

**PUBLIC SERVICES
OMBUDSMAN FOR
WALES**

**ANNUAL ACCOUNTS FOR
THE YEAR
ENDED 31 MARCH 2010**

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PUBLIC SERVICES OMBUDSMAN FOR WALES

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

Report of the Ombudsman

HISTORY AND STATUTORY BACKGROUND

These are the fourth Annual Accounts of the Public Services Ombudsman for Wales. The office came into formal existence on 1 April 2006 following the implementation of the Public Services Ombudsman (Wales) Act 2005. I was appointed as the second Public Services Ombudsman for a fixed period of seven years from 21 April 2008. In accordance with paragraph 18 of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005 I have personal responsibility for the overall organisation, management and staffing of the Office and for its procedures in relation to financial and other matters.

As a result of the amendments to the Act arising from the Government of Wales Act 2006, the ombudsman's salary and related employment costs are a direct charge on the Welsh Consolidated Fund with effect from 1 April 2007. In addition the costs of running the Office have to be submitted to the Finance Committee of the National Assembly for Wales for consideration no later than the 1 November each year. By the 22 November the Finance Committee must consider and lay before the National Assembly the estimate, with any modifications which that Committee, having consulted and taken into account any representations made by me, considers appropriate. This process is similar to that which applies to the Auditor General and the Wales Audit Office and is designed to secure the independence of my role.

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.

During the year I sought to contribute to the development of excellent public services in Wales by ensuring that services providers continue to value and learn from complaints.

- (a) Raising awareness of our service so that people understand what we do, and that all who need it can access it and make use of it;
- (b) Having in place high quality complaints handling processes, which consider and determine complaints thoroughly but proportionately, and convey decisions clearly;
- (c) Working with public bodies in Wales so that better quality public services are provided as a result of the lessons that can be learnt from the complaints we investigate;
- (d) Demonstrating that our resources are efficiently and effectively deployed.

MAIN ACTIVITIES

The principal activities of PSOW covered by these accounts were:

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

MANAGEMENT COMMENTARY

Under the Government of Wales Act 2006 the office is financed through the Welsh Consolidated Fund. Any unspent cash balances have to be repaid into that Fund no later than four weeks after a certified copy of the accounts have been laid before the National Assembly for Wales. This creates a further control in that there is a need to effectively manage the budget on both cash and a resources basis. My own salary and the related costs are a direct charge on the consolidated fund and are administered through the National Assembly for Wales. Employment costs of £2.24 million remain the largest item of expenditure. The cost of obtaining professional advice (particularly specialist advice on health cases) continued to rise and amounted to £314k. In preparation for additional services a lease on part of the 2nd floor of the premises currently occupied was obtained with effect from 1 March 2010. The deficit on the Local Government Pension Fund increased moved from £570k to £850k. Although the stock market had improved the rate of return on gilts fell leaving this overall worsening.

The National Assembly for Wales provided funding of £3.26 million for the funding of the Office.

The past year has been demanding and constructive. At its heart lies the core work in investigating complaints from members of the public about public services in Wales and the conduct of members of local authorities. Although this year, unlike every year since the office was established, has seen a levelling off in the number of complaints. The workload of the office remains high due to the rise in health and member conduct complaints which are often more complex to investigate.

In a year where public confidence in elected representatives has been a constant theme, I am concerned with this trend. Work on developing guidance on the Code of Conduct was undertaken during the year for publication in April 2010. I very much hope that councillors will take on board the advice and direction given and that complaints in this area will fall in the forthcoming year.

This year was the first of our three year Strategic Plan which was developed to improve the service we offer and which took account of pressures on the service and reflected the views expressed by service users. The plan envisaged a change to the way in

which we engage with complainants. We have reconfigured the service to enable individuals to contact us by phone or email, rather than require them to complete a form. Our new Complaints Advice Team went live in January 2010. We aim to give callers a clearer picture of how our service works and how we may be able to help them. If the complaint is not one we can deal with, because it falls outside our remit, e.g. complaints about the police, we will try to help them access the appropriate body. We have also streamlined our work through a range of measures including concluding less complex cases by letter rather than requiring the production of lengthy investigation reports.

I am very pleased to see that early indications show that the changes are having the desired effect. Overall, we increased by 6% the number of cases closed during the year compared to 2008/09. As the changes were introduced in the last quarter I expect further improvement in 2010/11.

The achievements of the past year are set out in greater detail in the statutory annual report for 2009-10. Further information is available on www.ombudsman-wales.org.uk.

REMUNERATION

The details for the pay and related costs of the Ombudsman 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 4 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.

SICKNESS

During the year an average of 7.9 days per employee were lost (2008-09 7.4 days). This is the equivalent to 3.1% (2.9% in 2008-09) of the total work days. The difference was due to two cases of long term sickness.

As the office is small details of the types of sickness are not disclosed, as it would be possible to identify individuals from the information reported. The office is committed to the health and well-being of its staff and has a comprehensive policy on sickness absence.

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 2009-10 99% of invoices were paid in accordance with this policy (compared with 98% in 2008-09).

SUSTAINABILITY

PSOW is committed to good environmental practises. Examples of how it pursues good environmental stewardship are set out below.

- a) **Energy usage.** As one of a number of tenants within a small modern office block it is not possible to have full control over the heat and lights facilities.

However there are highly efficient heat exchanges that are thermostatically controlled and time managed.

- b) **Vehicle usage.** The office does not operate any vehicles but it does require the use of hired vehicles for longer journeys in order to ensure greatest efficiency.
- c) **Public Transport.** Wherever appropriate the use of public transport is encouraged.
- d) **Paper management.** Staff are encouraged to assess whether a paper copy is necessary and to use double sided printing whenever possible. The use of an office intranet enables information to be accessed without the need for paper distribution systems.
- e) **Waste Disposal.** Procedures are in operation for the recycling of glass, metal cans, plastic bottles, batteries and paper. Paper is disposed of through confidential waste recycling facilities due to the obligation to maintain confidentially in its enabling legislation.

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.

AUDIT COMMITTEE

Membership and Terms of Reference

The Audit Committee continues to be chaired by Laurie Pavelin CBE FCA and he provides considerable support with his wide experience of public sector accounting and financial management. The independence of the Committee was enhanced by the appointment of Professor Margaret Griffiths following an open recruitment process. With that appointment, Elizabeth Thomas, the Legal Advisor to PSOW, stood down from the Committee.

A day of induction training for Professor Griffiths was held involving the Chair of the Committee, the Accounting Officer and appropriate staff members to give an understanding of the role and the work of the Public Services Ombudsman for Wales. In addition Professor Griffiths attended in November 2009 a day's training on Best Practice for Audit Committees in Government arranged by the National School of Government.

The Ombudsman, Peter Tyndall, remains on the Committee in his capacity as the Accounting Officer.

Each member of the Committee completes an annual declaration of interests and the first agenda item for any meeting allowed for the declaration of any interest specific to the agenda items for that meeting.

The Audit Committee reviewed its "Terms of Reference" in December 2009 and concluded that no further changes were required to those introduced in its review in 2008-09. The key changes made then were that the Committee should in future consider the three-yearly Strategic Plan together with the annual Operational Plan; and that the composition of the Committee membership be changed as identified above.

Meetings

There were five meetings of the Committee during the year. The Committee received and reviewed the Risk Register at each meeting together with details on any new or changed potential risks. Reports have to be submitted to the Committee if any fraud or losses including data losses have been identified. No notifications were received during the 2009-10 financial year. In addition the Committee is advised of any single tender or nominated supplier approvals in excess of £5,000 and of any disposal of assets. During the year the Committee received reports on any appropriate matters that fell within its terms of reference. This included papers on: pension arrangements and the FRS 17 requirements for pension reporting; the implications of introducing the International Financial Reporting Standards; Sustainability Reporting; the changes arising from the Managing Expectations project; and the business continuity plan.

Major developments considered by the Committee during the year were on:-

- a) Development of the risk register format and reporting process to provide an improved focus for both management review and contribution by the Committee;

- b) Improvement of the annual accounts process both in content and timing to ensure that the audit is facilitated and publication of the accounts takes place during the summer;
- c) Appropriate reporting to the Committee of performance against the Operational Plan is made during the year.
- d) Demonstrating that our resources are efficiently and effectively deployed.

External and Internal Audit

The Committee received regular reports from both the external and internal auditors. The work of RSM Tenon (formerly RSM Bentley Jennison) as Internal Auditors was planned on the basis of an overall needs assessment and carried out through an annual programme. Their reports highlighted the satisfactory internal control framework within the organisation and made recommendations for improvement where necessary.

The Committee considered the Annual Accounts which included the Statement on Internal Control of the office for 2008-09 together with the External Audit ISA260 Report and the Management Letter from Grant Thornton UK LLP acting on behalf of the Wales Audit Office. Both Internal and External Auditors have the right, if considered appropriate, to raise any matter through an open access policy to the Chair and through the right to bring any matter to the attention of the Committee. The Committee, by reviewing the programmes of both the External and the Internal Auditors, ensured that they were co-operating effectively with each other.

Monitoring processes

The Committee is notified at each meeting on progress made on implementation of External and Internal Audit recommendations. In addition the Committee is notified at each meeting of any outstanding issues. The Committee were provided with a copy of the Annual Report for 2008-09.

Overall assessment

This annual review is undertaken to ensure that the work of the Audit Committee continues to comply with the Good Practice Principles set out in the H M Treasury Audit

Committee Handbook. The Committee has been able to provide assurances to effectively support the Public Services Ombudsman for Wales to comply with his Accounting Officer responsibilities.

REPORTING OF PERSONAL DATA RELATED INCIDENTS

The Cabinet Office has issued guidance on reporting on any loss, unauthorised disclosure and any insecure disposal of protected personal data. The obligation is to report on the following:

- Details of any personal data related incidents formerly reported to the Information Commissioner's Office over the financial year;
- Recorded protected personal data related incidents not formally reported to the Information Commissioner's Office in the financial year; and
- Any protected personal data related incidents in previous financial years.

I am able to report that I am not aware of any incidents that required reporting for 2009-10. The data security policy for the organisation can be found on the website www.ombudsman-wales.org.uk.

ACCOUNTS DIRECTION

Under the Accounts Direction issued by the H M Treasury dated 21 December 2006 I was required to prepare accounts for the financial year ended 31 March 2010 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 2009-10.

The 2009-10 reporting year is the first year of adoption of the International Reporting Standards and the date of transition is 1 April 2008. All figures for both 2009-10 and 2008-09 are in accordance with those standards.

The accounts have been prepared so as to:

(a) give a true and fair view of the state of affairs at 31 March 2010 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 accounts of the Public Services Ombudsman for Wales (PSOW) as laid down in paragraph 7 of Schedule 1 the Public Services Ombudsman (Wales) Act 2005. Following consultation with this Office, Wales Audit Office appointed Grant Thornton UK LLP to carry out the work on their behalf although the Auditor General retains overall responsibility. The cost of the audit for 2009-10 was £16.6k. In addition a further £2k for additional work in concluding the 2008-09 audit was incurred together with £1.5k for preparatory work to implement IFRS. This compares with £17.4k incurred in 2008-09.

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 service level agreement with the Wales Audit Office (WAO) for the provision of advice relating to human resources. WAO have been paid £1k (2008-09 £3k) under that agreement.

THE FUTURE

The office has also been working on two new initiatives during the year. The first is the introduction of a new complaints signposting service for Wales to help those people who have a complaint about a public service but do not know who to complain to or how to go about it. It is hoped that this will be launched early in 2011. The second initiative has been the development of a common, streamlined complaints system for adoption by public service providers in Wales. I have chaired the Complaints Wales Group drawn from across the public sector which expects to put forward advice to the First Minister of the Welsh Assembly Government in September 2010. A common process would offer many advantages, making it easier for people to complain, easier to manage complaints

about joint services and easier to learn wider lessons about services and about complaints handling.

Information is awaited on the proposed changes arising from the Government's review of pension arrangement in the public sector. As PSOW is involved in three pension arrangements any changes could have an impact on the future financing arrangements of the office.

POST BALANCE SHEET EVENTS

There are no changes to report.

Peter Tyndall
Accounting Officer

28 July 2010

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Public Service Ombudsman (Wales) Act 2005 as Public Services Ombudsman for Wales I am required to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the office during the year in the form and on the basis set out in the Accounts Direction. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Public Services Ombudsman for Wales and its net resources outturn, resources applied to objectives income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts as the Accounting Officer I am required to comply with the requirements of the Government *Financial Reporting Manual* and in particular

- Observe the Accounts Direction and the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis;

My relevant responsibilities as Accounting Officer include responsibility for the propriety and regularity of the public finances for the Public Service Ombudsman for Wales, for keeping proper records and for safeguarding the office's assets and in the Accounting Officers memorandum used by H.M.Treasary and published in "Managing Public Money" , as set out in the Public Services Ombudsman (Wales) Act 2005.

REMUNERATION REPORT

Public Services Ombudsman for Wales

The Government of Wales Act 2006 provides for my remuneration, the associated national insurance costs and those of my pension to be met from the Welsh Consolidated Fund. As Public Services Ombudsman for Wales, I am remunerated at the equivalent of Group 5 of the Judicial Salary Scale. These costs are included under Other Administration Costs as Consolidated Fund Standing Services in note 5. The Directors' remuneration has been set at 70% of my pay with effect from 1 November 2008. The table below sets out the pay details for the members of the Senior Management Team during the year 2009-10:

Name	Date of Appointment and contractual terms	2009-10 Salary £000	2009-10 Benefits in Kind £	2008-09 Salary £000	2008-09 Benefits in Kind £
Peter Tyndall	21/04/2008. Fixed term to 20 April 2015	135-140	Nil	125-130	Nil
Elizabeth Thomas	01/01/2004 Permanent Contract	95-100	Nil	75-80	Nil
Andrew Walsh	01/01/2004 Permanent Contract	95-100	Nil	75-80	Nil

* Pension entitlements for the persons shown above are detailed below:

Name	Accrued pension at age 60 at 31 st March 2010 £000	Real increase in annual pension £000	CETV at 31 st March 2010 £000	CETV at 31 st March 2009 £000	Real Increase in CETV £000
Peter Tyndall	5.0-7.5	2.5-5.0	81	36	37
Elizabeth Thomas	42.5-45.0	0-2.5	806	732	26
Andrew Walsh	10.0-12.5	0-2.5	230	188	29

The pension figures shown in the table above represents full entitlements. Supporting information is provided in the Notes below

Audit Committee

* During the year Mr Pavelin as the independent chair of the Audit Committee was paid, based on a daily rate, non pensionable remuneration of £2975 (2008-09 £2338). Professor Margaret Griffiths was paid £1250 for work as a member of the Audit Committee again based on a non pensionable daily rate.

* Items subject to audit examination

Notes

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 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. A CETV 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 benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include 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.

Benefits in kind

The monetary value of benefits in kind covers any expenditure incurred and treated by H M Revenue and Customs as a taxable emolument. There was no such expenditure.

Peter Tyndall

Accounting Officer

28 July 2010

STATEMENT ON INTERNAL CONTROL

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 "Managing Public Money".

I am independent of the National Assembly for Wales but am accountable to its Public Accounts Committee for the use of resources made available to support my statutory functions. In determining the level of resources available to the organisation the budget proposals are considered by the Finance Committee of the National Assembly for Wales in accordance with the process laid down in the Public Services Ombudsman (Wales) Act 2005.

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 in place in the Public Services Ombudsman for Wales for the year ended 31 March 2010 and up to the date of approval of these accounts, and accords with Treasury guidance.

Capacity to handle risk

I am continuing to enhance the robust internal control arrangements to ensure that the Office has the capacity to identify, assess and manage risk effectively. In undertaking this responsibility I am supported by two directors to whom I have delegated some of my responsibilities. In addition the Management Team that I chair has the responsibility

for overseeing risk management. I am satisfied that the systems in place identify potential risks at an early stage and enable, through active management, the appropriate action to be taken to minimise any adverse impact on the Office.

The Audit Committee continues to regularly review the organisation's exposure to risk. In my report that forms part of this document there is a review of the work of the Audit Committee. During the year the terms of reference were amended to incorporate consideration of my Strategic Plan and its implementation. Following the annual review of the work of the Audit Committee it was not considered necessary to make any further amendments to the revised terms of reference. The membership of the Audit Committee was strengthened by the appointment of another independent member, Professor Margaret Griffiths in place of Elizabeth Thomas who undertakes the role of Director of Legal Services within my Office. I have continued to benefit from the considerable public sector financial management experience of the chairman Mr Laurie Pavelin CBE FCA. As required by "Managing Public Money" I am supported by the Financial Adviser who as a qualified accountant carries out the responsibilities of the professional finance director as set out in that document.

The risk and control framework

To ensure that there are appropriate processes in place I have received considerable assistance from the Audit Committee and from RSM Tenon (formerly RSM Bentley Jennison) as Internal Auditors. The scope of their work ensures that the appropriate processes and procedures are in place and are operating effectively. The reputation and credibility of the Office are key to its success in encouraging complainants to come forward and public sector organisations to accept reports that are issued. Developments to systems and procedures to improve and speed the handling of complaints have been implemented during the year and provide a stronger focus to maintain reputation and credibility.

The corporate governance framework is reviewed each year by Internal Audit.

An important corporate risk that continues to be very prominent is that of Information Security. This Office has always maintained a high security level because of the obligations contained within section 26 of the Public Services Ombudsman (Wales) Act 2005 on the non disclosure of information except as specifically stated. The policy on information security has been revised and has been subjected to an Internal Audit review.

The risk and control framework measures in place are:

- (a) an organisation planning process to evaluate past performance, plans and targets and set forward plans and targets as stated in the Strategic Plan for 2009-10 and following a review have been incorporated into the new plan for 2010-11 to 2012-13. This ensures 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 organisational objectives is maintained; and
- (c) the availability of a business continuity plan that is regularly reviewed and tested to enable a phased recovery from events that would impair our operational capability.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Directors who assist me in the responsibility for the development and the maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Internal Auditor's annual report to me said "The Public Services Ombudsman for Wales has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives".

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The plan is monitored by the Audit Committee through the regular consideration of a report setting out actions taken on matters raised by the Internal and External Auditors. In addition the internal auditors undertake periodic reviews of the actions taken to implement accepted recommendations whilst the external auditors review any matters raised in subsequent financial years.

Based on the internal audit work for the twelve months ended 31 March 2010 the Internal Auditor concluded that the PSOW had adequate and effective risk management, control and governance processes to manage the achievement of its objectives.

Significant Internal Control Problems

I am able to report that there were no significant weaknesses in the Office's system of internal controls in 2009-10 which affected the achievement of the Office's policies, aims and objectives.

Peter Tyndall
Accounting Officer

28 July 2010

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 2010 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, the Statement of Recognised Gains and Losses, the Statement of Financial Position, the Statement of Cash Flows 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 auditor

The Accounting Officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the paragraph 17 (2) of schedule 1 to the Public Services Ombudsman (Wales) Act (2005) and Welsh Ministers' 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 Welsh Ministers' directions made thereunder. I report to you whether, in my opinion, the information which comprises the management commentary given in the Annual 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 in my opinion 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control 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 form an opinion on the effectiveness of the Public Services Ombudsman for Wales' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Report of the Ombudsman and the unaudited part of the Remuneration Report. 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 opinions

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 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

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 Welsh Ministers of the state of the Public Services Ombudsman for Wales' affairs as at 31 March 2010 and the net cash requirement, net resource outturn, net operating cost, operating costs 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 Welsh Ministers' directions made thereunder; and
- information which comprises the management commentary in the report of the Ombudsman given within the Annual Report, is consistent with the financial statements.

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.

Gillian Body
Auditor General for Wales
17 August 2010

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Public Services Ombudsman for Wales Financial Statements 2009-10

SUMMARY OF RESOURCE OUTTURN

for the year ended 31 March 2010

	2009-10 Revised Estimate			Outturn				2008-09
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total	Net total outturn compared to estimate saving /(excess)	Prior year outturn Restated
	£000	£000	£000	£000	£000	£000	£000	£000
Administration Costs	3298	(19)	3279	3460	(9)	3451		3139
Less Welsh Consolidated Fund shared services				191		191		186
Total Resources	3298	(19)	3279	3269	(9)	3260	19	2953
Net Cash Requirement Note 3			3256			3275		2996

Non operating income and receipts not classified as operating income

	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total	Net total outturn compared to estimate saving/(excess)	Prior year outturn Restated
	£000	£000	£000	£000	£000	£000	£000	£000
Sale of fixed assets						-		(2)

The notes on pages 28 to 47 form part of these accounts
Comparative figures for 2008-09 have been restated in line with
International Financial Reporting Standards

OPERATING COST STATEMENT

for the year ended 31 March 2010

	Note	2009-10	2008-09
		£000	Restated £000
Administration costs:			
Staff costs	4	2235	2035
Other non staff administration costs	5	1225	1109
Gross Administration Costs		3460	3144
Operating Income	6	(9)	(5)
Net Administration Cost		3451	3139
NET OPERATING COST and NET RESOURCE OUTTURN		3451	3139

All activities commenced in the period are continuing.

Statement of Recognised Gains and Losses

	Note	2010	2009
		£000	£000
For the year ended 31 March			
Actuarial (loss) on Pension Scheme	4	<u>(240)</u>	<u>(900)</u>
Total recognised (losses) in year		<u>(240)</u>	<u>(900)</u>

The notes on pages 28 to 47 form part of these accounts

Comparative figures for 2008-09 have been restated in line with International Financial Reporting Standards.

Public Services Ombudsman for Wales Financial Statements 2009-10

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2010

	Note	2009-10	2008-09 Restated	1 April 2008 Restated
		£000	£000	£000
Non current assets				
Property, Plant and Equipment	7	203	225	241
Intangible fixed assets	8	14	60	65
Receivables falling due after more than one year	9	2	43	-
Total non current assets		219	328	306
Current Assets				
Trade and other receivables	9	169	147	131
Cash and cash equivalents	10	10	29	24
Total current assets		179	176	155
Total assets		398	504	461
Current liabilities				
Trade and other payables	11	(102)	(113)	(113)
Overdrawn bank account		(5)	-	(10)
Total current liabilities	10	(107)	(113)	(123)
Total assets less current liabilities		291	391	338
Trade and other payables due after one year	11	(30)	(37)	(45)
Provisions	12	(543)	(632)	(614)
		(573)	(669)	(659)
		(282)	(278)	(321)
Pension Fund (Deficit)/Surplus	4	(850)	(570)	290
Total assets less liabilities		(1132)	(848)	(31)
Taxpayers' Equity				
General Fund		(1132)	(848)	(31)

Details of movements of the General Fund are shown in the statement of Tax Payers' Equity on page 26. The notes on pages 28 to 47 form part of these accounts

Peter Tyndall
Accounting Officer

28 July 2010

STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Note	2009-10	2008-09
		£000	£000
Net cash outflow from operating activities	16	(3239)	(2960)
Net cash flow from investing activities	17	(41)	(73)
Financing from National Assembly for Wales	18	3256	3048
(Decrease) Increase in cash and cash equivalents	18	(24)	15
Cash and cash equivalents at the beginning of period		29	14
Cash and cash equivalents at the end of period		5	29

The notes on pages 28 to 47 form part of these accounts

STATEMENT OF TAXPAYERS' EQUITY

for the year ended 31 March 2010

	2009 -10	2008 - 09
	£000	£000
Balance at beginning of year	(811)	0
Effect of changes due to adoption of IFRS	(37)	(31)
Balance at 1 April 2009	<u>(848)</u>	<u>(31)</u>
Changes in taxpayer's equity		
Net operating costs	(3451)	(3108)
Non operating income	-	2
Funding by National Assembly for Wales	3256	3048
Due back to Welsh Consolidation Fund		
-Cash	(5)	(29)
-Non operating income	-	(2)
Cost capital credit	(35)	(14)
Welsh Consolidation Fund shared services	191	186
Actuarial deficit	(240)	(900)
Total recognised income and expense for 2009-10	<u>(284)</u>	<u>(817)</u>
Balance at 31 March 2010	<u>(1132)</u>	<u>(848)</u>

The notes on pages 28 to 47 form part of these accounts

STATEMENT OF OPERATING COSTS BY AIMS AND OBJECTIVES*for the year ended 31 March 2010*

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

	2009-10			2008-09		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
To raise awareness of our service so that people understand what we do, and that all who need it can access it and make use of it	270		270	243		243
To have in place high quality complaints handling processes, which consider and determine complaints thoroughly but proportionately, and convey decisions clearly	2659	(9)	2650	2407		2407
To work with public bodies in Wales so that better quality public services are provided as a result of the lessons that can be learnt from the complaints we investigate	363		363	337		337
To demonstrate that our resources are efficiently and effectively deployed	168		168	157	(5)	152
Net operating costs	3460	(9)	3451	3144	(5)	3139

The notes on pages 28 to 47 form part of these accounts

Comparative figures for 2008-09 have been restated in line with International Financial Reporting Standards.

Notes to the Financial Statements – for the year ended 31 March 2010

1. **Statement of Accounting Policies**

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (the FReM) issued by HM Treasury which is in force for 2009-10. The accounting policies contained in the FReM, apply International Financial Reporting Standards (IFRS) as adopted or interpreted for 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 the Public Services Ombudsman for Wales 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, where material to their value to the business, by reference to their current costs.

1.2 **Property, Plant and Equipment**

Expenditure is capitalised where the assets purchased are expected to have a useful life extending over a number of years and the cost exceeds £1k. 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 part of a larger scheme that is 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**

Assets are depreciated at rates calculated to write them down to zero or if applicable 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:

Plant	10 years or the lease term if shorter
Furniture and other fittings	10 years or in the case of fittings the lease term if shorter
Computers and other equipment	3 to 10 years

1.4 **Intangible assets**

Purchased computer software licences are capitalised 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. Intangible assets are reviewed annually for impairment and are stated at amortised historic cost. Software licences are amortised over the shorter of the term of the licence and the useful economic life. It was not considered necessary to review the useful economic life as a full review of the complaints system had been undertaken in 2007-08 and that review confirmed their further uses for a period of three years.

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 and amounts to be surrendered to the Consolidated Fund.

1.6 **Value Added Tax**

PSOW is not registered for VAT. Expenditure is therefore disclosed gross of VAT.

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 two previous Commissioners for Local Administration in Wales and one surviving beneficiary. 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 on leased property is expensed in the period to which it relates. Operating lease charges for equipment are spread equally over the life of the lease.

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 Operating Income**
Bank interest is accounted for in the year of receipt. Other income is credited to the year of account in which the work is done.
- 1.12 Non-operating Income**
Non operating income which has to be surrendered to the Welsh Consolidated Fund arises from the sale of fixed assets.
- 1.13 Government Grants**
Government grants are accounted for in the year of receipt.
- 1.14 Foreign Exchange**
Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions.
- 1.15 Financial Instruments**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The PSOW does not hold any complex financial instruments under the description provided by IAS 32. The key financial instruments held are payables and receivables. These are considered to be loans and receivables in line with IAS 39. They are therefore disclosed in the accounts at amortised cost.
- 1.16 Provisions**
These are sums which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligations. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury discount rate.
- 1.17 Staff costs**
In line with IAS 19, short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, as well as non-monetary benefits for current employees, are recognised when an employee has rendered services in exchange for those benefits.
- 1.18 Segmental Reporting**
It is not considered that there are any separately reportable operating segments in line with IFRS 8; PSOW has however elected to additionally disclose the expenditure associated with the four key objectives of the office. This information is not reported internally.

2. First time adoption of International Financial Reporting Standards

The PSOW has adopted the International Financial Reporting Standards with effect from 1 April 2008. The details of the impact of this change are stated below;

General Fund	£000
Taxpayers' equity at 31 March 2008 under UK Generally Accepted Accounting Practice (GAAP)	(0)
Adjustment for: untaken annual leave	(31)
Taxpayers' equity at 1 April 2008 under International Financial reporting standards (IFRS)	(31)
Net operating cost for 2008-09 under GAAP	3102
Adjustment for:	
movements in accrued untaken paid leave 2008-09	37
Net operating costs for 2008-09 under IFRS	3139
Net operating cost for 2009-10 under GAAP	3439
Adjustment for:	
movements in accrued untaken paid leave 2009-10	12
Net operating costs for 2009-10 under IFRS	3451

There is no difference in the reconciliation of the cash flows for the year 2008-09 as reported on the UK GAAP and as reported under IFRS.

3. RECONCILIATION OF RESOURCES TO NET CASH REQUIREMENTS

	Note	2009-10 Revised estimate £000	2009-10 outturn £000	Net total outturn compared to estimate saving/(excess) £000	2008-09 outturn £000
Net Total resource Outturn Operating Cost Statement			3451		3139
Less Welsh Consolidated Fund shared services			191		186
Net		3259	3260	(1)	2953
Fixed assets acquisition	7/8	20	42	(22)	75
Non operating income					(2)
Accruals adjustments:					
Non- cash items	4/5	(142)	(145)	3	(198)
Changes in working capital other than cash		70	(1)	71	67
Use of provisions		(1)	79	(80)	71
Pension funding	4	50	40	10	30
<i>Net cash requirement Summary of Resource Outturn</i>		3256	3275	(19)	2996

There was no significant variation between Estimated Net Cash Requirement and Outturn. Capital expenditure was higher than the budget to take advantage of some very competitive prices.

4. **Staff Numbers and Costs**

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

	2009-10	2008-09
	No.	No.
Senior management	3	3
Complaint investigation	37	36
Executive / Corporate Services staff	8	6
Total	48	45

The aggregate employment costs were as follows:

	2009-10	2008-09
	£000	£000
Permanent staff		
Salaries	1690	1524
Social Security Costs	134	116
Other pension costs	343	372
Total	2167	2012
Temporary staff	60	23
Social Security costs	3	-
Pension costs	5	-
Total	68	23
Total employment costs	2235	2035

The costs of temporary staff include 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 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £310k were payable to the PCSPS (2008-09 £280k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will remain in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 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. Employers' contributions of £6K (2008-09 £3k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £547 (2008-09 £162), 0.8% of pensionable pay, were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

No contributions were due or prepaid to the partnership pension providers at the balance sheet date.

(b) Local Government Pension Scheme

The disclosures below relate to the funded liabilities of the Cardiff and Vale of Glamorgan Pension Fund (the "Fund") which is part of the Local Government Pension Scheme. The Public Services Ombudsman for Wales participates in the Fund which provides defined benefits, based on members' final pensionable salary.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Disclosure under IAS19 (LGPS funded benefits)

Assumptions The latest actuarial valuation of Public Services Ombudsman for Wales's liabilities took place as at 31 March 2007. The principal assumptions used by the independent qualified actuaries, Hewitt Associates Limited, in updating the latest valuation for Fund for IAS19 purposes were:

Principal financial assumptions (% per annum)

	31 March 2010	31 March 2009	31 March 2008
Discount rate	5.5	6.7	6.8
Inflation	3.9	3.3	3.7
Rate of increase to pension In payment*	3.9	3.3	3.7
Rate of increase to deferred pensions*	3.9	3.3	3.7
Rate of general increase in salaries*	5.4	4.8	5.2

*In excess of Guaranteed Minimum Pension increases in payment where appropriate

**In addition, the actuaries have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Funds as at 31 March 2007.

Principal demographic assumptions

Post retirement mortality	31 March 2010	31 March 2009
Males Base table (in 2007)	PNMA00 with allowance for MC Improvement factors to 2007	PNMA00 with allowance for MC improvement factors to 2007
Rating to above base table * (years)	0	0
Scaling to above base table rates **	125%	125%
Cohort improvement factors (from 2007)	80% of LC	80% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (aged 65 at accounting date)	21.2	21.1
Future lifetime from age 65 (aged 45 at accounting date)	23.5	23.4
Females Base table (in 2007)	PNFA00 with allowance for MC improvement factors to 2007	PNFA00 with allowance for MC improvement factors to 2007
Rating to above base table * (years)	0	0
Scaling to above base table rates **	100%	100%
Cohort improvement factors (from 2007)	60% of LC	60% of LC
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (aged 65 at accounting date)	25.2	25.0
Future lifetime from age 65 (aged 45 at accounting date)	27.4	27.3

*A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an x years older than them. The ratings shown apply to normal health retirements.

** The scaling factors shown apply to the normal health retirements

	31 March 2010	31 March 2009
Commutation	Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2008 pension entitlement.	Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2008 pension entitlement.
	Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlement.	Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlement.

Expected returns on assets

The approximate split of assets for the Fund as a whole (based on date supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assume rates of return adopted by the employer for the purposes of IAS19.

	Long-term expected rate of return at 31 March 2010 (% pa)*	Asset split at 31 March 2010 (% pa)*	Long-term expected rate of return at 31 March 2009 (% pa)*	Asset split at 31 March 2009 (% pa)*	Long-term expected rate of return at 31 March 2008 (% pa)*	Asset split 31 March 2008 (% pa)*
Equities	8.0	73.5	7.0	67.6	7.6	71.0
Property	8.5	4.1	6.0	4.6	6.6	5.6
Government bonds	4.5	4.9	4.0	7.7	4.6	5.0
Corporate bonds	5.5	12.5	5.8	12.8	6.8	13.5
Cash	0.7	0.9	1.6	2.1	6.0	4.9
Other*	8.0	4.1	1.6	5.2	6.0	0.0
Total	7.5	100.0	6.2	100.0	7.2	100.0

*The overall expected rate of return on Fund asset is a weighted average of the individual expected rates of return on each asset class, and is shown in the bottom row of the above table.

** Other holdings include hedge funds, currency holdings, asset allocation futures and other. Hewitt Associates Ltd. has assumed this year that these will get a return in line with equities.

Narrative description of the basis used to determine expected return

The Actuary on behalf of the Public Services Ombudsman for Wales employs a building approach in determining the rate of return on Funds assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principals. The assumed rate of return on each asset class is set out within this note.

The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

Reconciliation of funded status to balance sheet

	Value as at 31 March 2010 £M	Value as at 31 March 2009 £M	Value as at 31 March 2008 £M
Fair value of assets	4.06	3.10	4.41
Present value of funded defined benefit obligation	4.91	3.67	4.12
Unrecognised actuarial (gain)/loss	0.00	0.00	0.00
Unrecognised past service cost	0.00	0.00	0.00
Asset/(Liability) recognised on the balance sheet	(0.85)	(0.57)	0.29

Analysis of Profit and Loss charge

	Year ended 31 March 2010 £M	Year ended 31 March 2009 £M
Current service cost	0.03	0.03
Past service cost	0.00	0.00
Interest cost	0.24	0.26
Expected return on assets	(0.19)	(0.30)
Curtailment cost	0.00	0.00
Settlement cost	0.00	0.00
Expense recognised	0.08	(0.01)

Changes to the present value of defined benefit obligations during the accounting period

	Year ended 31 March 2010 £M	Year ended 31 March 2009 £M
Opening present value defined benefit obligation	3.67	4.12
Current service cost	0.03	0.03
Interest cost	0.24	0.26
Contributions by participants	0.01	0.01
Actuarial losses/(gains) on liabilities *	1.10	(0.10)
Net benefits paid out #	(0.14)	(0.65)
Past service cost	0.00	0.00
Net increases in liabilities from disposal and acquisition	0.00	0.00
Curtailments	0.00	0.00
Settlements	0.00	0.00
Closing present value defined benefit obligation	4.91	3.67

*Includes charges to the actuarial assumptions.

#Consists of net cash-flow out the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Changes to fair value of assets during the accounting period

	Year ended 31 March 2010 £M	Year ended 31 March 2009 £M
Opening fair value of assets	3.10	4.41
Expected return on assets	0.19	0.30
Actuarial gains/(losses) on assets	0.86	(1.00)
Contributions by the employer	0.04	0.03
Contributions by the participants	0.01	0.01
Net benefits paid out #	(0.14)	(0.65)
Net increase in assets from disposal and acquisitions	0.00	0.00
Settlements	0.00	0.00
Closing fair value of assets	4.06	3.10

Consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Actual return on assets

	Year ended 31 March 2010 £M	Year ended 31 March 2009 £M
Expected return on assets	0.19	0.30
Actuarial gain/(losses) on assets	0.86	(1.00)
Actual return on assets	1.05	(0.70)

Analysis of amount recognised in Statement of Comprehensive Income

	Year ended 31 March 2010 £M	Year ended 31 March 2009 £M
Total actuarial (losses)	(0.24)	(0.90)
Total (loss)	(0.24)	(0.90)

History of asset values, present value of defined benefit obligation and surplus/deficit

	As at 31 March 2010 £M	As at 31 March 2009 £M	As at 31 March 2008 £M
Fair value of assets	4.06	3.10	4.41
Present value of defined benefit obligation	4.91	3.67	4.12
(Deficit)/surplus	(0.85)	(0.57)	0.29

History of experience and losses

	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2008
Experience gains/(losses) on assets			
▪ Amount £M	0.86	(1.00)	(0.44)
▪ Percentage of assets	21.2%	-32.3%	-(10.05)
Experience gains/(losses) on liabilities #			
▪ Amount £M	0.06	(0.02)	(0.02)
▪ Percentage of the present value of the liabilities	1.2%	-0.5%	-0.5%

This item consist of gain/(losses) in respect of liability experience only – and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Contributions for the year ending 31 March 2011

The employer's regular contributions to the fund for the year ending 31 March 2011 are estimated to be £0.04m. In addition, strain on Fund Contributions may be required.

(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. However as the increase this year is zero the average increase in the years since the information was included within the accounts of 2.9% has been used to calculate the future liability. The total payments during 2009-10 were £75k (£71k in 2008-09). The liabilities arising out of the obligation to finance these pensions together with any dependent pensions has been calculated to be £543k (2008-09 £628k). 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. A discount rate of 3.5% (2008-09 3.5%) has been applied in accordance with the Treasury guidance that all pension liabilities should be discounted. Further details are shown under movements in provisions (Note 12).

5. Non Staff Administration Costs

	2009-10	2008-09
	£000	£000
Rentals under operating leases	179	188
External Audit fee	20	17
Other services provided by WAO and Grant Thornton	1	4
Professional Advisers' Consultancy	314	227
Other property costs	92	81
Computer services	67	67
Office supplies, equipment and services	246	226
Travel and subsistence	40	30
Consolidated fund standing services (Salary and related costs of the Ombudsman met from the Welsh Consolidated Fund)	191	186
Sub-total	1150	1026
Depreciation	61	59
Amortisation charge	48	37
Loss on disposal	1	-
Provision for redecoration	-	1
Cost of capital credit	(35)	(14)
Sub-total	75	83
Total Other Administration Costs	1225	1109

The increase in professional fees is due to the greater need for specialist advice and the increased use of legal advice in Code of conduct complaints.

6. Operating Income

Income receivable arises from short term investment of surplus funds and from the temporary secondment to

	2009-10	2008-09
	£000	£000
Seconded staff	9	-
Interest receivable	-	5
Total operating income	9	5

7. Property Plant and Equipment

	Plant	Computers and other equipment	Furniture & other fittings	Total
	£000	£000	£000	£000
Cost or valuation at 1 April 2008	89	136	225	450
Additions	5	35	3	43
Disposals		(41)		(41)
At 31 March 2009	94	130	228	452
Cost or valuation at 1 April 2009	94	130	228	452
Additions		26	14	40
Disposals		(7)		(7)
At 31 March 2010	94	149	242	485
Depreciation at 1 April 2008	(32)	(91)	(86)	(209)
Charged in the year	(11)	(27)	(21)	(59)
Disposals		41		41
At 31 March 2009	(43)	(77)	(107)	(227)
Depreciation At 1 April 2009	(43)	(77)	(107)	(227)
Charged in the year	(10)	(28)	(23)	(61)
Disposals		6		6
At 31 March 2010	(53)	(99)	(130)	(282)
NBV at 31 March 2010	41	50	112	203
NBV at 31 March 2009	51	53	121	225
NBV at 1 st April 2008	57	45	139	241

In the opinion of the Public Services Ombudsman for Wales there is no material difference between the net book value of assets at current values and at their historic cost.

8. Intangible 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.

In the opinion of the Public Services Ombudsman for Wales there is no material difference between the net book value of assets at current values and at their historic cost.

	Developed Software £000	Purchase Software £000	Total £000
Cost or Valuation at 1 April 2008	175	26	201
Additions during the year	-	32	32
At 31 March 2009	175	58	233
Cost or Valuation at 1 April 2009	175	58	233
Additions	-	2	2
At 31 March 2010	175	60	235
Amortisation at 1 April 2008	110	26	136
Amortisation during the year	21	16	37
At 31 March 2009	131	42	173
Amortisation at 1 April 2009	131	42	173
Amortisation during the year	38	10	48
At 31 March 2010	169	52	221
Net book value at 31 March 2010	6	8	14
Net book value at 31 March 2009	44	16	60
Net book value at 1 April 2008	65	0	65

9. Receivables and other assets

	2009-10 £000	2008-09 £000	As at 1 st April 2008 £000
Amounts falling due after more than one year			
Prepayments	2	43	-
Amounts falling due within one year:			
Prepayments	160	147	131
Trade debtors	9	-	-
	169	147	131
Total	171	190	131

10 Cash and Cash Equivalents

Any cash balance held at the yearend has to be returned to the Welsh Consolidated Fund. A creditor for £5k (2008-09 £29K) has been included within the accounts being the net balance at the year end on all the bank accounts operated by the Public Services Ombudsman for Wales irrespective of whether the individual account is in debit or credit and the amount of grant received offset by this repayment. This repayment is required to be made to the Welsh Consolidated Fund under the Government of Wales Act 2006.

11. Trade payables and other liabilities

	2009-10 £000	2008-09 £000	At 1 st April 2008 £000
Amounts falling due in one year			
Amounts owed to the Collector of Taxes	-	1	-
Untaken annual leave	49	37	31
Amounts owed to the Parliamentary Commissioner for Wales – unspent balances	5	3	20
non operating income	5	29	14
	1	2	-
Trade payables	6	36	48
Accruals	36	5	-
	102	113	113
Amounts falling due in more than one year			
Deferred rent reduction	30	37	45
Total	132	150	158

12. Provisions for liabilities and charges

	2009-10		2008-9		At 1 st April 2008
	Pensions for Former Commissioners £000	Future Redecoration Costs £000	Total £000	Total £000	Total £000
Balance at 1 April	628	4	632	614	606
Provision no longer required	(10)	-	(10)	89	88
Provisions utilised in the year	(75)	(4)	(79)	(71)	(80)
Balance at 31 March	543	0	543	632	614

The decrease in the provision arises from no pensions increase being payable. Future uplifts in pension costs are based on the average annual increase since 2004-05 of 2.9%. This reduction is partly offset by increase in life expectations based on the latest life expectancy rates for Wales. The discount factor remains at 3.5%.

The future redecoration costs arise from an obligation to redecorate the interior of the premises leased at Bocam Park. The provision was utilised because the obligation was met during the year.

13. Commitments under Operating leases

	2009-10		2008-09	
	Buildings	Other	Buildings	Other
	£000	£000	£000	£000
At 31 March 2010 the Office was committed to making the following payments during the next year in respect of operating leases expiring:				
Within one year	-	7	-	-
Between one and two years	-	5	-	-
Between two and five years	190		-	11
After five years		-	182	-
	<u>190</u>	<u>12</u>	<u>182</u>	<u>11</u>

14. Contingent liabilities

There were no contingent liabilities at 31 March 2010 (2008-09 Nil).

15. Capital commitments

There were no capital commitments at 31st March 2010 (2008-09 Nil)

16. Reconciliation of operating cost to operating cash flows

	Notes	2009-10	2008-09
		£000	£000
Net operating cost		(3451)	(3139)
Adjust for non cash items	4,5	145	161
(Decrease/Increase)/ in trade and other receivables	9	19	(59)
Increase/(Decrease) in trade and other payables	11	(18)	23
Less movement in creditors relating to items not passing through the OCS		(6)	(31)
Payment to meet pension fund deficit	4	(40)	(30)
Use of provisions	12	(79)	(71)
Welsh Consolidated Fund shared services		191	186
Net cash outflow from operating activities		(3239)	(2960)

17. Capital Expenditure and financial investment

	2009-10	2008-09
	£000	£000
Tangible fixed asset additions	(40)	(43)
Tangible fixed asset disposals	1	2
Intangible fixed asset additions	(2)	(32)
Net cash outflow from investing activities	<u>(41)</u>	<u>(73)</u>

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

	2009-10	2008-09
	£000	£000
Net Cash Requirement:		
Operating activities	(3239)	(2960)
Capital Expenditure	<u>(41)</u>	<u>(73)</u>
	(3280)	(3033)
Financing from National Assembly for Wales	3256	3048
Increase in cash and cash equivalents	<u>(24)</u>	<u>15</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. The Office has no powers to borrow money but it can invest temporary surplus funds. 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.

20. Related-party Transactions

The PSOW is headed by the Public Services Ombudsman for Wales and was established under the Public Services Ombudsman (Wales) Act 2005. The Ombudsman is independent of Government and the funding arrangements of the

Office are set up to ensure that the independence of the office is secured. The PSOW has had a number of material transactions with the National Assembly for Wales and 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.

With effect from April 2010, Peter Tyndall, Public Services Ombudsman for Wales has been appointed chair of the British and Irish Ombudsman Association. PSOW is a member of BIOA.