

Scottish Public Services Ombudsman

Annual Accounts

Year Ended 31st March 2005

**Scottish Public Services Ombudsman
Accounts For The Year Ended 31 March 2005**

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Scottish Public Services Ombudsman Accounts For The Year Ended 31 March 2005

FOREWORD

The accounts for the financial year ended 31st March 2005 are presented in accordance with paragraph 15(1) of Schedule 1 to the Scottish Public Services Ombudsman Act 2002, and prepared in accordance with an Accounts Direction given by Scottish Ministers.

Background Information

1. The Scottish Public Services Ombudsman (the Ombudsman) was constituted under Section 1 of the SPSO 2002 which was passed by Parliament on 21 March 2002 and received Royal Assent on 23 April 2002.

Statutory Powers and Responsibilities

2. The statutory functions of the Scottish Public Services Ombudsman are 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 participating in a range of outreach activities. The SPSO also has a role to promote good administrative practice and, using the evidence from its investigations, to contribute to the development and improvement of the public sector in Scotland.

Financial Position

3. The Ombudsman's expenditure on operating activities for the year ended 31 March 2005 totalled £2,117,000. This was on staffing costs £1,476,000 other operating costs £561,000 and depreciation £80,000. Income of £9,000 was earned resulting in net expenditure on operating activities of £2,108,000.

4. A further £61,000 was spent on fixed asset purchases giving total expenditure for the year of £2,169,000.

5. The Scottish Parliament awarded the Ombudsman a budget of £2,836,000 for financial year 2004-05. The Ombudsman's actual expenditure at £2,169,000 was under budget. Details of performance against budget are shown in note 2 to the accounts.

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Financial Administration

6. During 2004-05 financial administration was provided by the Scottish Parliamentary Corporate Body (SPCB). The SPCB received no remuneration for this support. The SPCB was established under Section 21 of the Scotland Act 1998 and is located at The Scottish Parliament, Edinburgh EH99 1SP. From 1 April 2005 the Office of the Scottish Public Services Ombudsman took over responsibility for its own financial administration.

Payment of Creditors

7. Invoices are processed by the SPCB. The SPCB 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 either receipt of the goods or services. SPCB payment performance for 2004-05 was 66.5% (2003/04, 76%).

Review of 2004/05

8. The financial year 2004-05 was an important one for the SPSO and the development of a one-stop-shop for handling complaints about the public services in Scotland. The SPSO received 2377 complaints and enquiries over the year 2004-05, compared to 1791 in the previous year. Of those that were within jurisdiction, 61% were about local government, 14% about the NHS, 9% about Housing Associations and 5% about the Scottish Executive and its Agencies.

Future Developments

9. The SPSO will be pursuing a range of new activities during the year 2005-06 as well as the extension of the remit to include Further and Higher Education. This extension will bring an additional 77 bodies under the SPSO's jurisdiction from October 2005.

10. The SPSO will focus on the successful implementation of its Business Plan for 2005-06 around the areas of Development, Service, People and Assurance. The Business Plan will be delivered within the context of the SPSO's Strategic Objectives for 2005-06.

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The Scottish Public Services Ombudsman

11. ***The Ombudsman is:*** Professor Alice Brown
Appointed: 30 September 2002

The Ombudsman's appointment is for a period of up to 5 years.

Equal Opportunities

12. The Ombudsman supports the principle of equal opportunities in carrying out her operational functions and employment practices. This means she is committed to pursuing positive action in her 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

13. The office of the Ombudsman has adopted the principles of openness and participation in its organisation and places a high level of importance on both informing and consulting staff. It does so by providing access to management papers, 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.

Audit

14. The accounts are audited by auditors appointed by the Auditor General for Scotland in accordance with paragraph 15 (2) of Schedule 1 of the SPSO 2002.

Professor Alice Brown
Scottish Public Services Ombudsman

Date:

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

The SPCB designated the Ombudsman as the Accountable Officer for the Office of the Scottish Public Services Ombudsman. The relevant responsibilities as Accountable Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Executive and published in the Scottish Public Finance Manual.

Under paragraph 15(1) of Schedule 1 to the SPSO 2002, the Ombudsman is required to prepare a statement of accounts for each financial year in the form as directed by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the Ombudsman's affairs at the year end and of the financial activities of her office during the year.

In preparing the accounts, the Ombudsman is required to:

- (i) Observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- (ii) Make judgements and estimates on a reasonable basis.
- (iii) State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements.
- (iv) Prepare the financial statements on a "going concern" basis, unless it is inappropriate to presume that the Ombudsman will continue in operation.

As explained in the Foreword, financial administration, including the keeping of proper records, was provided by the SPCB during the year ended 31st March 2005.

STATEMENT ON INTERNAL CONTROL

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives, whilst safeguarding the public funds and the organisation's assets for which I am responsible.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control will evolve to identify the principal risks to the achievement of the organisation's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

In this year I have continued to introduce and develop procedures for internal control in a number of key business areas, including financial management, operational and employee data management and risk management. Formal Schemes of Control and Schemes of Delegation are now in place. I have also restructured and strengthened the Management Team by clarifying lines of responsibility and by recruiting new staff with greater skills and managerial experience. Further improvement is still possible. For instance an Advisory Group has not been established and we are taking legal advice on the potential remit of such a Group and their possible role in supporting the internal Risk and Audit committee.

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control. I am supported by the SPSO Executive Board, which I chair, which meets at least monthly to consider the operational and financial performance, plans and strategic direction of the organisation.

The SPSO formally complies with the principles of the Scottish Public Finance Manual in line with the Financial Memorandum agreed with the SPCB.

During the coming year I plan to ensure arrangements are put in place to further develop our risk management strategy, including the development of an appropriate internal audit provision.

Professor Alice Brown
Scottish Public Services Ombudsman

Date:

Scottish Public Services Ombudsman Accounts For The Year Ended 31 March 2005

Independent Auditor's report

To the Scottish Parliament and the Auditor General for Scotland

We have audited the financial statements on pages 8 to 18 under the Scottish Public Services Ombudsman Act 2002. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with the accounting policies set out on pages 11 to 12.

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 expenditure and receipts. The Ombudsman is also responsible for the preparation of the Foreword and the statement 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 give a true and fair view and are 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 financial statements, if the Ombudsman has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the statement on page 5 complies with Scottish Executive guidance on the statement on the system of internal control. We report if, in our opinion, it does not comply with the guidance, or if the statement is misleading or inconsistent with other information we are aware of from our audit.

We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Ombudsman's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Scottish Public Services Ombudsman Accounts For The Year Ended 31 March 2005

Basis of audit opinions

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 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. In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of the dispute over inherited pension liabilities of the former Ombudsmen and relevant staff. The future settlement of this dispute could result in additional liabilities to the SPSO. Details of the circumstances relating to this fundamental uncertainty are described in note 14. Our opinion is not qualified in this respect.

Opinions

Financial statements

In our opinion the financial statements give a true and fair view of the state of affairs of the Scottish Public Services Ombudsman at 31 March 2005 and of the surpluses, total recognised gains and losses and cash flows for the year then ended 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 in 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

**Scottish Public Services Ombudsman
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Income and Expenditure Account for the year ended 31st March 2005

	<u>Notes</u>	<u>2005</u> <u>£'000</u>
<u>Income</u>		
Income from all Sources	3	(9)
<i>Total Income</i>		(9)
<u>Expenditure</u>		
Staff Costs	4,5	1,476
Other Operating Costs	6	561
Depreciation	7,8	80
<u>Total Expenditure</u>		2,117
<u>Net Expenditure for the Year</u>		2,108

All amounts relate to continuing activities. There have been no gains or losses other than those recognised in the Income & Expenditure Account.

The accompanying notes on pages 11 to 18 form an integral part of these accounts.

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Balance Sheet as at 31st March 2005

	<u>Notes</u>	<u>2005</u> £'000	<u>2004</u> £'000
<u>Fixed Assets</u>			
Tangible Assets	7	598	616
Intangible Assets	8	9	10
<i>Total Fixed Assets</i>		607	626
 <u>Current Assets</u>			
Debtors	9	130	90
Cash at Bank and in Hand			
		130	90
 <u>Current Liabilities</u>			
Creditors - Amounts Falling Due Within One Year	10	(137)	(118)
		(137)	(118)
 <i>Net Current Assets</i>		(7)	(28)
 Total Net Assets		600	598
 <u>Financed by:</u>			
 Capital and Reserves			
General Fund	11	600	598
		600	598

The accompanying notes on pages 11 to 18 form an integral part of these accounts.

Professor Alice Brown
Scottish Public Services Ombudsman

Date:

**Scottish Public Services Ombudsman
Accounts For The Year Ended 31 March 2005**

Cash Flow Statement for Year Ended 31st March 2005

<u>Operating Activities</u>	<u>2005</u>
	£'000
Net Cash Outflow from Operating Activities (i)	(2,032)
<u>Capital Expenditure</u>	
Purchase of Tangible/Intangible Fixed Asset	(61)
	<u>(2,093)</u>
<u>Financing From the SPCB</u>	
From the SPCB	2,093
<u>Increase in Cash</u> (ii)	<u><u>0</u></u>

(i) Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	<u>2005</u>
	£'000
Net Expenditure for the Year	(2,108)
Increase in Debtors	(40)
Increase in Creditors and Provisions	19
Depreciation	80
Notional Costs	17
Net Cash Inflow from Operating Activities	<u><u>(2,032)</u></u>

(ii) Analysis of Changes in Cash & Bank

	At 1st April 2004 £'000	Cash Flow £'000	At 31st March 2005 £'000
Cash at Bank and in Hand	<u>0</u>	<u>0</u>	<u>0</u>

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 Basis of Accounting

These accounts cover the year to 31 March 2005. The financial statements have been prepared under the historical cost convention, and in accordance with the Accounts Direction issued by Scottish Ministers on 1 December 2004. They meet the requirements of the Companies Act 1985, and of the Statements of Standard Accounting Practice / Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as these requirements are appropriate.

The accounts for 2003-04, prepared under the previous Accounts Direction, were prepared on a cash basis. The balance sheet comparatives have been restated on the accruals basis.

1.2 Fixed Assets

1.2.1 *Capitalisation*

Capital purchases for a value exceeding £500 inclusive of irrecoverable VAT are treated as capital. However, the threshold for land and buildings is set at £10,000 and the IT equipment threshold is where the group value exceeds £500.

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

1.2.3 *Valuation*

As appropriate, fixed assets are valued at their value to the organisation by reference to current costs.

1.2.4 *Depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation in equal instalments over the remaining estimated useful life of the asset. These are as follows:

Leasehold improvements	over the period of the lease
Furniture and equipment	5 years
Fixtures & Fittings	5 years
IT Equipment	3 years

1.3 Funding Receivable

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

**Scottish Public Services Ombudsman
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1.4 Leases

The Ombudsman holds no material finance leases. Costs in respect of operating leases are charged to the income and expenditure account as they fall due.

1.5 Notional Costs

In line with HM Treasury's Fees and Charges Guide and DAO letter 8/96, The Ombudsman includes notional costs for cost of capital at the rate approved by HM Treasury of 3.5% (2003/04, 3.5%) in real terms on all assets and liabilities.

1.6 Pension Costs

The Ombudsman and Deputy Ombudsmen

The Ombudsman and Deputy Ombudsmen are paid through the Scottish Parliamentary Corporate Body's payroll. All are members of the Principal Civil Service Pension Scheme (PCSPS).

Employees

The staff of the SPSO are also members of the PCSPS. This is an unfunded multi-employer defined benefit scheme, but the SPSO 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 can be found in the resource accounts of the Cabinet office: Civil Superannuation (www.civilservice-pensions.gov.uk)

1.7 Value Added Tax

The SPSO is required to pay VAT on the provision of goods and services. All VAT is charged to the income and expenditure account.

**Scottish Public Services Ombudsman
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2 Performance Against Budget

The Ombudsman is funded through the SPCB. For financial year 2004-05 the Ombudsman was allocated a budget of £2,836,000, including £52,000 for fixed asset additions. Net expenditure for the year at £2,108,000 was considerably below budget.

	2005 Budget £'000	2005 Expenditure £'000	Variance £'000	Variance %
<u>Income</u>	0	(9)	9	0%
<u>Expenditure</u>				
Operating Activities	2,784	2,117	667	24%
Fixed Asset Additions	52	61	(9)	(17%)
	2,836	2,178	658	23%
<u>Net Expenditure for the Year</u>				
	2,836	2,169	667	24%

3 Income

	<u>2005</u> £'000
Income from all Sources	
Income from Lease of Parking Spaces	6
Insurance Recovery	3
	9

4 Staff Numbers and Costs

4.1 *Average Staff Employed (Full Time Equivalent)*

The average number of full time equivalent (FTE) persons employed in the office of the SPSO during the period was as follows:

	2005 FTE
Ombudsman	1.0
Deputies	1.5
Staff	31.9
	34.4

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4.2 Breakdown of Staff Costs

	Total	Ombudsman and Deputies	Staff
	£'000	£'000	£'000
Salaries / Wages	1,148	172	976
Social Security Costs	97	16	81
Pension Costs	231	30	201
	1,476	218	1,258

4.3 Ombudsman and Deputies

The salary and pension entitlements and personal details of the Ombudsman and Deputy Ombudsmen during the period 1 April 2004 to 31 March 2005 were as follows:

	Salary (as defined below)	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 as at 31 March 2005 and related lump sum	CETV at 31 March 2004	CETV at 31 March 2005	Value of CETV increase over year
	£'000	£'000	£'000	£'000	£'000	£'000
Ombudsman						
Professor Alice Brown	80 - 85	2.5 - 5 lump sum 7.5 - 10	20 - 25 lump sum 60 - 65	314	383	51
Deputy Ombudsman						
Eric Drake	25 - 30	0 - 2.5 lump sum 5 - 7	20 - 25 lump sum 60 - 65	254	298	29
Carolyn Hirst	25 - 30	0 - 2.5 lump sum 0 - 2.5	0 - 5 lump sum 0 - 5	7	13	5
Lewis Shand Smith	30 - 35	0 - 2.5 lump sum 0 - 2.5	0 - 5 lump sum 0 - 5	7	14	6

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.

**Scottish Public Services Ombudsman
Accounts For The Year Ended 31 March 2005**

5 Pension Costs

For 2004-05 employer's contributions of £158,761 were payable to the PCSPS at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005-06, the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%.

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 2005.

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 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.

6 Analysis of Operating Expenditure

	<u>2005</u> <u>£'000</u>
Property Costs	142
Professional Services	146
General Office Running Costs	137
Training	30
Travel and Expenses	26
Printing and Publications	23
Advertising	22
Telephones and Postage	18
Notional Cost of Capital	17
	<hr/> 561 <hr/>

The above total includes £18,230 (2004 £10,120) for external auditor's remuneration. External audit received no fees in relation to non audit work. Included within Administration costs are £13,664 (2004 £13,011) of equipment rental costs in association with operating leases.

**Scottish Public Services Ombudsman
Accounts For The Year Ended 31 March 2005**

7 Fixed Assets

	Leasehold Improvements	Equipment	Furniture Fixtures & Fittings	IT Hardware & Systems	Total
	£'000	£'000	£'000	£'000	£'000
<u>Cost</u>					
At 1 st April 2004	445	16	111	80	652
Additions	48	2	3	5	58
Disposals	0	0	0	0	0
At 31 st March 2005	<u>493</u>	<u>18</u>	<u>114</u>	<u>85</u>	<u>710</u>
<u>Depreciation</u>					
At 1 st April 2004	9	2	10	15	36
Charge for Year	23	3	23	27	76
Disposals	0	0	0	0	0
At 31 st March 2005	<u>32</u>	<u>5</u>	<u>33</u>	<u>42</u>	<u>112</u>
<u>Net Book Value at 31st March 2005</u>					
	<u>461</u>	<u>13</u>	<u>81</u>	<u>43</u>	<u>598</u>
<u>Net Book Value at 31st March 2004</u>					
	<u>436</u>	<u>14</u>	<u>101</u>	<u>65</u>	<u>616</u>

8 Intangible Assets

<u>Cost</u>		<u>2005</u>
		£'000
At 1 st April 2004		12
Additions		3
Disposals		0
At 31 st March 2005		<u>15</u>
<u>Depreciation</u>		
At 1 st April 2004		2
Charge for Year		4
Disposals		0
At 31 st March 2005		<u>6</u>
<u>Net Book Value at 31st March 2005</u>		<u>9</u>
<u>Net Book Value at 31st March 2004</u>		<u>10</u>

**Scottish Public Services Ombudsman
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9 Debtors

	2005	2004
	£'000	£'000
Funding due from SPCB	0	90
Prepayments	127	0
Other Debtors	3	0
	130	90

10 Creditors: Amounts Falling Due Within One Year

	2005	2004
	£'000	£'000
Trade Creditors	14	28
Accruals	123	91
	137	119

11 General Fund

	2005
	£'000
As at 1 April 2004	598
Net Expenditure for the Year	(2,108)
From the SPCB	2,093
Notional Cost of Capital	17
As at 31 March 2005	600

12 Operating Leases

	Office Equipment	Buildings	Totals
	£'000	£'000	£'000
Operating Lease Payment Commitments Expiring:			
Within One Year of the Balance Sheet Date	0	0	0
Within Two to Five Years of the Balance Sheet Date	16	0	16
Over Five Years of the Balance Sheet Date	0	147	147
Total	16	147	163

**Scottish Public Services Ombudsman
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13 Capital Commitments

There were no contracted capital commitments as at 31st March 2005.

14 Contingent Liabilities

Under the Scottish Public Services Ombudsman Act 2002, property and liabilities to which a previous Commissioner was entitled transferred to the Ombudsman on 1 October 2002. A liability exists to the Lothian Pension Fund with regard to pension payments due to individuals including staff and Ombudsmen of the forerunner bodies. An actuarial valuation of the pension liability in respect of the relevant individuals was carried out at 31 March 2005 by Hymans Robertson which valued this liability at £283,400.

The SPSO is disputing the transfer of this liability to the Ombudsman. The liability is made up of amounts due to the three former Ombudsmen under the Lothian Pension Fund by-analogy scheme and a discretionary pension enhancement to a former member of the Ombudsman's staff. Under the Local Government (Scotland) Act 1975 the liability for pensions lies with the designated body who were responsible for the Commissioner for Local Administration at the time. The SPSO have obtained legal advice that confirms that as the liability for payment of pensions never lay with the Commissioner for Local Administration in the first place the provisions of the 2002 Act are incapable of transferring such a liability to the SPSO. The discretionary pension enhancement was awarded to the former member of staff in April 2001 and the individual was not employed at the time of the transfer to the SPSO in October 2002. No provision has therefore been included within the accounts for this liability.

Notwithstanding this £59,500 has been included within staff costs in the 2004/05 income and expenditure account. This relates to amounts paid to Lothian Pension Fund in relation to these liabilities or to amounts accrued at the year end and paid in 2005/06.

15 Related Party Transactions

The Office of the Scottish Information Commissioner was constituted by the Scottish Parliament which provides funding, financial administration and support. The Scottish Parliament Corporate Body is regarded as a related body.

Neither the Commissioner, other staff or related parties has undertaken material transactions with the SPSO during the year.

SCOTTISH PUBLIC SERVICES OMBUDSMAN

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Schedule 1, paragraph 15(1) of the Public Services Ombudsman Act 2002, hereby give the following direction.
2. The statement of accounts which it is the duty of the Scottish Public Services Ombudsman to prepare in respect of the period ended 31 March 2005 and in respect of any subsequent financial year, shall comprise:
 - 2.1. a foreword;
 - 2.2. an income and expenditure account;
 - 2.3. a balance sheet;
 - 2.4. a cash flow statement;
 - 2.5. a statement of total recognised gains and losses;
 - 2.6. a statement of accountable officer's responsibilities; and
 - 2.7. a statement of internal control;

including such notes as may be necessary for the purposes referred to in the following paragraphs.

3. The statement of accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year. Subject to this requirement, the accounts shall be prepared in accordance with:
 - 3.1. the accounting and disclosure requirements of the Companies Act for the time being in force; and
 - 3.2. generally accepted accounting practice in the UK, including accounting standards issued or adopted by the Accounting Standards Board; and
 - 3.3. guidance which Scottish Ministers may issue from time to time in respect of accounts which are required to give a true and fair view;

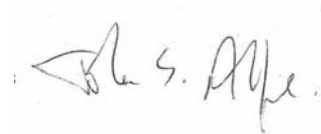
insofar as these are appropriate to the Scottish Public Services Ombudsman and are in force for the financial year for which the statement of accounts is prepared.

4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

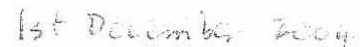
**Scottish Public Services Ombudsman
Accounts For The Year Ended 31 March 2005**

5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - 5.1. fixed assets at their value to the organisation by reference to current costs.
6. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 28 March 2003 is hereby revoked.

Signed by the authority of the Scottish Ministers



Date



SCHEDULE 2

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the equivalent information relating to the Scottish Public Services Ombudsman shall be contained in the foreword.
3. When preparing its income and expenditure account the Scottish Public Services Ombudsman shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet the Scottish Public Services Ombudsman shall have regard to the balance sheet format 1 prescribed in Schedule 4 of the Companies Act.
5. The Scottish Public Services Ombudsman is not required to provide the additional information required by paragraph 33(3) of Schedule 4 of the Companies Act.
6. The foreword and balance sheet shall be signed and dated by the Scottish Public Services Ombudsman's Accountable Officer.

Accounting Standards

7. The Scottish Public Services Ombudsman is not required to include a note showing historical cost profits and losses as described in FRS3.
8. The Scottish Public Services Ombudsman shall not adopt the Financial Reporting Standard for Smaller Entities.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The foreword shall, *inter alia*:
 - 1.1. state that the statement of accounts have been prepared in a form directed by the Scottish Ministers in accordance with the Scottish Public Services Ombudsman Act 2002.
 - 1.2. include a brief history of the Scottish Public Services Ombudsman and its statutory background.
2. The notes to the accounts shall include:
 - 2.1. details of any key corporate financial targets in the Scottish Public Services Ombudsman corporate plan together with an indication of the performance achieved; and
 - 2.2. details of the pension arrangements operated by the Scottish Public Services Ombudsman and confirmation that the scheme accords with the instruction contained in Schedule 1 of the Scottish Public Services Ombudsman Act 2002; and
 - 2.3. detailed analysis of funding received from the Scottish Parliamentary Corporate Body.