

# Scottish Public Services Ombudsman

## Annual report on the 2013/14 audit



Prepared for the Scottish Public Services Ombudsman and the Auditor General for Scotland  
September 2014

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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# Contents

Introduction .....	4
Financial statements .....	5
Financial planning .....	5
Governance and accountability .....	6
Prevention and detection of fraud, irregularities, and corruption .....	6
Outlook.....	7
Acknowledgements .....	7

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## Introduction

1. The Scottish Public Services Ombudsman (SPSO) 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 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.
3. 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. This includes local authorities, NHS bodies, housing associations, colleges & universities, prisons, Scottish Water and the Scottish Government and its agencies and departments
  - 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.
4. This report is the summary of our findings arising from the 2013/14 audit of SPSO. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any 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 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.

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## Financial statements

### Conduct and scope of the audit

7. 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 Audit and Advisory Committee on 25 February 2014, and follow the requirements of the Code of Audit Practice.
8. 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 2013/14 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any work additional to our planned audit activity this fee remains unchanged.

### Audit opinion

9. We have given an unqualified opinion that the financial statements of SPSO for 2013/14 give a true and fair view of the state of the body's affairs and its net operating cost for the year. The audit opinion was formally issued and signed on 6 August 2014.
10. We received the unaudited financial statements on 1st July 2014 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 July 9th 2014.
11. SPSO is required to follow the 2013/14 FReM and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

### Financial position

12. The main financial objective for SPSO is to ensure that the cash drawn down for the year is within the budget allocated by the SPCB. In 2013/14 SPSO recorded cash expenditure of £3.232m. Cash drawn down from the SPCB totalled £3.210m which was below budget in part due to additional income generated through training and shared services activities.
13. A net assets position of £221,000 was recorded in 2013/14 compared to a net assets position of £347,000 in 2012/13. This has arisen predominantly as a result of the depreciation of non-current assets.

## Financial planning

14. During the year, SPCB approved a budget of £3.236m for 2014/15 which represents an increase of around 1% on the budget for 2013/14.
15. The overall number of complaints received by SPSO continues to rise. To date SPSO have been able to manage this increase within their existing resource budget but if this trend continues SPSO will need to ensure that they have sufficient funds available to meet future activity levels.

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## Governance and accountability

### Overall governance arrangements

16. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that SPSO had sound governance arrangements in place supported by a risk management policy and risk register.
17. The Ombudsman is responsible for the overall governance of the body. He is supported in this task by the Audit and Advisory Committee who provide advice and assurance on the adequacy of governance and reporting arrangements within the organisation. The Committee met four times during the 2013/14 financial year.

### Accounting and internal control systems

18. 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.
19. Internal audit is an important element of SPSO's governance structure, and is provided by the Scottish Legal Aid Board through a shared services agreement.
20. During 2013/14 Internal Audit reviewed and reported on:
  - public records management
  - payroll
  - procurement
  - network services.
21. No material weaknesses in the accounting and internal control systems were identified during our 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, irregularities, and corruption

22. SPSO is responsible for establishing arrangements to prevent and detect fraud, irregularities, and corruption. We review and report on these arrangements.
23. In our opinion SPSO's overall arrangements for the prevention of fraud, irregularities and corruption are satisfactory, although it should be noted that no system can eliminate the risk of fraud, irregularities or corruption entirely. Best Value and performance

### Best Value

24. Scottish Government guidance for accountable officers on best value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance

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identifies the themes an organisation needs to focus on in order to deliver the duty of best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

25. 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.
26. SPSO continues to provide a shared office facility with the Scottish Commission for Human Rights and provides Human Resource services to Scotland's Commissioner for Children and Young People. SPSO have also recently entered into a service level agreement with the Scottish Government to receive Information Technology and network services.

## Performance

27. The number of complaints received by the Ombudsman in 2013/14 rose by 8% from 2012/13. This was the fifth consecutive annual increase in the number of complaints received. SPSO will need to carefully monitor the number of complaints received to ensure it has the capacity required to meet the increasing demands on the organisation.
28. SPSO set three internal performance targets based on timescales taken to handle different types of complaints. In 2013/14 two out three of these targets were achieved. SPSO have developed a plan to improve their performance against the one missed target. A six month pilot project carried out this year was developed specifically to increase their performance in this area and this project is due to be expanded in 2014/15.
29. SPSO have improved their internal systems for handling complaints against their own services. The number of complaints fully or partially upheld during 2013/14 was 29%.

## Outlook

30. Plans to expand the remit of SPSO are continuing. The Welfare Funds (Scotland) Bill introduced to Parliament on the 11th June 2014 proposes that SPSO is given responsibility for administering the second tier review of decisions to make awards from the Scottish Welfare Fund. The additional estimated costs of this proposal have been published in the financial memorandum accompanying the Bill, and are between £250,000 and £400,000 per annum. SPSO expects to receive additional funding to meet these costs.

## Acknowledgements

31. We would like to express our thanks to the staff of 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.

