraud, Grievance, Dignity at Work and Disciplinary policies. The Commissioner also maintains a register of interests and gifts and hospitality. The office regularly reviews policies and procedures and standard practice is to consult and inform staff about any revisions. This ensures that staff members are regularly updated and fully aware of the rights and responsibilities they have.

Risk management arrangements, main risks during period and emerging risks

The system of internal control is designed to manage rather than eliminate the risks of failure to achieve the Commissioner's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The office maintains a risk management policy and risk register. This details the risks which may stop or hinder the organisation achieving its objectives and outlines the measures required or undertaken to reduce those risks. The risk register is updated annually to reflect any risks associated with the objectives laid out in the strategic or annual business plans or other key issues as they arise. Any tasks associated with managing risks are fed back into staff objectives.

The key risks during 2013/14 were:

- the merger of the posts of Public Appointments Commissioner and Public Standards Commissioner, the dissolution of the Commission and the creation of a single Commissioner for Ethical Standards. The transition was managed through an action plan which identified and assigned the key tasks. The legislative changes were achieved with little disruption to business.
- the recruitment of a new Commissioner for Ethical Standards. The previous Commissioner was in regular contact with the SPCB in the period prior to the post being advertised. The new Commissioner's appointment was formalised in December 2013 which allowed for some familiarisation prior to the handover at the end of March 2014.
- in preparation for the relocation of the Commissioner's offices, comprehensive research was undertaken into the options available. A paper outlining the options and making a recommendation for the location was submitted to the SPCB and agreed in December 2013. The relocation itself is planned for September 2014.

The Commissioner has identified the following as key risks for the organisation in 2014/15 and put in place mitigating actions.

- Failure to manage relocation to new office premises.
- Increasing activity placing excessive demands on the capacity of current resources.
- Insufficient evidence of improvements to the public appointments process and the diversity of board members.
- Reduced performance of the IT system for logging and processing complaints.

Effectiveness of governance arrangements

To ensure effectiveness the Commissioner reviews his scheme of internal control quarterly. This assessment is informed by:

- the work of the AAB in its consideration of risk and internal control measures
- reports and comments made by the external auditors
- the work of the management team
- review of the Commissioner's objectives as set out in the strategic and annual business plans
- review of the systems and procedures in place to manage staff, finances and risks.

**Commissioner for Ethical Standards in Public Life in Scotland
Accounts For The Year Ended 31 March 2014**

Compliance with generally accepted best practice principles and relevant guidance on corporate governance has been assessed using an internal control checklist. The checklist is based upon that provided within the Scottish Public Finance Manual, and a proportionate approach has been adopted, reflecting the relatively small size and simple structure of the office.

Completion of the internal control checklist confirmed that effective controls and systems are in place.

No written authorities were issued to the Accountable Officer during 2013/14.

A handwritten signature in blue ink that reads "Bill Thomson". The signature is written in a cursive, flowing style.

Bill Thomson
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 15 July 2014

Independent auditor's report to the Commissioner for Ethical Standards in Public Life in Scotland, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of the Commissioner for Ethical Standards in Public Life in Scotland for the year ended 31 March 2014 in accordance with 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 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 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 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 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:

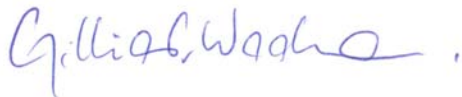
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Scottish Parliamentary Commissions and Commissioners etc. Act 2010 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial 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

Date: 15 July 2014

**Statement of Comprehensive Net Expenditure
for the year ended 31 March 2014**

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		£'000	£'000
<u>Income</u>			
Other income	2	0	0
<u>Administrative Costs</u>			
Staff Costs	3.3	569	534
Other Administration Costs	5	232	227
Depreciation	6	7	7
<u>Net Administration Costs</u>		<u>808</u>	<u>768</u>
<u>Net Operating Costs</u>		<u>808</u>	<u>768</u>

All amounts relate to continuing activities. There have been no gains or losses other than those recognised in the Statement of Comprehensive Net Expenditure.

The accompanying notes on pages 26 to 35 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2014

	<u>Notes</u>	<u>2014</u> £'000	<u>2013</u> £'000
<u>Non Current Assets</u>			
Property, Plant and Equipment	6	8	11
Intangible Assets	6	2	3
<i>Total Non Current Assets</i>		10	14
<u>Current Assets</u>			
Trade and Other Receivables	7	3	4
Cash and Cash Equivalents	8	67	63
<i>Total Current Assets</i>		70	67
<i>Total Assets</i>		80	81
<u>Current Liabilities</u>			
Trade and Other Payables	9	(61)	(69)
<i>Total Current Liabilities</i>		(61)	(69)
<i>Non Current Assets plus Net Current Assets</i>		19	12
<u>Assets less Liabilities</u>		19	12
<u>Taxpayers' Equity</u>			
General Fund		19	12
<u>Total Taxpayers' Equity</u>		19	12

The accompanying notes on pages 26 to 35 form an integral part of these accounts.



Bill Thomson
Commissioner for Ethical Standards
in Public Life in Scotland

Date: 15 July 2014

Statement of Cash Flows for Year Ended 31 March 2014

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities</u>	£'000	£'000
Net Operating Costs	(808)	(768)
Adjustment for Non Cash Transactions:		
Depreciation	7	7
Movements in Working Capital		
Decrease/(Increase) in Trade and Other Receivables	1	9
(Decrease)/Increase in Trade and Other Payables	(8)	24
Net Cash Outflow from Operating Activities	<u>(808)</u>	<u>(728)</u>
 <u>Cash Flows From Investing Activities</u>		
Purchase of Property, Plant and Equipment	(3)	(9)
Net Cash Outflow from Investing Activities	<u>(3)</u>	<u>(9)</u>
 <u>Total Net Cash Outflows</u>	<u>(811)</u>	<u>(737)</u>
 <u>Cash Flows From Financing Activities</u>		
Financing from the Scottish Parliamentary Corporate Body (SPCB)	815	743
Net Cash Inflow	<u>4</u>	<u>6</u>
 <u>Net Increase/(Decrease) in Cash and Cash Equivalents</u>		
Cash and Cash Equivalents at the beginning of Period	63	57
Cash Flow in Year	4	6
Cash and Cash Equivalents at the end of Period	<u>67</u>	<u>63</u>

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

	<u>General</u> <u>Fund</u> 2014 £'000	<u>General</u> <u>Fund</u> 2013 £'000
Balance at 1 April	12	37
Net Operating Costs for the Year	(808)	(768)
Funding From the SPCB	815	743
Balance at 31 March	19	12

NOTES TO THE ACCOUNTS

1 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 Commissioner for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commissioner 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 Property, Plant and Equipment

1.2.1 Capitalisation

Purchases of assets, including grouped IT equipment, for a value exceeding £1,000 inclusive of irrecoverable VAT are treated as capital with the exception of land and buildings where the threshold is set at £10,000.

1.2.2 Valuation

As appropriate, non-current assets are valued at depreciated historic cost (DHC) as a proxy for fair value.

1.2.3 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 remaining estimated useful life of the asset.

1.2.4 Estimated useful life of assets

The estimated useful life of assets are as follows:

Furniture and equipment	5 years
Fixtures & Fittings	5 years
IT Equipment	3 years

1.3 Intangible Non Current Assets

Software and licences are capitalised as intangible non-current assets and amortised on a straight line basis over the expected life of the asset (3 years).

1.4 Funding

Funding received from the SPCB is credited directly to the general fund in the period to which it relates.

1.5 Leases

The Commissioner holds no material finance leases. Costs in respect of operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the life of the lease. Details of operating leases are given in note 10.

1.6 Pension Scheme *The Commissioner to 31 March 2014*

Stuart Allan was a member of the Principal Civil Service Pension Scheme (PCSPS).

Employees

The Commissioner's employees are members of the Principal Civil Service Pension Scheme. The PCSPS is a contracted out, unfunded, defined benefit, pay-as-you-go occupational pension scheme operated by the Scheme Management Executive on behalf of members of the Civil Service who satisfy the membership criteria.

From 30 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).

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Scheme Management Board. The contributions partially fund payments made by the Scheme, the balance of funding being provided by the UK Parliament. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions increase legislation.

It is not possible for the Commissioner's office to identify its share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, 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 6.25% of pensions' earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Further increases to employee contributions will apply from 1 April 2014.

The classic scheme offers an automatic lump sum on retirement which can be exchanged for additional pension. Members in the premium and nuvos schemes can convert some of their pension into a lump sum on retirement. Either option is available to members of classic plus depending on their entry date.

Employer's contributions are payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

1.7 Value Added Tax

The Commissioner is not VAT registered. All amounts are recorded inclusive of VAT.

1.8 Financial Instruments

Financial assets are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

1.8.1 *Credit risk*

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other third parties.

The Commissioner reviews the credit risk associated with financial institutions on a regular basis and more frequently if market conditions are volatile or other information is made available on the financial security of UK banks and building societies.

The Commissioner receives funding on a monthly basis and restricts cash holdings to a minimum.

1.8.2 *Liquidity risk*

The Commissioner does not have any external borrowings.

1.8.3 *Market risk*

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. The Commissioner does not rely on interest receivable as its key source of income.

2 *Income*

	<u>2014</u> £'000	<u>2013</u> £'000
<i>Income from all Sources</i>		
Other income	0	0
	<u>0</u>	<u>0</u>

3 *Employee Information*

3.1 *Average Number Employed (Full Time Equivalent)*

The average number of full time equivalent (FTE) persons employed by the Commissioner during the period was as follows:

	<u>2014</u> FTE	<u>2013</u> FTE
Commissioners	1.0	1.1
Employees (including temporary staff)	8.6	8.4
	<u>9.6</u>	<u>9.5</u>

3.2 *Number of employees by gender*

The number of employees, broken down by gender, as at 31 March:

	<u>2014</u>		<u>2013</u>	
	Female	Male	Female	Male
Directors	0	1	0	1
Senior Managers	0	0	0	0
Employees	8	8	8	7
Total	8	9	8	8

A senior manager is defined as being the equivalent of a member of the Senior Civil Service.

3.3 *Breakdown of Staff Costs - Administrative Costs*

	<u>Total</u> <u>2014</u> £'000	<u>Commissioner</u> <u>2014</u> £'000	<u>Employees</u> <u>2014</u> £'000	<u>Total</u> <u>2013</u> £'000
Salaries / wages	452	80	372	425
Social security costs	36	9	27	35
Pension costs	81	20	61	74
	569	109	460	534

The Commissioner has a small permanent staff. In addition, he contracts for the services of Public Appointments Assessors who participate in appointment rounds.

4 *Pension Costs*

For 2013-14 the employer's contributions of £81,182 (2012-13 £73,544) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands.

Outstanding scheme contributions at 31 March 2014 amounted to £7,332 (2013 - £6,078).

5 Other Administrative Costs

	<u>2014</u> £'000	<u>2013</u> £'000
Auditors & financial advisors	12	12
Hospitality	3	3
IT	12	14
Legal advisors	14	6
Office costs	22	17
PAA costs	78	86
Printing	5	9
Property	69	69
Publicity & promotion	0	0
Research	1	1
Training & recruitment	3	0
Travel & expenses	13	10
	<u>232</u>	<u>227</u>

The above total includes £11,500 for external auditor's remuneration, the balance being for accounting services.

The Commissioner has a small permanent staff. In addition, he contracts for the services of Public Appointments Assessors (PAA). PAAs oversee appointment rounds to the boards of public bodies under the Commissioner's remit. They provide the Commissioner with assurance that the processes used conform to the Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

6 Property, Plant and Equipment

6.1 Tangible Non Current Assets

	Fixtures, Fittings and Equipment <u>£'000</u>	IT Equipment <u>£'000</u>	Total <u>£'000</u>
<u>Cost</u>			
At 1 April 2013	4	27	31
Additions	0	3	3
Disposals	(0)	(0)	(0)
At 31 March 2014	<u>4</u>	<u>30</u>	<u>34</u>
<u>Depreciation</u>			
At 1 April 2013	2	18	20
Charge for Year	1	5	6
Disposals	(0)	(0)	(0)
At 31 March 2014	<u>3</u>	<u>23</u>	<u>26</u>
<u>Net Book Value at 31 March 2014</u>	<u>1</u>	<u>7</u>	<u>8</u>
<u>Net Book Value at 31 March 2013</u>	<u>2</u>	<u>9</u>	<u>11</u>

The Commissioner purchased £3,102 of additional assets in 2013/14 (2012/13: £4,989). The additions comprised three items of IT equipment.

6.2 Intangible Non Current Assets

	Software £'000	Total £'000
<u>Cost</u>		
At 1 April 2013	4	4
Additions	0	0
Disposals	0	0
At 31 March 2014	<u>4</u>	<u>4</u>
<u>Depreciation</u>		
At 1 April 2013	1	1
Charge for Year	1	1
Disposals	0	0
At 31 March 2014	<u>2</u>	<u>2</u>
<u>Net Book Value at 31 March 2014</u>	<u>2</u>	<u>2</u>
<u>Net Book Value at 31 March 2013</u>	3	3

The Commissioner purchased no additional intangible assets in 2013/14 (2012/13: £4,240).

7 Receivables

	<u>2014</u> £'000	<u>2013</u> £'000
Trade receivables	0	0
Prepayments	3	4
	<u>3</u>	<u>4</u>

8 Cash and Cash Equivalents

	<u>2014</u> £'000	<u>2013</u> £'000
Balance at 1 April	63	57
Net Change in cash and cash equivalent balances	4	6
Balance at 31 March	<u>67</u>	<u>63</u>
Cash Held at Commercial Banks	<u>67</u>	<u>63</u>

9 Payables

	<u>2014</u> £'000	<u>2013</u> £'000
Trade Payables	(15)	(24)
PAYE and National Insurance	(9)	(8)
Pension Contributions	(7)	(6)
Accruals	(30)	(31)
	<u>(61)</u>	<u>(69)</u>

10 Leasing commitments

At 31 March 2014 the Commissioner had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	<u>As at 31</u> <u>March 2014</u> £'000	<u>As at 31</u> <u>March 2013</u> £'000
Operating leases which expire:		
Within 1 year	35	69
	<u>35</u>	<u>69</u>

The Commissioner's lease for accommodation ran from 1 April 2013 to 31 March 2014 and had a value of £68,629. The subsequent lease runs from 1 April to 30 September 2014 with a value of £34,860. Thereafter the Commissioner will relocate to new premises and undertake a five year lease. The exact costs of the lease are to be finalised (based on floor space) but will be in the region of £370,000, over the five-year period.

11 Capital Commitments

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

12 Contingent Liabilities

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

13 Related Party Transactions

The Commissioner was constituted by legislation enacted by the Scottish Parliament which provides funding via the SPCB. The SPCB is regarded as a related body. The SPCB provided funding of £815,000 during the year.

Neither the Commissioner, nor his staff or related parties has undertaken material transactions with SPCB during the year.

14 Post Balance Sheet Events

No event has occurred since the date of the balance sheet which materially affects the financial statements.



**COMMISSION FOR ETHICAL STANDARDS IN PUBLIC LIFE
IN SCOTLAND**

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 22 of the Scottish Parliamentary Commissions and Commissioners etc Act 2010, 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