

SCOTTISH PUBLIC SERVICES OMBUDSMAN

STATEMENT OF ACCOUNTS

1 APRIL 2003 TO 31 MARCH 2004

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THE SCOTTISH PUBLIC SERVICES OMBUDSMAN

1 April 2003 to 31 March 2004

Foreword to the Accounts

This Statement of Account has been prepared in accordance with the Direction By Scottish Ministers which is reproduced at page 3.

The Scottish Public Services Ombudsman (SPSO) was established on 23 October 2002 under the Scottish Public Services Ombudsman Act 2002. The office of the SPSO is made up of the Ombudsman, Professor Alice Brown, 3 part-time Deputy Ombudsmen, Eric Drake, Carolyn Hirst and Lewis Shand Smith and 29 whole-time equivalent staff.

Principal Activities

The SPSO has a duty to investigate complaints from members of the public about maladministration and service failure by public bodies and others who provide and deliver public services. It has a role also to increase public awareness, knowledge and understanding of the service by, for example, issuing guidance, publishing leaflets and posters, making regional visits and participating in other outreach events; and in promoting good administrative practice by public authorities.

Financial Administration

All financial administration is provided by the Scottish Parliamentary Corporate Body (SPCB). The SPCB was established under Section 21 of the Scotland Act and is located at The Scottish Parliament, Edinburgh, EH991SP.

Review of Main Activities

During the financial year 2003-2004 the main activities of the SPSO have centred around the final stages of the merger of the offices of the former Ombudsmen in Scotland and the transition to a one-stop-shop for handling complaints against public services. This has included a move to new premises and establishing new processes and procedures supported by a newly designed IT system. A major part of the work has involved finalising the harmonisation of staff terms and conditions and negotiating a range of new HR policies with the trades unions. New staff have been recruited and plans made to place the SPSO in a position to respond to the impact of changes in the NHS complaints system. Attention has been given to staff training and involving staff in discussions on Risk Management and Corporate Governance. This has also been an important year in agreeing a Business Plan and developing an Outreach Strategy for the next financial year with a view to raising awareness and improving understanding of the role of SPSO.

Important Events Occurring after Year End

There were no material events occurring after the year-end that affect the accounts.

Supplier Payment Policies

All payments are made by the SPCB. The SPCB's policy is to comply with the Confederation of British Industry's Prompt Payers Code. The target is for payment to

be made within agreed payment terms or 30 days of receipt of invoices not in dispute for goods and services. SPCB's payment performance for 2003-2004 was 76% (72.4% for 2002-2003).

The SPSO Senior Management Team

The Ombudsman and Deputies were:

	Appointed
Professor Alice Brown	30.09.02
Eric Drake	30.09.02
Carolyn Hirst	30.09.02
Lewis Shand Smith	30.09.02

The SPSO is an equal opportunities employer. It is firmly committed to providing equal opportunities for all staff irrespective of age, disability, gender, marital status, sexual orientation, race, colour, religion, nationality, ethnic or national origin.

Health and Safety

The SPSO is committed to promoting health and safety as a priority issue. Its aim is to take appropriate and reasonable steps to ensure that it conducts its business in such a way that employees and other people who may be affected by its work are not exposed to risks to their health and safety.

Audit

The accounts are audited by Scott-Moncrieff, Chartered Accountants who were appointed by the Auditor General for Scotland in accordance with paragraph 15(2) of Schedule 1 of the Scottish Public Services Ombudsman Act 2002. The appointment covers the financial years 2002/03 to 2005/06. The general duties of the auditor are set out in the Code of Audit Practice by Audit Scotland and approved by the Auditor General.

Professor Alice Brown
Scottish Public Services Ombudsman

December 2004

Statement of Scottish Public Services Ombudsman's Responsibilities as Accountable Officer

I am designated by the Scottish Parliamentary Corporate Body under the terms of Schedule 1, paragraph 14(1) of the Scottish Public Services Ombudsman Act 2002, as Accountable Officer for the Scottish Public Services Ombudsman. The relevant responsibilities of the Accountable Officer, including the responsibility for the propriety and regularity of the finances of the SPSO, and for the keeping of proper records, are set out in section 16 of the Public Finance and Accountability (Scotland) Act 2000.

I am responsible under the Act for:

- Signing the accounts of the expenditure and receipts of the Ombudsman.
- Ensuring the propriety and regularity of the finances of the Ombudsman.
- Ensuring that the resources of the Ombudsman are used economically, efficiently and effectively.

In preparing the accounts I have:

- Observed relevant accounting and disclosure requirements and applied suitable accounting policies on a consistent basis.
- Made judgements and estimates which are reasonable and prudent.
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- Prepared the accounts on a going concern basis.

Professor Alice Brown
Scottish Public Services Ombudsman

December 2004

Independent Auditor's Report

To the Scottish Parliament and the Auditor General for Scotland

We have audited the financial statements on pages 9 to 12 under the Scottish Public Services Ombudsman Act 2002.

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 the Code of Audit Practice approved by the Auditor General for Scotland and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001.

Respective responsibilities of the Ombudsman and Auditor

As described on page 4 the Ombudsman is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Ombudsman is also responsible for the preparation of the Foreword and the statement on the system of internal control. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements properly present the receipts and payments of the Scottish Public Services Ombudsman and have been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers and whether 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 report if, in our opinion, the Foreword is not consistent with the audited financial statements, proper accounting records have not been kept, or if we have not received all the information and explanations we require for our audit.

We review whether the statement on pages 7 to 8 reflects compliance with the Scottish Executive's guidance on the statement on the system of internal control. We report if it does not meet the requirements specified, or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Basis of opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Ombudsman in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Scottish Public Services Ombudsman's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the receipts and payments shown in the financial statements were incurred or applied in accordance with any applicable enactments and directions issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

Financial statements

In our opinion the financial statements properly present the receipts and payments of the Scottish Public Services Ombudsman for the period ended 31 March 2004 and have been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers.

Regularity

In our opinion, in all material respects the expenditure and receipts shown within the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Date

Scott-Moncrieff
Chartered Accountants
17 Melville Street
Edinburgh
EH3 7PH

STATEMENT ON INTERNAL CONTROL

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievements of the SPSO's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurances of effectiveness.

The SPSO is a relatively new office having been set up in October 2002, moved to a single site in November 2003 and begun the process of operating new policies, processes and procedures. The system of internal control is based on an ongoing process and is designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives. Steps have been taken to identify the principal risks facing the organisation, evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. In addition, the SPSO has looked more widely at its Corporate Governance arrangements with a view to establishing appropriate policies and procedures and monitoring arrangements.

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control. The following arrangements are in operation:

- The Senior Management Team (Ombudsman and three Deputies) meets on a weekly basis to consider the plans and strategic direction of the organisation and initial policy development;
- The Management Group (SMT plus 4 Complaints Managers and the Office Manager) meet fortnightly to monitor operational issues and management of case work, and steps being taken to manage risks in their areas of responsibility;
- The SPSO formally complies with the principles of the Scottish Public Finance Manual.

Developments during 2003-04

During the period the SPSO's risk management and internal control processes have been developed in the following ways:

- A Risk Management Workshop was facilitated for the Management Group by external facilitators;
- A presentation was made to staff (Staff Away Day, March 2004) at which the outcome of the Risk Management Workshop was reported and discussed;

- Complaints Managers held separate sessions with staff in their respective teams to promote discussion and raise awareness of risks within the organisation;
- A Corporate Governance workshop was facilitated for the Senior Management Team by an external facilitator;
- A programme of Staff Training has been developed that includes events intended to address different aspects of risk identified;
- Complaints Managers and the Office Manager report on steps taken to manage risks in their areas of responsibility.

Future Development

During the next period I plan to take forward the process that has begun to manage risk within the organisation. We will continue to develop our risk management process and review the risk facing the SPSO by:

- Ensuring that the Management Group considers risk management and internal control on a regular basis;
- Holding an all staff risk management training session;
- Issuing guidance to staff on risk management;
- Maintaining and updating the organisation's risk register.

The aim is to:

- Integrate risk management into the culture and practice of the Ombudsman's office;
- Reinforce the importance of risk management across the organisation;
- Manage risk in accordance with best practice.

In addition, we will seek to improve our business planning process, setting targets for the completion of identified tasks. We will also give consideration to the establishment of an Audit and Risk Management Committee.

My review of the effectiveness of the system of internal control will be informed by my Deputies and Managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

SCOTTISH PUBLIC SERVICES OMBUDSMAN

RECEIPTS AND PAYMENTS ACCOUNT

1 APRIL 2003 TO 31 MARCH 2004

	Note	2003-04 £	2002-03 £
Receipts		2,568,000	163,000
Payments			
Salaries	3	1,280,835	79,000
Other operating Costs	4	1,498,393	84,000
Net Payments		2,779,228	163,000
NET RECEIPTS/(PAYMENTS)		(211,228)	

THE SCOTTISH PUBLIC SERVICES OMBUDSMAN

NOTES TO THE ACCOUNTS

Receipts and Payments Account 2003-2004

1. Background

The accounts for the Scottish Public Services Ombudsman (SPSO) have been prepared for the period 1 April 2003 to 31 March 2004.

2. Statement of Accounting Policies

The financial statements have been prepared in accordance with the Public Finance Manual. The particular accounting policies adopted by the SPSO are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

2.1 Accounting Convention

The financial statement has been prepared on a going concern basis applying the historical cost convention.

2.2 Receipts and Payments Account

Operating receipts and payments are those receipts and payments which relate directly to the operating activities of the SPSO. They comprise charges for goods and services provided on a full cost basis to external customers. Receipts and Payments are shown gross of Value Added Tax.

2.3 Insurance

No outside insurance is affected against fire, explosion, third party and similar risks except where there is a statutory requirement to do so.

2.4 Pensions

The Ombudsman and Deputy Ombudsmen are paid through the Scottish Parliamentary Corporate Body's (SPCB) payroll. All officeholders joined the Principal Civil Service Pension Scheme (PSCPS).

The staff of the SPSO are members of the Principal Civil Service Pension Scheme also. This is an unfunded multi-employer defined benefit scheme from which the SPCB is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003 details of which can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2003-04, employer contributions for the Ombudsman and the Deputy Ombudsmen of £25,695 were payable to the PCS (2002-03 £11,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

There were no outstanding or prepaid scheme contributions at 31 March 2004.

On death, pensions are payable to the surviving spouse at a rate of half of the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay 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.

2.5 Value Added Tax

The SPSO is required to pay VAT on the provision of goods and services. Receipts and payments have been shown gross of VAT.

3. Members and Costs

A. Pay costs consist of:

	2003-04	2002-03
	£	£
Ombudsman and Deputies Salaries	149,550	63,000
Social Security costs	13,619	5,000
Other Pension costs	25,695	11,000
TOTAL	188,864	79,000

B. The average number of whole-time equivalent persons employed in the office of the SPSO during the period was as follows:

	2003-04	2002-03
Ombudsman	1	1
Deputies	1.5	1.5
Staff	29	23
Total	31.5	25.5

The salary and pension entitlements and personal details of the Ombudsman and Deputy Ombudsmen during the period 1 April 2003 to 31 March 2004 were as follows:

	Age	Salary (as defined below)	Real increase in pension at age 60	Total accrued pension at age 60 as at 31 March 2004	CETV at 31 March 2003	CETV at 31 March 2004	Value of CETV increase over year
		£'000	£'000	£'000	£'000	£'000	£'000
Professor Alice Brown	57	70-75	15-20	15-20	8	314	111
Eric Drake	50	25	0-5	15-20	214	237	15
Carolyn Hirst	47	25	0-5	0-5	2	7	4
Lewis Shand Smith	52	25	0-5	0-5	2	7	4

Salaries include basic salaries, and where appropriate performance bonuses payable, reserved rights, recruitment and retention allowances. They do not include employer National Insurance or Superannuation contributions.

4. Other Administrative Costs

	2003-2004	2002-2003
	£	£
Rentals under Operating Leases:		
Other operating leases	11,302	
Travel and Expenses and Hospitality	10,154	4,000
Set-up Costs	825,336	77,000
Training	13,923	
General Office Running Costs	615,705	3,000
Utilities	16,772	
Subscriptions and Publications	5,201	
TOTAL	1,498,393	84,000