

**PUBLIC SERVICES  
OMBUDSMAN FOR  
WALES**

**ANNUAL ACCOUNTS FOR  
THE YEAR  
ENDED 31 MARCH 2007**

## **PUBLIC SERVICES OMBUDSMAN FOR WALES**

### **ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007**

#### **Report of the Ombudsman**

#### **HISTORY AND STATUTORY BACKGROUND**

These are the first Annual Accounts of the Public Services Ombudsman for Wales. The new office came into formal existence on 1 April 2006; the Public Services Ombudsman (Wales) Act 2005 having merged the four distinct ombudsman posts which I previously held as Commissioner for Local Administration in Wales, the Health Service Commissioner for Wales, Welsh Administration Ombudsman and the Social Housing Ombudsman for Wales. On 12 October 2005 the National Assembly passed an order to commence the Public Services Ombudsman (Wales) Act 2005: the great majority of its provisions came into force with effect from 1 April 2006, but certain provisions, including those enabling the appointment of the Ombudsman, were brought into force with immediate effect. I was formally appointed Public Services Ombudsman for Wales by Her Majesty the Queen on the recommendation of the Secretary of State for Wales with effect from 12 October 2005 for a fixed term of seven years.

As a result of the Government of Wales Act 2006 changes to the Public Services Ombudsman (Wales) Act 2005 affecting the financing of my office became effective from 1 April 2007. The cost of employing the Public Services Ombudsman for Wales is now a direct charge on the newly established Welsh Consolidated Fund. My budget proposal for the costs of running my office is scrutinised by the Finance Committee of the National Assembly for Wales, which may propose modifications to it. Welsh Ministers are obliged to include provision for the cost of my office in their budget proposals, on the basis approved by the Finance Committee. This change mirrors the procedure for the Wales Audit Office and is designed to ensure the independence of my role.

## **ACCOUNTS DIRECTION**

Under the Accounts Direction issued by the H M Treasury dated 21 December 2006 I am required to prepare accounts for the financial year ended 31 March 2007 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (the FReM) issued by HM Treasury which was in force for 2006-07.

The accounts have been prepared so as to:

(a) give a true and fair view of the state of affairs at 31 March 2007 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

## **AUDITORS**

The Auditor General for Wales is the External Auditor of the PSOW's accounts. The cost of the audit for 2006-07 was £14.5k. This compares with £14k for 2005-06. So far as I am aware I have taken all the steps I ought to have taken to make the auditors aware of any relevant audit information and to establish that the auditors are aware of that information.

I have a separate agreement with the Wales Audit Office (WAO) for the provision of advice relating to human resources. WAO have been paid £9.7k under that agreement.

## **AIMS AND OBJECTIVES**

The purpose of the Public Services Ombudsman for Wales is to investigate independently and impartially complaints made by members of the public about the way they have been treated by a public body. I expect public bodies to treat people fairly, considerately, and efficiently. If I uphold a complaint I will recommend appropriate redress. I also have an important role to investigate complaints that local authority members have broken the Code of Conduct.

I aim to provide a first class Ombudsman service to Wales by:

- (a) investigating complaints as thoroughly as necessary and as quickly as possible
- (b) raising awareness of the Ombudsman service and making it easily accessible to potential users
- (c) using lessons learnt from my investigations to promote good practice and good governance by public bodies
- (d) ensuring good governance and effective management within my office.

## **MAIN ACTIVITIES**

The principal activities of PSOW covered by these accounts were:

- (a) investigation of complaints from members of the public against local authorities (including town and community councils) in Wales;
- (b) investigation of allegations against members of local authorities (including town and community councils) of breaches of their authority's code of conduct for members;
- (c) investigation of complaints from members of the public against NHS bodies, family health service practitioners and independent providers of NHS Services in Wales;
- (d) investigation of complaints against the National Assembly for Wales and Assembly sponsored public bodies; and
- (e) investigation of complaints against registered social landlords.

## **MANAGEMENT COMMENTARY**

It is a pleasure to be able to report that the inaugural year of the new Ombudsman service for Wales has gone smoothly and that more people than ever before have used the service. I have been fortunate to be able to build on a year of shadow running as Public Services Ombudsman for Wales.

The publicity which the advent of the new service received at the beginning of 2005-06 and consequently greater awareness amongst members of the public that the service existed, had a dramatic effect on the number of complaints brought to me during 2005-06, which increased by almost a third over the previous year. 2006-07 has shown that the increased level of demand was no flash in the pan: there has been a further significant increase in the number of complaints to me of

maladministration or service failure – although I am happy to say that the impact on the overall workload for my office has been partially offset by a marked reduction in the number of allegations that members of community councils have breached the code of conduct. The achievements of the past year are set out in greater detail in the statutory annual report for 2006-07.

The National Assembly for Wales provided funding of £4.1 millions. This included sufficient funding to allow for the settlement of the pension deficit from prior years relating to this Office of £1.64 millions in the Cardiff and Vale Pension Fund. During the year the lease of the fifth floor of Capital Towers Cardiff was surrendered at the end of its ten year term. The negotiations on the dilapidation costs arising from the termination were finalised during the year. Following the surrender the only property leased by PSOW is that occupied at Bocam Park.

The increased costs of employment result from the full year impact of the staffing changes implemented in 2005-06 to achieve the objective of providing a first class ombudsman service for Wales.

## **REMUNERATION**

Details of my remuneration are shown in the Remuneration Report.

## **PENSION LIABILITIES**

The pension obligations to present and past employees are discharged through:

- (a) The Principal Civil Service Pension Scheme (PCSPS);
- (b) The Local Government Pension Scheme administered through the Cardiff and Vale of Glamorgan Pension Scheme (the Fund); and
- (c) The pensions paid directly to former Commissioners or their dependents.

Fuller details are given in Note 3 to these Accounts.

## **EMPLOYMENT POLICY**

PSOW recruits on the principle of selection on merit through fair and open competition and is committed to equality of opportunity for all staff. The PSOW has also undertaken to comply with the provisions of the Disability Discrimination Act 1995, as well as meeting all other statutory requirements.

## **PAYMENT OF SUPPLIERS**

PSOW is committed to compliance with the Late Payment of Commercial Debt Regulations 2002. The payment policy is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. During 2006-07 97% of invoices were paid in accordance with this policy (compared with 86% in 2005-06). The improved performance arose from the stability in the accounting systems following the establishment of the new organisation.

## **CORPORATE GOVERNANCE**

In the office of Public Services Ombudsman for Wales I act as a corporation sole. In addition I have been appointed by the Treasury as the Accounting Officer for the public funds with which the National Assembly entrusts me to undertake my functions.

In March 2006 I established an Audit Committee to support me in my role as Accounting Officer. The independent Chair is Laurie Pavelin CBE FCA who as a result of his previous role within the National Assembly for Wales has considerable experience of public sector accounting and financial management. The other members of the committee are Elizabeth Thomas in her capacity as Legal Advisor to PSOW together with me as the Accounting Officer. There were four meetings of the Committee during the year. In addition at the meeting in April 2007 the Committee reviewed the terms of reference against the five good practise principles for Audit Committees as set out in the Audit Committee Handbook issued in March 2007 by

H M Treasury. The findings confirmed the existing terms of reference and endorsed the current terms of reference and the membership.

During the year the Committee appointed Bentley Jennison as the organisation's internal auditors. Their first task was to advise the Committee of their Audit Needs Assessment for the organisation. Reports have been received by the Committee in line with that document. Of particular benefits was an initial review of the Corporate Governance of the Office together with a review of the Key Financial Controls that are in operation. In addition the Committee reviews the Risk Register at each meeting and receives relevant reports on any significant changes. An Internal Audit review of the Risk Management procedures is awaited. The Committee considered the Annual Accounts of the organisation for 2005-06 together with the Audit report and the Management Letter from the Wales Audit Office.

The changes in the financial arrangement of the Office arising from the Government of Wales Act 2006 were reviewed by the Committee. Also considered were issues arising out of continuing membership of the Local Government Pension Scheme by staff previously employed by the Commission for Local Administration in Wales and their ability to transfer to the Principal Civil Service Pension Scheme if they so wished.

## **THE FUTURE**

Although it is only a year since new organisation was established under the Public Services Ombudsman (Wales) Act 2005 further changes with effect from 1 April 2007 occurred as a result of the Government of Wales Act 2006. The most significant changes are in the way that the Office is financed through the Welsh Consolidated Fund.

## **POST BALANCE SHEET EVENTS**

With effect from the 1 July 2007 five members of staff have transferred to the Civil Service Pension Scheme. This leaves 4 members of staff who continue to be active members of the Local Government Pension Scheme.

**Adam Peat**

**Accounting Officer**

**November 2007**

## REMUNERATION REPORT

With effect from 1 April 2006 my office as Public Services Ombudsman for Wales was regraded to Group 5 of the Judicial Salary Structure.

\* Details of my salary and pension entitlements for the year ended 31 March 2007

follow:

*	Salary	Real increase in pension and related lump sum	Total accrued Pension at 31 March 2007	CETV of Pension at 31 March 2007	CETV of pension at 31 March 2006	Real increase in CETV as funded by employer	Benefits in kind
<b>Name and title</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adam Peat Public Services Ombudsman for Wales	128.5	15-20	55-60	1,330	1,176	100	-

The salary and pension figures shown in the table above represents full entitlements. Supporting information is provided in Notes i-iii below

\* Schedule 1 paragraph 2 (1) states that the Ombudsman is a corporation sole. I am in practice directly responsible for all major strategic and operational decisions within my Office.

\* During the year Mr Pavelin as the independent chair of the Audit Committee was paid, based on a daily rate, a total of £1600 (2005-06 £400).

\* **Items subject to audit examination**



## Notes

### (i) Salary

Salary is gross salary paid in the year.

### (ii) Pension arrangements

#### **Civil Service Pensions**

These pension benefits are provided through the Civil Service pension arrangements.

#### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension. It is an assessment of what it costs the pension scheme to provide the pension benefits.

#### **Real increase in 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 employee (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.

### (iii) Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

**Adam Peat**

**Accounting Officer**

**7 November 2007**

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

1. Under the Public Services Ombudsman (Wales) Act 2005, as Accounting Officer I am responsible for preparing the accounts for each financial year, in conformity with the Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources in discharging my office during the year.
2. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of the office, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.
3. As Accounting Officer I have the responsibility for transmitting them to the Auditor General for Wales.
4. In preparing the accounts I am required to comply with the *Financial Reporting Manual* prepared by the Treasury, and in particular:
  - (a) observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - (b) make judgements and estimates on a reasonable basis;
  - (c) state whether applicable accounting standards, have been followed, and disclose and explain any material departures in the accounts; and
  - (d) prepare the accounts on a going concern basis.
5. My responsibilities as Accounting Officer include the responsibility for the propriety and regularity of the public finances for which I, as Accounting Officer, am answerable, the keeping of proper records and the safeguarding the assets are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in *Government Accounting*.

## STATEMENT ON INTERNAL CONTROL

### 1. **Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the Public Services Ombudsman for Wales's purpose as defined in statute and its strategic aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I am independent of the National Assembly for Wales but am accountable to its Audit Committee for the use of resources made available to support my statutory functions

### 2. **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all 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 is based on an ongoing process designed to identify and prioritise the risks to the achievement of my policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been progressively developed during 2006-07.

### 3. **Capacity to handle risk**

I am continuing to institute robust internal control arrangements to ensure that the Office has the capacity to identify, assess and manage risk effectively.

The Senior Management Team that I chair has the responsibility for overseeing risk management. The processes are being developed in order to ensure that corporate and operational risks can be actively managed. In addition the Audit Committee after receiving an initial report on establishing a risk register has regularly reviewed the organisation's exposure to risk. In this work I have continued to benefit from the considerable public sector financial management experience of the chairman Mr Laurie Pavelin CBE FCA.

#### **4. The risk and control framework**

To ensure that there are appropriate processes I have continued to follow the Corporate Governance Framework and the timetable set out in that document. To this end I have been assisted by the Audit Committee and by Bentley Jennison as Internal Auditors.

The measures introduced are:

- (a) a business planning process to evaluate past performance, plans and targets and set forward plans and targets as stated in the business plan for 2006-07 and later years which following a review has been incorporated into the new document for 2008 and beyond. This to ensure that the aims and objectives of the Office are kept under regular review.
- (b) a process of risk assessment involving the mapping of areas of key risks as they affect the achievement of business objectives is maintained. This helps decision making and will help influence the internal audit programme; and
- (c) within the risk management processes the preparation of a business continuity plan that will be periodically reviewed and tested to provide for a phased recovery from events that would impair our operational capability.

#### **5. Review of effectiveness**

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. In conducting such this review I have the support of the Audit Committee and Bentley Jennison as the Internal Auditors. This keeps me informed of their findings and evaluations of the system of internal control. This is assisted by the external auditors' management letter and any other reports that they issue.

#### **6. Significant Internal Control Problems**

I have not experienced any significant control problems, as defined in Government Accounting, in the year.

**Adam Peat**  
**Accounting Officer**

**7 November 2007**

## **THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE NATIONAL ASSEMBLY FOR WALES**

I certify that I have audited the financial statements of the Public Services Ombudsman for Wales for the year ended 31 March 2007 under paragraph 17(2) of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005. These comprise the Summary of Resource Outturn, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that Report as having been audited.

### **Respective responsibilities of the Accounting Officer and the Auditor General for Wales**

The Accounting Officer is responsible for preparing the Annual Report, including a Remuneration Report, and the Financial Statements in accordance with paragraph 16(1) of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005 and Treasury Directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My 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).

I report to you my 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 Services Ombudsman (Wales) Act 2005 and Treasury directions issued thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises of the report of the Ombudsman, Management Commentary and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them

In addition, I report to you if the Public Services Ombudsman for Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control on pages 10 and 11 reflects the Public Services Ombudsman for Wales' compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Public Services Ombudsman for Wales' corporate governance procedures or its risk and control procedures.

I also read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions 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 judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Public Services Ombudsman for Wales' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I 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**

### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Public Services Ombudsman (Wales) Act 2005 and directions made thereunder by the Treasury, of the state of the Public Services Ombudsman for Wales' affairs as at 31<sup>st</sup> March 2007 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses 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 Public Services Ombudsman (Wales) Act 2005 and Treasury directions issued thereunder; and
- information given within the Annual Report, which comprises the Report of the Ombudsman, Management Commentary and Remuneration Report , is consistent with the financial statements.

### **Audit Opinion on Regularity**

- In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements. \*

***Jeremy Colman***

***Auditor General for Wales***

***Date: 9 November 2007***

*Wales Audit Office*

*2-4 Park Grove*

*Cardiff CF10 3PA*

### SUMMARY OF RESOURCE OUTTURN

*for the year ended 31 March 2007*

	2006-07						2005-06	
	Revised Estimate		Outturn					
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total	Net total outturn compared to estimate saving/(excess)	Prior year outturn
	£000	£000	£000	£000	£000	£000	£000	£000
<i>Administration Costs</i>	2985	8	2877	2504	(8)	2496	381	2294
<i>Total Resources</i>	2985	8	2877	2504	(8)	2496	381	2294
<i>Net Cash Requirement</i> <i>Note 2</i>			4247			4450		2952

The notes on pages 19 to 32 form part of these accounts

**OPERATING COST STATEMENT***for the year ended 31 March 2007*

	Note	2006-07	2005-06
		£000	£000
<b>Administration costs:</b>			
Staff costs	3	1643	1473
Other non staff administration costs	4	861	828
<b>Gross Administration Costs</b>		<b>2504</b>	<b>2301</b>
Operating Income	5	(8)	(7)
<b>Net Administration Cost</b>		<b>2496</b>	<b>2294</b>
<b>NET OPERATING COST and NET RESOURCE OUTTURN</b>		<b>2496</b>	<b>2294</b>

All activities commenced in the period are continuing.

**Statement of Recognised Gains and Losses**

	Note	2007	2006
For the year ended 31 March		£000	£000
Actuarial gain / (loss) on Pension Scheme	3	<u>(650)</u>	<u>50</u>
Total recognised gains (losses) in year		<u>(650)</u>	<u>50</u>

The notes on pages 19 to 32 form part of these accounts



**BALANCE SHEET***for the year ended 31 March 2007*

	Note	2006-07	2005-06
		£000	£000
<b>Fixed assets</b>			
Tangible fixed assets	6	246	275
Intangible fixed assets	7	64	95
		310	370
<b>Debtors due after more than one year</b>			
	8	42	-
		42	-
<b>Current Assets</b>			
Debtors due within one year	8	230	266
Cash at bank and in hand	9	14	358
		244	624
<b>Current liabilities</b>			
Creditors due within one year	10	(68)	(181)
Net current assets		176	443
<b>Total assets less current liabilities</b>			
		<b>528</b>	<b>813</b>
Creditors due after one year	10	(53)	(63)
Provisions	11	(606)	(812)
		<b>(659)</b>	<b>(875)</b>
		<b>(131)</b>	<b>(62)</b>
<b>Pension Fund Surplus (Deficit)</b>			
	3	160	(840)
		<b>29</b>	<b>(902)</b>
<b>Taxpayers' Equity</b>			
General Fund	15	<b>29</b>	<b>(902)</b>

**Adam Peat****Accounting Officer****7 November 2007**

The notes on pages 19 to 32 form part of these accounts

**CASH FLOW STATEMENT***for the year ended 31 March 2007*

	<b>Note</b>	<b>2006-07</b>	<b>2005-06</b>
		£000	£000
Net cash outflow from operating activities	16	(4409)	(2560)
Capital expenditure and financial investment	17	(41)	(392)
Financing from National Assembly for Wales	18	4106	2681
<b>(Decrease)in Cash</b>	18	<b>(344)</b>	<b>(271)</b>

The notes on pages 19 to 32 form part of these accounts

## RESOURCES BY AIMS AND OBJECTIVES

*for the year ended 31 March 2007*

The costs of providing a first class Ombudsman service to Wales are set out below. The allocation to each of the objectives has been as follows:

- (a) An estimate of the staff time spent on the objective
- (b) Direct allocation of expenditure
- (c) Apportionment of other costs pro rata to the estimate of staff time

As there has been no recognisable change to the work of the Office and the aims have been consistent over both years the same basis of apportionment has been used to provide comparative figures for 2005-06. The reporting in 2005-06 was based on the different jurisdictions but with the changes to the Office this is no longer appropriate.

	2006-07			2005-06		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Investigating complaints as thoroughly as necessary and as quickly as possible	1847		1847	1697		1697
Raising awareness of the Ombudsman service and making it easily accessible to potential users	171		171	157		157
Using lessons learnt from my investigations to promote good practice and good governance by public bodies	352		352	324		324
Ensuring good governance and effective management within my office	134	(8)	126	123	(7)	116
<b>Net operating costs</b>	<b>2504</b>	<b>(8)</b>	<b>2496</b>	<b>2301</b>	<b>(7)</b>	<b>2294</b>

The notes on pages 19 to 32 form part of these accounts

## Notes to the Financial Statements – for the year ended 31 March 2007

1. **Statement of Accounting Policies**

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (the FReM) issued by HM Treasury which is in force for 2006-07. The accounting policies contained in FReM follow UK generally accepted accounting practise for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of these accounts for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Public Services Ombudsman for Wales (PSOW) are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 **Accounting Convention**

These accounts have been prepared under the historical cost convention modified to account for any revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 **Tangible Fixed Assets**

Expenditure is capitalised where the asset purchased is expected to have a useful life extending over a number of years and the cost exceeds £1k. Tangible fixed assets are shown at cost less an allowance for depreciation. Assets costing less than £1k may be capitalised providing they are capital in nature and are in total more than £1k. On initial recognition fixed assets are measured at cost, including such costs as installation, which are directly attributable to bringing them into working condition for their intended use. In reviewing the costs of the fixed assets previously acquired and the prices paid for the new acquisitions during the year there is no material difference between the historic net book value of the assets and their replacement cost less depreciation.

1.3 **Depreciation**

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful life. Assets in the course of construction are depreciated from the point at which the asset is brought into use. Except where otherwise noted asset lives are assumed to be the following:

Furniture and fittings	10 years
Fitting out costs	10 years or the lease term if shorter
IT equipment	3 to 5 years
Communications equipment	10 years

#### 1.4 ***Intangible assets***

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1k or more is incurred. Intangible assets costing less than £1k may be capitalised providing they are capital in nature and are in total more than £1k. Except where reliable evidence of current value cannot be readily ascertained these are restated to current value each year. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

#### 1.5 ***Capital Charge***

A credit, reflecting the cost of capital utilised by PSOW, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities except for cash balances.

#### 1.6 ***Value Added Tax***

The office of the Public Services Ombudsman for Wales is not registered for VAT. Unrecoverable VAT is charged to the most appropriate expenses heading. However until 2005-06 because the Commission for Local Administration for Wales was able to recover Vat, a proportion of Vat was recovered under the partial exemption rules.

#### 1.7 ***Pensions***

The pension obligations to present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is largely non-contributory and is unfunded, the Local Government Pension Scheme administered through the Cardiff and Vale of Glamorgan Pension Scheme (the Fund) and by direct payment to three previous Commissioners for Local Administration in Wales. Full details are disclosed in the Notes to the Accounts. The costs of providing these pensions are charged through the Operating Cost Statement.

#### 1.8 ***Early departure costs***

Where the PSOW is required to meet the additional cost of benefits beyond the normal benefits payable by the appropriate pension scheme in respect of employees who retire early, these costs are charged to the operating cost statement in full when the liability arises.

#### 1.9 ***Operating Leases***

Expenditure under operating leases is charged to the Operating Cost Statement in the period to which it relates.

#### 1.10 ***Staff Costs and Other Administrative Costs***

All salary and associated costs for staff of the PSOW have been charged in full to these accounts.

The methods of cost allocation used are designed to give the most accurate reflection of the costs of running the office of the PSOW. The basis of apportionment is an estimate of the time spent on the objectives of the Office by staff except for expenditure that can be directly charged.

### 1.11 **Foreign Exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions.

### 1.12 **Financial Instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have during the period in creating or changing the risks. These are disclosed as appropriate.

## 2. **RECONCILIATION OF RESOURCES TO NET CASH REQUIREMENTS**

	Note	2006-07 revised estimate £000	2006-07 outturn £000	Net total outturn compared to estimate saving/(excess) £000	2005-06 outturn £000
<i>Net Total resource Outturn Operating Cost Statement</i>		<b>2877</b>	<b>2496</b>	<b>381</b>	<b>2294</b>
<i>Fixed assets acquisition</i>	6/7	25	41	(16)	43
<i>Accruals adjustments:</i>					
<i>Non- cash items</i>	3/4	39	(29)	68	(36)
<i>Changes in working capital other than cash</i>	16		143	(143)	562
<i>Use of provisions</i>	11		89	(89)	89
<i>Pension funding</i>	3	1306	1710	(404)	-
<i>Net cash requirement Summary of Resource Outturn</i>		<b>4247</b>	<b>4450</b>	<b>(203)</b>	<b>2952</b>

### **Explanation of the variation between Estimated Net Cash Requirement and Outturn:**

The overall variation is within 10% of the revised budget. The revised estimate allowed for the cash surplus in 2005-06 to be used towards the funding of the pensions deficit.

### 3. **Staff Numbers and Costs**

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	<b>2006-07</b>	<b>2005-06 Restated</b>
	No.	No.
Senior management	3	3
Complaint investigation	24	19
Complaint investigation support staff	7	7
Executive / Corporate Services staff	5	5
<b>Total</b>	<b>39</b>	<b>34</b>

The analysis has been restated to show the structure that reflects the apportionment applied in Statement 5 Resources by Aims and Objective.

The aggregate employment costs were as follows:

	<b>2006-07</b>	<b>2005-06</b>
	£000	£000
<b>Permanent staff</b>		
Salaries	1350	1094
Social Security Costs	115	90
Other pension costs	209	212
	<b>1674</b>	<b>1396</b>
<b>Temporary staff</b>		
Social Security costs	25	89
	1	1
	<b>26</b>	<b>90</b>
	<b>1700</b>	<b>1486</b>
<b>Non-Cash items</b>		
(Reductions)/additions to provisions for pensions of former ombudsman and early retirement costs	(117)	17
Other net pension finance costs	60	(30)
<b>Sub-Total</b>	<b>(57)</b>	<b>(13)</b>
<b>Total employment costs</b>	<b>1643</b>	<b>1473</b>

The costs of temporary staff include seconded staff, persons on temporary contracts and agency staff.

## **Pensions**

Two pension schemes are operated on behalf of current staff. Their remains an ongoing liability to meet the pensions of former ombudsmen.

### **(a) Principal Government Pension Scheme**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but PSOW is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2003. 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)). For 2006-07, employers' contributions of £192k were paid to the PCSPS (2005-06 £128K) at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2005-6 were between 16.2% and 24.6%). The scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08 the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. As no options had been made no contributions were due or prepaid to the partnership pension providers at the balance sheet date.

### **(b) Local Government Pension Scheme**

In addition the Public Services Ombudsman for Wales participates in the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is part of the Local Government Pension scheme. The Local Government Pension Scheme provides defined benefits, based on members' final pensionable salary.

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The latest actuarial valuation of the Cardiff and Vale of Glamorgan Pension Fund took place on 31 March 2004. Following that review the contribution rates certified for the Commission for Local Administration in Wales at the 31 March 2004 valuation was as follows:

April 2004 to March 2005	300% of member's contributions of 6%
April 2005 to March 2006	324% of member's contributions of 6%
April 2006 to March 2007	348% of member's contributions of 6%

The contribution rate over the accounting period was 348% of members' contribution (equivalent to 20.88% of pensionable salary).

Following the payment of £1.64 million to cover the deficit as estimated by the Actuary the rate of contribution for 2007-08 has been reduced to 300% (equivalent to 18% of pensionable salary).

### **Assumptions**

The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:



	31 March 2007 % p.a.	1 April 2006 % p.a.
Rate of inflation	3.2	2.5
Rate of increase in salaries	4.7	4.0
Rate of increase in pensions	3.2	2.5
Rate of increase in deferred pensions	3.2	2.5
Proportion of employees opting to take a commuted lump sum	50%	50%
Discount rate	5.3	5.4

The actuary has been informed that the market value of the Cardiff and Vale of Glamorgan Pension Fund at 28 February 2007 was £883.42 million. The assets as at 31 March 2007 have been estimated using index returns between 28 February 2007 and 31 March 2007. The asset values as at the accounting date are set out below.

	31 March 2007		31 March 2006	
	Long term rate of return expected (% p.a).	Estimated value at (£M)	Long term rate of return expected (% p.a).	Estimated value at (£M)
Equities	7.7	692.15	7.3	624.39
Property	6.7	60.50	6.3	35.32
Government Bonds	4.7	31.48	4.3	35.06
Corporate Bonds	5.3	97.50	4.9	94.18
Other	<u>5.6</u>	<u>19.48</u>	<u>4.6</u>	<u>12.36</u>
Total	7.2	901.11	6.8	801.31

### Funding position

	31 March	
	2007 £000	2006 £000
Share of assets	4550	2780
Estimated funded liabilities	<u>(4390)</u>	<u>(3620)</u>
Surplus/ (deficit)	<u>160</u>	<u>( 840)</u>

### Analysis of amount charged to Net Services Cost

	31 March	
	2007 £000	2006 £000
Current service cost	50	70
Past service costs	<u>0</u>	<u>(70)</u>
Total net services costs	<u>50</u>	<u>0</u>

## Analysis of financing income and costs

	31 March	
	2007	2006
	£000	£000
Expected return on pension scheme assets	180	160
Interest on pension scheme liabilities	<u>(190)</u>	<u>(210)</u>
Net return	<u>(10)</u>	<u>(50)</u>

## Analysis of amount recognised in Statement of Total Movement in Reserves

	31 March	
	2007	2006
	£000	£000
Actual return less expected return on pension scheme assets	50	390
Experience gains and losses arising on the scheme liabilities	(30)	(60)
Changes in assumptions underlying the present value of the scheme liabilities	(670)	(330)
Other	<u>0</u>	<u>50</u>
Total actuarial (loss) gain	<u>(650)</u>	<u>50</u>

## Analysis of movement during the year

	31 March	
	2007	2006
	£000	£000
Deficit in scheme at beginning of the year	(840)	(920)
Contributions towards funded liabilities	1,710	80
Current service cost	(50)	70
Past service costs	0	(70)
Other finance income	(10)	(50)
Actuarial (loss)/gain	<u>(650)</u>	<u>50</u>
Deficit in scheme at end of year	<u>160</u>	<u>(840)</u>

## History of experience gains and losses

	31 March	
	2007	2006
Difference between expected and actual return on scheme assets		
Amount	£50k	£390k
Percentage of scheme assets	1.1%	14.0%
Experience (losses) gains on scheme liabilities		
Amount	£(30)k	£10k
Percentage of present value of the scheme liabilities	-0.7%	0.3%
Change in assumptions:		
Amount	£(670)k	£(280)k
Percentage of present value of the scheme liabilities	-15.3%	-7.7%

Total amount recognised in Movement in Reserves		
Amount	£(650)k	£120k
Percentage of present value of the scheme liabilities	-14.8%	3.3%

### **(c) Pensions for former Ombudsmen**

With the agreement of the Secretary of State for Wales in 1991 and subsequent confirmation by Statutory Instrument 1993 No. 1367 the Local Government Commissioners became eligible to join the Local Government Pension Scheme. However the pensions of the three previous Local Government Commissioners remain the responsibility of the Public Services Ombudsman for Wales and are met through the operating cost statement.

Pensions are increased annually in line with the Pension's Increase Order. The total payments during 2006/7 were £66k (£67k in 2005/6). The liabilities arising out of the obligation to finance these pensions together with any dependent pensions has been calculated to be £606k (2006 £769k). The major difference is due to the decision to follow the Treasury guidance that all Pension liabilities should be discounted. The discount rate applied was 5.3% which is the rate that has been used for the Local Government Pension scheme as referenced above. The calculation to determine the overall liability has been carried out internally using life expectancy tables for males and females in Wales obtained from the web site of the Government Actuary's Department. Further details are shown under movements in provisions (Note 11).

#### **4. Non Staff Administration Costs**

	2006-07	2005-06
	£000	£000
Rentals under operating leases	238	244
External Audit fee	15	17
Other services provided by WAO relating to		
Human resources	10	-
Professional Advisers' Consultancy	124	97
Other property costs	88	77
Computer services	51	64
Office supplies, equipment and services	218	229
Travel and subsistence	31	51
Sub-total	<b>775</b>	<b>779</b>
Depreciation and amortisation	99	88
Loss on disposal of tangible fixed assets	2	-
Cost of capital credit	(15)	(39)
Sub-total	<b>86</b>	<b>49</b>
<b>Total Other Administration Costs</b>	<b>861</b>	<b>828</b>

Accommodation cost, disclosed under rentals under operating leases, includes service charges which are integral to the lease and the cost of the building rates. The amounts

disclosed at Note 12 – Commitments under leases – against land buildings however, only includes the cost of long-term rental and service contracts.

The reduction in travel and subsistence is due to the centralising of the office at Bocam Park so it was no longer necessary for travel between the different offices.

The increase in professional fees is due to higher costs following a review by the parliamentary ombudsman and the increased need for specialist advice.

## 5. Operating Income

Most of the income receivable arises from short term investment of surplus funds

	2006-07 £000	2005-06 £000
Interest receivable	7	6
Other income	<u>1</u>	<u>1</u>
	<u>8</u>	<u>7</u>

## 6. Tangible Fixed Assets

	Fitting out works	IT equipment	Furniture & other fittings	Telephone equipment	Total
	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2006	<b>186</b>	<b>56</b>	<b>105</b>	<b>22</b>	<b>369</b>
Reclassification		4	(4)		0
Additions	10	23			33
Disposals		(2)			(2)
<b>At 31 March 2007</b>	<b>196</b>	<b>81</b>	<b>101</b>	<b>22</b>	<b>400</b>
Depreciation At 1 April 2006	36	34	20	4	94
Reclassification		2	(1)		1
Charged in the year	20	27	10	3	60
Disposals		(1)			(1)
<b>At 31 March 2007</b>	<b>56</b>	<b>62</b>	<b>29</b>	<b>7</b>	<b>154</b>
<b>NBV at 31 March 2007</b>	<b>140</b>	<b>19</b>	<b>72</b>	<b>15</b>	<b>246</b>
NBV at 31 March 2006	150	22	85	18	275

## 7. Intangible Fixed Assets

The Office continues to use a computerised complaints monitoring system whose ultimate owner is the Scottish Public Services Ombudsman. A licence fee for the use of the system was incurred by this Office. During the year the new Freedom of Information module was acquired. In addition propriety software for office processes were acquired. The details are:

	2006-07	2005-06
	£000	£000
Cost or Valuation at 1 April	167	161
Additions during year	8	6
Total	<u>175</u>	<u>167</u>
Amortisation at 1 April	(72)	(35)
Amortisation during the year	(39)	(37)
Total	<u>(111)</u>	<u>(72)</u>
Net book value at 31 March	<b>64</b>	<b>95</b>

## 8. Debtors

	2006-07 £000	2005-06 £000
<b>Amounts falling due in more than one year</b>		
Prepayments	42	-
<b>Amounts falling due within one year:</b>		
From Government departments	124	168
From other parties	1	2
Prepayments	105	96
	<b>230</b>	<b>266</b>

The sum of £42k relates to a two year contract with the software development to provide support for the investigations recording computer system.

The debt from Government Departments is the recoverable VAT arising out of the activities of the Commission for Local Administration in Wales. At the year end the amount was still outstanding however H M Revenue and Customs has settled the amount outstanding during the financial year 2007-08.

## 9. Cash at Bank and in Hand

Any cash balance held at the year end has to be returned to the Welsh Consolidated Fund. A creditor for £14k has been included within the accounts being the balance at the year end on the bank accounts operated by the Public Services Ombudsman for Wales and the amount of grant received offset by this repayment. This arises from the change in the financing arrangements following the establishment of the Welsh Consolidated Fund under the Government of Wales Act 2006.

## 10. Creditors

	2006-07	2005-06
	£000	£000
<b>Amounts falling due in one year</b>		
Amounts owed to the Collector of Taxes	-	4
Amounts owed to the Parliamentary Commissioner	1	32
Welsh Consolidated Fund	14	-
Trade creditors	53	145
	<hr/> 68	<hr/> 181
<b>Amounts falling due in more than one year</b>		
Trade creditors	53	63
<b>Total</b>	<hr/> 121	<hr/> 244

## 11. Provisions for liabilities and charges

	Early retirement	2006-07 Pensions for Former Commissioners	Total	2005-06 Total
	£000	£000	£000	£000
Balance at 1 April	43	769	812	884
Provided in the year	-	106	106	17
Provisions no longer required	(11)	(212)	(223)	-
Provisions utilised in the year	(23)	(66)	(89)	(89)
<b>Balance at 31 March</b>	<hr/> <b>9</b>	<hr/> <b>597</b>	<hr/> <b>606</b>	<hr/> <b>812</b>

The early retirement provision has been reduced following a reassessment of the sums remaining to be paid.

The increase in the provision arises from the higher that previously allowed for pensions increase and the annual reassessment of life expectancy using the tables. The reduction in the provision for pensions for Former Commissioners arises from the decision to follow the Treasury's guidance that a discount factor should be applied to the liabilities. Fuller details are given in Note 3

## 12. Commitments under Operating leases

	2006-07		2005-06	
	Buildings £000	Other £000	Buildings £000	Other £000
At 31 March 2007 the Office was committed to making the following payments during the next year in respect of operating leases expiring:				
Within one year	-	5	44	-
between two and five years	-	-	-	4
After five years	171	-	170	-
	<u>171</u>	<u>5</u>	<u>214</u>	<u>4</u>

## 13. Contingent liabilities

There are no contingent liabilities.

## 14. Capital Commitments

There were no capital commitments at 31 March 2007

## 15. General Fund

	2006-07	2005-06
	£000	£000
<b>General Fund as at 1<sup>st</sup> April</b>	<b>(902)</b>	<b>(1300)</b>
Net operating cost	(2496)	(2294)
Funding by National Assembly for Wales	4106	2681
Due back to Welsh Consolidated Fund	(14)	-
Cost of Capital Credit	(15)	(39)
Actuarial (deficit ) / surplus	(650)	50
<b>General Fund as at 31<sup>st</sup> March</b>	<b>29</b>	<b>(902)</b>

## 16. Reconciliation of operating cost to operating cashflows

	Notes	2006-07	2005-06
		£000	£000
<b>Net operating cost</b>		<b>(2496)</b>	<b>(2294)</b>
Adjust for non cash items	3,4	29	36
(Increase)/decrease in debtors	8	(6)	(200)
(Decrease) in creditors	10	(123)	(362)
Less movement in creditors relating to items not passing through the OCS		(14)	349
Payment to meet pension fund deficit	3	(1710)	-
Use of provisions		(89)	(89)
<b>Net cash outflow from operating activities</b>		<b>(4409)</b>	<b>(2560)</b>

## 17. Capital Expenditure and financial investment

	2006-7	2005-6
	£000	£000
Tangible fixed asset additions	(33)	(227)
Intangible fixed asset additions	(8)	(165)
Net cash outflow from investing activities	<u>(41)</u>	<u>(392)</u>

## 18. Reconciliation of net cash requirement to increase/(decrease) in cash

	2006-7	2005-6
	£000	£000
Net Cash Requirement	(4450)	(2952)
Financing from National Assembly for Wales	4106	2681
(Decrease) / Increase in cash	<u>(344)</u>	<u>(271)</u>



## **19. Financial instruments**

Because of the largely non-trading nature of its activities and the way in which government bodies are financed, the PSOW is not exposed to the degree of financial risk faced by some business entities. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks faced by the Office in undertaking its activities. Cash is PSOW's only financial instrument.

## **20. Related-party Transactions**

The PSOW has had a number of material transactions with the National Assembly for Wales. Also there have been material transactions with the Office of the Parliamentary Ombudsman. In addition, the PSOW has had a small number of transactions with other Government Departments and other central government bodies.

Under an agreed recharge procedure the sum of £ 510.13 was recovered from the Ombudsman to fully meet the additional cost to this Office of travel and related expenses when his wife accompanied him on business trips.

During the year two members of staff purchased under a sealed bid process surplus computer equipment that had been deemed as surplus to requirements as the specification was inadequate for the current computer systems.