

Scottish Public Services Ombudsman

Annual report on the 2012/13 audit



Prepared for the Scottish Public Services Ombudsman, and the Auditor General for Scotland
October 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

1. The Scottish Public Services Ombudsman (the Ombudsman) was constituted under Section 1 of the Scottish Public Services Ombudsman Act 2002 which was passed by Parliament on 21 March 2002 and received Royal Assent on 23 April 2002.
2. The SPSO is the final stage for complaints about councils, the National Health Service, housing associations, colleges and universities, prisons, most water and sewerage providers, the Scottish Government and its agencies and departments, and most Scottish authorities.
3. The Ombudsman is Jim Martin who was appointed 1 May 2009, and re-appointed on 1 May 2011 for a period of six years. The Ombudsman is located in Edinburgh and supported by approximately 50 staff.
4. This report is the summary of our findings arising from the 2012/13 audit of the SPSO. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
5. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the SPSO and no responsibility to any third party is accepted.
6. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Audit and Advisory Committee (AAC).

Financial statements

Background Information

7. The financial year 2012/13 was the fourth year in post for the current Ombudsman, who is the Accountable Officer.
8. The statutory functions of the Ombudsman are:
 - to investigate complaints from members of the public about maladministration and service failure by public bodies and others who provide and deliver public services

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- to increase public awareness, knowledge and understanding of the service by, for example, issuing guidance, publishing leaflets and participating in a range of outreach activities
 - to promote good administrative practice and, using the evidence from its investigations, to contribute to the development and improvement of the delivery of public services in Scotland
 - to lead the simplification and standardisation of complaints handling throughout the public sector in Scotland using the responsibility and authority of statutory powers in relation to model Complaints Handling Procedures.

Conduct and scope of the audit

9. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the AAC in February 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
10. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

11. We have given an unqualified opinion that the financial statements of the SPSO for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 1 October 2013.
12. We received the unaudited financial statements on 21 June 2013 in accordance with the agreed timetable. The working papers were of a good standard and staff provided good support to the audit team enabling us to complete our on-site fieldwork on 28 June 2013.
13. The SPSO is required to follow the 2012/13 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Financial position

14. The financial year 2012/13 was the second year of a three year plan which was established to reduce the budget of the SPSO by 15% in real terms. The SPSO recorded a 12.5% decrease in the baseline budget to 31 March 2013.

Financial planning

15. During the year, the Parliament approved a budget of £ 3,207,000 for the SPSO for 2013/14, representing a 2.7% reduction on the 2012/13 budget.

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16. The SPSO appears to be well placed to ensure expenditure remains in line with the budget as it has a budgeting framework in place which is appropriate and supports the structure and operations of the organisation particularly in light of the current economic climate.

Corporate governance and systems of internal control

Overall governance arrangements

17. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the SPSO had sound governance arrangements in place supported by a risk management policy and risk register.
18. The SPSO's governance statement has been assessed as complying with good practice. The governance statement includes
- details of the governance framework of the organisation
 - an assessment of corporate governance with reference to compliance with generally accepted best practice principles and relevant guidance,
 - an assessment of the organisation's risk management arrangements and risk profile, including, details of significant risk-related matters arising during the period
 - a statement to confirm there were no significant lapses of data security during the year.

Accounting and internal control systems

19. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
20. Internal audit is an important element of the SPSO's governance structure, and is provided by the Scottish Legal Aid Board through a shared services agreement.
21. During 2012/13 the Internal Auditors reviewed and reported on:
- areas of accounting and budgeting
 - business continuity
 - payroll
 - facilities management.
22. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud, irregularity, and corruption

23. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions.
24. In our Annual Audit Plan we also highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the SPSO's overall arrangements for the prevention of fraud, irregularity and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularity or corruption entirely.

Performance and Best Value

Performance

25. Since 2009/10 the SPSO has experienced a 23% increase in complaints, and a 15% reduction in resources, excluding funding for new areas of responsibility.
26. In 2012/13 the Ombudsman reported that complaints rose by 5% and the office dealt with 9% more complaints than the previous year. Close monitoring of quality and performance measures has enabled the SPSO to improve productivity in 2012/13.

Best value

27. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with the SPSO agree to undertake local work in this area.
28. The Public Services Reform (Scotland) 2010 Act provided the Ombudsman with new powers and duties to oversee the development of standardised model complaints handling procedures in Scotland. The Act provides the Ombudsman with the authority to publish model Complaints Handling Procedures (CHP) for service providers and gives the Ombudsman powers to require bodies to comply with these procedures. The Act also provides the Ombudsman with a duty to monitor and promote best practice in complaints handling for relevant public service delivery staff. The Ombudsman continued the work with the different sectors to develop model complaints handling procedures and support implementation through 2012-13. CHP were published in March and April 2012 for the local government and registered social landlord sectors, December 2012 for the further and higher education sectors and March 2013 for the Scottish Government, Scottish Parliament and Associated Public Authorities in Scotland.

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29. From our audits of numerous Commissioner and Commission bodies we note the considerable time investment made to ensure effective risk management and governance arrangements, and also for the preparation of financial accounts. At a time of reducing budgets we would encourage public bodies of a similar nature and size to work supportively with each other, sharing skills and strengths and internal developments which demonstrate best practice in these areas, in the pursuit of best value.
 30. The SPSO has identified economies of scale through shared services opportunities with other commissioners. The SPSO has shared location arrangements in place with the Scottish Commission for Human Rights and provides Human Resource services to Scotland's Commissioner for Children and Young People.

Outlook

31. We confirm the financial sustainability of the office of the SPSO on the basis of its financial position and projected financial summary for 2013/14.

Acknowledgements

32. We would like to express our thanks to the staff of the SPSO for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.