



# Scottish Public Services Ombudsman

## Annual Accounts

**Year ended 31 March 2013**

Contents	Page Number
MANAGEMENT COMMENTARY	3
REMUNERATION REPORT	7
STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES	9
GOVERNANCE STATEMENT	10
INDEPENDENT AUDITOR'S REPORT	12
STATEMENT OF COMPREHENSIVE NET EXPENDITURE	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CASH FLOWS	16
STATEMENT OF CHANGES IN TAXPAYERS' EQUITY	17
NOTES TO THE ACCOUNTS	18
Appendix 1: Direction by the Scottish Ministers	25

## MANAGEMENT COMMENTARY

### Basis of accounts

The accounts for the financial year ended 31 March 2013 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

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.

### The Scottish Public Services Ombudsman

The Ombudsman is Jim Martin who was appointed 1 May 2009. The Ombudsman was re-appointed on 1 May 2011 for a period of six years.

### Statutory Powers and Responsibilities

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.
- 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.
- 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.
- to lead the simplification and standardisation of complaints handling throughout the public sector in Scotland using the responsibility and authority of statutory powers in relation to model Complaints Handling Procedures.

### Review of 2012-13

The financial year 2012-13 was the fourth year in post for the current Ombudsman, Jim Martin, who is the Accountable Officer.

In 2012-13 the SPSO continued its three year efficiency drive to bring about a 15% saving by 2013 with a 6% decrease on the refreshed 2011-12 baseline budget (adjusted to account for additional costs associated with new areas of jurisdiction). The Ombudsman worked closely with the Scottish Parliamentary Corporate Body (SPCB) to ensure these savings were found for the third year. Under shared services agreements, the Ombudsman provided Human Resource(HR) expertise to the Scottish Commissioner for Children and Young People. The Ombudsman continues to share its Edinburgh office with the Scottish Human Rights Commission, contributing to these savings.

2011-12 saw the implementation of two Acts of Parliament - The Public Services Reform (Scotland) Act 2010 and the Scottish Parliamentary Commissions and Commissioners etc Act. These pieces of legislation added powers and duties to the Ombudsman, taking up recommendations made in the report of the 'Fit For Purpose Complaints Systems Action Group' (The Sinclair Report) which followed the Crerar Review of independent scrutiny.

The Public Services Reform Act provided the Ombudsman with new powers and duties to oversee the development of standardised model complaints handling procedures (CHPs) in Scotland. The Act provides the Ombudsman with the authority to publish model Complaints Handling Procedures for service providers and gives the Ombudsman powers to require bodies to comply with these procedures. The Act also provides the Ombudsman with a duty to monitor and promote best practice in complaints handling for relevant public service delivery staff. The Ombudsman continued the work with the different sectors to develop model complaints handling processes through 2012-13.

In 2012-13 the Ombudsman received 4,651 complaints and enquiries, compared to 4,534 in the previous year. Of the complaints received, 37% were about local government, 30% about the NHS, 13% about the Scottish Government and its agencies and NDPBs, 8% about housing associations, 3% about further and higher education and a small number were out of jurisdiction or unclear. In total, the 2012-13 volumes reflect an increase of 3% in overall contact including a 5% increase in the volume of complaints received. The number of complaints resolved increased by 9%, while available case-handling resource remained steady.

In summary, the Ombudsman fulfilled his new legislative duties, increased productivity within existing resources and met the budgetary reduction requirements outlined above.

### **Future Developments**

The Ombudsman will continue to implement the provisions of the two 2010 Acts. In 2013-14, these include continuing the partnership working with public service providers to implement model Complaints Handling Procedures. The Ombudsman will continue to work closely with the Scottish Government and the SPCB with regards to shared services and other opportunities for improving cross-agency working and multi-organisational efficiencies.

### **Financial Position**

The Ombudsman's expenditure on operating activities for the year ended 31 March 2013 totalled £3,437,000 (2011-12 £3,542,000). This was on staffing costs £2,547,000 (2011-12 £2,621,000); other operating costs £801,000 (2011-12 £821,000) and depreciation £89,000 (2011-12 £100,000). Gross income of £180,000 (2011-12 £93,000) was earned resulting in net expenditure on operating activities of £3,257,000 (2011-12 £3,449,000).

A further £62,000 was spent on non-current asset purchases, giving a total expenditure for the year of £3,319,000, including depreciation.

The Scottish Parliament awarded the Ombudsman a budget of £3,292,000 for financial year 2012-13, excluding depreciation. The Ombudsman's actual cash funding (excluding depreciation) of £3,222,000 was below budget in part due to additional income generated through training and shared services activities.

### **Payment of Creditors**

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 2012-13 was 95% in 30 days (2011-12 was 91%) and 57% in 10 days (2011-12 was 50%).

### **Equal Opportunities**

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**

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 regular 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.

### **Staff Absence**

Absence is monitored and reported to management on a monthly, quarterly and annual basis. At 31 March 2013, the SPSO recorded a total of 223 days absence for the year; amounting to 4.2 days per employee. This is a significant decrease of 49.7% compared against last year's figure of 443 days. Sickness absence is divided into short and long term; long term absence is defined as any period of/or over 10 consecutive days. Therefore, excluding long term absence, 17.5 days were recorded with an average number of 3.8 days per employee, compared to 5.9 days last year.

The overall SPSO figure of 4.2 days per employee is below the average figure of 6.8 days reported for public sector employees (*Chartered Institute of Personnel Development*).

### **Register of Interests**

A register of declarations is held by the Senior Personal Assistant for the Senior Management Team, Audit and Advisory Committee (A&AC) members and other staff where required in accordance with the SPSO Code of Professional Conduct.

### **Environmental and sustainable development matters**

The Ombudsman is committed to supporting the Scottish Government's policies on Environmental and Sustainable Development and understands his obligations in these areas. The business plan performance measures include monitoring the year-on-year annual primary energy supply to provide an indicator on how the building work undertaken from 2009-11 and waste recycling initiatives have improved efficiency.

In 2012-13, the total carbon emissions from primary energy supplies was 71.6 metric tonnes. This is a 10% increase on last year's usage due to the long, cold winter, but still 14% below our baseline figure from 2009-10. We are continuing to find improvements through staff awareness programmes.

### **Information management**

In 2012-13 we improved our case-handling application by upgrading to a new version of the existing casework software; allowing more efficient working practices and an increase in the quality of information recorded on cases. This was in conjunction with an upgrade of the Microsoft Office applications provided by the Scottish Government and the introduction of dual monitors for all staff.

We processed 122 information requests (53 Under FOISA & 69 under DPA), including one appeal to the Office of the Scottish Information Commissioner which was not upheld as it was invalid, and one appeal to the Information Commissioner's Office which found it unlikely that the processing of personal data had been conducted in accordance with the DPA..

### **Strategic planning**

In 2012-13 the Ombudsman delivered year one of the 2012-16 strategic plan which was consulted on in March 2012 and published on 30 March 2012 under the terms of the Scottish Parliamentary Commissions and Commissioners etc. Act 2010. The 2013-14 objectives are published as part of the 2013-13 Annual Report, laid before the Parliament in July 2013.

### **Internal audit and risk management**

The Ombudsman's A&AC supports the Ombudsman in his responsibilities for risk, control and governance. The committee met four times and considered each of the internal audit reports. The internal audit reports achieved satisfactory or above from our internal auditors of the Scottish Legal Aid Board (under a shared services agreement).

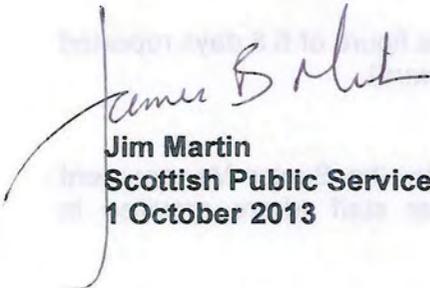
### **Audit**

The accounts are audited by auditors 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 Auditor General has appointed Audit Scotland as the Ombudsman Auditors for the 5-year period from 2011-12 to 2015-16.

**Disclosure of information to auditors**

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.

As Accountable Officer I authorised these financial statements for issue on **1 October 2013**.



**Jim Martin**  
**Scottish Public Services Ombudsman**  
**1 October 2013**

## REMUNERATION REPORT

The Ombudsman's A&AC has three independent members including the Chair of the Committee. The annual remuneration for the independent members of the Committee, which is set by the Ombudsman, fell within the band £0-£5,000 (2010-11 £0-£5,000). All independent Committee member appointments are part-time and are non-pensionable.

### Senior Management

The salaries (including any overtime, but excluding employer's superannuation and national insurance contributions), benefits in kind and pension entitlements of the Ombudsman and Director are set out below. Information is presented for the whole year to 31 March 2013.

Remuneration		2012-13	2011-12
		£	£
<b>Ombudsman</b>			
Jim Martin	Salary	80-85	80-85
	Benefits in kind	Nil	Nil
<b>Director</b>			
Nicola Maclean	Salary (FTE)	65-70	65-70
	Benefits in kind	Nil	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 2013 and related lump sum	CETV at 31 March 2012	CETV at 31 March 2013	Value of CETV increase over year Funded by the employer
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Ombudsman</b>						
Jim Martin	83	2	8	83	118	24
<b>Director</b>						
Nicola Maclean	65-70					8

Note: The Director's pension is a private scheme and has no bearing on SPSO accounts.

The highest paid member of the senior management was the Ombudsman. His remuneration was 2 times the £38,686 median remuneration paid to the Ombudsman's staff in 2012-13.

### 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.

**Service contracts**

Remuneration of the Ombudsman is set by the SPCB. Following nomination by the Scottish Parliament the Ombudsman is appointed by Her Majesty the Queen.

The Director holds an appointment which is open ended until retirement. The terms of employment are set by the Ombudsman and approved by the SPCB, in line with the SPSO Act (2002).

**Severance Payments**

No severance payments were made during the year.



**Jim Martin**  
**Scottish Public Services Ombudsman**  
**1 October 2013**

## 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 Government (formerly 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.

## GOVERNANCE STATEMENT

This statement is for the period 1 April 2012 to 31 March 2013 and provides an outline of the internal control structure and management of resources that provide assurance about performance and risk management for the Ombudsman.

### System of Internal Control

A formal Scheme of Control and Scheme of Delegation are in place and are periodically reviewed, as required by the Scheme of Control, and amended as necessary to ensure principle risks to the achievement of the organisation's objectives are managed efficiently, effectively and economically. An Internal Control Checklist has been completed for 2012-13 to inform the assessment of the Ombudsman's governance arrangements.

### Introduction

I took up the post of Scottish Public Services Ombudsman and Accountable Officer on 1 May 2009 and was reappointed in 2011 for a further six years. As Accountable Officer, I have responsibility for maintaining a sound system of governance and 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.

### Governance framework

The Senior Management Team (SMT) is the governing board within the organisation. In 2012-13 the Senior Management Team (SMT) consisted of me, the Director, the Head of Policy and External Communications and the Head of Complaints Standards. The Senior Management Team, which is chaired by me, meets formally at least twice quarterly to consider audit matters, the annual business plan, the register of risks to the business, and the strategic direction of the organisation. We also meet informally on a weekly basis to oversee the day-to-day running of the operation.

A non-statutory, non-executive independent A&AC support me in providing effective governance and management of risks. The A&AC meet at least three times a year to consider audit matters, management of risks to the business and the strategic direction of the organisation. The A&AC have their own terms of reference and review their performance against the Scottish Government Audit Committee Self-Assessment Checklist annually.

The Ombudsman is provided with an internal audit function through a shared services arrangement with the Scottish Legal Aid Board. There is a three-year internal audit programme in place ending March 2015.

The internal and external auditors report their findings to the A&AC at each meeting.

The Ombudsman has a risk policy which sets out the approach to risk management. The risk register, which identifies the key risks facing the organisation, is prepared for the business plan on an annual basis, with input from all staff and is reviewed by the Senior Management Team each quarter and the A&AC at each meeting.

The system of internal financial control is based on agreed administrative procedures and a system of delegation and accountability.

### Review of effectiveness of internal control and risk management

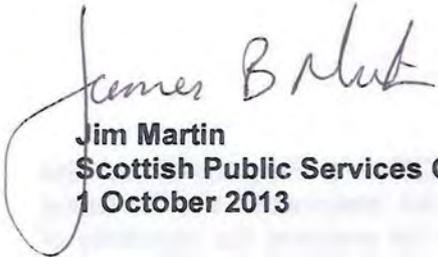
I am satisfied that the current Scheme of Control provides a robust and appropriate framework for good governance and internal control. The Ombudsman formally complies with the principles of the Scottish Public Finance Manual in line with the Financial Memorandum agreed with the SPCB.

I have ensured consistent adherence to procedures for internal control during the year 2012-13, especially in the key business areas of financial management, operational and employee data

management and risk management. 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.

The preparation of the annual business plan takes account of the Public Service Improvement Framework, Audit Scotland reports and Best Value in Public Services characteristics.

In February 2012 Audit Scotland reviewed the risk register and provided recommendations to management for improvement that were fully adopted for the 2012-13 register and have formed the basis for the 2013-14 register. The overall risk profile for 2012-13 was low to moderate with no significant risks that did not have effective controls in place. There were no significant lapses in data security in the year.



**Jim Martin**  
**Scottish Public Services Ombudsman**  
**1 October 2013**

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

I have audited the financial statements of the Scottish Public Services Ombudsman for the year ended 31 March 2013 in accordance with the Scottish Public Services Ombudsman Act 2002. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

**Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts, and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2013 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM; and

- have been prepared in accordance with the requirements of the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers.

#### Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

#### Opinion on other prescribed matters

##### In my opinion:

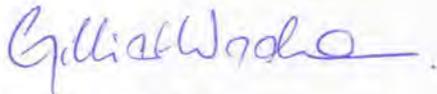
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Scottish Public Services Ombudsman Act 2002 and directions made thereunder by the Scottish Ministers; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



**Gillian Woolman MA FCA**  
**Assistant Director**  
**Audit Scotland**  
**18 George Street**  
**Edinburgh**  
**EH2 2QU**

**1 October 2013**

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE  
 FOR THE YEAR ENDED 31 MARCH 2013**

	Notes	2013 £'000	2012 £'000
<b>Administrative Costs</b>			
Staff Costs	3,4	2,547	2,621
Other Administration Costs	5	801	821
Depreciation	6,7	89	100
Other Operating Income	2	(180)	(93)
<b>Net Administration Costs</b>		<b>3,257</b>	<b>3,449</b>
<b>Net Operating Costs</b>		<b>3,257</b>	<b>3,449</b>

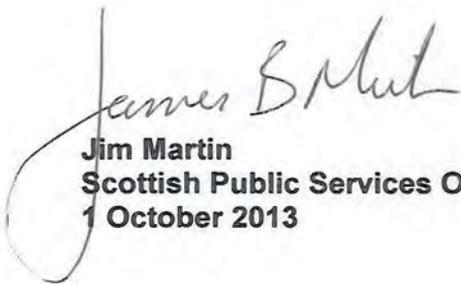
All amounts relate to continuing activities. There have been no gains or losses other than those recognised in the Operating Cost Statement.

The accompanying notes on pages 18 to 24 form an integral part of these accounts.

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2013**

	Notes	2013 £'000	2012 £'000
<b>Non Current Assets</b>			
Property, Plant and Equipment	6	256	312
Intangible Assets	7	128	99
<b>Total Non Current Assets</b>		<b>384</b>	<b>411</b>
<b>Current Assets</b>			
Trade and Other Receivables	8	50	82
Cash and Cash Equivalents	9	57	63
<b>Total Current Assets</b>		<b>107</b>	<b>145</b>
<b>Total Assets</b>		<b>491</b>	<b>556</b>
<b>Current Liabilities</b>			
Trade and Other Payables	10	(144)	(174)
<b>Total Current Liabilities</b>		<b>(144)</b>	<b>(174)</b>
<b>Non Current Assets plus Net Current Assets</b>		<b>347</b>	<b>382</b>
<b>Non Current Liabilities</b>		-	-
<b>Assets less Liabilities</b>		<b>347</b>	<b>382</b>
<b>Taxpayers' Equity</b>			
General Fund		347	382
<b>Total Taxpayers' Equity</b>		<b>347</b>	<b>382</b>

The accompanying notes on pages 18 to 24 form an integral part of these accounts.



**Jim Martin**  
Scottish Public Services Ombudsman  
1 October 2013

**STATEMENT OF CASH FLOWS  
FOR YEAR ENDED 31 MARCH 2013**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash Flows From Operating Activities</b>		
Net Operating Cost	(3,257)	(3,449)
Adjustment for Non Cash Transactions		
Depreciation	89	100
<b>Movements in Working Capital</b>		
(Increase)/Decrease in Trade and Other Receivables	32	(5)
Increase/(Decrease) in Trade and Other Payables	(30)	35
<b>Net Cash Outflow from Operating Activities</b>	<b>(3,166)</b>	<b>(3,319)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	-	(29)
Purchase of Intangible Assets	(62)	(99)
<b>Net Cash Outflow From Investing Activities</b>	<b>(62)</b>	<b>(128)</b>
<b>Cash Flows From Financing Activities</b>		
Financing from the Scottish Parliamentary Corporate Body	3,222	3,306
<b>Net Cash Inflow From Financing Activities</b>	<b>3,222</b>	<b>3,306</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		
Cash and Cash equivalents at the beginning of the period	63	204
Cash Flow in Year	(6)	(141)
Cash and Cash equivalents at the end of the period	<b>57</b>	<b>63</b>

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY  
 FOR YEAR ENDED 31 MARCH 2013**

	General Fund £'000	Total Reserves £'000
<b>Balance at 31 March 2012</b>	382	382
Net Operating Costs for the Year	(3,257)	(3,257)
Funding From SPCB	3,222	3,222
<b>Balance at 31 March 2013</b>	<b>347</b>	<b>347</b>

## NOTES TO THE ACCOUNTS

### 1 Accounting Policies

These financial statements have been prepared in accordance with the *Government Financial Reporting Manual (FReM)* in compliance with the accounts direction issued by Scottish Ministers. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ombudsman for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Ombudsman are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

#### 1.2 Property, Plant and equipment

##### 1.2.1 Capitalisation

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 (2-3 years).

##### 1.2.3 Valuation

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

##### 1.2.4 Depreciation

Depreciation is provided on all non-current assets at rates calculated to write off the cost or valuation in equal instalments over the remaining estimated useful life of the asset. 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	2-3 years

1.2.5 There are no assets held for resale.

#### 1.3 Funding Receivable

Funding received through the Scottish Parliamentary Corporate Body (SPCB) is credited directly to the General Fund in the period to which it relates.

#### 1.4 Leases

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

## 1.5 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).

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years.

The last formal actuarial valuation undertaken for the PCSPS was completed in 2007, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal actuarial valuation now exceeds four years, the amounts recognised in these financial statements have been prepared using full membership data as at March 2007, such as would have been provided for a formal valuation. In undertaking this valuation, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

### *Employees*

The staff of the Ombudsman are also members of the PCSPS. This is an unfunded multi-employer defined benefit scheme, but the Ombudsman is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

## 1.6 Value Added Tax

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

## 1.7 Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets or financial liabilities.

SPSO has classified its financial instruments as follows:

### Financial Assets

Cash and cash equivalents, trade debtors, accrued income and amounts receivable are reported in the 'Current Assets' category.

### Financial Liabilities

Trade payables, accruals and creditors are classified as 'Current Liabilities.'

**Scottish Public Services Ombudsman  
Accounts For The Year Ended 31 March 2013**

**2 Income**

	2013 £'000	2012 £'000
Income from all Sources		
Income from shared services	69	62
Gross income from training	111	31
	<b>180</b>	<b>93</b>

£49,000 of Staff Costs and Other Administration Costs (notes 3 and 5) have been identified as being directly attributable to the Training Unit.

**3 Staff Numbers and Costs**

**3.1 Average Staff Employed (Full Time Equivalent)**

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

	2013 FTE	2012 FTE
Ombudsman	1.0	1.0
Staff	45.9	43.5
	<b>46.9</b>	<b>44.5</b>

**3.2 Breakdown of Staff Costs**

	Total £'000	Ombudsman £'000	Staff £'000
<b>Administrative Costs</b>			
Salaries / Wages	2,039	83	1,956
Social Security Costs	161	9	152
Pension Costs	347	20	327
	<b>2,547</b>	<b>112</b>	<b>2,435</b>

**Comparative for Year Ended 31 March 2012**

	Total £'000	Ombudsman £'000	Staff £'000
<b>Administrative Costs</b>			
Salaries / Wages	2,121	83	2,038
Social Security Costs	173	9	164
Pension Costs	327	20	307
	<b>2,621</b>	<b>112</b>	<b>2,509</b>

**Staff costs**

Staff costs fell from 2011-12 due to no staff receiving severance payments in 2012-13 and a slight fall in the median salary level as a result of changes in staffing.

**4 Pension Costs**

For 2012-13 employer's contributions of £326,614 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.

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

**Scottish Public Services Ombudsman  
Accounts For The Year Ended 31 March 2013**

scheme contributions at 31 March 2012.

On death, pensions are payable to the surviving spouse at the rate of half of the member's pension. On death in service, the scheme pays a lump sum benefit of at least twice pensionable pay, depending on the scheme joined within PCSPS, and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

**5 Other Administrative Costs**

	2013 £'000	2012 £'000
Property Costs	257	257
Professional Services	138	166
General Office Running Costs	261	265
Training	29	28
Travel and Expenses	18	17
Printing and Publications	35	23
Telephones and Postage	40	36
Outreach	23	29
	<b>801</b>	<b>821</b>

The above total includes £19,000 (2012;£21,700) for external auditor's remuneration. The external auditor received no fees in relation to non audit work. Included within General Office Running Costs are £12,009 (2012;£16,725) of equipment rental costs in association with operating leases.

**6 Property, Plant and Equipment**

	Leasehold Improvements	Equipment	Furniture Fixtures and Fittings	IT Hardware and Systems	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2012	493	21	186	177	877
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
At 31 March 2013	493	21	186	177	877
<b>Depreciation</b>					
At 1 April 2012	243	21	165	136	565
On disposals	-	-	-	-	-
Charge for Year	33	-	6	17	56
At 31 March 2013	276	21	171	153	621
<b>Net Book Value at 31 March 2013</b>	<b>217</b>	<b>-</b>	<b>15</b>	<b>24</b>	<b>256</b>
<b>Net Book Value at 31 March 2012</b>	<b>250</b>	<b>-</b>	<b>21</b>	<b>41</b>	<b>312</b>

**7 Intangible Assets**

	£'000
<b>Cost</b>	
At 1 April 2012	208
Disposals	-
Additions	62
At 31 March 2013	<u>270</u>
<b>Depreciation</b>	
At 1 April 2012	109
On disposals	-
Charge for Year	33
At 31 March 2013	<u>142</u>
<b>Net Book Value at 31 March 2013</b>	<u><u>128</u></u>
<b>Net Book Value at 31 March 2012</b>	<u><u>99</u></u>

**8 Trade Receivables and Other Current Assets**

	2013 £'000	2012 £'000
Prepayments	45	60
Other Debtors	5	22
	<u>50</u>	<u>82</u>

**9 Cash and Cash Equivalents**

	2013 £'000	2012 £'000
Balance at 1 April	63	204
Net change in cash and cash equivalents	(6)	(141)
Balance at 31 March	<u>57</u>	<u>63</u>
Cash held at commercial banks	<u>57</u>	<u>63</u>

**10 Trade Payables and Other Current Liabilities  
Amounts Falling Due Within One Year**

	2013 £'000	2012 £'000
Trade Payables	13	16
Accruals	131	158
	<u>144</u>	<u>174</u>

**11 Operating Leases**

Annual Operating Lease Payment Commitments Expiring:	Office Equipment £'000	Buildings £'000	Totals £'000
Within One Year of the Balance Sheet Date	-	163	163
Within Two to Five Years of the Balance Sheet Date	-	652	652
Over Five Years of the Balance Sheet Date		71	71
<b>Total</b>	<b>-</b>	<b>886</b>	<b>886</b>

**Comparative for Year Ended 31 March 2012**

Annual Operating Lease Payment Commitments Expiring:	Office Equipment £'000	Buildings £'000	Totals £'000
Within One Year of the Balance Sheet Date	10	163	173
Within Two to Five Years of the Balance Sheet Date	-	652	652
Over Five Years of the Balance Sheet Date		234	234
<b>Total</b>	<b>10</b>	<b>1,049</b>	<b>1,059</b>

**12 Capital Commitments**

There were no contracted capital commitments as at 31 March 2013 (2012 £nil).

**13 Contingent Liabilities**

There were no contingent liabilities as at 31 March 2013 (2012 £nil).

**14 Related Party Transactions**

The Ombudsman was constituted by the Scottish Parliament which provides funding for the Ombudsman. The SPCB is regarded as a related body. Neither the Ombudsman nor his staff has undertaken material transactions with the SPCB nor with the Ombudsman's Office during the year.

**15 Post Balance Sheet Events**

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

**16 Financial Instruments**

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

- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

***Credit risk***

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other third parties. The Commission reviews the credit risk associated with financial institutions on a regular basis and more frequently if market conditions are volatile or other information is made available on the financial security of UK banks and building societies.

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

***Liquidity risk***

The Commission does not have any external borrowings.

**Market risk**

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

Total	2012	2011
102	102	-
602	602	-
71	71	-
598	598	-

Total	Borrowings	Other
133	133	0
592	592	0
334	334	0
1,059	1,059	0

Notes One Year of the Balance Sheet Data  
Notes Two to Five Years of the Balance Sheet Data  
Notes Three to Five Years of the Balance Sheet Data  
Notes Four to Five Years of the Balance Sheet Data  
Notes Five Years of the Balance Sheet Data

- 15 Credit Commitments  
There were no outstanding credit commitments as at 31 March 2013 (2012 Nil).
- 16 Contingent Liabilities  
There were no contingent liabilities as at 31 March 2013 (2012 Nil).
- 17 Related Party Transactions  
The Ombudsman was constituted by the Scottish Parliament which provides funding for the Ombudsman. The Ombudsman is regarded as a related party. However, the Ombudsman (as the sole provider of the Ombudsman's services) has no financial relationship with the Scottish Parliament. The Ombudsman's Office is a separate legal entity.
- 18 Fund Balance Sheet Details  
No event has occurred since the date of the balance sheet which materially affects the financial statements.
- 19 Financial Instruments  
Financial assets and liabilities in the balance sheet are measured at amortised cost. They are not subject to fair value measurement. The present value of the cash flows from the financial assets and liabilities is determined by discounting the cash flows at the rate that the Ombudsman is currently receiving on the instrument, using the following assumptions:  
- The fair value of cash and other receivables is based on the amount of cash to be received or paid.
- 20 Credit Risk  
Credit risk arises from the Ombudsman's holding of surplus funds in bank, building societies and other short-term deposits. The Ombudsman reviews the credit risk associated with financial institutions on a regular basis and reports to the Scottish Parliament on the Ombudsman's activities. It is made available on the Ombudsman's website and is available to the public.
- 21 The Ombudsman receives funding on a regular basis and retains cash holdings for its activities.
- 22 Credit Risk  
The Ombudsman does not have any external borrowings.

**Appendix 1: Direction by the Scottish Ministers**



SCOTTISH PUBLIC SERVICES OMBUDSMAN

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in pursuance of paragraph 15 (1) of Schedule 1 of the Scottish Public Services Ombudsman Act 2002, hereby give the following direction.

The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 1 December 2004 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 6 November 2006

