

FRAMEWORK DOCUMENT

Between

The Pensions Ombudsman and
Pension Protection Ombudsman

&

The Department for Work and Pensions

Effective from 1 August 2014

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Introduction

This framework document has been drawn up by the Department for Work and Pensions (DWP) in consultation with The Pensions Ombudsman (PO) and Pension Protection Fund Ombudsman (PPFO).

This document sets out the broad framework within which the PO and PPFO will operate in relation to business and financial matters. DWP recognises the PO's independence in exercising judicial functions and has no influence over the exercise of those functions either directly or indirectly.

The document does not convey any legal powers or responsibilities. It is signed and dated by DWP and the Pensions Ombudsman. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the PO's website.

1.0 Legal origins of powers of the Pensions Ombudsman

1.1 The statutory authority for the PO is Part X of the Pension Schemes Act 1993. This has subsequently been amended by Part IV of the Pensions Act 1995, Chapter II of Part II of the Child Support Pensions and Social Security Act 2000 and by Part V of the Pensions Act 2004.

1.2 The statutory authority for a Deputy Pensions Ombudsman (DPO) is set out in section 274 of the Pensions Act 2004.

1.3. All references to the PO within this document, except those concerning his role as Accounting Officer and as Principal Officer for handling cases involving the Parliamentary Ombudsman, should be taken to include the DPO.

2.0 Legal origins of powers of the Pension Protection Fund Ombudsman

2.1 The statutory authority for the PPFO is set out in section 209 of the Pensions Act 2004. This is supplemented by Regulations.

2.2 The statutory authority for the PPFO to deal with appeals in relation to the Financial Assistance Scheme is found in section 286 of the Pensions Act 2004. This is supplemented by Regulations.

3.0 The functions of the PO and the PPFO

3.1 The Pensions Ombudsman is responsible for investigating and determining:

- a) specified authorised complaints about maladministration by trustees,

- managers and employers involved with occupational and personal pension schemes;
- b) disputes of fact or law between specified authorised complainants and trustees, managers and employers involved with occupational and personal pension schemes;
 - c) any question about carrying out trustee duties when it is referred to him by a trustee who is the sole trustee of the scheme.

3.2 The Pensions Protection Fund Ombudsman's role is to investigate and decide:

- a) complaints about some decisions made by the Pension Protection Fund Board – these are known as reviewable matters;
- b) complaints about the way people and their cases have been handled by the Pension Protection Fund; and
- c) appeals against decisions issued by the Scheme Manager of the Financial Assistance Scheme.

4.0 Ministerial responsibility

4.1 The Secretary of State, or the Minister for Pensions DWP, will account for business in Parliament.

5.0 DWP Accounting Officer's specific accountabilities and responsibilities

5.1 The DWP's Principal Accounting Officer (PAO) has designated the Pension Ombudsman as the PO's Accounting Officer. The PAO is accountable to Parliament for the issue of any grant-in-aid to the PO. The PAO is also responsible for advising the responsible minister:

- on an appropriate framework of objectives and targets for the PO in the light of DWP's wider strategic aims and current priorities;
- on an appropriate budget for the PO in the light of DWP's overall public expenditure priorities; and
- how well the PO is achieving its strategic objectives and whether it is delivering value for money.

5.2 The PAO is also responsible for ensuring arrangements are in place in order to:

- monitor the PO's activities;

- address significant problems in the PO, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to DWP and PO's objectives and activities;
- inform the PO of relevant government policy in a timely manner;
- bring concerns about the activities of the PO to the Departmental board if appropriate requiring explanations and assurances that appropriate action has been taken.

5.3 The Stewardship team is the primary contact for the PO. They are the main source of advice to the responsible minister on the discharge of his or her responsibilities in respect of the PO. They also support the PAO on his or her responsibilities toward the PO.

6.0 Responsibilities of the Pensions Ombudsman as the PO Accounting Officer

General

6.1 The PO as Accounting Officer is personally responsible for safeguarding the public funds for which he has charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the two bodies. In addition, he should ensure that the bodies are run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 to Managing Public Money.

Responsibilities for accounting to Parliament

6.2 The AO's accountabilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;
- ensuring that effective procedures for handling complaints about the bodies are established and made widely known within the PO;
- acting in accordance with the terms of this document, [Managing Public Money](#) and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office;

- giving evidence, normally with the PAO, when summoned before the Public Accounts Committee on the bodies' stewardship of public funds.

Responsibilities to DWP

6.3 Particular responsibilities to DWP include:

- establishing, in agreement with DWP, the bodies' corporate and business plans in the light of DWP's wider strategic aims and current priorities;
- informing DWP of progress in helping to achieve the department's policy objectives and in demonstrating how resources are being used to achieve those objectives; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided to DWP;
- that DWP is notified promptly if over or under spends are likely and that corrective action is taken; and
- that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to DWP in a timely fashion.

7.0 Role of the Pensions Ombudsman

7.1 The Ombudsman as the senior person in the organisation is responsible for:

- discharging the responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- ensuring that financial considerations are taken fully into account at all stages in reaching and executing decisions, and that financial appraisal techniques are followed;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control;
- establishing and taking forward the strategic aims and objectives of the PO consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
- ensuring that DWP is kept informed of any changes which are likely to impact on the strategic direction or on the attainability of targets, and determining the steps needed to deal with such changes;
- advising DWP on performance compared with the PO's aims and objectives;
- promoting the efficient and effective use of staff and other resources

8.0 Annual report and accounts

8.1 The PO must publish an annual report of its activities together with its audited accounts after the end of each financial year. The PO shall provide the department its finalised accounts by a date to be mutually agreed each year in order for the accounts to be consolidated with the DWP's.

8.2 The annual report must:

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Financial Reporting Manual (FReM); and
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

8.3 Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the PO's website, in accordance with the guidance in the FReM. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the FReM.

9.0 Internal audit

9.1 The PO shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS)
- <https://www.gov.uk/government/publications/uk-public-sector-internal-audit-standards-published>
- set up an Audit Committee in accordance with the Code of Good Practice for Corporate Governance and the [Audit and Risk Assurance Committee Handbook](#). The Audit Committee should be chaired by an independent member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems; and
- keep records of, and prepare and forward to the department an annual report on fraud and theft suffered by the PO and notify DWP of any unusual or major incidents as soon as possible.

10.0 External audit

10.1 The Comptroller & Auditor General (C&AG) audits the PO's annual accounts and the Secretary of State for DWP lays them before Parliament, together with the report.

10.2 The C&AG:

- will consult the department and PO on whether the NAO or a commercial auditor shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from PO;
- will share with the DWP information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on DWP's responsibilities in relation to financial systems within PO;
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

10.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which PO has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, PO shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

Right of access

10.4 The department has the right of access to all relevant documents for any purpose including, for example, sponsorship audits and operational investigations. This does not include access to casework documents.

11.0 Management and financial responsibilities

Managing Public Money and other government-wide corporate guidance and instructions

11.1 Unless agreed by DWP and, as necessary, HM Treasury, the PO shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the Pensions Stewardship Team in DWP in the first instance. A list of guidance and

instructions with which the PO should comply is in Appendix 1.

11.2 Once the budget has been approved by DWP and subject to any restrictions imposed by statute and the responsible minister's instructions, PO shall have authority to incur expenditure approved in the budget without further reference to the sponsor department, on the following conditions:

- the PO shall comply with the delegations set out in Appendix 2. These delegations shall not be altered without the prior agreement of DWP;
- the PO shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- the PO shall provide DWP with such information about its operations, performance, individual projects or other expenditure as DWP may reasonably require.

12.0 Corporate Governance

Appointment of the Pensions Ombudsman and the Deputy Pensions Ombudsman

12.1 The PO and the DPO are appointed by the Secretary of State. These appointments will comply with the Commissioner for Public Appointments [*Code of Practice for Ministerial Appointments to Public Bodies*](#)

Risk Management

12.2 The PO shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance [*Management of Risk: Principles and Concepts*](#).

It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on tackling fraud: http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf

It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract.

Corporate and business plans

12.3 The PO shall submit annually to the Pensions Stewardship Team a draft of the corporate plan covering three years ahead. The draft should be submitted by a date agreed with DWP each year. PO shall agree with DWP the issues to be addressed in the plan and the timetable for its preparation. The plan shall reflect PO's statutory duties and, within those duties, the priorities set from time to time by the responsible minister (including decisions taken on policy and resources in the light of wider public expenditure decisions). The plan shall demonstrate how PO contributes to the achievement of DWP's wider strategic aims and priorities.

12.4 The first year of the corporate plan, amplified as necessary, shall form the business plan. The business plan shall be updated to include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the department. Subject to any commercial considerations, the corporate and business plans should be published by PO on its website and made available to staff.

12.5 The following key matters should be included in the plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- a review of performance in the preceding financial year, together with comparable outturns for the previous two years, and an estimate of performance in the current year;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as agreed between DWP and PO.

Budgeting procedures

12.6 Each year, in the light of decisions by DWP on the updated draft corporate plan, DWP will send to PO a formal statement of the annual budgetary provision.

12.7 The approved annual business plan will take account both of approved funding provision and any forecast receipts where appropriate, and will

include a budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.

Grant-in-aid and any ring-fenced grants

12.8 Any grant-in-aid provided by the department for the year in question will be voted in the department's Supply Estimate and be subject to Parliamentary control.

12.9 The grant-in-aid will normally be paid in quarterly instalments on the basis of written applications from PO showing evidence of need. The PO will comply with the general principle that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the PO. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, DWP will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

12.10 In the event that DWP provides the PO separate grants for specific ring fenced purposes, it would issue the grant as and when the PO needed it on the basis of a written request. The PO would provide evidence that the grant was used for the purposes authorised by DWP. The PO shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

Reporting performance to the department

12.11 The PO shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The PO shall inform DWP of any changes that make achievement of objectives more or less difficult. It shall report to DWP on financial and non-financial performance, including performance in helping to deliver ministers' policies, and the achievement of key objectives. The PO's performance shall be formally reviewed by DWP quarterly.

Providing monitoring information to the department

12.12 As a minimum, the PO shall provide the department with information quarterly that will enable the department satisfactorily to monitor:

- its cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings;
- other data required for the Online System for Central Accounting and Reporting (OSCAR).

Working level liaison arrangements

12.13 Officials of the Pensions Stewardship Team and Finance Business Partners in DWP will liaise regularly with PO officials to review PO financial performance against plans, achievement against PO targets and PO expenditure against funding delegated to Pensions Ombudsman from DWP. The Stewardship team and Finance Business Partners will also take the opportunity to explain wider policy and financial developments that might have an impact on PO.

Delegated authorities

12.14 The PO's delegated authorities are set out in Appendix 2. In addition to these authorities, the PO's expenditure is captured by [Cabinet Office spending controls](#). DWP Ministers may delegate levels of expenditure within these controls to the PO from time to time.

12.15 The PO shall obtain the department's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the PO's annual budget as approved by the department;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

13.0 PO's staff

Broad responsibilities for staff

13.1 Within the arrangements approved by the responsible minister, the PO will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit; there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and the PO performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the PO's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the Cabinet Office's [Model Code for Staff of Executive Non Departmental Public Bodies](#).

Staff costs

13.2 Subject to its delegated authorities, the PO shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

Pay and conditions of service

13.3 The PO's staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by DWP and the Treasury.

Staff terms and conditions should be set out in an Employee Handbook, which should be provided to DWP together with any subsequent amendments.

If the PO operates a performance related pay scheme it shall form part of the annual aggregate pay budget approved by DWP (or the Treasury if applicable).

Pensions, redundancy and compensation

13.4 The PO's staff shall normally be eligible for a pension provided by PCSPS. Staff may opt out of the occupational pension scheme provided by the PO.

13.5 Any proposal by the PO to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office as set out from time to time in Cabinet Office guidance, requires the prior approval of DWP and the Cabinet Office. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

14.0 Review of PO's status

14.1 The PO will be reviewed every 3 years or in line with any Cabinet Office requirement should this cycle change. The next review will be in the financial year 2016/17.

Arrangements in the event that the PO is wound up

14.2 The DWP shall put in place arrangements to ensure the orderly winding up of the body. In particular it should ensure that the assets and liabilities of the PO are passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to the sponsor department. To this end, the DWP shall:

- ensure that procedures are in place in the PO to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the bodies' assets and liabilities;
- ensure that arrangements are in place to prepare closing down accounts and pass to the C&AG for external audit. It shall be for the C&AG to lay the final accounts in Parliament together with his report on the accounts;
- arrange for the most appropriate person to sign the closing accounts. In the event that another body takes on the role, responsibilities, assets and liabilities, the succeeding AO should sign the closing accounts. In the

event that the DWP inherits the role, responsibilities, assets and liabilities, the DWP's AO should sign.

14.3 The PO shall provide the DWP with full details of all agreements where the bodies or their successors have a right to share in the financial gains of developers. It should also pass to the DWP details of any other forms of claw-back due to it.

Signed



Date 25 July 2014
(On behalf of the department)

Signed



Date 30 July 2014
(On behalf of the PO)

APPENDIX 1

Compliance with government-wide corporate guidance and instructions

PO shall comply with the following general guidance documents and instructions:

- this document;
- Appropriate adaptations of sections of *Corporate Governance in Central Government Departments: Code of Good Practice*
<https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>
- *Code of Practice for Ministerial Appointments to Public Bodies*
<http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-2012.pdf>
- *Managing Public Money* (MPM);
<https://www.gov.uk/government/publications/managing-public-money>
- Public Sector Internal Audit Standards,
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>
- Management of Risk: Principles and Concepts:
<https://www.gov.uk/government/publications/orange-book>
- HM Treasury Guidance on Tackling Fraud
http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf
- Government Financial Reporting Manual (FReM)
<https://www.gov.uk/government/publications/government-financial-reporting-manual>
- Fees and Charges Guide, Chapter 6 of MPM;
- Departmental Banking: A Manual for Government Departments, annex 5.6 of MPM;

- relevant Dear Accounting Officer letters;
- Regularity, Propriety and Value for Money,
http://webarchive.nationalarchives.gov.uk/20130129110402/http://hm-treasury.gov.uk/psr_governance_valueformoney.htm
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration <http://www.ombudsman.org.uk/improving-public-service/ombudsmansprinciples>
- Consolidation Officer Memorandum, and relevant DCO letters;
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office)
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide2006_5_public_body_staffv2_0.pdf;
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by the central Departments;
- specific instructions and guidance issued by the sponsor Department;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the NDPB.

APPENDIX 2

Delegated Powers

The delegated powers of the PO in respect of grant in aid are set out below.

The PO has personal authority to write off individual losses under £2,500 without prior consultation with the department and an overall limit of £10,000 in any financial year. Losses are defined monies or items of monetary value which have been erroneously expended or removed in the normal course of business and are deemed irrecoverable. This does not include losses arising from the disposal of fixed assets that are disposed of through the normal course of business, but does include losses arising from the theft or loss of fixed assets. Once the PO's budget has been approved by the Department, and subject to any restrictions imposed by the Department, it shall have authority to incur expenditure approved in the budget without further reference to the Department, on the following conditions:

- a. the PO shall comply with his responsibilities as accounting officer as set out in this document;
- b. the PO shall comply with Managing Public Money;
- c. inclusion of any planned and approved expenditure in the PO's budget shall not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits; and
- d. the PO shall provide the Department with such information about his office's operations, individual projects or other expenditure as detailed in this document.

Subject to the delegated limits set out here, the PO does not possess the power to:

- a. commit any material capital expenditure for the purchase of assets, capital projects, lease agreements or contracts, which was not included in the annual grant in aid capital expenditure submission without the approval of the Department;
- b. dispose of any individual fixed asset which was not included in the annual grant in aid capital expenditure submission without the approval of the Department.