

**PUBLIC SERVICES  
OMBUDSMAN FOR  
WALES**

**ANNUAL ACCOUNTS  
FOR THE YEAR  
ENDED 31 MARCH 2011**

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## **PUBLIC SERVICES OMBUDSMAN FOR WALES**

### **ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

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

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

These are the fifth Annual Accounts of the Public Services Ombudsman for Wales and my third set of annual accounts since taking up my post as Ombudsman. 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.

The Estimates Report for 2010-11 was laid before the National Assembly for Wales on 17 November 2009. Due to the delays in the budget round arising from the Comprehensive Spending Review, the Finance Committee had until 21 January 2011 to report on and lay the estimate for 2011-12. The Estimates Report for 2011-12 was laid before the National Assembly for Wales on 21 January 2011.

## **STRATEGIC AIMS**

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.

The vision for the office is:

To contribute to the development of excellent public services in Wales by ensuring that service providers continue to value and learn from complaints.

It is intended to achieve this through our strategic aims, which are:

- (a) 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;
- (b) to have in place high quality complaints handling processes, which consider and determine complaints thoroughly but proportionately, and convey decisions clearly;
- (c) 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;
- (d) to demonstrate 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 a 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 £2.4 million remain the largest item of expenditure. The cost of obtaining professional advice (particularly specialist advice on health cases) has remained static at £313k against £315k in 2009-10. During the year there has been a major investment in enhanced computer systems to enable my office to operate more streamlined processes and to meet the additional demands arising from the changes introduced by the NHS Redress Measure and in preparation for the commencement of the Complaints Wales service. Due to these changes further costs were incurred in fitting out the 2<sup>nd</sup> floor of our offices at Bocam Park to accommodate the additional staff required in undertaking these additional services. The total cost of this capital investment was £461k which was inside the budget allocation for capital expenditure of £463k. Besides being within budget, the works necessary were completed within the time limits set out in the original proposals.

The deficit on the Local Government Pension Fund decreased from £850k to £410k mainly due to the change in the method of calculating the Pensions Increase using the Consumer Price Index instead of the Retail Price Index.

The National Assembly for Wales provided resources of £4.1million for the funding of the office.

This year was the second 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.

I am very encouraged by the progress we have made. We are now beginning to realise the rewards of the changes we began introducing a couple of years ago and we are now fleeter of foot in the way we deal with our casework. I am extremely pleased that we have been able to cut dramatically the backlog of cases caused by a surge in demand and, in particular, with the high number of investigation reports that we issued during the course of this year.

Nevertheless, whilst our complaint handling processes are leaner, we have not lost focus on the importance of quality. We have been keen to identify complaints that lend themselves to resolution without the need to resort to full investigation and have increased the numbers of complaints resolved in this way. However, we have also been resolute in ensuring that the more complex cases – almost invariably about health or social care issues – receive the detailed, in-depth investigation that they deserve.

Complaints about local authorities have remained fairly stable over the past couple of years, however, health complaints continue to rise (up 10% on last year) and now account for a quarter of the complaints that I receive about public service providers. I expect this increase to continue as a result of the demise of the consolidation of independent review stage of health complaints into my office resulting from the NHS Redress Measure. However, equally, I hope the rise will be tempered as a result of Health Boards making a commitment to putting things right at the local level in line with the new redress arrangements, thus avoiding the need for complaints to be escalated to me.

Last year, I referred to the considerable increase in complaints about the conduct of local authority members and my hope that councillors would take on board the advice and direction in the Guidance issued in April 2010. It has been pleasing to see, therefore, a significant decline (down 21%) in the number of new complaints received this year.

I would like to pay tribute to my staff. They are a highly skilful and effective team. I set an extremely ambitious target when I gave a public undertaking that by 31 March 2011 we would have no open investigations more than 12 months old. Achieving this was a true team effort and they should be extremely proud of their achievement.

The achievements of the past year are set out in greater detail in the statutory annual report for 2010-11. Further information is available on [www.ombudsman-wales.org.uk](http://www.ombudsman-wales.org.uk).

## **REMUNERATION**

Details of the pay and related costs of the Ombudsman and of the office 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 and in the Future section of this report on page 10.

## **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 Equality Act 2010 when they become operative as well as meeting all other statutory requirements.

## **SICKNESS**

During the year an average of 7.7 days per employee were lost (2009-10 7.9 days). This is the equivalent to 3.1% (3.1% in 2009-10) of the total workdays.

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 2010-11 99% of invoices were paid in accordance with this policy. This percentage is the same as that achieved in 2009-10.

## SUSTAINABILITY

PSOW is committed to good environmental practices. Examples of how it purses 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 heating and lighting. However there are highly efficient heat exchangers 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 confidentiality in the 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 is enhanced by Professor Margaret Griffiths who as the former Head of the Glamorgan University Law School has wide legal expertise as it impacts on Wales. As Ombudsman I remain on the Committee in my capacity as Accounting Officer.

It had been hoped that relevant training for both independent members would continue during the year but the most relevant course being offered by the National School of Government was cancelled due to budget constraints.

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 information provided is used to compile the Register of Interests, which is available for inspection by members of the public upon request.

In December 2010, the Audit Committee reviewed its Terms of Reference. One minor change was made and this has since been incorporated.

Conscious of the fact that the Ombudsman's office would be facing financial challenges in the forthcoming year and that there would also be a change of internal auditors, the Chair was requested to consider remaining in office for a further year rather than finishing on the 31 March 2011 when his current contract would end. This offer was accepted.

### **Meetings**

There were four meetings of the Committee during the year. At each meeting the Committee received a number of standing agenda items. One of these related to the Risk Register. During the year, the Committee requested that it should only receive the full register when it reviews the annual Internal Audit Plan; for the other meetings it would only consider the identified high and medium risks facing the office. This was considered appropriate following a change to the format of the Risk Register through the use of a colour coding of the register. The key risks monitored during the year were the office's reputation; in the current economic climate, a lack of adequate resources; and the potential loss of independence for

the office. Although the present level of risk to the organisation remains low there is an upward trend in the potential risks affecting the office.

Other standing reports that have to be submitted to the Committee have to state if any fraud or losses including data losses have been identified. No notifications were received during the 2010-11 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 or scrapping of assets.

During the year the Committee received reports on any appropriate matters that fell within its terms of reference. This included papers on: the Strategic and Operational Plans (including the introduction of the Complaints Wales service and the changes arising from the Welsh Assembly Government's NHS Redress Measure); pension arrangements; the possible obligations on sustainability reporting; and updates on the business continuity plan.

### **Internal and External Audit**

The Committee received regular reports from both the internal and external auditors. The work of RSM Tenon as Internal Auditors was planned out 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. As the existing contractual arrangements ended at 31 March 2011 the Committee advised on the appointment of Internal Auditors for a three year term with the option by mutual agreement of a further two years. The Committee were pleased with the calibre of the services being offered and following a detailed evaluation procedure decided to offer the contract to Deloitte. The Committee wished it to be placed on record their thanks to RSM Tenon for the work undertaken in providing Internal Audit services to the office.

The role of external audit, as required by the Public Services Ombudsman (Wales) Act 2005, has to be undertaken by the Wales Audit Office. That work, with the agreement of the Ombudsman, was carried out during the year by Grant Thornton UK LLP acting on behalf of the Wales Audit Office. The Committee considered the Annual Accounts that included the Statement on Internal Control of the office for 2009-10 together with the External Audit ISA260 Report and the Management Letter.

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 and also progress against the Strategic and Operational Plans. In addition the Committee is notified at each meeting of any outstanding issues.

The Committee was provided with a copy of the Annual Report for 2009-10.

### **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 2010-11. The information security policy for the organisation can be found on the website [www.ombudsman-wales.org.uk](http://www.ombudsman-wales.org.uk).

### **ACCOUNTS DIRECTION**

Under the Accounts Direction issued by the HM Treasury dated 21 December 2006 I was required to prepare accounts for the financial year ended 31 March 2011 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 2010-11.

The accounts have been prepared so as to:

- (a) give a true and fair view of the state of affairs at 31 March 2011 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 2010-11 was £19.2k. A further £5k for additional work in concluding the 2009-10 audit was incurred giving a final fee of £21.6k for 2009-10. The final settlement of £1k for audit work relating to the move to IFRS was paid in 2010-11.

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 (2009-10 £1k) under that agreement.

## **THE FUTURE**

I plan to discuss with the new Welsh Government two areas where I believe there are anomalies in my jurisdiction. Currently in Wales a resident in a care home who has his or her care paid for by the state can complain to me whilst a resident who pays for their own stay at the care home cannot. A second area is that of hospices. Whilst such private hospitals are registered charities, they do nevertheless receive public funding. Currently service users have no recourse to complain beyond the hospice itself. It seems to me to be

only right that people in receipt of their services have recourse to an independent body to consider unresolved complaints.

With the current financing issues facing the whole of the public sector, I am working to keep the total cost of running the office at the same level as has been allocated to the office for all expenditure excluding the costs of provisions as this is an area over which I have no control.

Although some information has been made available on the proposed changes arising from the Government's review of pension arrangements in the public sector further changes are likely. In the case of the Local Government Pension Scheme that is closed to new members, there will be a need to cover any deficit in funding when the final active member leaves the scheme. This is forecast to occur in 2017-18. The deficit has arisen because of increased longevity and the reduced value of assets held by the Pension Fund. It is my intention in agreement with Cardiff County Council as the administrator of the scheme to make annual payments commencing in 2012-13 rather than delaying the settlement until the final active member ceases contributing.

The office has made arrangements to comply with the requirements of the Bribery Act which were effective from 1 July 2011.

It is my intention to ensure that in the current climate of public sector finance reductions that the independence of my role is maintained and that there are sufficient resources to carry out my functions.

**Peter Tyndall**

**Accounting Officer**

**25 July 2011**

## 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, changes in tax payer's equity 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 to:

- observe the Accounts Direction issued by HM Treasury including 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 are set out in the Accounting Officers memorandum issued by HM Treasury and published in "Managing Public Money", and 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 2010-11:

| Name             | Date of Appointment and contractual terms  | 2010-11 Salary £000 | 2010-11 Benefits in Kind £ | 2009-10 Salary £000 | 2009-10 Benefits in Kind £ |
|------------------|--|---------------------|----------------------------|---------------------|----------------------------|
| Peter Tyndall    | 21/04/2008. Fixed term to 20 April 2015  | 135-140             | Nil                        | 135-140             | Nil                        |
| Elizabeth Thomas | 01/01/2004 Permanent Contract  | 95-100              | Nil                        | 95-100              | Nil                        |
| Andrew Walsh     | 01/01/2004 Permanent Contract – Part Time 30 hours per week. Retired on 1 <sup>st</sup> April 2011 | 75-80               | Nil                        | 95-100              | Nil                        |

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

| Name             | Accrued pension at age 60 at 31 <sup>st</sup> March 2011 £000 | Real increase in annual pension £000 | CETV at 31 <sup>st</sup> March 2011 £000 | Revised CETV at 31 March 2010 £000 | CETV at 31st March 2010 £000 | Real Increase in CETV £000 |
|------------------|---|--------------------------------------|--|------------------------------------|------------------------------|----------------------------|
| Peter Tyndall    | 62.5-65.0   | 1.5-2.0                              | 798                                      | 717                                | 717                          | 15                         |
| Elizabeth Thomas | 45.0-47.5   | 0-2.5                                | 827                                      | 765                                | 806                          | 1                          |
| Andrew Walsh     | 12.5-15.0   | 0-2.5                                | 247                                      | 220                                | 230                          | 19                         |

The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/2010 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differ from the corresponding figure in last year's report that was calculated using the previous factors.

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

## 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

#### **Real increase in CETV**

This reflects the increase in accrued pension funded by the employer. It excludes increases due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and is worked out using 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 HM Revenue and Customs as a taxable emolument. There was no such expenditure.

### **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 (2009-10 £2975). Professor Margaret Griffiths was paid £1250 (2009-10 £1250) for work as a member of the Audit Committee again based on a non pensionable daily rate.

### **Pay awards**

The salary of the Directors is linked to the Ombudsman's pay which in turn is based on judicial pay scales. There was no increase during the year. The remainder of the office's pay is linked to the pay awards made to employees within Local Government in England and Wales. In line with that procedure no increases in pay were awarded in 2010-11.

### **Staff Consultation**

A staff consultation process involving the recognised trade unions is in place.

\* Items subject to audit examination

**Peter Tyndall**

**Accounting Officer**

**25 July 2011**

## **STATEMENT ON INTERNAL CONTROL**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Public Services Ombudsman for Wales's policies, 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 2011 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 during the year ended 31 March 2011 I have been supported by two directors to whom I have delegated some of my responsibilities. With effect from 1 April 2011 this responsibility will fall upon one director following the retirement of Andrew Walsh at 31 March 2011. 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 reviewed and a minor amendment was made. I have continued to benefit from the considerable public sector financial management experience of the chairman Mr Laurie Pavelin CBE FCA. and from the legal expertise of the other independent member Professor Margaret Griffiths.

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 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.

RSM Tenon's contract came to an end at 31 March 2011. Following a tender process Deloitte UK was successful and their role as Internal Auditors commenced on 1 April 2011.

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 to 2011-12. 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.

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.

### **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.

RSM Tenon's Annual Report for the year ended 31 March 2011 said "we are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Public Services Ombudsman for Wales' arrangement. For the 12 months ended 31 March 2011, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of the Public Services Ombudsman for Wales's arrangements for governance, risk management and control is (based on the traffic light notation) as follows:

|                 |                        |        |
|-----------------|------------------------|--------|
| Governance      | Adequate and effective | Green  |
| Risk Management | Adequate and effective | Green  |
| Control         | Adequate and effective | Green" |

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.

**Significant Internal Control Problems**

I am able to report that there were no significant weaknesses in the office's system of internal controls in 2010-11 that affected the achievement of the office's policies, aims and objectives.

**Peter Tyndall**

**Accounting Officer**

**25 July 2011**

## **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 2011 under paragraph 17 (2) of schedule 1 to the Public Services Ombudsman (Wales) Act (2005). These comprise the Summary of Resource Outturn, Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Public Services Ombudsman (Wales) Act (2005) and HM Treasury directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Public Services Ombudsman for Wales' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Public Services Ombudsman for Wales; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that 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 read all the financial and non-financial information in the Report of the Ombudsman and unaudited part of the Remuneration Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of The Public Services Ombudsman for Wales' affairs as at 31 March 2011 and of its Net cash requirement, Net Resource Outturn, Changes in Taxpayers' Equity and cash flows for the year then ended; and
- have been properly prepared in accordance with HM Treasury's directions issued under the Public Services Ombudsman (Wales) Act (2005).

### **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.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury's directions made under the Public Services Ombudsman (Wales) Act (2005); and
- the information which comprises the Report of the Ombudsman and unaudited part of the Remuneration Report, included within the Annual Report is consistent with the financial statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Statement on Internal Control does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

### **Report**

I have no observations to make on these financial statements.

The maintenance and integrity of Public Services Ombudsman for Wales' web site is the responsibility of Public Services Ombudsman for Wales; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**27 July 2011**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

**SUMMARY OF RESOURCE OUTTURN***for the year ended 31 March 2011*

|  | Revised<br>Estimate  |        |              | Outturn              |        |              |  | 2009-10<br>Revised |
|--|----------------------|--------|--------------|----------------------|--------|--------------|--|--------------------|
|  | Gross<br>Expenditure | Income | Net<br>Total | Gross<br>Expenditure | Income | Net<br>Total | Net total<br>outturn<br>compared to<br>estimate<br>saving/<br>(excess) |                    |
|  | £000                 | £000   | £000         | £000                 | £000   | £000         | £000   | £000               |
| Administration<br>Costs                                  | 3802                 | (42)   | 3760         | 3908                 | (37)   | 3871         |  | 3486               |
| Less<br>Welsh<br>Consolidated<br>Fund shared<br>services |                      |        |              | 187                  |        | 187          |  | 191                |
| Total<br>Resources                                       | 3802                 | (42)   | 3760         | 3721                 | (37)   | 3684         | 76   | 3295               |
| Net Cash<br>Requirement<br>Note 3                        |                      |        |              |                      |        | 4105         |  | 3275               |

Non operating income and receipts not classified as operating income

| Sale of fixed<br>assets | Gross<br>Expenditure | Income | Net<br>Total | Gross<br>Expenditure | Income | Net<br>Total | Net total<br>outturn<br>compared to<br>estimate<br>saving/(excess) |      |
|-------------------------|----------------------|--------|--------------|----------------------|--------|--------------|--|------|
|                         | £000                 | £000   | £000         | £000                 | £000   | £000         | £000   | £000 |
|                         |                      |        |              |                      |        | -            | -  | -    |

The notes on pages 28 to 51 form part of these statements

Comparative figures for 2009-10 have been restated to show the change in  
Accounting Policy (See Note 2).

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE***for the year ended 31<sup>st</sup> March 2011*

|                                      | Note | 2010-11     | 2009-10     |
|--------------------------------------|------|-------------|-------------|
|                                      |      | £000        | £000        |
| <b>Administration costs</b>          |      |             |             |
| Staff costs                          | 4    | 2385        | 2235        |
| Other non staff administration costs | 5    | 1523        | 1260        |
| <b>Gross Administration Costs</b>    |      | <b>3908</b> | <b>3495</b> |
| Operating Income                     | 6    | (37)        | (9)         |
| <b>Net Administration Costs</b>      |      | <b>3871</b> | <b>3486</b> |
| <b>NET OPERATING COST and</b>        |      |             |             |
| <b>NET RESOURCE OUTTURN</b>          |      | <b>3871</b> | <b>3486</b> |

All activities commenced in the period are continuing.

The notes on pages 28 to 51 form part of these statements

Comparative figures for 2009-10 have been restated to show the change in Accounting Policy (See Note 2).

## STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2011

|  | Note | 2010-11 | 2009-10 |
|--|------|---------|---------|
|  |      | £000    | £000    |
| <b>Non current assets</b>                        |      |         |         |
| Property, Plant and Equipment                    | 8    | 266     | 203     |
| Intangible assets                                | 9    | 262     | 14      |
| Receivables falling due after more than one year | 10   | 52      | 2       |
| <b>Total non current assets</b>                  |      | 580     | 219     |
| <b>Current Assets</b>                            |      |         |         |
| Trade and other receivables                      | 10   | 147     | 169     |
| Cash and cash equivalents                        | 11   | 0       | 10      |
| <b>Total current assets</b>                      |      | 147     | 179     |
| <b>Total assets</b>                              |      | 727     | 398     |
| <b>Current liabilities</b>                       |      |         |         |
| Trade and other payables                         | 12   | (101)   | (102)   |
| Overdrawn bank account                           | 11   | 0       | (5)     |
| Total current liabilities                        |      | (101)   | (107)   |
| <b>Total assets less current liabilities</b>     |      | 626     | 291     |
| Trade and other payables due after one year      | 12   | (25)    | (30)    |
| Provisions                                       | 13   | (507)   | (543)   |
|  |      | (532)   | (573)   |
|  |      | 94      | (282)   |
| <b>Pension Fund (Deficit)/Surplus</b>            | 4    | (410)   | (850)   |
| <b>Total assets less liabilities</b>             |      | (316)   | (1132)  |
| <b>Taxpayers' Equity</b>                         |      |         |         |
| <b>General Fund</b>                              |      | (316)   | (1132)  |

**Peter Tyndall**  
Accounting Officer

25 July 2011

The notes on pages 28 to 51 form part of these statements

The change in Accounting Policy set out in Note 2 has no impact on this Statement.

**STATEMENT OF CASH FLOWS***for the year ended 31 March 2011*

|   | Note      | 2010-11    | 2009-10     |
|---|-----------|------------|-------------|
|   |           | £000       | £000        |
| Net cash outflow from operating activities              | 14        | (3644)     | (3239)      |
| Net cash flow from investing activities                 | 15        | (461)      | (41)        |
| Financing from National Assembly for Wales              | 16        | 4100       | 3256        |
| <b>(Decrease) Increase in cash and cash equivalents</b> | <b>16</b> | <b>(5)</b> | <b>(24)</b> |
|   |           | _____      | _____       |
| Cash and cash equivalents at the beginning of period    |           | 5          | 29          |
| Cash and cash equivalents at the end of period          |           | 0          | 5           |

The notes on pages 28 to 51 form part of these statements

The change in Accounting Policy set out in Note 2 has no impact on this Statement.

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2011

|   | 2010 -11      | 2009 -10<br>Revised |
|---|---------------|---------------------|
|   | £000          | £000                |
| Balance at 1 April 2010                         | <u>(1132)</u> | <u>(848)</u>        |
| Changes in Taxpayers' equity                    |               |                     |
| Net operating costs                             | (3871)        | (3486)              |
| Funding by National Assembly<br>for Wales       | 4100          | 3256                |
| Due back to Welsh<br>Consolidation Fund         |               |                     |
| -Cash   | 0             | (5)                 |
| -Non operating income                           | 0             | -                   |
| Welsh Consolidation Fund<br>shared services     | 187           | 191                 |
| Actuarial surplus (deficit)                     | 400           | (240)               |
| Total recognised income and<br>expense for year | <u>816</u>    | <u>(284)</u>        |
| Balance at 31 March 2011                        | <u>(316)</u>  | <u>(1132)</u>       |

The Notes on pages 28 to 51 form part of these statements

Comparative figures for 2009-10 have been restated to show the change in Accounting Policy (see Note 2).

**NOTES TO FINANCIAL STATEMENTS****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 2010-11. 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 on property, plant and equipment is capitalised where the purchases are expected to have a useful life extending over more than one year and the cost exceeds £1k. 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. Assets are shown at cost less an allowance for depreciation. 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 following an initial charge of a full year's depreciation in the year of purchase. Assets

in the course of construction are depreciated from the year in 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 fitting the lease term if shorter |
| Computers and other equipment | 3 to 10 years  |

#### **1.4 Intangible assets**

Purchased computer software licences and developed software are capitalised where expenditure of £1k or more is incurred and the useful life is more than one year. Intangible 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. 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. Developed software is amortised over the estimated useful life. In the year of acquisition a full year's amortisation charge is made with the balance amortised on a straight line basis over the balance of the estimated life.

#### **1.5 Capital Charge**

As from 1 April 2010 there is no longer a requirement to include a capital charge. In 2009-10 a credit, reflecting the cost of capital utilised by PSOW, was included in operating costs. The charge was 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 recommended 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. Prior year adjustment

As a result of the change in accounting policy whereby a capital charge is no longer to be applied, the following adjustments to reflect this change have been made to the figures for 2009-10. In 2009-10 the capital charge for the year was - £35k.

### **Statement of Comprehensive Net Expenditure**

|   | £000       |
|---|------------|
| Administration costs for the year 2009-10 | 1225       |
| Capital Charge adjustment                 | 35         |
| Revised figure for 2009-10                | <hr/> 1260 |

Net operating costs for 2009-10 as a result of this charge:

|                                | £000       |
|--------------------------------|------------|
| 2009-10 as originally reported | 3451       |
| Capital charge adjustment      | 35         |
| Revised figure for 2009-10     | <hr/> 3486 |

The change impacts on the Summary of Resource Outturn, the Statement of Taxpayers' Equity, the supporting note on the Reconciliation of Operating Cost to operating cash flows and the Reconciliation of Resources to net cash requirements. There are no changes to the Statement of Financial Position or the Statement of Cash Flows although there are movements within the supporting notes to the Statement of Cash Flows.

### 3. RECONCILIATION OF RESOURCES TO NET CASH REQUIREMENTS

|  | Note | 2010-11<br>Revised<br>estimate<br>£000 | 2010-11 | Net total outturn<br>compared to<br>estimate<br>saving/(excess)<br>£000 | 2009-10<br>Outturn<br>Revised<br>£000 |
|--|------|--|---------|---|---------------------------------------|
| Net Resource Outturn<br>Statement of<br>Comprehensive Net<br>Expenditure |      |  | 3871    |   | 3486                                  |
| Less Welsh Consolidated<br>Fund shared services                          |      |  | 187     |   | 191                                   |
| Net  |      | 3760                                   | 3684    | 76  | 3295                                  |
| Fixed assets acquisition   | 8/9  | 463                                    | 461     | 2   | 42                                    |
| Non operating income   |      |  | -       | -   | -                                     |
| Accruals adjustments:  |      |  |         |   |                                       |
| Non- cash items  | 4/5  | (177)                                  | (110)   | (67)  | (180)                                 |
| Changes in working<br>capital other than cash                            |      | 70                                     | 34      | 36  | (1)                                   |
| Use of provisions  |      | 20                                     | 36      | (16)  | 79                                    |
| Pension funding  | 4    | (36)                                   | -       | (36)  | 40                                    |
| <i>Net cash requirement<br/>Summary of Resource<br/>Outturn</i>          |      | 4100                                   | 4105    | (5)   | 3275                                  |

#### 4. Staff Numbers and Costs

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

|                                      | 2010-11   | 2009-10   |
|--------------------------------------|-----------|-----------|
| Senior management                    | No. 3     | No. 3     |
| Complaint investigation              | 42        | 37        |
| Executive / Corporate Services staff | 8         | 8         |
| <b>Total</b>                         | <b>53</b> | <b>48</b> |

The additional staffing was appointed to meet the impact of the abolishing the independent review under the NHS Redress Measure and the new Complaints Wales service.

The aggregate employment costs were as follows:

|                               | 2010-11     | 2009-10     |
|-------------------------------|-------------|-------------|
|                               | £000        | £000        |
| Permanent staff               |             |             |
| Salaries                      | 1854        | 1690        |
| Social Security Costs         | 134         | 134         |
| Other pension costs           | 366         | 343         |
| <b>Total</b>                  | <b>2354</b> | <b>2167</b> |
| Temporary staff               | 27          | 60          |
| Social Security costs         | 1           | 3           |
| Pension costs                 | 3           | 5           |
| <b>Total</b>                  | <b>31</b>   | <b>68</b>   |
| <b>Total employment costs</b> | <b>2385</b> | <b>2235</b> |

The costs of temporary staff include agency staff together with any persons employed on a non permanent contract.

#### Early Departure Costs

Agreement was reached with the remaining member of staff who was still on a contract of employment that was negotiated by the predecessor body, the Commission for Local Administration in Wales, to terminate her employment with effect from 30 September 2010. Under the terms of the agreement there was no entitlement to immediate payment of pension nor were there any enhanced terms to be paid as part of the settlement. Besides the individual's entitlement to payment in lieu of notice and a settlement for untaken leave there was a payment of a further three month's pay. There are no further obligations to be met in

2011-12 or any subsequent financial year. The cost of the settlement was equivalent to the amount that would have been paid if the individual had remained in employment during the 2010-11 financial year.

## **Pensions**

Two pension schemes are operated on behalf of current staff. On the valuation of one of those schemes, the Local Government Pension Scheme, the actuary has calculated that the deficit as at 31 March 2011 is £410k. This reflects a considerable improvement from the deficit at 31 March 2010 of £850k due to the change from the Pensions Increases being based on the Consumer Price Index as against the Retail Price Index.

There remains an ongoing liability to meet the pensions of three former Ombudsman or any dependent relatives.

### **(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](http://www.civilservice-pensions.gov.uk)).

For 2010-11, employers' contributions of £333k were payable to the PCSPS (2009-10 £310k) 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 2011-12, 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 2010-11 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 (2009-10 £6k) 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 £457 (2009-10 £547), 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 LGPS). The funded nature of the LGPS requires Public Services Ombudsman for Wales and its employees who are members of the scheme pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investments assets.

Public Services Ombudsman for Wales recognises gains and losses in full, immediately through the Statement of Comprehensive Net Expenditure.

Following the UK Government’s announcement on 22 June 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Due to a number of differences between the indices, including both constituents and construction, CPI is expected to be less than RPI over the long-term which means that the defined benefit obligation has reduced. We consider this policy change constitutes a change to the constructive obligation to provide certain benefits to Scheme members, giving rise to the recognition of a negative past service cost. The change has been recognised at 22 June 2010.

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)**

The latest actuarial valuation of Public Services Ombudsman for Wales’s liabilities took place as at 31 March 2010. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the independent qualified actuaries, Aon Hewitt, in updating the latest valuation for Fund for IAS19 purposes were:

### Principal financial assumptions (% per annum)

|  | 31 March 2011 | 31 March 2010 | 31 March 2009 |
|--|---------------|---------------|---------------|
| <b>Discount rate</b>                           | 5.5           | 5.5           | 6.7           |
| <b>RPI Inflation</b>                           | 3.6           | 3.9           | 3.3           |
| <b>CPI Inflation</b>                           | 2.7           | n/a           | n/a           |
| <b>Rate of increase to pension in payment*</b> | 2.7           | 3.9           | 3.3           |
| <b>Rate of increase to deferred pensions*</b>  | 2.7           | 3.9           | 3.3           |
| <b>Rate of general increase in salaries**</b>  | 4.6           | 5.4           | 4.8           |

\* 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 2010.

### Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements

| Post retirement mortality (retirement in normal health)         | 31 March 2011   | 31 March 2010   |
|---|---|---|
| <b>Males</b><br><b>Year of Birth base table</b>                 | Standard SAPS Normal Health Light Amounts                 | PNMA00 with allowance for MC Improvement factors to 2007  |
| <b>Rating to above base table * (years)</b>                     | 0   | 0   |
| <b>Scaling to above base table rates</b>                        | 100%  | 125%  |
| <b>Improvements to base table rates</b>                         | CMI_2009 with a long term rate of improvement of 1.25% pa | 80% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25%pa  |
| <b>Future lifetime from age 65 (aged 65 at accounting date)</b> | 23.8  | 21.2  |
| <b>Future lifetime from age 65 (aged 45 at accounting date)</b> | 25.6  | 23.5  |
| <b>Females</b><br><b>Year of Birth base table</b>               | Standard SAPS Normal Health Light Amounts                 | PNFA00 with allowance for MC improvement factors to 2007  |
| <b>Rating to above base table * (years)</b>                     | 0   | 0   |
| <b>Scaling to above base table rates</b>                        | 80%   | 100%  |
| <b>Improvements to base table rates</b>                         | CMI_2009 with a long term rate of improvement of 1.25% pa | 60% of Long Cohort (from 2007) subject to a minimum underpin to the improvement factors of 1.25% pa |
| <b>Future lifetime from age 65 (aged 65 at accounting date)</b> | 26.6  | 25.2  |
| <b>Future lifetime from age 65 (aged 45 at accounting date)</b> | 28.6  | 27.4  |

\* 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.

|                    | 31 March 2011  | 31 March 2010  |
|--------------------|--|--|
| <b>Commutation</b> | Each member assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement, for additional lump sum.   | 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 future service pension rights on retirement, for additional lump sum. | Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2008 pension entitlement. |

#### Expected return on assets

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return adopted by the employer for the purposes of IAS 19.

|                         | Long-term expected rate of return at 31 March 2011 (% Pa)* | Asset split at 31 March 2011 (%) | Long-term expected rate of return at 31 March 2010 (% Pa)* | Asset split at 31 March 2010 (%) | Long-term expected rate of return at 31 March 2009 (% Pa)* | Asset split at 31 March 2009 (%)* |
|-------------------------|--|----------------------------------|--|----------------------------------|--|-----------------------------------|
| <b>Equities</b>         | 8.4  | 74.7                             | 8.0  | 73.5                             | 7.0  | 67.6                              |
| <b>Property</b>         | 7.9  | 4.2                              | 8.5  | 4.1                              | 6.0  | 4.6                               |
| <b>Government bonds</b> | 4.4  | 4.9                              | 4.5  | 4.9                              | 4.0  | 7.7                               |
| <b>Corporate bonds</b>  | 5.1  | 11.2                             | 5.5  | 12.5                             | 5.8  | 12.8                              |
| <b>Cash</b>             | 1.5  | 1.1                              | 0.7  | 0.9                              | 1.6  | 2.1                               |
| <b>Other**</b>          | 8.4  | 3.9                              | 8.0  | 4.1                              | 1.6  | 5.2                               |
| <b>Total</b>            | 7.7  | 100.0                            | 7.5  | 100.0                            | 6.2  | 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. AON Hewitt have assumed these will get a return in line with equities.

#### Narrative description of the basis used to determine expected return

AON Hewitt 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 2011.

#### Reconciliation of funded status to Balance Sheet

|   | Value as at 31<br>March 2011 £M | Value as at 31<br>March 2010 £M | Value as at 31<br>March 2009 £M |
|---|---------------------------------|---------------------------------|---------------------------------|
| <b>Fair value of assets</b>   | 3.97                            | 4.06                            | 3.10                            |
| <b>Present value of funded<br/>defined benefit obligation</b>                 | 4.31                            | 4.91                            | 3.67                            |
| <b>Pension asset/(liability)<br/>before consideration of<br/>paragraph 58</b> | (0.34)                          | (0.85)                          | (0.57)                          |
| <b>Adjustment in respect of<br/>paragraph 58</b>                              | (0.07)                          | 0.00                            | 0.00                            |
| <b>Pension asset/(Liability)<br/>recognised on the balance<br/>sheet</b>      | (0.41)                          | (0.85)                          | (0.57)                          |

#### Charges to the Profit and Loss Account

|                                  | Year ended 31 March 2011 £M | Year ended 31 March 2010 £M |
|----------------------------------|-----------------------------|-----------------------------|
| <b>Current service cost</b>      | 0.04                        | 0.03                        |
| <b>Past service cost</b>         | (0.54)                      | 0.00                        |
| <b>Interest cost</b>             | 0.24                        | 0.24                        |
| <b>Expected return on assets</b> | (0.29)                      | (0.19)                      |
| <b>Curtailment cost</b>          | 0.00                        | 0.00                        |
| <b>Settlement cost</b>           | 0.00                        | 0.00                        |
| <b>Expense recognised</b>        | (0.55)                      | 0.08                        |

#### Changes to the present value of defined benefit obligation during the accounting period

|  | Year ended 31 March<br>2011 £M | Year ended 31 March<br>2010 £M |
|--|--------------------------------|--------------------------------|
| <b>Opening defined benefit obligation</b>        | 4.91                           | 3.67                           |
| <b>Current service cost</b>                      | 0.04                           | 0.03                           |
| <b>Interest cost</b>                             | 0.24                           | 0.24                           |
| <b>Contributions by participants</b>             | 0.01                           | 0.01                           |
| <b>Actuarial (gains)/losses on liabilities *</b> | (0.08)                         | 1.10                           |
| <b>Net benefits paid out #</b>                   | (0.27)                         | (0.14)                         |
| <b>Past service cost</b>                         | (0.54)                         | 0.00                           |
| <b>Business combinations</b>                     | 0.00                           | 0.00                           |
| <b>Curtailments</b>                              | 0.00                           | 0.00                           |
| <b>Settlements</b>                               | 0.00                           | 0.00                           |
| <b>Closing defined benefit obligation</b>        | 4.31                           | 4.91                           |

\* Includes changes 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 the fair value of assets during the accounting period**

|   | Year ended 31 March 2011<br>£M | Year ended 31 March<br>2010 £M |
|---|--------------------------------|--------------------------------|
| <b>Opening fair value of assets</b>       | 4.06                           | 3.10                           |
| <b>Expected return on assets</b>          | 0.29                           | 0.19                           |
| <b>Actuarial gains/(losses) on assets</b> | (0.15)                         | 0.86                           |
| <b>Contributions by the employer</b>      | 0.03                           | 0.04                           |
| <b>Contributions by the participants</b>  | 0.01                           | 0.01                           |
| <b>Net benefits paid out #</b>            | (0.27)                         | (0.14)                         |
| <b>Business combinations</b>              | 0.00                           | 0.00                           |
| <b>Settlements</b>                        | 0.00                           | 0.00                           |
| <b>Closing fair value of assets</b>       | 3.97                           | 4.06                           |

# 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<br>2011 £M | Year ended 31 March 2010<br>£M |
|--|--------------------------------|--------------------------------|
| <b>Expected return on assets</b>       | 0.29                           | 0.19                           |
| <b>Actuarial gain/(loss) on assets</b> | (0.15)                         | 0.86                           |
| <b>Actual return on assets</b>         | 0.14                           | 1.05                           |

**Analysis of amounts recognised in Other Comprehensive Income and Expenditure**

|  | Year ended 31 March<br>2011 £M | Year ended 31 March 2010<br>£M |
|--|--------------------------------|--------------------------------|
| <b>Total actuarial gains/(losses)</b>            | (0.07)                         | (0.24)                         |
| <b>Adjustment in respect of paragraph<br/>58</b> | (0.07)                         | 0.00                           |
| <b>Total gains/(losses)</b>                      | (0.14)                         | (0.24)                         |

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

|  | As at 31 March<br>2011 £M | As at 31 March<br>2010 £M | As at 31 March<br>2009 £M | As at 31 March<br>2008 £M |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Fair value of assets</b>                                | 3.97                      | 4.06                      | 3.10                      | 4.41                      |
| <b>Present value of<br/>defined benefit<br/>obligation</b> | 4.31                      | 4.91                      | 3.67                      | 4.12                      |
| <b>Surplus/(Deficit)</b>                                   | (0.34)                    | (0.85)                    | (0.57)                    | 0.29                      |

### History of experience gains and losses

|  | Year ended<br>31 March<br>2011 | Year ended<br>31 March<br>2010 | Year ended<br>31 March<br>2009 | Year ended<br>31 March<br>2008 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Experience gains/(losses) on assets</b>           |                                |                                |                                |                                |
| ▪ Amount £M  | (0.15)                         | 0.86                           | (1.00)                         | (0.44)                         |
| ▪ Percentage of assets                               | -3.8%                          | 21.2%                          | -32.3%                         | (10.0%)                        |
| <b>Experience gains/(losses) on liabilities #</b>    |                                |                                |                                |                                |
| ▪ Amount £M  | 0.09                           | 0.06                           | (0.02)                         | (0.02)                         |
| ▪ Percentage of the present value of the liabilities | 2.1%                           | 1.2%                           | -0.5%                          | -0.5%                          |

#This item consist of gains/(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 2012

The employer's regular contributions to the fund for the year ending 31 March 2012 are estimated to be £0.04m. In addition, strain on Fund Contributions may be required.

### Termination of the scheme

The pension information provided above complies with the requirements of IAS 19. This shows a pension fund deficit of £410k at the 31 March 2011. Discussions are ongoing with the Pension Fund about making phased payments in order to cover the financial liability that will arise when there are no longer any active members; currently estimated to be 2017-18. The basis of calculation of that liability is different to that which applies under IAS 19 as it is necessary to ensure that from the date of the closure all obligations have been covered as there after any future financial liability falls on the Pension Fund. The current estimate of that closure liability is £1.6 million.

### Pension Increases Local Government Pension Scheme

In the UK Budget statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance

with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

### **(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 Statement of Comprehensive Net Expenditure.

Pensions are increased annually in line with other pension schemes within the Public Sector the basis of calculations of the Annual Pensions Increase has been changed from using the annual movement based on the Retail Price Index (RPI) to the Consumer Price Index (CPI). The amount of the uplift applied is set out in Statutory Instrument 2011 No 827. This year the increase was 3.1% with effect from 12 April 2011. In 2009-10 there was no uplift however in calculating the liability the average increase in the years since the information was included within the accounting was used. That rate was 2.9%.

Reference has been made in connection with the Local Government Pension Fund that judicial review proceedings could require, depending on the outcome, confirmation of the provision based on CPI or a recalculation based on the RPI. As stated above, if the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

The total payments during 2010-11 were £75k (£75k in 2009-10). The liabilities arising out of the obligation to finance these pensions together with any dependent pensions has been calculated to be £506k (2009-10 £543k). 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 2.9% (2009-10 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 13).

##### 5. Non Staff Administration Costs

|  | 2010-11     | 2009-10<br>Revised |
|--|-------------|--------------------|
|  | £000        | £000               |
| Rentals under operating leases   | 218         | 179                |
| External Audit fee   | 25          | 20                 |
| Other services provided by WAO and Grant   |             |                    |
| Thornton   | 1           | 1                  |
| Professional Advisers  | 312         | 314                |
| Other property costs   | 107         | 92                 |
| Computer services  | 200         | 67                 |
| Office costs   | 147         | 126                |
| Travel and subsistence   | 28          | 40                 |
| Training and Recruitment   | 67          | 43                 |
| Communications   | 80          | 77                 |
| Consolidated fund standing services<br>(Salary and related costs of the Ombudsman met<br>from the Welsh Consolidated Fund) | 187         | 191                |
| Sub-total  | 1372        | 1150               |
| Depreciation   | 89          | 61                 |
| Amortisation charge  | 50          | 48                 |
| Loss on disposal   | 11          | 1                  |
| Provision for future redecoration of offices   | 1           | -                  |
| Sub-total  | 151         | 110                |
| <b>Total Other Administration Costs</b>  | <b>1523</b> | <b>1260</b>        |

## 6. Operating Income

Income receivable arises from short term investment of surplus funds and from the temporary secondment of an investigator.

|                               | 2010-11<br>£000 | 2009-10<br>£000 |
|-------------------------------|-----------------|-----------------|
| Seconded staff                | 37              | 9               |
| Interest receivable           | -               | -               |
| <b>Total operating income</b> | <b>37</b>       | <b>9</b>        |

## 7.

## OPERATING COSTS BY AIMS AND OBJECTIVES

*for the year ended 31 March 2011*

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

|  | 2010-11       |                |             | 2009-10       |                |             |
|--|---------------|----------------|-------------|---------------|----------------|-------------|
|  | Gross<br>£000 | Income<br>£000 | Net<br>£000 | Gross<br>£000 | Income<br>£000 | Net<br>£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  | 271           |                | 271         | 273           |                | 273         |
| To have in place high quality complaints handling processes, which consider and determine complaints thoroughly but proportionately, and convey decisions clearly        | 2878          | (37)           | 2841        | 2686          | (9)            | 2677        |
| 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 | 576           |                | 576         | 367           |                | 367         |
| To demonstrate that our resources are efficiently and effectively deployed   | 183           |                | 183         | 169           |                | 169         |
| <b>Net operating costs</b>   | <b>3908</b>   | <b>(37)</b>    | <b>3871</b> | <b>3495</b>   | <b>(9)</b>     | <b>3486</b> |

## 8. Property Plant and Equipment

|  | Plant       | Computers and other equipment | Furniture & other fittings | Total        |
|--|-------------|-------------------------------|----------------------------|--------------|
|  | £000        | £000                          | £000                       | £000         |
| <b>Cost or valuation at 1 April 2010</b> | 94          | 149                           | 242                        | 485          |
| Additions                                | 62          | 35                            | 66                         | 163          |
| Disposals                                |             | (14)                          | (14)                       | (28)         |
| <b>At 31 March 2011</b>                  | <b>156</b>  | <b>170</b>                    | <b>294</b>                 | <b>620</b>   |
| <br><b>Depreciation</b>                  |             |                               |                            |              |
| <b>At 1 April 2010</b>                   | (53)        | (99)                          | (130)                      | (282)        |
| Charged in the year                      | (25)        | (25)                          | (39)                       | (89)         |
| Disposals                                |             | 8                             | 9                          | 17           |
| <b>At 31 March 2011</b>                  | <b>(78)</b> | <b>(116)</b>                  | <b>(160)</b>               | <b>(354)</b> |
| <br><b>NBV at 31 March 2011</b>          | <b>78</b>   | <b>54</b>                     | <b>134</b>                 | <b>266</b>   |
| NBV at 31 March 2010                     | 41          | 50                            | 112                        | 203          |

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.

## 9. Intangible Assets

|  | Developed Software | Purchase Software | Total        |
|--|--------------------|-------------------|--------------|
|  | £000               | £000              | £000         |
| Cost or Valuation at 1 April 2010      | 175                | 60                | 235          |
| Additions                              | 297                | 1                 | 298          |
| <b>At 31 March 2011</b>                | <b>472</b>         | <b>61</b>         | <b>533</b>   |
|  |                    |                   |              |
| Amortisation at 1 April 2010           | (169)              | (52)              | (221)        |
| Amortisation during the period         | (43)               | (7)               | (50)         |
| <b>At 31 March 2011</b>                | <b>(212)</b>       | <b>(59)</b>       | <b>(271)</b> |
| <b>Net book value at 31 March 2011</b> | <b>260</b>         | <b>2</b>          | <b>262</b>   |
| Net book value at 31 March 2010        | 6                  | 8                 | 14           |

During the year there has been a major investment in the enhancement of the existing computerised complaints monitoring system. The purpose is to enable the office to undertake the additional activity arising from the NHS Redress Measure and that of Complaints Wales.

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.

## 10. Trade and other receivables

|   | 2010-11<br>£000 | 2009-10<br>£000 |
|---|-----------------|-----------------|
| <b>Amounts falling due after more than one year</b> |                 |                 |
| Prepayments   | 52              | 2               |
| <b>Amounts falling due within one year:</b>         |                 |                 |
| Prepayments   | 147             | 160             |
| Trade receivables                                   | -               | 9               |
|   | <u>147</u>      | <u>169</u>      |
| <b>Total</b>  | <b>199</b>      | <b>171</b>      |

## 11. Cash and Cash Equivalents

Any cash balance held at the year end has to be returned to the Welsh Consolidated Fund. A creditor for £252 (2009-10 £5K) 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 would have to be made to the Welsh Consolidated Fund under the Government of Wales Act 2006 if still remaining at the year end.

## 12. Trade payables and other current liabilities

|  | 2010-11<br>£000 | 2009-10<br>£000 |
|--|-----------------|-----------------|
| <b>Amounts falling due in one year</b>           |                 |                 |
| Amounts owed to the Collector of Taxes           | -               | -               |
| Untaken annual leave                             | 57              | 49              |
| Amounts owed to the Parliamentary Commissioner   | 3               | 5               |
| Welsh Consolidated Fund –                        |                 |                 |
| unspent balances                                 | 0               | 5               |
| non operating income                             | 0               | 1               |
| Trade payables                                   | 13              | 6               |
| Accruals   | 28              | 36              |
|  | <u>101</u>      | <u>102</u>      |
| <b>Amounts falling due in more than one year</b> |                 |                 |
| Deferred rent reduction                          | 25              | 30              |
| <b>Total</b>                                     | <b>126</b>      | <b>132</b>      |

### 13. Provisions for liabilities and charges

|  | 2010-11   |   | 2009-10       |
|--|---|---|---------------|
|  | Pensions for<br>Former<br>Commissioners<br>£000 | Future<br>Redecoration<br>Costs<br>£000 | Total<br>£000 |
|  |   |   | Total<br>£000 |
| Balance at 1 April                                     | 543   | -                                       | 543           |
| Additional provision required                          | 25  | 1                                       | 26            |
| Discount rate movement                                 | 13  | -                                       | 13            |
| Provisions utilised in the year                        | (75)  | -                                       | (75)          |
| <b>Balance</b>   | <b>506</b>                                      | <b>1</b>                                | <b>507</b>    |
| Analysis of expected timings of payment of provisions: |   |   |               |
| Payable within one year                                |   | 73                                      | 72            |
| Payable within 2 to 5 years                            |   | 276                                     | 282           |
| Payable in more than 5 years                           |   | 158                                     | 189           |
| <b>Balance at 31 March 2011</b>                        |   | <b>507</b>                              | <b>543</b>    |

The increase in the pensions provision was mainly due to increases in life expectancy. The discount factor has been amended to 2.9% for the financial year in line with the guidance issued by the Treasury. The rate used in 2009-10 was 3.5%.

The future redecoration costs arise from an obligation to redecorate the interior of the premises leased at Bocam Park. Following the use of the provision to meet the costs of redecorating the office in January 2010, sums are being set aside to cover the liability to redecorate the office in the financial year 2014-15. The sum of £1500 has been provided for in the 2010-11 financial year towards the cost of this work.

**14. Reconciliation of operating cost to operating cash flows**

|  | Notes | 2010-11<br>£000 | 2009-10<br>£000 |
|--|-------|-----------------|-----------------|
| <b>Net operating cost</b>  |       | <b>(3871)</b>   | <b>(3486)</b>   |
| Adjust for non cash items  | 4,5   | 110             | 180             |
| (Increase)/Decrease in trade and other receivables                         | 10    | (28)            | 19              |
| (Decrease)/Increase in trade and other payables                            | 12    | (6)             | (18)            |
| Less movement in creditors relating to items not passing through the SOCNE |       | 0               | (6)             |
| Payment to meet pension fund deficit                                       |       | -               | (40)            |
| Use of provisions  | 13    | (36)            | (79)            |
| Welsh Consolidated Fund shared services                                    | 5     | 187             | 191             |
| <b>Net cash outflow from operating activities</b>                          |       | <b>(3644)</b>   | <b>(3239)</b>   |

**15. Non Current Asset expenditure and financial investment**

|  | 2010-11<br>£000 | 2009-10<br>£000 |
|--|-----------------|-----------------|
| Purchases of property, plant and equipment             | (163)           | (40)            |
| Proceeds of disposals of property, plant and equipment | -               | 1               |
| Purchases of intangible assets                         | (298)           | (2)             |
| <b>Net cash outflow from investing activities</b>      | <b>(461)</b>    | <b>(41)</b>     |

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

|  | 2010-11<br>£000 | 2009-10<br>£000 |
|--|-----------------|-----------------|
| Net Cash Requirement:                      |                 |                 |
| Operating activities                       | (3644)          | (3239)          |
| Capital Expenditure                        | (461)           | (41)            |
|  | <hr/>           | <hr/>           |
| Financing from National Assembly for Wales | 4100            | 3256            |
|  | <hr/>           | <hr/>           |
| Increase in cash and cash equivalents      | (5)             | (24)            |

## 17. Commitments under Operating leases

|  | 2010-11<br>Buildings<br>£000 | 2010-11<br>Other<br>£000 | 2009-10<br>Buildings<br>£000 | 2009-10<br>Other<br>£000 |
|--|------------------------------|--------------------------|------------------------------|--------------------------|
| At 31 March 2011 the office was committed to making the following payments during the next year in respect of operating leases expiring: |                              |                          |                              |                          |
| Within one year  | -                            | 4                        | -                            | 7                        |
| Within two and five years  | 190                          | 5                        | 190                          | 5                        |
| More than five years   | -                            | -                        | -                            | -                        |
|  | <hr/>                        | <hr/>                    | <hr/>                        | <hr/>                    |
|  | 190                          | 9                        | 190                          | 12                       |

## 18. Contingent liabilities

There were no contingent liabilities at 31 March 2011 (2009-10 Nil).

## 19. Capital commitments

There were no capital commitments at 31<sup>st</sup> March 2011 (2009-10 Nil)

## 20. 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.

## **21. 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.

## **22. Events after the reporting period**

There have been no events after the reporting period which require disclosure or adjustment to the 31 March 2011 financial statements.