



# Financial Statements

for the year ended  
31 March 2014

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# ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

## Report of the Ombudsman

### History and Statutory Background

These are the eighth annual accounts of the Public Services Ombudsman for Wales (PSOW) since the office came into formal existence on 01 April 2006 following the implementation of the Public Services Ombudsman (Wales) Act 2005. I was appointed as the Acting Public Services Ombudsman from 01 December 2013 following the departure of the previous Ombudsman to take up another post. 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. 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 01 November each year. By 22 November, the Finance Committee must consider and lay before the National Assembly the Estimates, 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 submission for 2013-14 was considered by the Finance Committee on 03 October 2012 and laid before the National Assembly for Wales on 27 November 2012.

## Strategic Aims

The purpose of the PSOW is to independently and impartially investigate 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 investigate complaints that local authority members have broken their Code of Conduct.

The vision for the office is:

To put things right for users of public services and to drive improvement in those services and in standards in public life using the learning from the complaints we consider.

Our strategic aims are:

Aim 1: To offer a service where excellent customer care is at the forefront of all we do, where we work to raise awareness of our service and do our best to make it accessible to all and easy to use.

Aim 2: To deliver a high quality complaints handling service, which considers and determines complaints thoroughly but proportionately, and conveys decisions clearly.

Aim 3: To use the knowledge gained from our investigations to contribute to improved public service delivery and to inform public policy.

Aim 4: To continue to analyse and improve the efficiency and effectiveness of our governance, business processes and support functions, to further

demonstrate transparency and ensure the best use of the public money entrusted to us.

## Main Activities

The principal activities of PSOW covered by these accounts were:

- (a) considering complaints from members of the public about local authorities (including town and community councils) in Wales;
- (b) considering complaints from members of the public about NHS bodies, family health service practitioners and independent providers of NHS Services in Wales;
- (c) considering complaints about the Welsh Government and Welsh Government sponsored public bodies;
- (d) considering complaints against registered social landlords;
- (e) considering complaints that members of local authorities (including town and community councils) had broken their authority's code of conduct; and
- (f) assisting members of the public who contact the office to direct their complaints to the appropriate public service provider where that body has not yet had an opportunity to put things right, or if they have complained to the appropriate body and remain dissatisfied, to an appropriate ombudsman or complaint handler where the matter complained about does not fall within the PSOW's jurisdiction.

## 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 resource basis. The salary of the office holder of Public Services Ombudsman for Wales, and the related costs, are a direct charge on the Welsh Consolidated Fund and are administered through the National Assembly for Wales. Employment costs of £2.5 million remain the largest item of expenditure. The cost of obtaining professional advice (particularly specialist advice on health cases) was £400k representing an increase of £64k from 2012-13, primarily due to the legal costs associated with a high profile case.

The deficit of the Local Government Pension Fund increased from £640k at 31 March 2013 to £720k at 31 March 2014 following a new actuarial valuation.

The National Assembly for Wales provided resources of £4.1 million for the funding of the office although £20k of this is due to be returned to the Welsh Consolidated Fund being unused cash balances at the year end. The sum of £20k is within the accepted year-end balance criteria of 3% funding. The office has achieved a level of spending in line with the overall level of the Welsh block which is especially noteworthy considering the upward demand for the services of the office.

Great strides have been made over recent years in improving efficiency in the way we consider complaints. This has been essential in view of the ever-increasing caseload. Over the past five years, the office has seen a 117% increase in all contacts (that is, in enquiries, public body complaints and complaints about the conduct of members of local authorities). The past year has

seen yet another 11% increase in complaints about health bodies and also there was a 19% increase in social services complaints. These type of complaints are the most resource intensive to consider and investigate. Despite this, we have still managed to exceed the majority of our performance targets. We continued with our information technology upgrade programme with a view to getting new technology to take some of the strain of the administrative tasks associated with complaint handling.

The Advisory Panel, established during 2011-12, continued to meet on a regular basis over the past year. A review of its effectiveness conducted during 2013-14 concluded that the Panel added the additional scrutiny and support sought by the Ombudsman.

Under the Equality Act 2010 and the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011, the PSOW is required to produce an annual equality report. I do so within my Annual Report for 2013-14, and this can be found at Section 8. In addition the office has made arrangements to comply with the requirements of the Bribery Act which were effective from 1 July 2011.

The achievements of the past year are set out in greater detail in the statutory Annual Report 2013-14. 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 dependants.

Fuller details are given in the Pensions Annex at Page 50.

### 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 complies with the provisions of the Equality Act 2010 as well as meeting all other statutory requirements.

### Sickness

During the year an average of 10.6 days per employee were lost (compared with 6.8 days in 2012-13). This is the equivalent of 4.1% (2.6% in 2012-13) of total possible 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.

### Sustainability

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

- (a) Energy usage. As one of a number of tenants within a small modern office block it is not possible to have full control over



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

The office holder of Public Services Ombudsman for Wales is a Corporation Sole. In addition, upon taking up my role as Acting Ombudsman I was appointed by the Treasury as the Accounting Officer for the public funds with which the National Assembly entrusts me to undertake my functions. Further details are set out in The Annual Governance Statement.

## Accounts Direction

Under the Accounts Direction issued by HM Treasury dated 21 December 2006, I was required to prepare accounts for the financial year ended 31 March 2014 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 2013-14.

The accounts have been prepared so as to:

- (a) give a true and fair view of the state of affairs at 31 March 2014 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 PSOW as laid down in paragraph 7 of Schedule 1 to the Public Services Ombudsman (Wales) Act 2005. Following consultation with this office, Wales Audit Office (WAO) 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 2013-14 was £20k compared with £19k in 2012-13.

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 WAO for the provision of advice relating to human resources. In 2013-14 WAO were paid less than £1k under that agreement.

## The Future

With there being no indication that the level of enquiries and complaints to this office will fall, the future will undoubtedly present challenges in relation to dealing with the caseload. It is expected that Nick Bennett, who is to be the new Public Services Ombudsman for Wales, will take up the role in August 2014. It will be a matter for Mr Bennett to consider the future direction for the office and I wish him well in that task.

Professor Margaret Griffiths  
Accounting Officer

23 July 2014

## Statement of Accounting Officer's Responsibilities

Under the Public Services 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 accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the PSOW and its net resource 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 financial statements; and
- prepare the financial statements on a going concern basis.

My relevant responsibilities as Accounting Officer include responsibility for the propriety and regularity of the public finances for the PSOW, keeping proper records and safeguarding the office's assets as set out in the Accounting Officer's memorandum issued by HM Treasury that is published in "Managing Public Money", and are in accordance with 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. The Ombudsman is 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 4.

### Remuneration

The following sections provide details of the remuneration and pension interest of the most senior management of the Office:

Single Total Figure of Remuneration										
Officials	Salary (£000s)		Bonus payments £000s		Benefits in Kind £000s		Pension benefits To nearest £1,000		Total £000s	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Peter Tyndall <sup>1</sup>	90-95	135-140	-	-	-	-	(3,000)	56,000	90-95	190-195
Margaret Griffiths <sup>2</sup>	30-35	-	-	-	-	-	-	-	30-35	-
Elizabeth Thomas <sup>3</sup>	85-90	95-100	-	-	-	-	(90,000)	59,000	-	150-155
Chris Vinestock <sup>4</sup>	5-10	-	-	-	-	-	(1,000)	-	5-10	-

<sup>1</sup> Ceased employment 30 November 2013

<sup>2</sup> Commenced part-time employment 02 December 2013

<sup>3</sup> Retired 31 December 2013

<sup>4</sup> Commenced employment on 03 March 2014

## Salary

Salary includes gross salary; overtime and any other allowances to the extent that it is subject to UK taxation.

## Benefits in kind

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

## Bonuses

No bonus was paid during the year to me or to any staff within my office as no bonus scheme is in operation.

## Pay multiples

The banded remuneration of the highest-paid director in the financial year 2013-14 was £90-£95,000 (2012-13, £135-£140,000). This was 2.4 times (2012-13, 3.6) the median remuneration of the workforce, which was £39,351 (2012-13, £38,961). This figure has been affected by the early departure of the Ombudsman at the end of November – the full year equivalent would have been 3.5 times the median.

In 2013-14, no employee received remuneration in excess of the highest-paid director (2012-13, none).

Remuneration ranged from £14,000 to £95,000 (2012-13, £16,000-£135,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## Pay awards

Staff pay is linked to the pay awards made to employees within Local Government in England and Wales. In line with that procedure a 1% pay increase was awarded to staff in 2013-14.

## Staff Consultation

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

## Pensions

Pension entitlements for the persons shown above are detailed below:

Name	Accrued pension at pension age as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real Increase in CETV	Employer contribution to partnership pension accounts
	£000	£000	£000	£000	£000	Nearest £100
Peter Tyndall	70-75 Plus lump sum of zero	0-5 Plus lump sum of zero	989	929	11	-
Margaret Griffiths	-	-	-	-	-	2,800
Elizabeth Thomas <sup>5</sup>	30-35 of which 32 is in payment	(0-5)	1,003	1,000	(90)	-
Chris Vinestock <sup>6</sup>	-	-	-	-	(1)	-

<sup>5</sup> Retired 31 December 2013, pension in payment and lump sum paid

<sup>6</sup> Commenced employment on 03 March 2014 – taking account of inflation, the CETV funded by the employer has decreased in real terms

## Reporting of Civil Service and other compensation schemes – exit packages

No exit packages were paid in 2013-14 (2012-13 Nil)

### Civil Service Pensions

These pension benefits are provided through the Civil Service pension arrangements. Further information is set out in the Pensions Annex beginning at page 50 of these accounts.

### Advisory Panel and Audit & Risk Committee

The following non pensionable payments, based on a daily rate, were made to members of the Advisory Panel and Audit & Risk Committee:

	2013-14	2012-13
	£	£
William Richardson	1,244	311
Ceri Stradling (contract ended March 2014)	1,684	3,035
John Williams	875	1,488
Margaret Griffiths (until Dec 2013)	1,244	622
Laurie Pavelin (contract ended March 2012)	-	850

Professor Margaret Griffiths  
Accounting Officer

23 July 2014



## Annual Governance Statement

### Status of the Public Services Ombudsman for Wales

As laid down in Schedule 1 paragraph 2 of the Public Services Ombudsman (Wales) Act 2005, the Ombudsman is a Corporation Sole holding office under Her Majesty and discharges their function on behalf of the Crown. Schedule 1 paragraph 18 states that the Ombudsman is the Accounting Officer for the office of the Ombudsman.

### Change of Officeholder

At the beginning of 2013-14, Peter Tyndall was the officeholder as Public Services Ombudsman for Wales. However, he resigned from this position in November 2013 upon his appointment as Ombudsman and Information Commissioner for Ireland. I, Margaret Griffiths, was appointed as Acting Ombudsman from the beginning of December 2013.

### Scope of Responsibility

In undertaking the role of Accounting Officer I ensure that the office operates effectively and to a high standard of probity. In addition, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Public Services Ombudsman for Wales's (PSOW'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 office the PSOW's 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.

I am required to include this statement with my annual report and accounts to explain how the governance of my office works and to ensure it meets the requirements of the Corporate Governance Code. To enable me to satisfy these requirements I have established appropriate structures, systems and procedures that are comprehensive and provide me with evidence that the governance arrangements are working as intended across the whole organisation and its activities. Such arrangements include my Governance Framework, a comprehensive internal control environment, effective internal and external audit scope and robust financial management, risk planning and monitoring procedures.

## Strategic Planning and Performance Monitoring

The PSOW's planning cycle involves the development of a Strategic Plan every three years and a business plan annually. The latest three year Strategic Plan was introduced to take the office forward to the year 2014-15. This Plan was developed with the involvement of all of the PSOW's staff through seminars and workshops. The Business Plan for 2013-14 was developed to flow from this.

Whilst individual teams within the office are charged with implementing the actions identified, the Management Team and the Advisory Panel monitor progress made against targets and the outcomes achieved via quarterly reports. I was very pleased that all key activities for 2013-14 had been delivered by the end of the financial year. The PSOW's three year Plan has taken account of the increased workload facing the office as a result of the implementation of the NHS Redress Measure, the Complaints Wales service, and also the continued general upward trend in the number of complaints received. Planning has also taken account of the need to prepare for the implementation of the Social Services and Well-being (Wales) Act, should the proposals to extend the jurisdiction of the PSOW be enacted.

## 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 office of the Public Services Ombudsman for Wales for the year ended 31 March 2014 and up to the date of approval of these accounts, and accords with HM Treasury guidance. No significant areas of internal control weaknesses have been identified from audit work and steps to improve controls further are implemented promptly and monitored by my Audit & Risk Committee.

## Corporate Governance arrangements

Governance arrangements are managed through an Advisory Panel of external advisors supplemented by an Audit & Risk Committee which is a sub-committee of the Panel. The respective responsibilities are:

## Advisory Panel

### (a) Role of the Panel

The Advisory Panel is a non-statutory forum whose main role is to provide support and advice to the Ombudsman in providing leadership and good governance of the office of the PSOW. The Advisory Panel also brings an external perspective to assist in the development of policy and practice.

The Advisory Panel provides specific advice and support to the Ombudsman on:

- vision, values and purposes;
- strategic direction and planning;
- accountability to citizens for the public funds it receives;
- internal control and risk management arrangements.

The Advisory Panel is an advisory only body to the Ombudsman, and does not make decisions in its own right.

The Panel also assists the Ombudsman in establishing:

- governance arrangements, including Terms of Reference of any sub-committees;
- the PSOW's strategic direction, aims and objectives and targets;
- key business policies;
- key employment strategies and policies;

and scrutinising and assuring:

- the Three Year Strategic Plan and the Annual Business Plan;
- high level budget allocation;
- the budget Estimates submission to the Finance Committee of the National Assembly for Wales;
- resource accounts (delegated to the Audit & Risk Committee);
- capital investment/contracts (over £250k) (delegated to the Audit & Risk Committee).

It also monitors and reviews:

- risk and internal control (delegated to the Audit & Risk Committee);
- operational performance and delivery;
- financial performance;
- effectiveness of employment strategies and policies;

- diversity and equal opportunities, particularly in relation to the Equality Act 2010;
- external communications strategies and stakeholder relations;
- health and safety and business continuity.

Four meetings were held in July, September and December 2013 and March 2014.

#### (b) Membership

Membership comprises:

- the Ombudsman (Chair due to constitutional accountability considerations)
- up to five external members (who offer specific skills and experience sought by the Ombudsman and one of whom may be from another ombudsman office).

The Policy & Communications Manager acts as Secretary to the Panel; other Management Team members as decided by the Ombudsman may be in attendance at the Panel's meetings but are not formally members of the PSOW Advisory Panel.

The Advisory Panel members during 2013-14 were:

Bill Richardson  
 Ceri Stradling (until early March 2014)  
 Jan Williams  
 John Williams.

I also sat on the Advisory Panel as an independent member until November 2013, but assumed the role of Chair upon my appointment as Acting Ombudsman at the beginning of December 2013.

#### Audit and Risk Committee

##### (a) Terms of Reference

The Advisory Panel is responsible for agreeing the Terms of Reference of the Audit and Risk Committee. The major emphasis of the Committee's role is to manage all risks not just the financial management of the office.

##### (b) Membership

During the year the first three Audit and Risk Committee meetings were chaired by Ceri Stradling BA FCA. Due to a conflict of interest arising from his

appointment to a body within the Ombudsman's jurisdiction, Ceri Stradling resigned both as an Advisory Panel Member and consequently as Chair of the Audit & Risk Committee at the beginning of March 2014. Bill Richardson, an existing Audit & Risk Committee member, kindly chaired the meeting held in March 2014. Ceri Stradling provided considerable support to the Ombudsman with his wide experience of private and public sector accounting and audit experience. The independence of the Committee continues to be enhanced by Bill Richardson who, as the former Deputy Chief Executive at the office of the Parliamentary and Health Service Ombudsman, brings considerable experience of operating governance, financial and administrative systems within the context of an ombudsman scheme. I was also an independent member of the Committee until November 2013, but my status on that Committee changed in December 2013 when I was appointed as Acting Ombudsman. I remain on the Committee in my new capacity as the Accounting Officer. As a result of the vacancy brought about by my change of status John Williams, an existing member of the Advisory Panel, and previously Director of Social Services at Conwy County Borough Council, joined the Committee.

#### (c) Training

Members of the Committee are invited to assess their training needs annually. During the past year, to supplement the previous year's induction programme for Advisory Panel and Audit & Risk Committee members, additional training in relation to the work of the Ombudsman's office has taken place. This has taken the form of a presentation/discussion at the end of each Advisory Panel meeting. During the year Ceri Stradling attended a Wales Government Sponsored Bodies Audit Chairs meeting that he found useful for networking and sharing best practice.

#### (d) Meetings

The Committee sets for itself an annual work programme. 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 covered Risk Management and included details of new risks and any changes to the existing Risk Register (e.g. movement in the level of risk). When the annual Internal Audit Plan is considered the full risk register is made available to the Committee to ensure that the plan being proposed reflects the priorities within the register. At other meetings as a minimum the Committee is presented with high and medium risks as a method of ensuring that the exposure is kept before the Committee. The key risks monitored during the year were the office's reputation and in the current economic climate the appropriate level of resources to enable the Ombudsman to meet his statutory obligations. The overall level of risk facing the organisation has remained low and generally static.

Other standing reports submitted to the Committee related to declarations of any fraud or losses including data losses identified.

During the year the Committee also received reports on any appropriate matters that fell within its terms of reference. This included: the nine month accounts; pension arrangements; the asset management strategy, updates on the business continuity plan; and relevant financial and corporate governance matters issued by HM Treasury.

At each meeting, the Committee received for information purposes a copy of the latest Budget Monitoring report considered by the Management Team. This is intended to provide the Committee with an assurance that there is a regular scrutiny of the financial position within the office.

The Committee provided advice to the Ombudsman to ensure that the 2013-14 Annual Governance Statement included appropriate information and complied with best practice.

(e) Internal and External Audit

The Committee received regular reports from both the internal and external auditors. The work of Deloitte as Internal Auditors during the year was planned on the basis of their overall needs assessment and carried out through their third annual programme. Their reports highlighted the satisfactory internal control framework within the organisation and made recommendations for improvement where necessary. Their Finance Systems Internal Annual Report for 2013-14 stated the following overall assessments:

Banking and Cash Management	FULL assurance
Revenue and Receivables	FULL assurance
Budgetary Control	FULL assurance
General Ledger	SUBSTANTIAL assurance

The rolling audit programme covering the other aspects of the organisation's work and controls also noted the satisfactory internal control framework within the organisation and made recommendations for improvement where necessary. The overall assessments were as follows:

Advisory Panel and Corporate Governance & Risk Management Follow Up	FULL assurance
Complaints Wales	FULL assurance

In addition, the internal auditors produced an advisory report in respect of Internal Communications arrangements, which was also a very positive report.

The internal auditors' Annual Report for 2013-14 stated: *"our overall assessment is that the classification of assurance for corporate governance and risk management is full assurance"*. These findings provide assurance that the arrangements in place are reducing the organisation's exposure to risk. The Committee noted the thoroughness of the audit work, practicality of recommendations and the open and positive response of management to the recommendations made.

The effectiveness of Internal Audit is also evaluated annually by the External Auditors. In their 2013-14 Management Letter they concluded that the Ombudsman has operated an effective system of control including Internal Audit arrangements that comply with the Government Internal Audit Standards.

The role of external audit, as required by the Public Services Ombudsman (Wales) Act 2005, has to be undertaken by the WAO. That work, with the agreement of the Ombudsman, was carried out during the year by Grant Thornton UK LLP acting on behalf of the WAO. The Committee considered the Annual Accounts that included the Governance Statement of the office for 2013-14 together with the External Audit ISA260 Report. The Audit conclusions for the 2012/13 financial year were reviewed at the September 2013 meeting of the Committee. An unqualified opinion was given on the 2012-13 Accounts on 8 August with only three recommended corrections raised that had already been implemented.

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 that 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. The quality of the audit work and that of the Committee has been evaluated during the year through consideration of the audit reports and recommendations and dialogue at meetings between Committee Members and the Auditors.

To ensure that appropriate matters can be raised in confidence the Chair of the Committee holds an annual meeting with representatives of the External and Internal Auditors. Such a meeting was held on 26 March 2014.

#### (f) Monitoring processes

At each meeting during 2013-14 the Committee received a report on progress made on implementation of External and Internal Audit recommendations. The Committee members were satisfied that all but one of the recommendations made had been implemented. The only outstanding recommendation related to

the review of HR policies which were now the subject of review by external HR specialists.

(g) Annual Review and Assessment

This annual review is undertaken to ensure that the work of the Audit and Risk Committee continues to comply with the Good Practice Principles set out in the HM Treasury Audit Committee Handbook. To assist the Committee in determining that it was complying with good practice each member was invited to complete the National Audit Office's "The Audit Committee self assessment checklist."

In preparing last year's report, comments were received by Committee members and were taken into account in preparing the Annual Report for 2013-14. Below are issues which were identified and the position at the end of 2013-14:

- introduce a formal annual performance assessment for Audit and Risk Committee members [a pilot assessment was introduced at the end of 2013-14]
- review conditions of appointment of Members to ensure that they fully comply with best practice, particularly regarding termination [remains under review]
- in relation to training and development, review induction following recent appointments and enhance if necessary to give a better understanding of the business of the organisation [completed]
- responsibilities in relation to the PSOW's Whistle Blowing procedure, and the Staff Code of Conduct as far as it relates to financial and governance issues. [This has been delayed due to a Management Team decision to obtain external advice in relation to the portfolio of Human Resources policies.]

A similar review was undertaken by Committee members for the year 2013-14. One additional issue was identified:

- that it would be useful to have a specific induction session for new members to the Committee.

The Committee produced an Annual Report for 2013-14.

The report concluded that it had received comprehensive assurances and information that was reliable and sufficient to enable it to carry out its responsibilities. Those assurances demonstrated a satisfactory overall internal



control environment, financial reporting, and the management of risk and of the quality of both the Internal and External Audit work undertaken.

The Committee was therefore able to provide assurances to effectively support me as the Public Services Ombudsman for Wales to comply with my, and my predecessor's, Accounting Officer responsibilities in particular in providing evidence to assist in the preparation of this Annual Governance Statement.

### 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.

Whilst not a data loss (since all relevant data has been recovered), it was considered appropriate to report to the Audit & Risk Committee two incidents whereby personal data had been sent to the wrong person by PSOW.

They related to unconnected cases. Following internal investigation, it was concluded that both incidents were due to human error and not due to any process flaw. The PSOW has subsequently undertaken all staff refresher training on the importance of data security and the need for adequate and thorough checks of what is being sent out via any medium (post/courier/email/telephone information etc). The staff errors in both cases were dealt with internally in line with the appropriate HR policy. A full apology letter had been issued in both cases to the recipients of the incorrect data and in relation to one of the cases procedures were in place to allow the PSOW to notify the other relevant parties about the misdirected information in the first few weeks of 2014-15.

The information security policy for the office is available on request.

### The Risk and Control Framework

As required by "Managing Public Money" I am supported by a Financial Adviser who, as a qualified accountant, carries out the responsibilities of the professional finance director as set out in that document.

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 2014 my predecessor and I have been supported by a Director to whom some of the Ombudsman's responsibilities have been delegated. 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. As already stated the Audit and Risk Committee receive regular reports on the Risk Register of the office.

### Budgeting Process

As Accounting Officer, I ensure that I have in place arrangements for tight control of the public money entrusted to me, as did my predecessor before me. In particular, the Management Team receives a monthly budget monitoring report setting out details of actual against budgeted expenditure. Any unexpected expenditure issues that may arise during the course of the year are considered and actions required to ensure that the office remains within its budgeted expenditure are agreed. No major issues arose in respect of the PSOW's budget for 2013-14. As far as the process of producing the PSOW's financial estimate for 2014-15 is concerned, a paper setting out initial budget criteria was considered by the Advisory Panel in July 2013. Following on from this a draft budget estimate paper was considered at the meeting in September 2013. That paper set out in full the financial resources that the PSOW had identified as being necessary to enable the PSOW to carry out their duties. The final Estimates paper was submitted to the Finance Committee of the National Assembly of Wales. The Finance Committee considered the paper in October 2013 and my predecessor was pleased to be able to attend the meeting in order to answer Assembly Members' specific questions on the submission. The National Assembly for Wales subsequently approved the financial estimate for 2014-15.

### Conclusion

I am able to report that there were no significant weaknesses in the office's system of internal controls in 2013-14 that affected the achievement of the office's policies, aims and objectives and that robust Corporate Governance is in operation with no breaches to the CG Code.

Professor Margaret Griffiths  
Accounting Officer

23 July 2014

## 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 2014 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 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 2014 and of its Net cash requirement, Net resource outturn and Net operating cost, for the year then ended; and
- have been properly prepared in accordance with HM Treasury 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 Public Services Ombudsman (Wales) Act (2005); and
- the information which comprises the Report of the Ombudsman and unaudited part of the Remuneration 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 Annual Governance Statement 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.

Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

5 August 2014

Public Services Ombudsman for Wales  
Financial Statements 2013-14

**Summary of Resource Outturn**

*For the year ended 31 March 2014*

	Revised Estimate			Outturn			Net total outturn compared to estimate saving/ (excess)	2012-13
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total		Net Total
	£000	£000	£000	£000	£000	£000		£000
Administration Costs	3,908	(6)	3,902	4,029	-	4,029		4,150
Less Welsh Consolidated Fund shared services				162		162		189
Total Resources	3,908	(6)	3,902	3,867	-	3,867	35	3,961
Net Cash Requirement Note 2	4,060		4,060	4,040		4,040	20	3,961

Non operating income and receipts not classified as operating income

	Revised Estimate			Outturn			Net total outturn compared to estimate saving/ (excess)	2012-13
	Gross Expenditure	Income	Net Total	Gross Expenditure	Income	Net Total		Net Total
	£000	£000	£000	£000	£000	£000		£000
Sale of Fixed Assets	-	-	-	-	-	-	-	-

The notes on pages 34 to 49 and Pensions Annex on pages 50 to 60 form part of these statements

## Statement of Comprehensive Net Expenditure

*for the year ended 31 March 2014*

	Note	2013-14	2012-13
		£000	£000
Administration costs			
Staff costs	3	2,503	2,568
Other non staff administration costs	4	1,526	1,582
Gross Administration Costs		4,029	4,150
Operating Income	5	-	-
Net Administration Costs		4,029	4,150
NET OPERATING COST and NET RESOURCE OUTTURN		4,029	4,150

All activities commenced in the period are continuing.

The notes on pages 34 to 49 and Pensions Annex on pages 50 to 60 form part of these statements



Public Services Ombudsman for Wales  
Financial Statements 2013-14

Statement of Financial Position

as at 31 March 2014

	Note	2013-14		2012-13	
		£000	£000	£000	£000
Non current assets					
Property, Plant and Equipment	7	83		127	
Intangible assets	8	138		182	
Receivables falling due after more than one year	9	67		-	
<b>Total non current assets</b>			<b>288</b>		<b>309</b>
Current Assets					
Trade and other receivables	9	188		146	
Cash and cash equivalents	10	20		2	
<b>Total current assets</b>			<b>208</b>		<b>148</b>
<b>Total assets</b>			<b>496</b>		<b>457</b>
Current liabilities					
Trade and other payables	11	(140)		(117)	
Provisions	12	(190)		(80)	
<b>Total current liabilities</b>			<b>(330)</b>		<b>(197)</b>
<b>Total assets less current liabilities</b>			<b>166</b>		<b>260</b>
Trade and other payables due after one year	11	-		(25)	
Provisions	12	(438)		(460)	
			(438)		(485)
			(272)		(225)
Pension Fund (Deficit)/Surplus	Pensions Annex		(720)		(640)
<b>Total assets less liabilities</b>			<b>(992)</b>		<b>(865)</b>
Taxpayers' Equity: General Fund			(992)		(865)

The notes on pages 34 to 49 and Pensions Annex on pages 50 to 60 form part of these statements

Professor Margaret Griffiths  
Accounting Officer

23 July 2014

Public Services Ombudsman for Wales  
Financial Statements 2013-14

**Statement of Cash Flows**

*for the year ended 31 March 2014*

	Note	2013-14	2012-13
		£000	£000
Net cash outflow from operating activities	13	(3,975)	(4,035)
Net cash flow from investing activities	14	(47)	(14)
Financing from National Assembly for Wales	15	4,060	3,962
Net increase (decrease) in cash equivalents before adjustments for payments to Welsh Consolidated Fund		38	(87)
Payments of amounts due to the Welsh Consolidated Fund		(20)	(2)
Net increase (decrease) in cash equivalents after adjustments for payments to Welsh Consolidated Fund		18	(89)
Cash and cash equivalents at the beginning of period		2	91
Cash and cash equivalents at the end of period		20	2

The notes on pages 34 to 49 and Pensions Annex on pages 50 to 60 form part of these statements

**Statement of Changes in Taxpayers' Equity**  
*for the year ended 31 March 2014*

	General Fund	General Fund
	2013-14	2012-13
	£000	£000
Balance as at 1 April	(865)	(714)
Net operating costs	(4,029)	(4,150)
Funding by National Assembly for Wales	4,060	3,962
Due back to Welsh Consolidation Fund		
- Cash	(20)	(2)
- Non operating income	-	-
Welsh Consolidation Fund shared services	162	189
Actuarial (deficit) surplus	(300)	(150)
Total recognised income and expense for year	(127)	(151)
Balance as at 31 March	(992)	(865)

The notes on pages 34 to 49 and Pensions Annex on pages 50 to 60 form part of these statements

## Notes to the 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 2013-14. 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 PSOW for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the 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 fittings the lease term
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 of the computer equipment on which they are installed. This would usually be from 3 to 5 years. 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 Value Added Tax

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

#### 1.6 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 Pensions Annex at the end of the Financial Statements. The costs of providing these pensions are charged through the Statement of Comprehensive Net Expenditure with actuarial gains and losses relating to the Cardiff and Vale of Glamorgan Pension Scheme being recognised in the year in which they occur.

#### 1.7 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 Statement of Comprehensive Net Expenditure in full when the liability arises.

#### 1.8 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.

## 1.9 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.

## 1.10 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.

## 1.11 Non-operating Income

Non operating income which has to be surrendered to the Welsh Consolidated Fund arises from the sale of fixed assets.

## 1.12 Government Grants

Government grants are accounted for in the year of receipt.

## 1.13 Foreign Exchange

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

## 1.14 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.

### 1.15 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.

### 1.16 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. 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. This information is not reported internally.



## 2. Reconciliation of Resources to Net Cash Requirements

	Note	2013-14 Revised estimate	2013-14 Net total Outturn	Net total outturn compared to revised estimate saving/(excess)	2012-13 Outturn Revised
		£000	£000	£000	£000
Net Resource Outturn Statement of Comprehensive Net Expenditure			4,029		4,150
Less Welsh Consolidated Fund shared services	4		(162)		(189)
Net Resource Requirement		3,902	3,867	35	3,961
Net Capital Requirement	7/8	40	47	(7)	14
Movement in provisions	12	(40)	(88)	48	(25)
Capital charges	4	(109)	(135)	26	(125)
Movements in working capital	10/13	25	129	(104)	(64)
Pension funding	3	242	220	22	200
Net cash requirement Summary of Resource Outturn		4,060	4,040	20	3,961

### 3. Staff Costs and Numbers

The aggregate employment costs were as follows:

	2013-14	2012-13
	£000	£000
Permanent staff:		
Salaries	1,876	1,883
Social Security Costs	134	149
Pension costs	370	373
Pension fund movements	90	134
<b>Total</b>	<b>2,470</b>	<b>2,539</b>
Temporary staff		
Salaries	28	25
Social Security costs	1	1
Pension costs	4	3
<b>Total</b>	<b>33</b>	<b>29</b>
<b>Total employment costs</b>	<b>2,503</b>	<b>2,568</b>

The costs of temporary staff include agency staff together with any persons employed on a non permanent contract. The salary costs set out above do not show the employment and related costs of the ombudsman. The reason for the difference is stated in the Remuneration Report (see page 11).

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

	2013-14	2012-13
	No.	No.
Senior management	2	2
Complaint investigation	42	42
Executive / Corporate services staff	8	9
<b>Total</b>	<b>52</b>	<b>53</b>

The above includes the Public Services Ombudsman for Wales.

For comparison purposes the total costs of employment including the Ombudsman is:

	2013-14	2012-13
	£000	£000
Ombudsman	162	189
Office	2,503	2,568
<b>Total</b>	<b>2,665</b>	<b>2,757</b>

#### 4. Non Staff Administration Costs

	2013-14	2012-13
	£000	£000
Rentals under operating leases	232	235
External Audit fee	20	19
Other services provided by WAO and Grant Thornton	-	-
Professional Advisers	400	336
Other property costs	109	102
Computer services	207	189
Office costs	111	145
Travel and subsistence	35	33
Training and Recruitment	37	75
Communications	76	132
Consolidated fund standing services (Salary and related costs of the Ombudsman met from the Welsh Consolidated Fund)	162	189
<b>Sub-total</b>	<b>1,389</b>	<b>1,455</b>
Depreciation	89	80
Amortisation charge	46	45
Loss on disposal	-	-
Provision for future redecoration of offices	2	2
<b>Sub-total</b>	<b>137</b>	<b>127</b>
<b>Total Other Administration Costs</b>	<b>1,526</b>	<b>1,582</b>

#### 5. Operating Income

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

	2013-14	2012-13
	£000	£000
Interest receivable	-	-
<b>Total operating income</b>	<b>-</b>	<b>-</b>

## 6. Operating Costs by Aims and Objectives

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

	2013-14			2012-13		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Aim 1: To offer a service where excellent customer care is at the forefront of all we do, where we work to raise awareness of our service and do our best to make it accessible to all and easy to use.	374	-	374	301	-	301
Aim 2: To deliver a high quality complaints handling service, which considers and determines complaints thoroughly but proportionately, and conveys decisions clearly.	3,037	-	3,037	3,069	-	3,069
Aim 3: To use the knowledge gained from our investigations to contribute to improved public service delivery and to inform public policy.	433	-	433	586	-	586
Aim 4: To continue to analyse and improve the efficiency and effectiveness of our governance, business processes and support functions, to further demonstrate transparency and ensure the best use of the public money entrusted to us.	185	-	185	194	-	194
<b>Net operating costs</b>	<b>4,029</b>	<b>-</b>	<b>4,029</b>	<b>4,150</b>	<b>-</b>	<b>4,150</b>

## 7. Property, Plant and Equipment

	Plant	Computers and other equipment	Furniture & other fittings	Total
	£000	£000	£000	£000
Cost or valuation at 1 April 2013	156	185	297	638
Additions	-	45	-	45
Disposals	-	(32)	-	(32)
At 31 March 2014	156	198	297	651
Depreciation				
At 1 April 2013	(127)	(149)	(235)	(511)
Charged in the year	(24)	(27)	(38)	(89)
Disposals	-	32	-	32
At 31 March 2014	(151)	(144)	(273)	(568)
Carrying Value as at 31 March 2014	5	54	24	83
Carrying Value as at 31 March 2013	29	36	62	127

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

## 8. Intangible Assets

	Information Technology	Software Licences	Total
	£000	£000	£000
Cost or valuation at 1 April 2013	474	69	543
Additions	-	2	2
Disposals	-	-	-
At 31 March 2014	474	71	545
Amortisation as at 1 April 2013	(292)	(69)	(361)
Amortisation charged in the year	(46)	-	(46)
Disposals	-	-	-
At 31 March 2014	(338)	(69)	(407)
Carrying Value as at 31 March 2014	136	2	138
Carrying Value as at 31 March 2013	182	-	182

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. Trade and other Receivables

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Prepayments	188	146
Trade debtors	-	-
Amounts falling due after more than one year		
Prepayments	67	-
<b>Total</b>	<b>255</b>	<b>146</b>

10. Cash and Cash Equivalents

Any bank balance held at the year end has to be returned to the Welsh Consolidated Fund. A figure of £20k (£2k in 2012-13) has been included within the accounts being the net balance at the year end on all the bank accounts operated by the PSOW irrespective of whether the individual account is in debit or credit and the amount of grant received offset by this repayment. This repayment will have to be made to the Welsh Consolidated Fund under the Government of Wales Act 2006 if still remaining at the year end.

## 11. Trade Payables and other Current Liabilities

	2013-14	2012-13
	£000	£000
Amounts falling due in one year		
Amounts owed to the Collector of Taxes	-	-
Untaken annual leave	62	56
Deferred rent reduction	12	-
Amounts owed to the Parliamentary Commissioner	-	-
Welsh Consolidated Fund – unspent balances	20	2
non operating income	-	-
Trade payables	32	56
Accruals	14	16
	140	130
Amounts falling due in more than one year		
Deferred rent reduction	-	12
Total	140	142

## 12. Provisions for Liabilities and Charges

	2013-14				2012-13
	Pensions for Former Commissioners	Future Redecoration Costs	Legal Costs	Total	Total
	£000	£000	£000	£000	£000
Balance at 1 April	535	5	-	540	515
Additional provision required	57	2	100	159	95
Discount rate movement	11	-	-	11	10
Provisions utilised in the year	(82)	-	-	(82)	(80)
Balance	521	7	100	628	540

Analysis of expected timings of payment of provisions:

	2013-14	2012-13
	£000	£000
Payable within one year	190	80
Payable within 2 to 5 years	366	312
Payable in more than 5 years	72	148
Balance at 31 March 2012	628	540

The additional Pensions provision is required to cover the pensions increase in line with Statutory Instruments Pensions Increase (Review) Order 2014 No. 668 and increased life expectancy based on the Interim life letters Wales issued by Office of National Statistics. Later year pension increases are in line with the GDP deflators information issued by HM Treasury. The discount factor has been amended to 1.8% for the financial year (2.35% in 2012-13) in line with the guidance issued by the Treasury.

The future redecoration costs arise from an obligation to redecorate the interior of the premises leased at Bocam Park. Sums are being set aside to cover the liability to redecorate the office in the financial year 2014-15. The sum of £2,000 has been provided for in the 2013-14 financial year (£2,000 in 2012-13) towards the cost of this work.

The legal costs provision has arisen from a longstanding, high profile case that was concluded recently and following a High Court judgement PSOW must meet 35% of the other party's legal costs that are estimated to be 35% of £300k amounting to £100k.



### 13. Reconciliation of Operating Cost to Operating Cash Flows

	Notes	2013-14	2012-13
		£000	£000
Net operating cost		(4,029)	(4,150)
Adjust for non cash items	3,4	195	195
Decrease /(Increase) in trade and other receivables	9	(109)	57
Increase/ (Decrease) in trade and other payables	11	(2)	(81)
Payment to meet pension fund deficit		(280)	(270)
Movement in provisions	12	88	25
Welsh Consolidated Fund shared services	4	162	189
Net cash outflow from operating activities		(3,975)	(4,035)

### 14. Non Current Asset Expenditure and Financial Investment

	2013-14	2012-13
	£000	£000
Purchases of property, plant and equipment	(45)	(12)
Proceeds of disposals of property, plant and equipment	-	-
Purchases of intangible assets	(2)	(2)
Net cash outflow from investing activities	(47)	(14)

### 15. Reconciliation of Net Cash Requirement to Increase/(Decrease) in Cash

	2013-14	2012-13
	£000	£000
Net Cash Requirement:		
Operating activities	(3,975)	(4,035)
Capital Expenditure	(47)	(14)
	(4,022)	(4,049)
Financing from National Assembly for Wales	4,060	3,962
Repayment to Welsh Consolidated Fund	(20)	(2)
Increase / (Decrease) in cash and cash equivalents	18	(89)

## 16. Commitments under Operating Leases

	2013-14	2012-13
	£000	£000
Total future minimum operating lease payments on Building:		
Payable within one year	183	184
Within two and five years	732	155
More than five years	1,071	-
	1,986	339
Other:		
Payable within one year	17	11
Within two and five years	27	27
More than five years	-	-
	44	38
Total – all operating leases	2,030	377

A new reversionary lease on a Full Repairing and Insuring basis for a term of 10 years has been agreed from 27<sup>th</sup> January 2015 at the existing buildings at Bocam Park, Pencoed. The lease will be contracted within the Landlord and Tenant Act 1954.

## 17. Contingent Liabilities

None.

## 18. Capital Commitments

There were no capital commitments at 31 March 2014 (2012-13 Nil).

## 19. Financial Instruments

Because of the largely non-trading nature of its activities and the way in which government bodies are financed, the PSOW is not exposed to the degree of financial risk faced by some business entities. The office has no powers to borrow money but it can invest temporary surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks faced by the office in undertaking its activities.

## 20. Related Party Transactions

The PSOW is headed by the Public Services Ombudsman for Wales and was established under the Public Services Ombudsman (Wales) Act 2005. The Ombudsman is independent of Government and the funding arrangements of the office are set up to ensure that the independence of the office is secured. The PSOW has had a number of material transactions with the National Assembly for Wales and with the office of the Parliamentary Ombudsman. In addition, the PSOW has had a small number of transactions with other Government Departments and other central government bodies.

## 21. Events after the Reporting Period

None.

## Pensions Annex

Two pension schemes are operated on behalf of current staff – The Principal Civil Service Pension Scheme and the Cardiff and Vale of Glamorgan Pension Fund. There remains an ongoing liability to meet the pensions of three former Ombudsman or any dependent relatives.

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for classic and 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a

member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

### 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Cardiff and Vale Pension Fund - 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 the PSOW and its employees who are members of the scheme pay contributions into the Fund, calculated at a level intended to balance the pension's liabilities with investments assets.

The PSOW recognises gains and losses in full, immediately through the Statement of Comprehensive Net Expenditure. In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

The PSOW estimates that £290k of contributions are expected to be paid to the Fund during the next financial year.

### Disclosure under IAS19 (LGPS funded benefits)

#### Introduction

The disclosures below relate to the funded liabilities within the Cardiff and Vale of Glamorgan Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007. The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to

be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The contributions to be paid until the date the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate.

The Fund Administering Authority, City and County of Cardiff, is responsible for the governance of the Fund.

Contributions for the accounting period ending 31 March 2015

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2015 are estimated to be £0.29M. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Assumptions

The latest actuarial valuation of Public Services Ombudsman for Wales's liabilities took place as at 31 March 2013. 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 actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

Principal financial assumptions (% per annum)

	31 March 2014	31 March 2013	31 March 2012
Discount rate	4.2	4.2	4.7
RPI Inflation	3.2	3.6	3.4
CPI Inflation	2.2	2.7	2.4
Rate of increase to pensions in payment*	2.2	2.7	2.4
Rate of increase to deferred pensions	2.2	2.7	2.4
Rate of general increase in salaries **	3.2	4.6	4.4

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

\*\* In addition, allowance is made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013



## 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 2014	31 March 2013
<b>Males</b> Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NMA_L)	Standard SAPS Normal Health Light Amounts (S1NMA_L)
Rating to above base table * (years)	-	-
Scaling to above base table rates	110%	100%
Improvements to base table rates	CMI 2012 with a long term rate of improvement of 1.5% p.a.	CMI 2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	23.7	24.0
Future lifetime from age 65 (aged 45 at accounting date)	25.7	25.7
<b>Females</b> Year of Birth base table	Standard SAPS Normal Health Light Amounts (S1NFA_L)	Standard SAPS Normal Health Light Amounts (S1NFA_L)
Rating to above base table * (years)	-	-
Scaling to above base table rates	90%	80%
Improvements to base table rates	CMI 2012 with a long term rate of improvement of 1.5% p.a.	CMI 2009 with a long term rate of improvement of 1.25% p.a.
Future lifetime from age 65 (aged 65 at accounting date)	26.6	26.8
Future lifetime from age 65 (aged 45 at accounting date)	28.9	28.8

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

	31 March 2014	31 March 2013
Communication	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.	Each member assumed to exchange 50% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum. Each member assumed to exchange 75% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum.

## Asset allocation

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. The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if a large payment is required to be paid (e.g. bulk transfer value payment).

The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

		Asset split as 31 March 2014 (%)		Asset split as 31 March 2013 (%)
	Quoted	Unquoted	Total	
Equities	72.1	6.2	78.3	76.0
Property	5.4	-	5.4	5.6
Government bonds	7.0	-	7.0	7.5
Corporate bonds	8.1	-	8.1	9.1
Cash	1.1	-	1.1	1.2
Other*	0.1	-	0.1	0.6
Total	93.8	6.2	100.0	100.0

\* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

## Reconciliation of funded status to Balance Sheet

	Value at 31 March 2014 £M's	Value at 31 March 2013 £M's	Value at 31 March 2012 £M's
Fair value of assets	5.39	4.79	4.09
Present value of funded defined benefit obligation	4.82	5.43	4.78
Funded status	0.57	(0.64)	(0.69)
Impact of minimum funding requirement/asset ceiling – IFRIC 14	(1.29)	-	-
Asset/ (Liability) recognized on the balance sheet	(0.72)	(0.64)	(0.69)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active Members	22%
Deferred Pensioners	18%
Pensioners	60%

Breakdown of amounts recognised in profit and loss / Surplus or Deficit on the Provision of Services and Other Comprehensive Income (OCI)

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
<u>Operating cost</u>	0.04	0.04
Current service cost(1)		
Past service cost (incl. curtailments)	-	-
Settlement cost	-	-
<u>Financing Cost</u>	0.02	0.03
Interest on net defined benefit Liability (asset)		
Pension expense recognized in profit and loss	0.06	0.07
<u>Re measurements in OCI</u>	(0.32)	(0.39)
Return to plan assets (in excess of) below that recognized in net interest		
Actuarial (gains)/losses due to change in financial assumptions	(0.34)	0.55
Actuarial (gains)/losses due to changes in demographic assumptions	(0.06)	-
Actuarial (gains)/losses due to liability experience	(0.27)	(0.01)
Total Amount recognized in OCI	(0.99)	0.15
Total Amount	(0.93)	0.22

(1)The Current service cost includes an allowance for the administration expenses of £0.00M

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

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
Opening defined benefit obligation	5.43	4.78
Current service cost	0.04	0.04
Interest expense on defined benefit obligation	0.22	0.22
Contribution by participants	0.01	0.01
Actuarial (gains)/losses on liabilities – financial assumptions	(0.34)	0.55

Actuarial (gains)/losses on liabilities – demographic assumptions	(0.06)	-
Actuarial (gains)/losses on liabilities – experience	(0.27)	(0.01)
Net benefits paid out #	(0.21)	(0.16)
Past service cost (incl. curtailments)	-	-
Net increase in liabilities from disposals / acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	4.82	5.43

# 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. Also includes an allowance for fund administration expenses of £0.00M.

#### Changes to the fair value of assets during the accounting period

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
Opening fair value of assets	4.79	4.09
Interest income on assets	0.20	0.19
Re measurement gains/(losses) on assets	0.32	0.39
Contributions by the employer	0.28	0.27
Contributions by participants	0.01	0.01
Net benefits paid out#	(0.21)	(0.16)
Net increase in assets from the disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	5.39	4.79

# 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. Also includes an allowance for fund administration expenses of £0.00M.

## Actual return on assets

	Period ending 31 March 2014 £M's	Period ending 31 March 2013 £M's
Interest income on assets	0.20	0.19
Re measurement gain/ (loss) on assets	0.32	0.39
Actual return on assets	0.52	0.58

## Termination of the scheme

The pension information provided above complies with the requirements of IAS 19 adjusted for IFRIC 14. This shows a pension fund deficit of £720k at 31 March 2014. Procedures are in place with the Pension Fund to make 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. Financial provision to cover the liability is allowed for within the procedures set out in the Consolidated Budgeting Guidance issued by HM Treasury.

## 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 the Statutory Instrument Pensions Increase (Review) Order 2013 No 604. This year the increase was 2.2% with effect from 8 April 2013. In 2012-13 the uplift was 5.2%.

The total payments during 2013-14 were £82k (£79k in 2012-13). The liabilities arising out of the obligation to finance these pensions together with any dependent pensions has been calculated to be £521k (£535k in 2012-13). 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, from PES (2013) 07, of 1.8% (2.35% in 2012-13) has been applied in accordance with the Treasury guidance that all pension liabilities should be discounted. Further details are shown under movements in provisions (Note 12).

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