



Office of the Commissioner for Public  
Appointments in Scotland

Report on the 2007-08 Audit

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# 1 Executive Summary

## Introduction

We have audited the financial statements of the Office of the Commissioner for Public Appointments in Scotland (the Commissioner) for the 2007/08 financial year and examined aspects of the Commissioner's performance and governance arrangements. This report sets out our key findings.

## Financial Statements

The Commissioner receives cash funding from the Scottish Parliamentary Corporate Body (SPCB) for her annual budget. Expenditure during the year totalled £413k, matching the cash budget of £410,000 allocated to the Commissioner's office once accruals had been taken into account. Staff costs are the main area of the Commissioner's expenditure at 45% of total expenditure, costs associated with independent Assessors accounted for 28% of costs with administration (18%) and property costs (9%) accounting for the remainder.

The Commissioner's draft financial statements and supporting working papers were presented for audit on 27 May 2008 and were of a high standard. This meant that few amendments were required to the accounts or the annual report.

## Governance

Overall, we found that the Commissioner's governance arrangements continue to operate well. The Audit Advisory Board and team meetings are used to monitor the organisational risk register, financial performance and progress against the business plan. We note that the Commissioner does not have an internal audit function, and consider this appropriate in the context of the scale of the Commissioner's operations.

## Performance

The Commissioner has a Business Plan in place for 2007-10, which sets targets and outcomes for each financial year. The business plan is linked to the Commissioner's risk register and is used to monitor performance at team meetings.

Key achievements in 2007/08 include the publication and consultation on the Equal Opportunities Strategy, and the completion of the first audit of the public appointments process since the new Code of Practice was introduced in April 2006.

Although the Commissioner does not have a documented procedure in place for delivering Best Value, arrangements are in place for strategic planning, linked to the budgeting process, for performance management, and for delivering equal opportunities. We have therefore concluded that the approach in place to deliver Best Value is commensurate with the size and scale of the Commissioner's operations.

## The Way Forward

Our findings and recommendations are summarised in an Action Plan (Appendix A) that accompanies this report. The Action Plan has been agreed with the Commissioner and incorporates the Management Team's response to audit recommendations.

The report includes some specific recommendations to strengthen internal controls. It is the responsibility of the Commissioner to decide the extent of the internal control system appropriate to the organisation.

### Acknowledgements

We would like to take this opportunity to thank the Commissioner's staff who have been involved in the audit for their assistance and co-operation.

This report is part of a continuing dialogue between the Commissioner and Grant Thornton and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in the Commissioner's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it. The report will be submitted to the Auditor General for Scotland and will be published by him on his website at [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**Grant Thornton UK LLP**

**10 July 2008**

## 2 Financial Statements

### Our Responsibilities

We audit the financial statements and give an opinion on whether:

- they give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, on the state of affairs of the Commissioner as at 31 March 2008 and of net expenditure, recognised gains and losses and cash flows for the year then ended;
- they, and the part of the Remuneration Report to be audited, have been properly prepared in accordance with the Government Financial Reporting Manual (FReM) and directions made thereunder by the Scottish Ministers; and
- in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

We also review the Statement on Internal Control by:

- considering compliance with Scottish Government guidance;
- considering the adequacy of the process put in place by the Accountable Officer to obtain assurances on systems of internal control; and

assessing whether disclosures in the Statement are consistent with the information emerging from our normal audit work.

### Overall Conclusion

We are able to conclude that the Commissioner's financial statements give a true and fair view of the financial position for the period from 1 April 2007 to 31 March 2008 and that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and relevant guidance. We also concluded that the management commentary included within the Annual Accounts is consistent with the financial statements.

### Standard of accounts and supporting papers

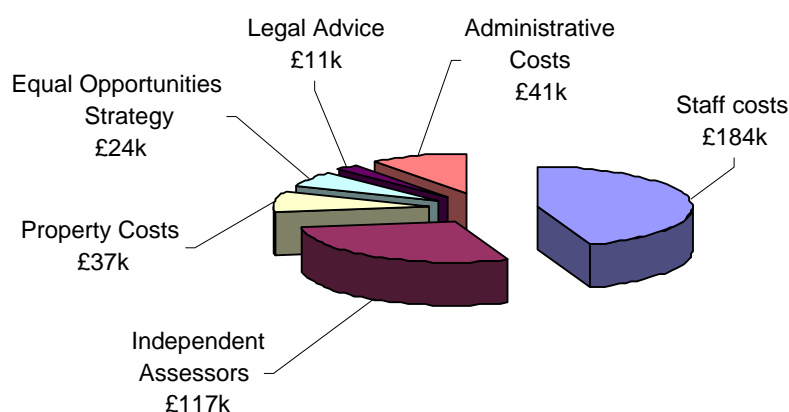
The Commissioner's draft financial statements and supporting working papers were presented for audit on 27 May 2008, in accordance with the agreed timetable, and were of a high standard. This meant that few amendments were required to the accounts.

## Financial Performance

The Commissioner receives cash funding from the Scottish Parliamentary Corporate Body (SPCB) for her annual budget. Expenditure during the year matched the cash budget of £410,000 allocated to the Commissioner's office.

Staff costs are the main area of the Commissioner's expenditure at 45% of total expenditure, costs associated with independent Assessors accounted for 28% of costs with administration (18%) and property costs (9%) accounting for the remainder. A more detailed analysis of the Commissioner's 2007-08 expenditure is shown in figure 1 below:

**Figure 1 - Analysis of the Commissioner's expenditure**



As Figure 1 highlights, one of the key areas of expenditure for the Commissioner in 2007/08 was the Equal Opportunities Strategy for public appointments in Scotland. The Commissioner consulted widely on the draft Equal Opportunities Strategy, *Diversity Delivers*, which was published in November 2007. Responses to the consultation have been collated and will be used to inform the final Strategy to be adopted in September 2008.

In 2007/08 the Commissioner made a report to Parliament on the first case of non-compliance with the new Code of Practice. Legal advice was required as the Cairngorms, Loch Lomond and the Trossachs National Park Authorities argued that the Code of Practice contradicted the legislation that established them. This activity was unplanned and added £11k to expenditure which was financed from savings elsewhere in the budget.

## Internal Financial Controls

We conduct interim audit work to review the internal control framework in place at the Commissioner's Office. We will review all of the systems of internal control on a cyclical basis over the term of our appointment. During 2007-08 we have reviewed the arrangements for budgetary control and the operation and effectiveness of internal controls over the payroll system and payments to Assessors.

Our review identified weaknesses in segregation of duties controls relating to the authorisation and payment of invoices under £500.

***Action plan point 1***

### Statement on Internal Control

The Statement on Internal Control sets out the arrangements established and operated for risk identification and management, proposed future development of arrangements, and review of effectiveness of the system of internal control.

We are satisfied that the Statement complies with Scottish Government guidance, that the process put in place by the Accountable Officer (the Commissioner) to obtain assurances on systems of internal control are adequate and that the contents of the Statement are consistent with the information emerging from our normal audit work.

### ISA 260: Communication of Audit Matters to Those Charged with Governance

Our responsibilities in relation to the communication of audit matters to those charged with governance are covered in the International Standard on Auditing 260. Outcomes against the requirements of the Standard are reported in Appendix B to this report. In this context, all of the errors we identified were adjusted within the accounts.

## 3 Governance

### Introduction

Sound corporate governance is central to demonstrating Best Value, and incorporates the way in which an organisation manages its business, determines strategy and objectives and goes about achieving those objectives. It is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. Good governance means:

- focusing on the organisation's purpose and on outcomes for citizens and service users;
- performing effectively in clearly defined functions and roles;
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- taking informed, transparent decisions and managing risk;
- developing the capacity and capability of the governing body to be effective; and
- engaging stakeholders and making accountability real.

As part of our 2007-08 audit we reviewed the Commissioner's corporate governance arrangements against best practice within the Scottish Public Finance Manual. We concluded that the Commissioner's governance arrangements worked well within a generally sound system of internal control. The Audit Advisory Board and team meetings are used to monitor the organisational risk register, performance against budget and progress against the annual plan.

### Budgetary Control

We reviewed the Commissioner's arrangements for budgetary control during our interim visit. We found that strong links are in place between business planning and the annual budget process.

The annual budget is reviewed at the same time as the Business Plan to ensure that resources are aligned to the Commissioner's objectives for the year. The Business Manager maintains a detailed spreadsheet to monitor the budget on a monthly basis. At the time of our audit, steps were being taken to address a predicted overspend, caused mainly by the unexpected nature of legal expenses and higher than anticipated OCPAS Assessor activity. At the year end the Commissioner managed to meet her annual budget without drawing on contingency funds, emphasising the strong budgetary control arrangements in place.

The nature of the work undertaken by the Commissioner's office means that it is demand led. This can lead to difficulties in accurate budget monitoring. At the time of our audit, we noted that the Commissioner had 12 independent Assessors, who scrutinise the selection process for public appointments. Each of the Assessors invoice the Commissioner's office for their work only at the end of the appointment process. Each appointment process can take up to 6 months. This means that the Business Manager needs to estimate how much work is involved for each appointment, and budget accordingly. No timesheets are used and Assessors are asked to bill for work by day, with a minimum unit of half a day. The average number of days work involved in an appointment in our test sample was around 4.5 days, but the actual time invoiced varied from 3 days to 8.5 days.

Although Assessors informally keep the Business Manager up to date on each appointment, we believe there would be benefit in asking Assessors to submit interim timesheets to allow the Business Manager to better plan for expenditure. Since our interim audit, the Commissioner has recruited a further 5 independent Assessors. We understand that the possibility of introducing quarterly billing was discussed at the new Assessors' induction day and that plans are in place to present options to all of the Assessors in September 2008.

***Action plan point 2***

**Follow up of Prior Year Recommendations**

We noted in our report on the 2006-07 audit that, in common with other Commissioner bodies in Scotland, the Commissioner for Public Appointments had not received clarification regarding the legal status of the officeholder, and therefore her personal liability. A number of Commissioner bodies have now received legal advice on this issue. This advice confirms that there is no distinction between the person who holds the office and the role of Commissioner.

As a result of the legal advice received, some of the Commissioners in Scotland, together with the Scottish Public Services Ombudsman, have collectively agreed to contact the SPCB to discuss and seek clarification on the matter. We will continue to monitor progress in this issue.

## 4 Performance

### Introduction

Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our annual audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.

As Accountable Officer, the Commissioner has a duty to ensure public resources are used economically, efficiently and effectively. Since April 2002 there has also been a duty on Accountable Officers "to ensure arrangements are in place to secure Best Value."

### Business Planning

The Commissioner has a Business Plan in place for 2007-10, which sets targets and outcomes for each financial year. The business plan is linked to the Commissioner's risk register and is used to monitor performance at team meetings.

Key achievements in 2007/08 include the publication and consultation on the Equal Opportunities Strategy, and the completion of the first audit of the public appointments process since the new Code of Practice was introduced in April 2006.

### Equal Opportunities Strategy

The Commissioner published the draft Equal Opportunities Strategy, *Diversity Delivers*, in November 2007. The draft Strategy is based on a significant period of research into the type of people who apply for and are appointed in the public appointments process. The Commissioner has reported that the boards of public bodies do not currently reflect the population in Scotland. The research also involved seeking views and perceptions on the public appointments process from interested parties.

Since November 2007, the Commissioner has held a series of public meetings and consultation with interested parties. The results of the consultation will be incorporated into the final Strategy. The Strategy includes a number of recommendations for improving the diversity of board members in public bodies in Scotland. These include a communication campaign to raise awareness of the opportunities available and more accessible materials both for publicising appointments and for applications.

OCPAS has already taken steps to improve the diversity of candidates applying for public positions. OCPAS delivered four workshops for the Ethnic Minorities Civic Congress in Aberdeen, Glasgow, Dundee and Edinburgh during 2007/08. The workshops were designed to give people practical instructions and guidance on applying for a public appointment. Over sixty delegates attended the workshops, representing ethnic minority community-based groups from across Scotland.

### Audit of the Public Appointments Process

During 2007/08, the Commissioner engaged consultants to carry out the first external audit of the appointments process since the introduction of the new Code of Practice. The report examined six appointments and generally gave the Commissioner a high level of assurance about performance within appointment rounds. The report made a number of recommendations, largely around documenting the decision making process at various stages when making a decision about the appointment.

The Commissioner has decided to carry out future audit reviews using internal resources to ensure that they draw upon the expertise of OCPAS staff and Assessors.

OCPAS also regularly survey public bodies involved in appointment rounds to seek views on the appointment process. This allows the Commissioner to monitor performance throughout the year.

#### Best Value

The Commissioner's office is relatively small, with limited management capacity. At present, the Commissioner's approach to best value is restricted to monitoring efficiency in operations. Arrangements are already in place for strategic planning, linked to the budgeting process, and for performance management. During 2008/09 the Commissioner will also adopt *Diversity Delivers*, to help promote equal opportunities in the public appointments process. We have therefore concluded that the approach in place to deliver Best Value is commensurate with the size and scale of the Commissioner's operations.

## Appendix A - Action Plan

No	Finding	Risk	Recommendation	Management Response	Implementation date
<b>Financial Internal Control</b>					
1	We noted that the Business Manager can sign invoices below £500 as authorised for payment.	Med	OCPAS should ensure that there is adequate segregation of duty between authorisation and payment of invoices.	Each month, a list of invoices authorised solely by the Business Manager will be provided to the Commissioner.	From July 2008
<b>Budgetary Control</b>					
2	We noted that each of the Assessors invoices the Commissioner's office for their work only at the end of the appointment process. We noted that the average number of days work involved in an appointment can vary from 3 days to around 8.5 days.	Low	OCPAS should consider asking Assessors to provide estimates of time spent on appointments on a quarterly basis. This would allow more reliable budget planning.	To address this issue, OCPAS will develop an alternative billing method for OCPAS Assessors. Initial proposals will be put to Assessors and piloted during 2008-09 with full implementation by 2009-10.	Proposals – Sept 08 Pilot – Oct-Dec 08 Implement – by Apr 09

## Appendix B- Communication of audit matters to those charged with governance

### ISA 260 – Communication of audit matters to those charged with governance

Under ISA 260, we are required to consider matters of governance interest that arise from the audit of the financial statements and communicate them with those charged with governance. The areas considered are as follows:

- a) Relationships that may bear on Grant Thornton's independence and the integrity and objectivity of the audit engagement lead and audit staff;
- b) The overall approach to the audit including any limitations thereon, or any additional requirements;
- c) The selection of, or changes in, significant accounting policies and practices that have, or could have a material effect on the entity's financial statements;
- d) The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
- e) Audit adjustments, whether recorded or not by the entity that have, or could have a material impact on the entity's financial statements; and
- f) Those uncorrected misstatements aggregated by the auditor during the audit that were determined by management to be immaterial both individually and in aggregate to the financial statements as a whole.

### Key Findings

We summarise our key audit findings in relation to the above areas.

Ref	Area	Key Messages
A	Independence	<p>We are able to confirm our independence and objectivity as auditors and note the following:</p> <ul style="list-style-type: none"> <li>• we are independently appointed by Audit Scotland;</li> <li>• we comply with the Auditing Practices Board's Ethical Standards; and</li> <li>• we have not performed any non Code of Audit Practice (the Code) or advisory work during the year.</li> </ul>

## Appendix B- Communication of audit matters to those charged with governance

Ref	Area	Key Messages
B	Approach to the audit	<p>Our approach to the audit was set out in our 2007-08 audit plan. We have planned our audit in accordance with International Auditing Standards and the Code. Other key factors to highlight include:</p> <ul style="list-style-type: none"> <li>• we consider the materiality of items in the financial statements both in determining the approach to audit them and in determining the impact of any errors;</li> <li>• we have been able to place appropriate reliance on the key accounting systems operating at the Commissioner's office for final accounts audit purposes only; and</li> <li>• we have been able to place reliance on the work of internal audit in respect of the key accounting systems.</li> </ul>
C	Accounting policies and practices	<p>We consider that the Commissioner has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies adopted were in accordance with the Government Financial Reporting Manual (FRM).</p> <p>The Commissioner has considered and confirmed her office remains a going concern. The Commissioner is asked to confirm this through the Letter of Representation.</p>
D	Material risks and exposures	<p>The Commissioner has considered and confirmed that her office has no material risks and exposures which should be reflected in the financial statements. The Commissioner is asked to confirm this in the Letter of Representation.</p>
E	Audit adjustments and unadjusted errors	<p>We identified several minor disclosure amendments and reclassifications to improve the presentation of the accounts. These are outlined below. There were no material errors that were not adjusted in the accounts.</p>

## Appendix B- Communication of audit matters to those charged with governance

### Accounting Issues

#### Classification of Payments on Account

During testing, we noted that two payments on account had been netted off the creditors balance. This meant that creditor and debtor balances could not be directly compared with those in the prior year. We therefore asked that the payments on account be correctly reflected in the financial statements as prepayments.

#### Summary of adjusted audit differences

This is a summary of audit differences processed by the Commissioner's office during the course of our audit.

	Income & Expenditure account		Balance Sheet	
	Dr £s	Cr £s	Dr £s	Cr £s
<b>Adjustments affecting reported results</b>				
<b>Adjustment for payments made on account</b>				
Prepayments			2,891	
Creditors				2,891

There are no material unadjusted differences to report.