

Scottish Public Services Ombudsman

Annual Accounts

2008-09

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FOREWORD

The accounts for the financial year ended 31st March 2009 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 Scottish Public Services Ombudsman Act 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 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. The Ombudsman 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 delivery of public services in Scotland.

Financial Position

3. The Ombudsman's expenditure on operating activities for the year ended 31 March 2009 totalled £3,294,000. This was on staffing costs £2,414,000, other operating costs £792,000 and depreciation £88,000. Income of £70,000 was earned resulting in net expenditure on operating activities of £3,224,000.

4. A further £160,000 was spent on fixed asset purchases giving total expenditure for the year of £3,384,000.

5. The Scottish Parliament awarded the Ombudsman a budget of £3,275,000 for financial year 2008-09, excluding depreciation. The Ombudsman's actual funding of £3,275,000 was on budget. Details of performance against budget are shown in Note 2 to the accounts.

Financial Administration

6. From 1 April 2005 the Office of the Scottish Public Services Ombudsman took over responsibility for its own financial administration.

Payment of Creditors

7. The Ombudsman 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. The payment performance for 2008-09 was 91% (2007-08 was 97%).

Review of 2008-09

8. The financial year 2008-09 was a significant one for the SPSO with the Ombudsman, Professor Alice Brown, demitting office on 31 March 2009. The new Ombudsman, Jim Martin, was appointed and took up post on 1 May 2009, and is the Accountable Officer for these accounts.

The SPSO received 4,118 complaints and enquiries over the year 2008-09, compared to 4,197 in the previous year. Of the complaints received, 54% were about local government, 23% about the NHS, 10% about Housing Associations, 7% about the Scottish Government and its agencies, 3% about further and higher education and a small number were out of jurisdiction or unclear. In total, the 2008-09 volumes reflect a decrease of less than 2% in overall contact.

Future Developments

9. The SPSO will continue to implement the 2008-11 Strategic Plan. Additionally, the SPSO will be implementing recommendations made by the Scottish Parliament Review of SPCB Supported Bodies Committee and the Scottish Government Public Services Reform Bill.

10. The SPSO will continue to work closely with the Scottish Government and the SPCB in regard to shared services and other opportunities for improving cross-agency working and multi-organisational efficiencies.

The Scottish Public Services Ombudsman

11. ***The Ombudsman is:*** Jim Martin
Appointed: 1 May 2009

The Ombudsman's appointment is for an initial period of two years.

Equal Opportunities

12. The Ombudsman supports the principle of equal opportunities in carrying out his operational functions and employment practices. This means he is committed to pursuing positive action in his 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, disability and sexual or marital status.

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 weekly 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 Act 2002. The Auditor General has appointed Grant Thornton UK LLP as the SPSO Auditors for the 5 year period from 2006-07. As Accountable Officer, I am unaware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that the auditors are also made aware of this information.

Environmental and sustainable development matters

15. The Ombudsman is committed to supporting the Scottish Government's policies on Environmental and Sustainable Development and understands his obligations in these areas. In 2008-09 SPSO undertook training for all staff and conducted an initial impact assessment. Further detailed work was scheduled for 2009-10 as part of the 2009-10 business plan.

Staff Absence

16. The average number of staff days due to absence was 8 days per employee including long term sickness absence compared to a public sector average. Reasons for absence are monitored on an ongoing basis in order for the senior management team to manage absence effectively.

Jim Martin
Scottish Public Services Ombudsman

19 August 2009

REMUNERATION REPORT

The Ombudsman's re-appointment in 2007 was for a period of four years and remuneration of the Ombudsman is set by the Scottish Parliamentary Corporate Body. Following nomination by the Scottish Parliament the Ombudsman is appointed by Her Majesty the Queen.

The Ombudsman's salary and pension entitlement is set out below:

Remuneration	2008-09	2007-08
	£	£

Ombudsman		
Professor Alice Brown	Salary	90-95
	Benefits in kind	Nil

Pension Benefits	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 2009 and related lump sum	CETV at 31 March 2008	CETV at 31 March 2009	Value of CETV increase over year Funded by the employer
	£'000	£'000	£'000	£'000	£'000	£'000
Ombudsman						
Professor Alice Brown	90-95	0 - 2.5 lump sum 0-2.5	30-35 lump sum 95-100	687	711	8

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.

The Cash Equivalent Transfer Value (CETV)

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total service, not just their current appointment. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the member (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.

Jim Martin
Scottish Public Services Ombudsman

19 August 2009

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 Scottish Public Services Ombudsman Act 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 his 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.

STATEMENT ON INTERNAL CONTROL

I took up the post of Scottish Public Services Ombudsman and Accountable Officer on 1 May 2009. 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. As the present incumbent I will be providing assurance for the accounts for the previous financial year, on behalf of my predecessor, Professor Alice Brown.

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 continue to 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.

I have ascertained that consistent adherence to procedures for internal control was in place during the year 2008-09, especially in the key business areas of financial management, operational and employee data management and risk management. A formal Scheme of Control and Scheme of Delegation remain in place and are periodically reviewed, as required by the Scheme of Control, and amended as necessary. The Executive Board consists of the Ombudsman, the Director of Investigations, the Director of Policy and Development and the Head of Services reflecting the three operational areas of the organisation. The Executive Board, which is chaired by the Ombudsman, meets with the Management Team in attendance at least 6-weekly to consider the Audit, the Annual Business Plan and the strategic direction of the organisation. The Management Team meets on a 6-weekly basis and oversees the day-to-day running of the operation.

As Accountable Officer the Ombudsman also has responsibility for reviewing the effectiveness of the system of internal control. In 2007-08 the SPSO established an internal audit function through a shared services arrangement with the Scottish Legal Aid Board. The internal and external auditors report to the Audit Advisory Committee to support me in governance and management of risks.

I am satisfied that the current Scheme of Control provides a robust and appropriate framework for internal control. The SPSO formally complies with the principles of the Scottish Public Finance Manual in line with the Financial Memorandum agreed with the SPCB.

Jim Martin
Scottish Public Services Ombudsman

19 August 2009

INDEPENDENT AUDITOR'S REPORT TO THE SCOTTISH PUBLIC SERVICES OMBUDSMAN, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

We have audited the financial statements of the Scottish Public Services Ombudsman (the Ombudsman) for the year ended 31 March 2009 under the Scottish Public Services Ombudsman Act 2002. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in the Government Financial Reporting Manual as requiring to be audited.

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 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Scottish Public Services Ombudsman and auditor

The Ombudsman is responsible for preparing the Annual Accounts, which includes the Remuneration Report, and the financial statements in accordance with the Scottish Public Services Ombudsman Act 2002, the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Ombudsman is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

- We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. We report to you whether, in our opinion, the information which comprises the management commentary included in the Annual Report, is consistent with the financial statements. We also report 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, including the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000.

In addition, we report to you if, in our opinion, any information contained in the statement of accounts is inconsistent with the Annual Report, the Ombudsman has not kept proper accounting records, if we have not received all the information and explanations we require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the Ombudsman's compliance with the Scottish Government's guidance, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls, or form an

opinion on the effectiveness of corporate governance procedures or risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only Management Commentary and Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. 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 most appropriate to the 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, of the state of affairs of the Ombudsman as at 31 March 2009 and of the net operating cost and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers; and
- information which comprises the management commentary included with the Annual Report is consistent with the financial statements.

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.

**Grant Thornton UK LLP
1-4 Atholl Crescent
Edinburgh
EH3 8LQ**

19 August 2009

OPERATING COST STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

		2009	2008
	Notes	£'000	£'000
Income			
Income from all Sources	3	(70)	(17)
Total Income		<u>(70)</u>	<u>(17)</u>
Expenditure			
Staff Costs	4,5	2,414	2,254
Other Operating Costs	6	792	804
Depreciation	7,8	88	85
Total Expenditure		<u>3,294</u>	<u>3,143</u>
Net Expenditure for the Year		<u>3,224</u>	<u>3,126</u>

All amounts relate to continuing activities. There have been no gains or losses other than those recognised in the Operating Cost Statement.

The accompanying notes on pages 14 to 19 form an integral part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 £'000	2008 £'000
Fixed Assets			
Tangible Assets	7	441	472
Intangible Assets	8	107	4
Total Fixed Assets		548	476
Current Assets			
Debtors	9	141	57
Cash at Bank and in Hand		124	115
		265	172
Current Liabilities			
Creditors - amounts falling due within one year	10	(190)	(97)
		75	75
Net Current Assets		623	551
Total Net Assets		623	551
Financed by:			
Capital and Reserves			
General Fund	11	623	551
		623	551

The accompanying notes on pages 14 to 19 form an integral part of these accounts.

Jim Martin
Scottish Public Services Ombudsman

19 August 2009

CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2009

		2009	2008
		£'000	£'000
Operating Activities			
Net Cash Outflow from Operating Activities	(i)	(3,106)	(3,033)
Capital Expenditure			
Purchase of Tangible/Intangible Fixed Asset		(160)	(30)
		<u>(3,266)</u>	<u>(3,063)</u>
Financing			
From the Scottish Parliament Corporate Body		3,275	3,034
Increase/(Decrease)in Cash	(ii)	<u>9</u>	<u>(29)</u>

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

	2009	2008
	£'000	£'000
Net Expenditure for the Year	(3,224)	(3,126)
(Increase)/Decrease in Debtors	(84)	48
Increase/(Decrease) in Creditors and Provisions	93	(61)
Depreciation	88	85
Notional Costs	21	21
Net Cash Inflow from Operating Activities	<u>(3,106)</u>	<u>(3,033)</u>

(ii) Analysis of Changes in Cash and Bank

	At 1 April 2008 £'000	Cash Flow £'000	At 31 March 2009 £'000
Cash at Bank and in Hand	<u>115</u>	<u>9</u>	<u>124</u>

NOTES TO THE ACCOUNTS

1 Accounting Policies

1.1 Basis of Accounting

These accounts cover the year to 31 March 2009. The financial statements have been prepared under the historical cost convention, and in accordance with the Accounts Direction issued by Scottish Ministers. They meet the requirements of the Government Financial Reporting Manual, 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.

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 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 and Fittings	5 years
IT Equipment	3 years
Software and licences	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.

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% (2007-08, 3.5%) in real terms on all assets and liabilities.

1.6 Pension Costs

The Ombudsman

The Ombudsman is paid through the SPCB's payroll and is a member 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 as incurred.

2 Performance Against Budget

The Ombudsman is funded through the SPCB. For financial year 2008-09 the Ombudsman was allocated a budget of £3,275,000, including £121,000 for fixed asset additions. Net expenditure for the year at £3,275,000 was on budget.

	2009 Budget £'000	2009 Expenditure £'000	Variance £'000	Variance %
Net Operating Cost	3,154	3,224	70	2%
Capital expenditure	121	160	39	32%
Total expenditure	<u>3,275</u>	<u>3,384</u>	109	3%
Accruals adjustments:				
Non cash items	0	(109)	(109)	
Working capital (incl cash)	0	0	0	
Cash Funding from SPCB	<u><u>3,275</u></u>	<u><u>3,275</u></u>	0	(0%)

3 Income

	2009 £'000	2008 £'000
Income from all Sources		
Income from lease of parking spaces	6	9
Recharges for staff secondments	59	0
Travel expenses reimbursed	0	2
Bank interest	5	6
	70	17

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:

	2009 FTE	2008 FTE
Ombudsman	1.0	1.0
Deputies	0	0.8
Staff	44.7	44.7
	45.7	46.5

4.2 Breakdown of Staff Costs

	Total £'000	Ombudsman £'000	Staff £'000
Salaries / Wages	1,883	95	1,788
Social Security Costs	146	11	135
Pension Costs	385	24	361
	2,414	130	2,284

5 Pension Costs

For 2008-09 employer's contributions of £346,000 were payable to the PCSPS at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

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 2009.

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

	2009 £'000	2008 £'000
Property Costs	259	232
Professional Services	150	219
General Office Running Costs	238	185
Training	28	31
Travel and Expenses	20	21
Printing and Publications	5	9
Telephones and Postage	32	34
Outreach	39	52
Notional Cost of Capital	21	21
	792	804

The above total includes £23,050 (2008, £20,050) for external auditor's remuneration. External auditor received no fees in relation to non audit work. Included within Administration costs are £28,676 (2008, £20,869) of equipment rental costs in association with operating leases.

7 Fixed Assets

	Leasehold Improvements	Equipment	Furniture Fixtures and Fittings	IT Hardware and Systems	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2008	493	21	157	165	836
Additions	0	0	3	51	54
Disposals	0	0	0	(55)	(55)
At 31 March 2009	493	21	160	161	835
Depreciation					
At 1 April 2008	110	17	118	119	364
Charge for Year	34	3	21	27	85
Disposals	0	0	0	(55)	(55)
At 31 March 2009	144	20	139	91	394
Net Book Value at 31 March 2009	349	1	21	70	441
Net Book Value at 31 March 2008	383	4	39	46	472

8 Intangible Assets

Cost	2009	2008
	£'000	£'000
At 1 April 2008	26	
Additions	106	
Disposals	(3)	
At 31 March 2009	<u>129</u>	
Depreciation		
At 1 April 2008	22	
Charge for Year	3	
Disposals	(3)	
At 31 March 2009	<u>22</u>	
Net Book Value at 31 March 2009	<u>107</u>	
Net Book Value at 31 March 2008	<u>4</u>	

9 Debtors

	2009	2008
	£'000	£'000
Prepayments	111	56
Other Debtors	30	1
	<u>141</u>	<u>57</u>

10 Creditors: Amounts Falling Due Within One Year

	2009	2008
	£'000	£'000
Trade Creditors	112	21
Accruals	78	76
	<u>190</u>	<u>97</u>

11 General Fund

	2009	2008
	£'000	£'000
As at 1 April 2008	551	622
Net Expenditure for the Year	(3,224)	(3,126)
From the SPCB	3,275	3,034
Notional Cost of Capital	21	21
As at 31 March 2009	<u>623</u>	<u>551</u>

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	21	0	21
Over Five Years of the Balance Sheet Date	0	150	150
Total	21	150	171

13 Capital Commitments

There was a contracted capital commitment as at 31 March 2009 of £16,000 (2008 £45,000).

14 Related Party Transactions

The SPSO was constituted by the Scottish Parliament which provides funding for the Ombudsman. The Scottish Parliamentary Corporate Body is regarded as a related body.

Neither the Ombudsman or his staff has undertaken material transactions with the SPCB during the year.

15 Financial Instruments

As the cash requirements of SPSO are met through the Scottish Parliament budget process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with SPSO's expected purchase and usage requirements and SPSO is therefore exposed to little credit, liquidity or market risk.

Appendix 1



SCOTTISH PUBLIC SERVICES OMBUDSMAN

DIRECTION BY THE SCOTTISH MINISTERS

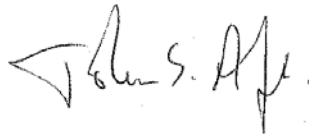
1. The Scottish Ministers, in pursuance of Schedule 1, paragraph 15(1) of the Scottish Public Services Ombudsman Act 2002, hereby give the following direction.
2. The statement of accounts which it is the duty of the Scottish Public Services Ombudsman to prepare in respect of the period ended 31 March 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.

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



Dated 1st December 2004

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.