

Presented pursuant to c. 32, Section 12(6)(b) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003

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# Police Service of Northern Ireland Account 2007-2008

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# Police Service of Northern Ireland Account 2007-2008

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## Foreword

### Background information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year to which they relate as the Secretary of State may determine. This is to allow the Policing Board to meet their own specific requirements under Section 12(1)(a) of the Act.

### Principal activities

The Police Service of Northern Ireland (PSNI) exists to provide effective, high quality and professional policing to all of the people living in Northern Ireland. It aims to do this by working closely with, and in, the whole community. The key themes, which continually drive forward the development of policing services, are partnership and co-operation, both with the community served and with other agencies in the private, public and voluntary sectors. All of this is done against a background of ongoing change and improvements and with a determination to make best use of finite resources, whether financial or human, to provide the best value services possible.

### Accounts direction

The Annual Report and Accounts have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12(3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003.

### Chief Officers

The Chief Officers who served throughout the year were as follows

*Sir Hugh Orde*

Chief Constable

*Paul Leighton*

Deputy Chief Constable

*Peter Sheridan*

Assistant Chief Constable Crime Operations

*Roy Toner*

Assistant Chief Constable Operational Support

*Drew Harris*

Assistant Chief Constable Criminal Justice

*Duncan McCausland*

Assistant Chief Constable Urban Region

*Judith Gillespie*

Assistant Chief Constable Rural Region

*Alistair Finlay*

Assistant Chief Constable Crime Support

*David Best*

Director of Finance & Support Services

*Joe Stewart*

Director of Human Resources

Further details are provided in the Remuneration Report section on page 13.

## Corporate Governance

Corporate Governance within PSNI is structured on a committee model, reporting to the Chief Constable's Forum (CCF) made up of all Chief Officers and chaired by the Chief Constable.

Each sub committee of the CCF consists of relevant Chief Officers and other members of the Senior Management Team. These committees provide a conduit through which major policy decisions are formulated and exercise responsibility for specific aspects of governance within the Police Service.

The key sub committees supporting the CCF are the

- Information Management Steering Group;
- Strategic Tasking Coordinating Group;
- Finance, Personnel and Training Committee;
- Organisational Development Committee;
- Supplies, Estates and Transport Committee; and
- Audit and Risk Committee.

The role of the Audit and Risk Committee is to advise the Chief Constable on the adequacy of internal control arrangements including risk management and governance. This committee currently includes two Non-Executive Members, one as Chair, with both Internal and External Audit invited to attend.

## Company directorships

Chief Officers held no company directorships or other significant interests which conflicted with their management responsibilities.

## Fixed assets

Details of the movement in fixed assets are set out in notes 8 and 9 to the Accounts. There are no significant differences between the market values and book values of land and buildings to be disclosed.

## Research and development

PSNI has no activities in the defined field of research and development.

## Interest rate and currency risk

PSNI has no borrowings, relying primarily on Departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits. As all significant assets and liabilities are determined in sterling, it is not exposed to material interest rate risk or currency risk.

## Future developments

The Northern Ireland Policing Board, in conjunction with the PSNI, published a Policing Plan covering the period 2008-2011 in March this year. The Policing Plan sets out performance indicators and targets by which the Service will be held to account.

The Plan was developed in consultation with the community. It places an emphasis on meeting the needs of the public and establishes a framework through which a professional and progressive policing service will be delivered.

A copy of the Policing Plan 2008-2011 can be viewed on the Policing Board's website ([www.nipolicingboard.org.uk](http://www.nipolicingboard.org.uk)) or the PSNI website ([www.psnipolice.uk](http://www.psnipolice.uk)), as well as being available in a number of other formats.

The PSNI will continue to work to reduce all crime; especially those areas of most concern to the communities we serve including anti-social behaviour, violent crime, domestic burglary and road policing.

We will continue to build on the effective partnership working between police officers and local communities. At a local level, we have officers and members of the community working together in District Policing Partnerships and other forums, setting policing priorities and working to reduce and prevent crime. This work is making a real difference.

As with all public services throughout Northern Ireland, the Police Service is faced with the reality of reducing resources. Reducing resources will mean challenges and choices not only for the Police Service but also for the whole community, and its representatives. Working in partnership with the community will be essential in order to continue to provide the best possible policing service within the resources available.

### Charitable donations

PSNI made no charitable or political donations during the year.

### Disabled persons

PSNI is an equal opportunity employer and took full cognisance of the Northern Ireland Civil Service Code of Practice on the employment of people with disabilities.

### Employee involvement

PSNI maintains regular communications and contact with managers and staff through meetings, team briefings, seminars, circulars, information bulletins and staff newsletters. It also has well established arrangements for formal consultation with recognised Trade Union representatives on all significant developments affecting staff.

### Health and safety

PSNI is committed to providing for staff an environment that is as far as possible safe and free from risk to health. In line with this commitment, PSNI complied with the relevant legislation.

### Payment of suppliers

PSNI is committed to the prompt payment of bills for goods and services received in accordance with the Government's Better Payments Practice Code and British Standard BS 7890 'Achieving Good Payment Performance in Commercial Transactions'. Unless otherwise stated in the contract, payment was due within 30 days of the receipt of the goods or services or presentation of a valid invoice or similar demand, whichever is later.

Following the full implementation of a new efinance payment system during the previous year, PSNI paid 92 per cent of all invoices within 30 days (95 per cent in 2006-2007).

### Pension liabilities

The pension liabilities of Police Officers are accounted for separately in the PSNI Police Pension Accounts. Pension benefits and liabilities for Police Staff are provided through the Principal Civil Service Pension Scheme (NI). (See further details in the Remuneration Report on page 10 and note 3 to the Accounts.)

## Audit services

The Accounts of the Police Service of Northern Ireland are required to be audited by the Comptroller and Auditor General who is responsible for laying the accounts before both Houses of Parliament at Westminster.

The audit fees for this year are £69,700 (2006-2007: £68,000). This includes the audit fees in respect of the Police Pension Accounts, the Police Fund and the Police Property Fund.

So far as the Chief Constable is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. The Chief Constable has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

## Chief Constable's Annual Report

A full certified copy of the Annual Report and Accounts will be available on the PSNI's website ([www.psni.police.uk](http://www.psni.police.uk)) together with the Chief Constable's general report 2007-2008 due to be published in June 2008. The Chief Constable's report is posted to every household in Northern Ireland.

## Police Pension Accounts, Police Fund and Police Property Fund

Financial Statements for the Police Pension Accounts, Police Fund and Police Property Fund are prepared separately.



## Management Commentary

This Management Commentary focuses on matters that are relevant to all users of the financial statements. Although it is designed to be a self-standing document, much of the information contained in it is simply a summary of information provided in other documents and is therefore cross-referenced as appropriate.

The Management Commentary discusses the following main areas

- Nature of the business;
- Review of performance and future development;
- Risks and uncertainties; and
- Review of financial position and resources.

### Nature of the business

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland.

The Police Service of Northern Ireland (PSNI) provides effective, efficient and professional policing to the people of Northern Ireland. It aims to achieve this by working closely with local communities. It is the role of the Police Service to work to reduce crime and the fear of crime and to work closely with the public to ensure a safer Northern Ireland for all.

The vision of the PSNI is to provide a service that everyone can be proud of because it delivers policing at its best. While delivering this, officers and staff adhere to the values of honesty and openness; fairness and courtesy; partnerships, performance, professionalism; and respect for the rights of all.

Today the Police Service is open and transparent. It is scrutinised and accountable and satisfaction and confidence rates with policing across the community are at an all time high.

The Northern Ireland Policing Board is an independent public body established under the Police (Northern Ireland) Act 2000. The Policing Board is responsible for overseeing policing in Northern Ireland, for supporting the PSNI in its aim to deliver effective and efficient policing, and for holding the police to account, through the Chief Constable, for delivery of those aims.

Each year the PSNI and the Policing Board publish an annual Policing Plan in accordance with the Police (Northern Ireland) Act 2000. The annual Policing Plan is prepared by the Chief Constable, agreed by the Board and endorsed by the Secretary of State. It sets out specific annual performance targets and indicators for the PSNI and takes a strategic view of policing in Northern Ireland over the next three years.

Local policing plans are also produced for each of the eight District Command Units. These plans are developed in consultation with the local community and District Policing Partnership. They place an emphasis on local issues and set out indicators and targets by which each District will be held to account.

A copy of the annual Policing Plan is available on the Policing Board's website ([www.nipolicingboard.org.uk](http://www.nipolicingboard.org.uk)) or the PSNI website ([www.psnipolice.uk](http://www.psnipolice.uk)), as well as being available in a number of other formats.

### Review of performance and future development

During the year the Policing Board monitors and reviews PSNI's progress in meeting the targets set out in the annual Policing Plan. This oversight is carried out in part during the Policing Board's public meetings where the Chief Constable provides a report on progress towards all targets. This process of accountability allows the Chief Constable to outline remedial actions being taken to address underperformance and to outline good practice which has resulted in improved performance.

After the end of the financial year the Chief Constable submits an annual report to the Policing Board. This report is published by the Chief Constable and sent to the Secretary of State who lays it before Parliament. A copy of this report for 2007-2008 is available on the PSNI website [www.psnipolice.uk](http://www.psnipolice.uk), as well as being available in a number of other formats.

The Policing Board must also produce a report on the extent to which the targets set in the annual Policing Plan have been fulfilled and this information is set out in the Board's Annual Report and Statement of Accounts 2007-2008, available online at [www.nipolicingboard.org.uk](http://www.nipolicingboard.org.uk).

In summary, the results show good police work for the year with PSNI achieving the majority of the targets in the 2007-2008 annual Policing Plan. For those targets that were not achieved, PSNI will work alongside the Board and others to realise improvements in performance.

PSNI are making headway in tackling crime and police performance shows that policing is working in Northern Ireland and that communities are being made safer.

Overall, crime fell by over 10 per cent on the previous year. This has been achieved by continuing to develop new policing techniques and by receiving increased support and assistance from communities. In a number of categories there were substantial decreases in the number of crimes being committed. Recorded offences of Criminal Damage fell by nearly 15 per cent, Theft by nearly 11 per cent, Fraud and Forgery by nearly 38 per cent and Robbery by 27.4 per cent. The number of recorded Violent Crimes reduced by 7.6 per cent, with the number of violent crimes against children falling by 11 per cent.

There were very small increases in some categories of crime. The number of Burglaries rose by 1.2 per cent while the number of recorded Domestic Burglaries fell by 1.7 per cent. There was also a small increase of 1.1 per cent in the number of Sexual Offences recorded.

The drive to make Northern Ireland's roads safer is reflected in an overall improving trend in road safety with fewer deaths and injuries. In part, this is due to the PSNI's strategy on road safety and policing, which seeks to educate drivers and encourage them to modify their behaviour and drive more safely. This was backed up by robust and ongoing enforcement.

In the year ahead, PSNI plan to tackle those issues which continue to be most important to people, including community policing, road policing, violent crime, hate crime, organised crime, domestic burglary and theft, anti-social behaviour and domestic violence. More detail is available in the annual Policing Plan 2008-2011.

Looking to the future, the PSNI will continue to embrace and drive forward change to ensure an effective, efficient and progressive service that best meets the needs of the community.

Change must also be accompanied by consolidation. The eight new District Command Units (DCUs) came into being at the beginning of April 2007. The structure provides greater flexibility and economies of scale that allows the provision of a more effective and efficient police service.

The coming year will see further consolidation of these arrangements. It will also see a number of positive initiatives including the roll out of Public Protection Units in each of the eight Districts. These teams of specially trained police officers are being set up to tackle child abuse and domestic violence; to respond to vulnerable and missing people and to manage violent and sexual offenders in the community.

The ongoing Review of Public Administration will continue to shift the landscape within which policing structures operate. In particular, the re-structure of local government will require continued flexibility and innovative partnership working between local police and local councils. The Police Service constantly reviews the service it provides to ensure the provision of professional and progressive policing. The implications of the local government re-structure will be considered as part of this ongoing process.

The political parties continue their discussions on the devolution of policing and justice. The Chief Constable has made a firm commitment to work with the final decision the Northern Ireland Assembly reaches over the timing and structure of a future department of Policing and Justice.

## Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the PSNI's long term performance. These risks are managed as part of the PSNI's risk and control framework.

The key risk priorities, detailed in the Corporate Risk Register, facing the organisation during 2007-2008 were in the generic areas of funding, historical enquiries and operational policing issues.

## Review of financial position and resources

### Results for the year

The Income and Expenditure Account is set out on page 22 and shows a deficit for the year of £859,150,000 (£1,014,335,000 in 2006-2007).

An amount of £850,106,000 was transferred from reserves after crediting £9,044,000 in respect of the notional cost of capital.

### The total cost of policing

From a budget outturn perspective, as reported in the Chief Constable's annual report 2007-2008 the available total revenue resource funding for 2007-2008 was £1,193.5m. The total projected net revenue resource expenditure for 2007-2008 was £1182.8m, resulting in a surplus of £10.7m (0.9 per cent) of the available resource funding. Projected net capital spend was £40.4m against available funding of £38.4m, resulting in a deficit of £2.0m. The capital overspend will be covered by underspends within the NIO budget. The reported overall underspend, reflects the continued success of devolved budgeting and local empowerment of Districts and Headquarter Departments.

Further details and accompanying pie charts on the cost of policing can be found in the Chief Constable's annual report 2007-2008.

During 2007-2008, the Police Service in accordance with HM Treasury requirements has produced for the first time its financial monitoring reports monthly on a full Resource basis rather than Cash. This was to more accurately reflect the appropriate costs and charges relating to the financial years in which they were incurred.

With the restructuring of DCUs into Districts, Heads of Business Services have been appointed to assist the District Commanders more effectively manage their financial resources, allowing them to direct their activities more towards frontline policing.

We are pleased to note that Gershon Efficiency savings achieved during the last three financial years amount to £71.4m, which is well above the savings target of £62.6m set by Government.

### Estates and environmental matters

PSNI has an estate strategy management document that is periodically reviewed and updated. A copy of this document can be obtained from PSNI website [www.psni.police.uk](http://www.psni.police.uk).

PSNI continue to develop an Environmental Sustainability policy in relation to the development and maintenance of the Police Estate. This focuses on achieving Government targets in relation to reduction of carbon footprints, annual reduction in energy consumption and utilisation of renewable energy sources.

During 2007-2008, PSNI implemented a range of projects designed to achieve these targets including the installation of a Bio Mast Boiler at the Omagh new build project, continued roll out of load management systems and the usual annual tariff renegotiations. The use of ground water for cooling of buildings has been explored in relation to Major Works and will be implemented at a range of locations.

## **Employees**

PSNI places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the organisation. This is achieved through formal and informal meetings, regular briefings, information bulletins and staff newsletters.

Employee representatives are consulted regularly on a wide range of matters affecting current and future interests.

PSNI has a policy of equal opportunities which applies in relation to recruitment of all new employees and to the management of existing personnel. We offer all of our staff training relevant to their roles and this has contributed to the overall performance of the organisation.

## **Social and community issues**

Over the years the Police Service has encouraged officers and staff to give something back to their local community. Many hundreds of fundraising and support activities have been carried out at both local and corporate level.

This year, the Northern Ireland Cancer Fund for Children was chosen as the nominated 'Charity of the Year' for 2008 and for the first time, all of Northern Ireland's 999 emergency services have come together to jointly raise funds for the charity.

The Police Service of Northern Ireland, NI Fire and Rescue Service, NI Ambulance Service and Her Majesty's Coastguard have teamed up to collectively raise money for this charity during 2008.

A huge fundraising campaign will take place throughout the year with police, fire, ambulance and coastguard staff organising their own fundraising events and combining their efforts for a number of joint events planned across Northern Ireland. All funds raised will be used by the charity to develop a 'first of its kind' new cancer support service for children and young people who have a parent living with cancer, as well as help fund the purchase of a property to extend the charity's Shimna Valley retreat in Newcastle, County Down.

## **Going concern**

These financial statements have been prepared on a going concern basis of accounting.

# Remuneration Report

## Remuneration policy

The remuneration of Police Chief Officers is set by the Northern Ireland Policing Board.

In reaching its recommendations, the Policing Board has regard to the following considerations

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments and other public bodies to meet the output targets for the delivery of services;
- the funds available to the organisation;
- the Government's inflation target; and
- Police Negotiating Board pay scales for Chief Officers.

The Policing Board takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

## Service contracts

The Policing Board is responsible for the appointment and service contracts of Chief Officers.

### **Chief Constable and Deputy Chief Constable**

The Chief Constable was appointed by the Policing Board from 1 September 2002 on a five year fixed term contract. In March 2007, the Board offered the Chief Constable a three year extension to his current contract which he accepted.

The Deputy Chief Constable was appointed by the Policing Board from 31 March 2003 on a seven year fixed term contract. However, this fixed term period was reduced to five years, effective from 1 September 2003, in line with the 2004 pay agreement. In May 2008 the Deputy Chief Constable accepted a three year extension to his current contract.

The PSNI Regulations 2005 specify a fixed term of five years for the post of Chief Constable or Deputy Chief Constable, which may be extended for a further term of a maximum of three years and for subsequent terms of a maximum of one year. Any extension or subsequent extension which is due to expire more than one year after the expiry of the original fixed term shall require the consent of the Secretary of State.

Should the Policing Board decide not to extend a contract of the Chief Constable or Deputy Chief Constable, it is required to give a minimum notice period of six months.

### **Assistant Chief Constables**

Fixed Term Agreements for Assistant Chief Constables were abolished from 1 April 2004.

However, there is a requirement for the Policing Board to provide an annual review of appointment in respect of those Assistant Chief Constables with more than 30 years pensionable service and who have reached the age of 55, to determine whether their continuing service is in the interests of the service.

The appointment dates for current Assistant Chief Constables are as follows

Peter Sheridan	1 May 2003
Duncan McCausland	1 September 2002
Roy Toner	1 September 2002
Judith Gillespie	19 May 2004
Drew Harris	13 March 2006
Alistair Finlay	28 August 2006

Peter Sheridan has announced that he will retire from the PSNI on 7 September 2008.

### **Civilian Chief Officers**

The appointment dates for current Civilian Chief Officers are as follows

David Best	1 October 1999
Joe Stewart	3 September 2001

Unless otherwise stated, Civilian Chief Officers hold appointments which are open ended or until they reach retirement age.

Provision for compensation on early termination, for anything other than misconduct, is subject to the advice of the Northern Ireland Office.

There have been no awards made in respect of early termination during the year.

## Salary and pension entitlement

### Chief Officer Salaries

Remuneration and pension information for the year ended 31 March 2008 is provided for Chief Officers of the PSNI as follows

Audited Information	<b>Salary 2007-2008 £000s</b>	Salary 2006-2007 £000s
<i>Sir Hugh Orde</i> Chief Constable	<b>185-190</b>	185-190
<i>Paul Leighton</i> Deputy Chief Constable	<b>165-170</b>	160-165
<i>Peter Sheridan</i> Assistant Chief Constable Crime Operations	<b>120-125</b>	115-120
<i>Duncan McCausland</i> Assistant Chief Constable Urban	<b>115-120</b>	110-115
<i>Roy Toner</i> Assistant Chief Constable Operational Support	<b>110-115</b>	110-115
Judith Gillespie Assistant Chief Constable Rural Region	<b>105-110</b>	100-105
<i>Drew Harris</i> Assistant Chief Constable Criminal Justice	<b>100-105</b>	95-100
<i>Alistair Finlay (Appointed 28 August 2006)</i> Assistant Chief Constable Crime Support (Full year equivalent for 2006-2007)	<b>95-100</b>	70-75 (95-100)
<i>David Best</i> Director of Finance and Support Services	<b>105-110</b>	105-110
<i>Joe Stewart</i> Director of Human Resources	<b>105-110</b>	110-115

#### Note

The above table does not include details of salary to individuals who acted up into post during the year to cover absences due to annual leave.

'Salary' includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

None of the Chief Officers listed above received any benefits in kind during the year to 31 March 2008 or during the year to 31 March 2007.

**Chief Officer Pension Benefits**

	Accrued pension at age 60 as at 31 March 2008 and related lump sum £000's	Real increase in pension and related lump sum at age 60 £000's	CETV at 31 March 2008 £000's	CETV at 31 March 2007 £000's	Real increase in CETV £000's
Sir Hugh Orde <sup>1</sup>	115 – 120	(0 – 2.5)	1,476	1,401	(46)
Paul Leighton <sup>1</sup>	80 – 85	2.5 – 5	1,094	982	28
Peter Sheridan <sup>1</sup>	60 – 65	0 – 2.5	782	712	14
Duncan McCausland <sup>1</sup>	45 – 50	0 – 2.5	575	513	19
Roy Toner <sup>1</sup>	50 – 55	0 – 2.5	620	554	16
Judith Gillespie <sup>1</sup>	45 – 50	2.5 – 5	554	482	27
Drew Harris <sup>1</sup>	40 – 45	2.5 – 5	414	357	25
Alistair Finlay <sup>1</sup>	40 – 45	5 – 7.5	516	418	59
David Best	35 – 40	0 – 2.5	648	577	29
	plus lump sum of 110 – 115	plus lump sum of 5 – 7.5			
Joe Stewart	15 – 20	0 – 2.5	254	223	14
	plus lump sum of 45 – 50	plus lump sum of 0 – 2.5			

## Note

- 1 PSNI Police Officers have the option of electing for a lump sum paid on retirement (up to 25 per cent of their total accrued pension benefits). The figures shown are the gross pension figures assuming no lump sum payment.

These pension benefits are provided through two pension schemes depending on the employment status of the individual. Details of these schemes are as follows

*Principal Civil Service Pension Scheme (NI)*

Pension benefits for PSNI Direct Recruits and Civil Servants seconded from the Department of Finance and Personnel (DFP) are provided through the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)).

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvo is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3 per cent. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvo. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.



The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

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 at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos.

#### *PSNI Police Pension Scheme*

Pension benefits for PSNI Police Chief Officers are provided through the PSNI Police Pension Scheme. This is a statutory scheme that provides benefits on an 'Average Pensionable Pay (APP)' basis at the retirement age, which is compulsory at the age of 65.

To qualify for an ordinary retirement pension, an officer has to complete 25 years service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25 per cent of the pension. Actuarial tables are used to calculate the lump sum. Members pay contributions of 11 per cent of basic pay. Pensions increase in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse, children or civil partner, subject to provisions within the scheme. On death in service, that is not as a result of an injury on duty (IOD), the scheme pays a lump sum benefit of twice pensionable pay, and there are also pension benefits for the spouse and/or children of the deceased.

On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of 5 times pensionable pay is payable, subject to scheme conditions. Medical retirement is possible in the event of serious ill health. Officers with less than 2 years service receive a lump sum benefit (gratuity), and those with more than 2 years service receive an ill-health pension, depending on the number of years of actual pensionable service.

#### *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 CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS(NI) or PSNI Police Pension Scheme arrangements and for which a transfer payment has been received, commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

*Real increase in CETV*

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

*Sir Hugh Orde*  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## Statement of responsibilities of the Police Service of Northern Ireland and the Chief Constable

Under Part 2, Sections 12(1), 12(2) and 12(3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, the Chief Constable of the Police Service of Northern Ireland is required to prepare a statement of accounts on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Secretary of State. The annual financial statements are prepared on an accruals basis and must give a true and fair view of the income and expenditure, total recognised gains and losses and cash flows for the financial year and the balances held at the year end.

In preparing the accounts, the Chief Constable of the PSNI is required to comply with the requirements of the Government Financial Reporting Manual and in particular to

- observe the Accounts Direction issued by the Northern Ireland Office, 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 the going concern basis.

The Accounting Officer for the Northern Ireland Office has appointed the Chief Constable of the Police Service of Northern Ireland as Accounting Officer for the Police Service of Northern Ireland. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Police service of Northern Ireland, are set out in Managing Public Money published by HM Treasury.

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, 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 directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to 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 organisational 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 PSNI for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk. This work has included two training events for Risk Managers, bespoke training days for departments and one to one visits with every District Commander and District Risk Management Team.

## The risk and control framework

A Risk Policy Framework document is available to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting arrangements. The Risk Policy Framework document was reviewed and updated at the end of 2006-2007 and the revised policy published to the organisation in June 2007.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2007-2008. Following corporate restructuring on 1 April 2007, Area risk registers and District risk registers were merged to reflect the new District Command structure. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2007-2008. The Register has been revised and updated to take account of the new priorities for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum. The key risk priorities facing the organisation during 2007-2008 were in the generic areas of funding, historical enquiries and operational policing issues.

Stewardship reporting is a key element of ensuring accountability and ownership of risks and their management within the organisation. All Chief Officers and Senior Managers are required to sign a Stewardship Statement on a half yearly basis to confirm that over a period of time, they have reviewed the risk register for their respective areas of responsibility and assessed the management of the risks identified. The signing of the Stewardship Statements helps to provide assurance that all risks are being managed in the organisation.

The Audit and Risk Committee, which is chaired by a Non-Executive Member, is responsible for monitoring the PSNI's risk management and internal controls on a regular basis during the year. This Committee receives reports from internal and external audit and, in addition, reports presented on the risk management process. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary and other independent monitoring bodies, adding to the framework of assurance.

Significant progress has been made in the overall governance arrangements within the organisation and work is currently underway to further improve the operation and reporting arrangements of the governance Committees. In particular, the organisation is continuing to work on implementing a systematic process for coordinating assurance and third party reporting. A programme of work has been progressed which is focussed on eliminating duplication of effort from external recommendations by formally capturing, tracking and discharging recommendations from third parties.

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and will provide increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. During 2007-2008 PSNI continued to improve risk management procedures by implementing the recommendations of major reviews carried out in previous years. This has led to an increased capacity to identify frequently occurring risks, the development of risk templates and critical assessment of individual risk registers to improve assurance and accountability. Significant progress has already been made in these areas and there is a programme of work in place to continue development throughout 2008-2009.

PSNI have also appointed a Senior Information Risk Owner who is a member of the executive management team. PSNI comply with Communications–Electronics Security Group (CESG) and national guidance on information assurance and have an Information Assurance Unit which specifically addresses assurance issues pertaining to the collection, use, storage and retrieval of information.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Chief Officers and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk.

During the year Deloitte & Touche LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisations system of internal control.

The provision of a new Training College continues to be central to the future performance of the Police Service. During the year, PSNI joined a strategic partnership with the Northern Ireland Fire & Rescue Service and the Prison Service, in relation to the shared utilization and development of the proposed College. This approach is supported by both the Strategic Investment Board and the Northern Ireland Office. However, key aspects of the joint development remain to be assessed and the consequential delay may lead to increased costs although financial benefits will accrue from the tri-partite approach. These issues are being addressed through the project governance structures.

PSNI is still required to divert significant effort and resources to the policing of historical events and enquiries. As a result of meeting these pressures, the effect has been a reduction in the level of resources available to other core areas of policing. Effectively managing these demands represents a significant challenge for the Police Service.

The loss of some specialist skills and the difficulties in both developing and recruiting such skills remains a key risk to successfully investigating crime. During the year, PSNI actively pursued a range of measures to mitigate this risk.

The results of a number of reviews have indicated an element of non-compliance with service procedures at a local level and some delay with implementing agreed recommendations. These issues have been highlighted to the organisation and plans are in place to improve performance and increase the assurance level.

*Sir Hugh Orde*  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Police Service of Northern Ireland for the year ended 31 March 2008 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Police Service of Northern Ireland, the Chief Constable and Auditor

The Police Service of Northern Ireland and the Chief Constable as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Responsibilities of the Police Service of Northern Ireland and the Chief Constable.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland. I report to you whether, in my opinion, the information, which comprises the Foreword and Management Commentary included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Police Service of Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Police Service of Northern Ireland's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Police Service of Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Police Service of Northern Ireland and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Police Service of Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Service of Northern Ireland's affairs as at 31 March 2008 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland; and
- information, which comprises the Foreword and Management Commentary included within the Annual Report, is consistent with the financial statements.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements.

*T J Burr*  
Comptroller and Auditor General

27 June 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS



## Income and Expenditure Account for the year ended 31 March 2008

		<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<b>Income</b>			
Operating income	2	<u>7,190</u>	<u>8,152</u>
<b>Expenditure</b>			
Staff costs	3	<b>531,230</b>	547,275
Other operating costs	4	<b>273,938</b>	232,391
Notional cost of capital	5	<b>9,044</b>	12,624
Amortisation and depreciation	8, 9	<b>34,081</b>	29,810
		<u><b>848,293</b></u>	<u>822,100</u>
<b>Deficit before exceptional item</b>		<b>(841,103)</b>	(813,948)
<b>Exceptional item</b>	6	<u>0</u>	<u>(187,000)</u>
<b>Deficit before interest</b>		<b>(841,103)</b>	(1,000,948)
<b>Interest paid and similar charges</b>	7	<u>(18,047)</u>	<u>(13,387)</u>
<b>Deficit for the year</b>		<b>(859,150)</b>	(1,014,335)
Credit in respect of notional cost of capital	5	<u>9,044</u>	<u>12,624</u>
<b>Amount transferred from reserves</b>	15	<u><b>(850,106)</b></u>	<u>(1,001,711)</u>

## Statement of total recognised gains and losses for the year ended 31 March 2008

<b>Deficit for the year</b>		<b>(859,150)</b>	(1,014,335)
Unrealised surplus on revaluation of fixed assets	15	<b>19,832</b>	98,502
Actuarial loss	15	<b>(19,110)</b>	(60,400)
<b>Total recognised gains and losses for the year</b>		<u><b>(858,428)</b></u>	<u>(976,233)</u>

*The notes on pages 25 to 38 form part of this account.*

All amounts above relate to continuing activities.

## Balance Sheet as at 31 March 2008

	Notes	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<b>Fixed assets</b>			
Intangible fixed assets	8	<b>3,517</b>	4,040
Tangible fixed assets	9	<b>672,095</b>	647,058
		<b>675,612</b>	651,098
<b>Current assets</b>			
Stocks	10	<b>4,604</b>	6,710
Debtors	11	<b>17,178</b>	19,872
Bank and Cash	16.2	<b>16,082</b>	13,865
		<b>37,864</b>	40,447
<b>Creditors: amounts falling due within one year</b>	12	<b>(54,620)</b>	(42,911)
<b>Net current assets/(liabilities)</b>		<b>(16,756)</b>	(2,464)
<b>Total assets less current liabilities</b>		<b>658,856</b>	648,634
<b>Creditors: amounts falling due after more than one year</b>			
Provision for liabilities and charges	13	<b>(410,556)</b>	(350,210)
<b>Total assets less total liabilities</b>		<b>248,300</b>	298,424
<b>Financed by</b>			
<b>Capital and reserves</b>			
General fund	15	<b>(5,704)</b>	57,011
Revaluation reserve	15	<b>254,004</b>	241,413
		<b>248,300</b>	298,424

*The notes on pages 25 to 38 form part of this account.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## Cash Flow Statement for the year ended 31 March 2008

		<b>Year ended 31 March 2008</b>	Year ended 31 March 2007
	Notes	<b>£000</b>	£000
<b>Net cash inflow from operating activities</b>	16.1	<b>(758,795)</b>	(773,447)
<b>Capital expenditure</b>			
Purchase of intangible fixed assets	16.3	<b>(1,621)</b>	(1,969)
Purchase of tangible fixed assets	16.3	<b>(46,502)</b>	(39,731)
Proceeds from disposal of tangible fixed assets		<b>9,875</b>	5,180
<b>Net cash outflow from Capital Expenditure</b>		<b>(38,248)</b>	(36,520)
<b>Financing</b>			
Grant-in-aid	14	<b>749,209</b>	769,098
Capital Grant to acquire fixed assets	14, 16.3	<b>50,051</b>	42,237
<b>Net cash inflow from Financing</b>		<b>799,260</b>	811,335
<b>Increase in cash</b>	16.2	<b>2,217</b>	1,368

*The notes on pages 25 to 38 form part of this account.*

# Notes to the Annual Financial Statements for the year ended 31 March 2008

## 1 Statement of accounting policies

This Annual Report and Accounts have been prepared in accordance with the 2007-2008 Government Financial Reporting Manual (FReM) issued by the Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

### 1.1 Accounting convention

These Accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

### 1.2 Fixed assets and depreciation

Fixed assets are stated at lower of replacement cost and recoverable amount. All properties are revalued in full every 5 years by District Valuers of the Valuation and Lands Agency. Assets in the course of construction are not revalued. The cost or revalued amount is depreciated at fixed rates on a straight line basis over the expected useful lives of the assets. Land and assets in the course of construction are not depreciated. Depreciation rates are as follows

Buildings	50 years
Operational	5 to 40 years
Vehicles	4 to 10 years
IT and communications	3 to 10 years

Vehicles commence depreciating on the date of commissioning or six months after purchase, whichever occurs first. The estimated useful lives of fixed assets are reviewed regularly and the minimum value for capitalisation is £5,000 for an individual asset, or £1,000 for an asset forming part of a significant asset group. The majority of firearms are not capitalised as they fall outside these threshold limits.

### 1.3 Intangible Assets – Software Licences

Software licences are included at cost and amortised over a three year period which is estimated to be their useful economic life.

### 1.4 Notional cost of capital

The income and expenditure account bears a non-cash charge for interest relating to the use of capital. The basis of the charge is 3.5 per cent of the average capital employed during the year, defined as total assets less total liabilities.

### 1.5 Pension costs

Pension benefits are provided through the following defined benefit pension schemes.

Police Staff are members of the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)) which is an unfunded defined benefit scheme. The PCSPS (NI) produces its own resource accounts, but PSNI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS (NI) Resource Accounts.

Police Officers are members of the existing PSNI Police Pension Scheme or the New Police Pension Scheme, introduced from 6 April 2006. Separate Police Pension Accounts have been prepared by PSNI for the year ended 31 March 2008.

PSNI contributes a percentage of pensionable earnings towards their employees superannuation, at the Accruing Superannuation Liability Charge (ASLC) rates, determined by the Government Actuary and advised by HM Treasury. Further details are provided in note 3 of the Accounts.

#### *1.6 Value added tax*

Income and expenditure is shown exclusive of Value Added Tax, which in most cases is recoverable from HM Customs and Excise, in accordance with Section 20 of the Value Added Tax Act 1983. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

#### *1.7 Stock*

Stock is stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

#### *1.8 Provision for severance programmes*

Provision is made for the costs of providing severance payments to Police Officers leaving the Service under the Voluntary Severance or Full Time Reserve programmes based on anticipated numbers of leavers, their age and length of service.

#### *1.9 Provision for compensation claims*

A provision for compensation claims is charged against operating costs when it is assessed that a liability is likely to arise, based on average amounts paid in respect of each category of claim.

#### *1.10 Provision for early retirement costs*

PSNI is required to meet the additional cost of benefits beyond the normal PCSPS(NI) benefits in respect Police Staff who retire early, from the date of their retirement until they reach normal pensionable age.

#### *1.11 Provision for injury awards*

Provision is made for the costs of providing injury awards to Police Officers based on the current number of injury awards and also on estimated life expectancy of these pensioners. The liability is measured on an actuarial basis by the Government Actuary's Department. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

#### *1.12 Provision for stock*

Provision is made for obsolete, slow moving or defective items where appropriate.

As part of a managed service contract, PSNI has agreed to purchase any stock in possession of the contractor at the end of the contract. PSNI has estimated the amount of stock which may need to be purchased back, based on usage levels. PSNI have provided in full for this amount.

#### *1.13 Leases*

Rentals paid under operating leases are charged to operating costs on a straight-line basis over the term of the lease.

### 1.14 Third party assets

PSNI holds as custodian certain assets belonging to third parties. These are not recognised in the financial statements as the PSNI does not have a direct beneficial interest in them.

## 2 Operating income

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Fees for firearms certificates, permits and accident reports	<b>1,226</b>	1,354
Police transport	<b>272</b>	319
Profit on disposal of fixed assets	<b>43</b>	1,679
Other	<b>5,649</b>	4,800
	<b>7,190</b>	8,152

## 3 Staff costs

Wages and salaries	<b>417,675</b>	433,131
Social security costs	<b>35,095</b>	37,496
Pension costs (employer contribution)	<b>62,109</b>	62,629
Secondments / Agency	<b>16,351</b>	14,019
	<b>531,230</b>	547,275

The average number of employees over the year is as follows

	<b>Number</b>	Number
Chief Officers	<b>10</b>	10
PSNI (police staff)	<b>2,723</b>	2,893
PSNI (police officers)	<b>8,048</b>	8,360
PSNI (part-time reserve)	<b>894</b>	821
Secondments	<b>15</b>	17
Agency	<b>795</b>	712
	<b>12,485</b>	12,813

### Principal Civil Service Pension Scheme (NI)

Pension benefits for PSNI Direct Recruits and Civil Servants seconded from the Department of Finance and Personnel (DFP) are provided through the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)).

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3 per cent. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

For 2007-2008, employers' contributions of £9,140,972 were paid to the PCSPS (NI) (2006-2007: £8,798,552) at one of four rates in the range 16.5 per cent to 23.5 per cent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the balance sheet date. There were no contributions prepaid at that date.

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 at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos.

### **PSNI police pension schemes**

Pension benefits for PSNI officers, including full time reserves, are provided through the PSNI Police Pension Scheme (PPS) and from 6 April 2006, the New Police Pension Scheme (NPPS).

#### *Police Pension Scheme (PPS)*

This is a statutory scheme that provides benefits on an 'Average Pensionable Pay (APP)' basis at age 55 regardless of rank. It is a defined benefits final salary scheme. All officers are entitled to work to age 60 and can apply for 5 yearly extensions after age 60.

For 2007-2008, employers' contributions of £50,421,630 were paid to the PSNI Police Pension Scheme (2006-2007: £53,014,174) at the rate of 20.25 per cent of pensionable pay. To qualify for an ordinary retirement pension, an officer has to complete 25 years service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25 per cent of the pension. Actuarial tables are used to calculate the lump sum. Members pay contributions of 11 per cent of basic pay. Pensions increase in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme. On death in service, that is not as a result of an injury on duty (IOD), the scheme pays a lump sum benefit of twice pensionable pay, and there are also pension benefits for the spouse and/or children of the deceased. On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of 5 times pensionable pay is payable, subject to scheme conditions. Medical retirement is possible in the event of serious ill health. Officers with less than 2 years service receive a lump sum benefit (gratuity), and those with more than 2 years service receive an ill-health pension, depending on the number of years of actual pensionable service.

This scheme is now closed to new recruits from the 6 April 2006. Existing officers had a one-off opportunity to transfer to the New Police Pension Scheme.

*New Police Pension Scheme (NPPS)*

For 2007-2008, employers' contributions of £2,546,141 were paid to the PSNI New Police Pension Scheme (2006-2007: £816,071) at the rate of 20.25 per cent of pensionable pay. To qualify for an ordinary retirement pension, an officer must serve to age 55. Benefits accrue at the rate of 1/70th of APP for each year of service up to a maximum of 35/70th of APP.

In addition to the pension a defined lump sum of four times pension is payable. Members pay contributions of 9.5 per cent of basic pay. Pensions increase in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse, civil partner, unmarried partner or children, subject to provisions within the scheme. On death in service, that is not as a result of an injury on duty (IOD), the scheme pays a lump sum benefit of three times pensionable pay, and there are also pension benefits for the spouse, civil partner, unmarried partner and/or children of the deceased. On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of 5 times pensionable pay is payable, subject to scheme conditions. There is a 2 tier medical retirement pension for officers with over 2 years service. If an officer is permanently disabled for the ordinary duties of a member of PSNI a standard ill health pension is awarded. If an officer is disabled from the ordinary duties of a member of PSNI and permanently disabled for any regular employment an enhanced top-up ill health pension could be awarded.

**Severance payments**

Severance Payments have been made from 1 January 2001 to officers leaving the PSNI under the Voluntary Severance or Full Time Reserve programmes for the PSNI. The Schemes were developed in line with the recommendations of the Independent Commission on Policing (Patten) and it was necessary, in order to fulfil Government commitments, to permit officers to leave from the planned date of 1 January 2001. The total of payments made in the year to 31 March 2008 was £48.99m (see note 13). HM Treasury approved the payments.

**4 Other operating costs**

	<b>Year ended</b> <b>31 March</b> <b>2008</b> <b>£000</b>	Year ended 31 March 2007 £000
Transport	<b>11,515</b>	11,714
IT and communications	<b>41,636</b>	32,195
Accommodation services	<b>47,810</b>	41,605
General expenses	<b>65,031</b>	63,630
Travel, subsistence and relocation	<b>10,417</b>	10,455
Audit fees	<b>70</b>	68
Hospitality	<b>151</b>	214
Reclassification of capital expenditure	<b>171</b>	0
Downward revaluation in fixed assets (see note 8 and 9)	<b>1,285</b>	11,720
Net Increase in Provisions (see note 13)	<b>94,794</b>	59,713
<i>Charges for operating leases: photocopiers</i>	<b>766</b>	308
<i>property</i>	<b>292</b>	769
	<b><u>273,938</u></b>	<u>232,391</u>

**5 Notional cost of capital**

Cost of capital (3.5 per cent of average of total assets excluding cash less total liabilities)	<b><u>9,044</u></b>	<u>12,624</u>
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## 6 Exceptional item

### *Injury Awards (2006-2007)*

Following a change to the tax regime, from April 2006 injury awards are no longer permitted to be part of pension schemes and the relevant costs are therefore now recognised as a provision in the PSNI's main accounts. The pension liability relating to injury awards was valued at £187m as at 31 March 2006 by the Government Actuary's Department, and this opening balance was charged as an exceptional item to the Income and Expenditure Account in 2006-2007 (also see note 13). Injury Award costs are now reflected in the movement on provisions under other operating costs.

## 7 Interest paid and similar charges

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Unwind of discount on provisions	<b>18,047</b>	13,387

## 8 Intangible fixed assets

### Software Licences

#### Cost

At 1 April	<b>5,406</b>	3,433
Additions	<b>1,616</b>	1,973
Disposals	<b>0</b>	0
Revaluation below Historical Cost	<b>(13)</b>	0
Transfers	<b>0</b>	0
At 31 March	<b><u>7,009</u></b>	<u>5,406</u>

#### Amortisation

At 1 April	<b>1,366</b>	84
Charged in year	<b>2,131</b>	1,282
Disposals	<b>0</b>	0
Revaluation below Historical Cost	<b>(5)</b>	0
At 31 March	<b><u>3,492</u></b>	<u>1,366</u>

#### Net Book Value

At 31 March	<b><u>3,517</u></b>	<u>4,040</u>
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Software licences are included at cost and amortised over a 3 year period which is estimated to be their useful economic life.

**9 Tangible fixed assets**

	Land and Buildings £000	Assets in Course of Construction £000	Operational (inc Plant and Equip) £000	Vehicles (inc Aircraft) £000	IT and Comms £000	<b>Total £000</b>
<b>Cost or valuation</b>						
At 1 April 2007	638,593	16,683	10,477	64,344	91,290	<b>821,387</b>
Additions	12,569	30,578	486	2,882	1,920	<b>48,435</b>
Disposals	(9,591)	0	(420)	(5,756)	(12,506)	<b>(28,273)</b>
Transfers	2,830	(16,286)	0	2,046	11,410	<b>0</b>
Reclassification	0	(171)	0	0	0	<b>(171)</b>
Revaluation below Historical Cost	0	0	(21)	(501)	(2,840)	<b>(3,362)</b>
Revaluation	19,423	0	507	200	507	<b>20,637</b>
<b>At 31 March 2008</b>	<b>663,824</b>	<b>30,804</b>	<b>11,029</b>	<b>63,215</b>	<b>89,781</b>	<b>858,653</b>
<b>Depreciation</b>						
At 1 April 2007	75,532	0	6,239	38,678	53,880	<b>174,329</b>
Charged in Year	13,364	0	576	9,103	8,907	<b>31,950</b>
Disposals	(141)	0	(330)	(5,448)	(12,522)	<b>(18,441)</b>
Revaluation below Historical Cost	0	0	(14)	(333)	(1,738)	<b>(2,085)</b>
Revaluation	0	0	331	100	374	<b>805</b>
<b>At 31 March 2008</b>	<b>88,755</b>	<b>0</b>	<b>6,802</b>	<b>42,100</b>	<b>48,901</b>	<b>186,558</b>
<b>Net Book Value</b>						
<b>At 31 March 2008</b>	<b>575,069</b>	<b>30,804</b>	<b>4,227</b>	<b>21,115</b>	<b>40,880</b>	<b>672,095</b>
At 31 March 2007	563,061	16,683	4,238	25,666	37,410	<b>647,058</b>

The Valuation and Lands Agency carried out an interim valuation of land and buildings on 31 March 2008. The basis of valuation was as follows

Police Stations and hill top installations – depreciated replacement cost

Offices and stores – existing use value

Surplus land and buildings and property held for development – open market value

The Valuation and Lands Agency is considered an external valuer as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, and the valuations have been made in accordance with this Manual. The last full valuation of land, buildings and assets in the course of construction was carried out on 31 March 2005.

Other tangible fixed assets were revalued on 31 March 2008 using latest available indices.

Assets in the course of construction were valued at total expenditure incurred.

Included within land and buildings is long leasehold property with a net book value of £80,027,284 and surplus assets with a net book value of £4,800,000.

The following non depreciable assets are included in the note above at a cost of

Land	– £169,065,000
Assets in course of construction	– £30,804,000

During the year £171,470 of assets in the course of construction capitalised in 2006-2007 were reclassified as revenue expenditure.

**10 Stocks**

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
General stores	<b>2,391</b>	2,351
Transport Services stores	<b>712</b>	1,137
Information and Communication Services stores	<b>54</b>	2,092
Heating oil	<b>672</b>	475
Petrol and diesel	<b>775</b>	655
	<b>4,604</b>	6,710

**11a Debtors: amounts falling due within one year**

Trade debtors	<b>2,744</b>	1,145
Other debtors	<b>11,060</b>	13,270
Prepayments and accrued income	<b>3,374</b>	5,457
	<b>17,178</b>	19,872

**11b Intra Government debtor balances**

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<b>Amounts falling due within one year</b>		
Balances with NIO Core, its agencies and NDPBs	<b>5,798</b>	4,630
Balances with other central government bodies	<b>7,115</b>	9,161
Balances with local authorities	<b>109</b>	90
Balances with NHS Trusts	<b>93</b>	0
Balances with public corporations and trading funds	<b>0</b>	0
Balances with bodies external to government	<b>4,063</b>	5,991
<b>Total</b>	<b>17,178</b>	19,872

**12a Creditors: amounts falling due within one year**

Trade creditors	<b>9,983</b>	9,756
Trade accruals	<b>17,868</b>	4,646
Taxation and social security	<b>12,537</b>	13,845
Payroll accrual	<b>10,659</b>	11,750
Other creditors	<b>3,573</b>	2,914
	<b>54,620</b>	42,911

**12a Intra Government creditor balances**

	Amounts falling due within one year	
Balances with NIO Core, its agencies and NDPBs	<b>679</b>	741
Balances with other central government bodies	<b>14,670</b>	14,129
Balances with local authorities	<b>125</b>	10
Balances with NHS Trusts	<b>0</b>	1
Balances with public corporations and trading funds	<b>1,262</b>	163
Balances with bodies external to government	<b>37,884</b>	27,867
<b>Total</b>	<b>54,620</b>	42,911

**13 Provisions for liabilities and charges**

	Voluntary and FTR Severance £000	Compensation Claims £000	Injury awards £000	Stock £000	Early retirement £000	Total £000
At 1 April 2007	81,499	19,306	248,850	521	34	350,210
Utilised in Year	(48,990)	(6,759)	(15,708)	(120)	(28)	(71,605)
Provision not utilised	(2,453)	0	0	0	0	(2,453)
Discount unwind	5,808	675	11,560	4	0	18,047
Actuarial loss	0	0	19,110	0	0	19,110
Increase in provision	78,749	10,350	8,148	0	0	97,247
<b>At 31 March 2008</b>	<b>114,613</b>	<b>23,572</b>	<b>271,960</b>	<b>405</b>	<b>6</b>	<b>410,556</b>

*Voluntary Severance Programme*

The Secretary of State for Northern Ireland established a Voluntary Severance Scheme for PSNI Regular and Full Time Reserve Officers in July 2000. During the current year, 482 officers left the Service. The provision is in respect of a further 723 officers estimated to leave during 2008-2009 and 2009-2010. This provision is subject to uncertainty and is based on estimates of numbers, ranks and profiles of officers who may apply and an average amount they may receive. HM Treasury is committed to funding the scheme. Please also refer to note 19 on contingent liabilities.

*Full Time Reserve (FTR) Severance Programme*

The position on the Full Time Reserve was highlighted by Patten Recommendation 103 which stated that the future police service should not include a Full Time Reserve.

In line with an undertaking given to the Policing Board, the Chief Constable carried out security reviews in September 2004 and September 2007 announcing his decision on the future of the Full Time Reserve.

In September 2004, out of the 1,487 Full Time Reserve officers, 680 were retained on the basis of three year contracts from 1 April 2005. The remaining officers were released in a phased manner across an 18 month period from the termination of their contracts.

More recently, in September 2007 the decision was taken on the remaining 680 officers. It has been decided to reduce the number of officers by 299 over a period of around 12 months from 1 April 2008. The remaining 381 officers are being retained based firmly on operational policing and security considerations. The costs of this decision are provided for in the above note.

*Compensation claims*

The compensation claim provision is analysed under three categories: injury claims, damage claims and legal fees. The following table shows the breakdown of the provision between these categories

	Injury Claims £000	Damage claims £000	Legal Fees £000	Total £000
At 1 April 2007	9,928	45	9,333	19,306
Utilised in year	(3,585)	(72)	(3,102)	(6,759)
Provision not utilised	0	0	0	0
Discount unwind	347	1	327	675
Increase/(decrease) in provision	5,607	110	4,633	10,350
<b>At 31 March 2008</b>	<b>12,297</b>	<b>84</b>	<b>11,191</b>	<b>23,572</b>

At the 31 March 2008 there were 3,608 'live' injury or wrongful acts claims and 242 'live' damage to property claims. Associated legal fees are also provided for.

Claims have varying life spans with claims involving personal injury mostly concluded within six years of receipt and claims for damage to property usually being concluded within one or two years of receipt. In deriving the above figures, assumptions have been made relating to the number of outstanding claims likely to attract compensation, the average claim value for the different claim types and likely timing of settlement. The data assumes that past trends will persist with only marginal fluctuations and any deviations from this pattern may have a material impact on actual claims settled. The provision for years one to six have been discounted at the HM Treasury rate of 3.5 per cent.

This note, together with note 19, reflects that the PSNI is involved in a number of legal cases. While these are being dealt with appropriately, ultimately damages may be awarded against the Service. We regularly review the outcome of these cases, to see if there are lessons to be learnt and to identify areas where we can improve our systems of internal control, if necessary.

*Injury awards*

Following a change to the tax regime, from April 2006 injury awards are no longer permitted to be part of pension schemes and the relevant costs are now recognised in the PSNI's main financial statements. The pension liability relating to injury awards has been valued by the Government Actuary's Department. This year an actuarial loss has arisen due to a change in the financial assumptions used to calculate the outstanding liability at the year end.

*Stock*

PSNI entered into a managed service contract for the ordering, supply, handling and accounting of uniform related items. The contractor purchased the total amount of uniform stock held by PSNI during the financial year. However as part of the contract, PSNI has agreed to purchase any stock in possession of the contractor at the end of the contract. It has been estimated, based on usage levels of the stock transferred, that £405,000 of stock initially transferred may not be issued by the end of the contract, and therefore this amount has been provided for in full.

*Early retirement*

This is the result of decisions taken to allow individuals to retire early from the service with the PSNI agreeing to meet their pension costs until their normal retirement age. This liability is estimated at £6,000 as at 31 March 2008.

**14 Grant-in-aid**

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Revenue	<b>688,218</b>	695,606
Patten Severance	<b>50,687</b>	53,902
Patten Non Severance	<b>10,304</b>	19,590
	<b>749,209</b>	769,098
Capital	<b>50,051</b>	42,237
	<b>799,260</b>	811,335

**15 Reconciliation of government funds**

	<b>31 March 2008</b>		31 March 2007	
	<b>General Fund £000</b>	<b>Revaluation Reserve £000</b>	General Fund £000	Revaluation Reserve £000
At 1 April	<b>57,011</b>	<b>241,413</b>	305,862	143,421
Transfer to income and expenditure account	<b>(850,106)</b>	<b>0</b>	(1,001,711)	0
Grant-in-aid (note 14)	<b>799,260</b>	<b>0</b>	811,335	0
Surplus on revaluation of fixed assets (note 9)	<b>0</b>	<b>19,832</b>	0	98,502
Adjustment for disposal in previous years	<b>0</b>	<b>0</b>	0	1,415
Transfer from Revaluation reserve	<b>0</b>	<b>0</b>	0	0
Realised surplus on disposals of fixed assets	<b>7,241</b>	<b>(7,241)</b>	1,925	(1,925)
Actuarial loss (note 13)	<b>(19,110)</b>	<b>0</b>	(60,400)	0
At 31 March	<b>(5,704)</b>	<b>254,004</b>	57,011	241,413

**16 Notes to cash flow statement***16.1 Reconciliation of operating deficit to net cash outflow from operating activities*

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Deficit for the year before interest and exceptional item	<b>(841,103)</b>	(813,948)
Interest	<b>(18,047)</b>	(13,387)
Depreciation	<b>34,081</b>	29,810
(Profit)/Loss on disposal of fixed assets	<b>(43)</b>	(1,679)
Notional cost of capital	<b>9,044</b>	12,624
Reclassification of capital expenditure	<b>171</b>	0
Revaluation below Historical Cost	<b>1,285</b>	11,720
Decrease/(Increase) in stock	<b>2,106</b>	(1,468)
Decrease/(Increase) in debtors	<b>2,694</b>	(1,502)
Increase in creditors	<b>9,781</b>	2,700
Increase in provisions	<b>94,794</b>	246,713
Provisions used	<b>(71,605)</b>	(71,417)
Unwinding of Discount	<b>18,047</b>	13,387
Adjustment for exceptional item (note 6)	<b>0</b>	(187,000)
Net cash outflow from operating activities	<b>(758,795)</b>	(773,447)

## 16.2 Reconciliation of net cash inflow to movement in net debt

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Cash in bank at 1 April	<b>13,865</b>	12,497
Net cash inflow	<b>2,217</b>	1,368
Cash in bank at 31 March	<b>16,082</b>	13,865

All of the above cash is held in commercial bank accounts.

## 16.3 Reconciliation of capital grant to purchase of fixed assets

Purchase of Intangible Fixed Assets	<b>1,621</b>	1,969
Purchase of Tangible Fixed Assets	<b>46,502</b>	39,731
Opening Capital Creditors	<b>(1,732)</b>	(1,195)
Closing Capital Creditors	<b>3,660</b>	1,732
Capital grant to acquire fixed assets	<b>50,051</b>	42,237

**17 Capital commitments**

Contracted	<b>44,073</b>	22,861
Authorised but not contracted	<b>94,189</b>	117,195
	<b>138,262</b>	140,056

**18 Obligations under leases**

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings		Other	
	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<i>Operating leases which expire</i>				
Within one year	<b>0</b>	2	<b>9</b>	2
In two to five years	<b>381</b>	353	<b>213</b>	162
In over five years	<b>81</b>	55	<b>0</b>	0
	<b>462</b>	410	<b>222</b>	164

**19 Contingent liabilities***Voluntary severance*

Details of the voluntary severance schemes beyond 2009-2010 have not yet been announced and are subject to a further degree of uncertainty, including levels of recruitment, levels of natural wastage and other operational circumstances.

Although uncertainty exists about future years, it is estimated that the voluntary severance scheme will extend to 2010-2011 with an additional 350 officers leaving under the scheme at an estimated cost of approximately £40 million. HM Treasury is committed to funding future agreed schemes.

*Full Time Reserve (FTR) Severance*

As disclosed in note 13, a decision was taken in September 2007 to reduce the number of the FTR officers by 299 after April 2008. It is anticipated that the remaining 381 officers may be released before 31 March 2011. However, this decision is contingent on the prevailing security circumstances and will be subject to review at a later date. The estimated cost is approximately £43m (excluding the cost of pension enhancements).

*Post Traumatic Stress Disorder Class Action*

The PSNI and the Northern Ireland Policing Board are named defendants in a class action by 5585 former and serving police officers. The hearing for this case began in November 2005 and concluded in June 2006. A judgement was delivered in June 2007 which found in favour of the PSNI under four of the five headings. The judge specifically referred to the formidable tasks individual plaintiffs may have in pursuing claims. This was confirmed by the successful defence by the PSNI in respect of the 10 lead cases. An appeal by the plaintiffs and a cross appeal by the defendants on the issue that went against them, was lodged in October 2007 and heard in June 2008. A judgement is expected early in 2009.

*Working Time Regulations Cases*

Approximately 6200 former and serving police officers and civilian staff have issued industrial tribunal applications against the Chief Constable, claiming that he has breached the terms of the Working Time Regulations. Since then over 1800 applications have been withdrawn and a number have been struck out for failing to comply with discovery orders. Initial indications are that any remaining individual settlement would not be material. However, each case will be scrutinised separately and this process will take time to resolve.

*Claims resulting from security breaches*

The Chief Constable is named Defendant from 321 current and ex-police officers, members of his police staff and family members, arising out of a breach of security. The action is ongoing and it is not possible at this time to provide any further indication as to the outcome.

*Hearing loss cases*

The PSNI is named Defendant in a number of claims from current and ex-police officers for occupational hearing loss. These claims are reflected in the compensation provision (note 13). However, the number of claims likely to be received in the future is uncertain and cannot be reliably estimated. Each case will be considered on its merits and any settlement based on the severity of hearing loss.

Due to the unusual nature of the four sets of claims outlined above, it is still not possible to identify from previous statistics, a scientific assessment of likely settlement rates or an average figure for settlement of each case.

**20 Losses and special payments**

Type	No of Cases	£000
Cash Losses	12	2
Overpayments	1	1
Stores	549	379
Claims waived or abandoned	448	305
Special payments – compensation	538	3,955
Fruitless payment and constructive losses	18	3



**21 Related party disclosures**

PSNI is a body of constables, funded through the Policing Board which is a Non Departmental Public Body of the NIO.

The NIO is regarded as a related party. During the year PSNI had a number of material transactions with the NIO and with other government departments and central government bodies. Most of these transactions have been with: the Forensic Science NI; the NI Prison Service (both executive agencies of the NIO); the Rate Collection Agency (executive agency of the Department of Finance and Personnel) and the Construction Service (Department of Finance and Personnel Core).

None of the senior staff of PSNI undertook any transactions during the year with PSNI.

**22 Third party assets**

PSNI hold a number of bank accounts and sealed packages which contain evidence or proceeds of criminal activities. As these monies are not assets of the PSNI they are not included in these financial statements.

Following the outcome of investigations or court proceedings, the money is returned or paid to appropriate authorities.

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Bank Balances and Monetary Sealed Packages held	<b>2,886</b>	1,732

**23 Post balance sheet events**

The Annual Report and Accounts were authorised to be issued on 27 June 2008.

There are no other material post balance sheet events.

## Foreword – Police Property Fund

### Background information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12 (4) of the 'Act', as amended by Section 7 of the 2003 'Act', refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year to which they relate as the Secretary of State may determine. This is to allow the Policing Board to meet their own specific requirements under Section 12 (1) (a) of the Act.

### Principal activities

The Police Service of Northern Ireland (PSNI) exists to provide effective, high quality and professional policing to all of the people living in Northern Ireland. It aims to do this by working closely with, and in, the whole community. The key themes, which continually drive forward the development of policing services, are partnership and co-operation, both with the community served and with other agencies in the private, public and voluntary sectors. All of this is done against a background of ongoing change and improvements and with a determination to make best use of finite resources, whether financial or human, to provide the best value services possible.

The Police Property Fund is a separate fund, administered by the PSNI and established by regulations under section 2 of the Police (Property) Act 1897, which comprises unclaimed receipts arising from criminal investigations by the PSNI, which the Policing Board donate to charities.

### Accounts direction

The Annual Report and Accounts have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12 (3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003.

### Chief Officers

The Chief Officers who served throughout the year were as follows

*Sir Hugh Orde*  
Chief Constable  
*Paul Leighton*  
Deputy Chief Constable  
*Peter Sheridan*  
Assistant Chief Constable Crime Operations  
*Roy Toner*  
Assistant Chief Constable Operational Support  
*Drew Harris*  
Assistant Chief Constable Criminal Justice  
*Duncan McCausland*  
Assistant Chief Constable Urban Region  
*Judith Gillespie*  
Assistant Chief Constable Rural Region  
*Alistair Finlay*  
Assistant Chief Constable Crime Support  
*David Best*  
Director of Finance & Support Services  
*Joe Stewart*  
Director of Human Resources

Further details are provided in the Main Annual Report and Accounts of the PSNI.

## Corporate Governance

Corporate Governance within PSNI is structured on a committee model, reporting to the Chief Constable's Forum (CCF) made up of all Chief Officers and chaired by the Chief Constable.

Each sub committee of the CCF consists of relevant Chief Officers and other members of the Senior Management Team. These committees provide a conduit through which major policy decisions are formulated and exercise responsibility for specific aspects of governance within the Police Service.

The key sub committees supporting the CCF are the

- Information Management Steering Group;
- Strategic Tasking Coordinating Group;
- Finance, Personnel and Training Committee;
- Organisational Development Committee;
- Supplies, Estates and Transport Committee; and
- Audit and Risk Committee.

The role of the Audit and Risk Committee is to advise the Chief Constable on the adequacy of internal control arrangements including risk management and governance. This committee currently includes two Non-Executive Members, one as Chair, with both Internal and External Audit invited to attend.

## Company directorships

Chief Officers held no company directorships or other significant interests which conflicted with their management responsibilities.

## Fixed assets

The Police Property Fund has no fixed assets.

## Research and development

The Police Property Fund has no activities in the field of research and development.

## Interest rate and currency risk

PSNI has no borrowings and relies primarily on Departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits. As all significant assets and liabilities are determined in sterling it is not exposed to material interest rate risk or currency risk.

## Future developments

There are no plans to significantly develop the activities or scope of the Police Property Fund.

## Charitable contributions

No political donations were made during the year. On the direction of the Northern Ireland Policing Board, Charitable donations of £15,233 were made during the year (2006-2007: £13,000) and these are detailed in note 2 on page 51.

### Disabled persons

PSNI is an equal opportunity employer and took full cognisance of the Northern Ireland Civil Service Code of Practice on the employment of people with disabilities.

### Employee involvement

PSNI maintains regular communications and contact with managers and staff through meetings, team briefings, seminars, circulars, information bulletins and staff newsletters. It also has well-established arrangements for formal consultation with recognised Trade Union representatives on all significant developments affecting staff.

### Health and safety

PSNI is committed to providing for staff an environment that is as far as possible safe and free from risk to health. In line with this commitment, PSNI complied with the relevant legislation.

### Payment of suppliers

PSNI is committed to the prompt payment of bills for goods and services received in accordance with the Government's Better Payments Practice Code and British Standard BS 7890 'Achieving Good Payment Performance in Commercial Transactions'. Unless otherwise stated in the contract, payment was due within 30 days of the receipt of the goods or services or presentation of a valid invoice or similar demand, whichever is later. Payments for the Police Property Fund are made through the PSNI. PSNI paid 92 per cent of all invoices within 30 days of the date on which it was registered for payment during the period. (95 per cent in 2006-2007).

### Pension liabilities

The pension liabilities of Police Officers are accounted for separately in the PSNI Police Pension Scheme Accounts. Pension benefits and liabilities for Police Staff are provided through the Principal Civil Service Pension Scheme (NI).

### Audit services

The National Audit Office is responsible for the audit of the Police Property Fund Annual Report and Accounts. Audit services are paid by the Police Service of Northern Ireland and therefore payment details are included in their Annual Report and Accounts. The fees for this year are £2,600 (2006-2007: £2,500).

So far as the Chief Constable is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. The Chief Constable has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

### Annual Report and Accounts and Chief Constable's Report

A full certified copy of these Police Property Fund Annual Report and Accounts will be included on the PSNI's website ([www.psnipolice.uk](http://www.psnipolice.uk)), together with the Chief Constable's general report 2007-2008 due to be published in June 2008. The Chief Constable's general report is posted to every household in Northern Ireland.

## Management Commentary

### Nature of the business

The Police Property Fund is a separate fund, administered by the PSNI and established by regulations under section 2 of the Police (Property) Act 1897, which comprises unclaimed receipts arising from criminal investigations by the PSNI, which the Policing Board donate to charities.

### Review of performance and financial position

The Income and Expenditure Account is set out on page 48 and shows a surplus of £22,468 (2006-2007: deficit of £9,526). Charitable donations of £15,233 were made during the year on the direction of the Northern Ireland Policing Board. The General Fund increased from £16,760 (31 March 2007) to £39,228 (31 March 2008).

The financial statements have been prepared on a going concern basis of accounting.

### Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the PSNI's long-term performance. These risks are managed as part of the PSNI's wider risk and control framework. Details are provided in the Main Annual Report and Accounts of the PSNI.

### Remuneration Report

There are no salaries or pensions paid from the Police Property Fund. Details of the PSNI Chief Officer salaries and pensions are detailed in the Main Annual Report and Accounts of the PSNI.

*Sir Hugh Orde*  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## Statement of responsibilities of the Police Service of Northern Ireland and the Chief Constable

Under Part II, Sections 12(1), 12(2) and 12(3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, the Chief Constable of the Police Service of Northern Ireland is required to prepare a statement of accounts on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Secretary of State. The Police Property Fund financial statements are prepared on an accruals basis and must give a true and fair view of the income and expenditure, total recognised gains and losses and cash flows for the financial year and the balances held at year end.

In preparing the accounts, the Chief Constable of the PSNI is required to comply with the requirements of the Government Financial Reporting Manual and in particular to

- observe the Accounts Direction issued by the Northern Ireland Office, 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 the going concern basis.

The Accounting Officer for the Northern Ireland Office has appointed the Chief Constable of the Police Service of Northern Ireland as Accounting Officer for the Police Property Fund. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the fund, are set out in Managing Public Money published by HM Treasury.

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, 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 directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to 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 organisational 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 PSNI for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk. This work has included two training events for Risk Managers, bespoke training days for departments and one to one visits with every District Commander and District Risk Management Team.

## The risk and control framework

A Risk Policy Framework document is available to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting arrangements. The Risk Policy Framework document was reviewed and updated at the end of 2006-2007 and the revised policy published to the organisation in June 2007.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2007-2008. Following corporate restructuring on 1 April 2007, Area risk registers and District risk registers were merged to reflect the new District Command structure. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2007-2008. The Register has been revised and updated to take account of the new priorities for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum. The key risk priorities facing the organisation during 2007-2008 were in the generic areas of funding, historical enquiries and operational policing issues.

Stewardship reporting is a key element of ensuring accountability and ownership of risks and their management within the organisation. All Chief Officers and Senior Managers are required to sign a Stewardship Statement on a half yearly basis to confirm that over a period of time, they have reviewed the risk register for their respective areas of responsibility and assessed the management of the risks identified. The signing of the Stewardship Statements helps to provide assurance that all risks are being managed in the organisation.

The Audit and Risk Committee, which is chaired by a Non-Executive Member, is responsible for monitoring the PSNI's risk management and internal controls on a regular basis during the year. This Committee receives reports from internal and external audit and, in addition, reports presented on the risk management process. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary and other independent monitoring bodies, adding to the framework of assurance.

Significant progress has been made in the overall governance arrangements within the organisation and work is currently underway to further improve the operation and reporting arrangements of the governance Committees. In particular, the organisation is continuing to work on implementing a systematic process for coordinating assurance and third party reporting. A programme of work has been progressed which is focussed on eliminating duplication of effort from external recommendations by formally capturing, tracking and discharging recommendations from third parties.

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and will provide increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. During 2007-2008 PSNI continued to improve risk management procedures by implementing the recommendations of major reviews carried out in previous years. This has led to an increased capacity to identify frequently occurring risks, the development of risk templates and critical assessment of individual risk registers to improve assurance and accountability. Significant progress has already been made in these areas and there is a programme of work in place to continue development throughout 2008-2009.

PSNI have also appointed a Senior Information Risk Owner who is a member of the executive management team. PSNI comply with Communications–Electronics Security Group (CESG) and national guidance on information assurance and have an Information Assurance Unit which specifically addresses assurance issues pertaining to the collection, use, storage and retrieval of information.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Chief Officers and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk.

During the year Deloitte & Touche LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control.

*Sir Hugh Orde*  
Chief Constable  
Police Service of Northern Ireland

20 June 2008



## The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Police Property Fund of the Police Service of Northern Ireland for the year ended 31 March 2008 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Police Service of Northern Ireland, the Chief Constable and Auditor

The Police Service of Northern Ireland and the Chief Constable as Accounting Officer are responsible for preparing the Annual Report and the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Responsibilities of the Police Service of Northern Ireland and the Chief Constable.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland. I report to you whether, in my opinion, the information, which comprises the Foreword and Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Police Service of Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Police Service of Northern Ireland's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Police Service of Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Police Service of Northern Ireland and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Police Service of Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Property Fund of the Police Service of Northern Ireland's affairs as at 31 March 2008 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland; and
- information, which comprises the Foreword and Management Commentary, included within the Annual Report, is consistent with the financial statements.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements.

*T J Burr*  
Comptroller and Auditor General

27 June 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria London  
SW1W 9SS

## Income and Expenditure Account for the year ended 31 March 2008

	Year ended 31 March 2008	Year ended 31 March 2007
Notes	£	£
<b>Income</b>		
Proceeds from sale of seized and lost property	<b>39,854</b>	7,962
<b>Expenditure</b>		
Charitable donations	2 (15,233)	(13,000)
Sundry expenses of collection, storage and disposal	(2,153)	(803)
Other disbursements	3 0	(3,685)
	<u>(17,386)</u>	<u>(17,488)</u>
<b>Surplus/ (deficit) for the year</b>	<b><u>22,468</u></b>	<b><u>(9,526)</u></b>

There have been no gains or losses other than those recognised in the Income & Expenditure account.

*The notes on pages 51 to 52 form part of this account.*

All amounts above relate to continuing activities.

## Balance Sheet as at 31 March 2008

	Notes	<b>Year ended 31 March 2008 £</b>	Year ended 31 March 2007 £
<b>Current assets</b>			
Debtor	4	43,171	17,563
<b>Current liabilities</b>			
Creditor	5	<b>(3,943)</b>	(803)
<b>Net current assets</b>		<b>39,228</b>	16,760
<b>Total assets less total liabilities</b>		<b>39,228</b>	16,760
<b>Financed by Reserves</b>			
General Fund	6	<b>39,228</b>	16,760

*The notes on pages 51 to 52 form part of this account.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## Cash Flow Statement for the year ended 31 March 2008

	<b>Year ended 31 March 2008</b>	Year ended 31 March 2007
Notes	£	£
<b>Net cash inflow from operating activities</b>	7 <b>0</b>	0
<b>Increase/(decrease) in cash</b>	<b>0</b>	0

*The notes on pages 51 to 52 form part of this account.*

# Notes to the Annual Financial Statements for the year ended 31 March 2008

## 1 Statement of principal accounting policies

These financial statements have been prepared in accordance with the 2007-2008 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

### 1.2 Value added tax

Income is shown exclusive of Value Added Tax. Irrecoverable VAT is charged to the relevant payment category.

### 1.3 Bank

The Police Property Fund has no separate bank account. It utilises the banking arrangements of the PSNI.

## 2 Charitable donations

	Year ended 31 March 2008 £	Year ended 31 March 2007 £
Age Concern	280	0
Foyle and District Road Safety Committee	500	0
Older People North West/ Age Concern	500	0
Children In Crossfire	500	0
Derry Children's Commission	500	0
Cookstown & District Disability Forum	760	0
RAYS	1,000	0
Focus on Family	1,163	0
999 Charity 2008	1,500	0
Cheers Youth Centre	1,500	0
Magnet TALK Programme	1,500	0
React and Breakthru	1,500	0
Sub total carried forward	<u>11,203</u>	<u>0</u>
Sub total brought forward	11,203	0
Childline	1,500	0
Morph	2,500	0
Benevolent Fund	30	0
Child Victims of Crime	0	3,000
Home Start Programme-Antrim	0	1,000
Forum for Action on Substance Abuse	0	1,300
An Munia Tober	0	2,000
Northern Ireland Muslims' Families Association	0	700
Child Line Northern Ireland	0	4,000
Barnardos 'Beyond the Shadows' Campaign	0	1,000
	<u>15,233</u>	<u>13,000</u>

### 3 Other disbursements

The disbursement in 2006-2007 of £3,685 relates to seized Cash in 2005-2006, which was treated as income in that year. This had to be paid over to the Home Office in 2006-2007 under the Proceeds of Crime Act as a result of a subsequent decision. There have been no such payments in 2007-2008.

	<b>Year ended 31 March 2008 £</b>	Year ended 31 March 2007 £
<b>4 Debtor</b>		
Money due from the PSNI	<b>43,171</b>	17,563
<b>5 Creditor</b>		
Money due to the PSNI	<b>3,943</b>	803
<b>6 General fund</b>		
Balance at 1 April	<b>16,760</b>	26,286
Add Surplus/(deficit) for year	<b>22,468</b>	(9,526)
Balance at 31 March	<b>39,228</b>	16,760
<b>7 Reconciliation of Operating Surplus/(Deficit) for the year to Net Cash Inflow from Operating Activities</b>		
Operating Surplus / (deficit)	<b>22,468</b>	(9,526)
(Increase) / decrease in debtors	<b>(25,608)</b>	9,374
Increase in creditors	<b>3,140</b>	152
	<b>0</b>	0

### 8 Related party disclosures

PSNI is a body of constables, funded through the NIPB which is a Non-Departmental Public Body of the NIO.

The NIO is regarded as a related party. During the year PSNI had a number of material transactions with the NIO and with other government departments and central government bodies. Most of these transactions have been with: the Forensic Science NI; the NI Prison Service (both executive agencies of the NIO); the Rate Collection Agency (executive agency of the Department of Finance and Personnel) and the Construction Service (Department of Finance and Personnel Core).

None of the senior staff of PSNI undertook any transactions during the year.

### 9 Post balance sheet events

The Annual Report and Accounts were authorised to be issued on 27 June 2008.

There are no other material post balance sheet events.

## Foreword – Police Fund

### Background information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12 (4) of the 'Act', as amended by Section 7 of the 2003 'Act', refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year to which they relate as the Secretary of State may determine. This is to allow the Policing Board to meet their own specific requirements under Section 12 (1) (a) of the Act.

### Principal activities

The Police Service of Northern Ireland (PSNI) exists to provide effective, high quality and professional policing to all of the people living in Northern Ireland. It aims to do this by working closely with, and in, the whole community. The key themes, which continually drive forward the development of policing services, are partnership and co-operation, both with the community served and with other agencies in the private, public and voluntary sectors. All of this is done against a background of ongoing change and improvements and with a determination to make best use of finite resources, whether financial or human, to provide the best value services possible.

The Police Fund is a separate fund administered by the PSNI in association with the RUC Benevolent Fund and ex members who volunteer their services. It was established by regulations under section 28 of the Police Act (NI) 1970 which consists of a PSNI Grant and fines imposed on police officers as a result of disciplinary action. This together with investment income, is applied by PSNI for the welfare of police officers and their dependants.

### Accounts direction

The Annual Report and Accounts have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12 (3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003.

### Chief Officers

The Chief Officers who served throughout the year were as follows

*Sir Hugh Orde*

Chief Constable

*Paul Leighton*

Deputy Chief Constable

*Peter Sheridan*

Assistant Chief Constable Crime Operations

*Roy Toner*

Assistant Chief Constable Operational Support

*Drew Harris*

Assistant Chief Constable Criminal Justice

*Duncan McCausland*

Assistant Chief Constable Urban Region

*Judith Gillespie*

Assistant Chief Constable Rural Region

*Alistair Finlay*

Assistant Chief Constable Crime Support

*David Best*

Director of Finance & Support Services

*Joe Stewart*

Director of Human Resources



Further details are provided in the Main Annual Report and Accounts of the PSNI.

## Corporate governance

Corporate Governance within PSNI is structured on a committee model, reporting to the Chief Constable's Forum (CCF) made up of all Chief Officers and chaired by the Chief Constable.

Each sub committee of the CCF consists of relevant Chief Officers and other members of the Senior Management Team. These committees provide a conduit through which major policy decisions are formulated and exercise responsibility for specific aspects of governance within the Police Service.

The key sub committees supporting the CCF are the

- Information Management Steering Group;
- Strategic Tasking Coordinating Group;
- Finance, Personnel and Training Committee;
- Organisational Development Committee;
- Supplies, Estates and Transport Committee; and
- Audit and Risk Committee

The role of the Audit and Risk Committee is to advise the Chief Constable on the adequacy of internal control arrangements including risk management and governance. This committee currently includes two Non-Executive Members, one as Chair, with both Internal and External Audit invited to attend.

## Company directorships

Chief Officers held no company directorships or other significant interests which conflicted with their management responsibilities.

## Fixed assets

The Police Fund only has fixed asset investments.

## Research and development

The Police Fund has no activities in the field of research and development.

## Interest rate and currency risk

PSNI has no borrowings and relies primarily on Departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits. As all significant assets and liabilities are determined in sterling it is not exposed to material interest rate risk or currency risk.

## Future developments

There are no plans to significantly develop the activities or scope of the Police Fund.

## Charitable contributions

Police Fund made no charitable donations or political donations during the year.

### Disabled persons

PSNI is an equal opportunity employer and took full cognisance of the Northern Ireland Civil Service Code of Practice on the employment of people with disabilities.

### Employee involvement

PSNI maintains regular communications and contact with managers and staff through meetings, team briefings, seminars, circulars, information bulletins and staff newsletters. It also has well-established arrangements for formal consultation with recognised Trade Union representatives on all significant developments affecting staff.

### Health and safety

PSNI is committed to providing for staff an environment that is as far as possible safe and free from risk to health. In line with this commitment, PSNI complied with the relevant legislation.

### Payment of suppliers

PSNI is committed to the prompt payment of bills for goods and services received in accordance with the Government's Better Payments Practice Code and British Standard BS 7890 'Achieving Good Payment Performance in Commercial Transactions'. Unless otherwise stated in the contract, payment was due within 30 days of the receipt of the goods or services or presentation of a valid invoice or similar demand, whichever is later. Payments for the Police Fund are made through the PSNI. PSNI paid 92 per cent of all invoices within 30 days of the date on which it was registered for payment during the period. (95 per cent in 2006-2007).

### Pension liabilities

The pension liabilities of Police Officers are accounted for separately in the PSNI Police Pension Scheme Accounts. Pension benefits and liabilities for Police Staff are provided through the Principal Civil Service Pension Scheme (NI).

### Audit services

The National Audit Office is responsible for the audit of the Police Fund Annual Report and Accounts. Audit services are paid by the Police Service of Northern Ireland and therefore payment details are included in their Annual Report and Accounts. The fees for this year are £2,600 (2006-2007: £2,500).

So far as the Chief Constable is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. The Chief Constable has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

### Annual Report and Accounts and Chief Constable's Report

A full certified copy of these Police Fund Annual Report and Accounts will be available on the PSNI's website ([www.psnipolice.uk](http://www.psnipolice.uk)), together with the Chief Constable's general report 2007-2008 due to be published in June 2008. The Chief Constable's general report is posted to every household in Northern Ireland.

## Management Commentary

### Nature of the business

The Police Fund is a separate fund administered by the PSNI in association with the RUC Benevolent Fund and ex members who volunteer their services. It was established by regulations under section 28 of the Police Act (NI) 1970 which consists of a PSNI Grant and fines imposed on police officers as a result of disciplinary action. This together with investment income, is applied by PSNI for the welfare of police officers and their dependants.

### Review of performance and financial position

The Income and Expenditure Account is set out on page 16 and shows a surplus £13,071 (2006-2007: £15,524). There were no charitable donations made during the year and the General Fund increased from £112,008 (31 March 2007) to £125,079 (31 March 2008).

The financial statements have been prepared on a going concern basis of accounting.

### Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the PSNI's long term performance. These risks are managed as part of the PSNI's wider risk and control framework. Details are provided in the Main Annual Report and Accounts of the PSNI.

### Remuneration Report

There are no salaries or pensions paid from the Police Fund. Details of the PSNI Chief Officer salaries and pensions are detailed in the Main Annual Report and Accounts of the PSNI.

*Sir Hugh Orde*  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## Statement of responsibilities of the Police Service of Northern Ireland and the Chief Constable

Under Part II, Sections 12(1), 12(2) and 12(3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, the Chief Constable of the Police Service of Northern Ireland is required to prepare a statement of accounts on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Secretary of State. The Police Fund financial statements are prepared on an accruals basis and must give a true and fair view of the income and expenditure, total recognised gains and losses and cash flows for the financial year and the balances held at year end.

In preparing the accounts, the Chief Constable of the PSNI is required to comply with the requirements of the Government Financial Reporting Manual and in particular to

- observe the Accounts Direction issued by the Northern Ireland Office, 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 the going concern basis.

The Accounting Officer for the Northern Ireland Office has appointed the Chief Constable of the Police Service of Northern Ireland as Accounting Officer for the Police Fund. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the fund, are set out in Managing Public Money published by HM Treasury.

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, 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 directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to 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 organisational 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 PSNI for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk. This work has included two training events for Risk Managers, bespoke training days for departments and one to one visits with every District Commander and District Risk Management Team.

### The risk and control framework

A Risk Policy Framework document is available to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting arrangements. The Risk Policy Framework document was reviewed and updated at the end of 2006-2007 and the revised policy published to the organisation in June 2007.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2007-2008. Following corporate restructuring on 1 April 2007, Area risk registers and District risk registers were merged to reflect the new District Command structure. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2007-2008. The Register has been revised and updated to take account of the new priorities for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum. The key risk priorities facing the organisation during 2007-2008 were in the generic areas of funding, historical enquiries and operational policing issues.

Stewardship reporting is a key element of ensuring accountability and ownership of risks and their management within the organisation. All Chief Officers and Senior Managers are required to sign a Stewardship Statement on a half yearly basis to confirm that over a period of time, they have reviewed the risk register for their respective areas of responsibility and assessed the management of the risks identified. The signing of the Stewardship Statements helps to provide assurance that all risks are being managed in the organisation.

The Audit and Risk Committee, which is chaired by a Non-Executive Member, is responsible for monitoring the PSNI's risk management and internal controls on a regular basis during the year. This Committee receives reports from internal and external audit and, in addition, reports presented on the risk management process. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary and other independent monitoring bodies, adding to the framework of assurance.

Significant progress has been made in the overall governance arrangements within the organisation and work is currently underway to further improve the operation and reporting arrangements of the governance Committees. In particular, the organisation is continuing to work on implementing a systematic process for coordinating assurance and third party reporting. A programme of work has been progressed which is focussed on eliminating duplication of effort from external recommendations by formally capturing, tracking and discharging recommendations from third parties.

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and will provide increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. During 2007-2008 PSNI continued to improve risk management procedures by implementing the recommendations of major reviews carried out in previous years. This has led to an increased capacity to identify frequently occurring risks, the development of risk templates and critical assessment of individual risk registers to improve assurance and accountability. Significant progress has already been made in these areas and there is a programme of work in place to continue development throughout 2008-2009.

PSNI have also appointed a Senior Information Risk Owner who is a member of the executive management team. PSNI comply with Communications–Electronics Security Group (CESG) and national guidance on information assurance and have an Information Assurance Unit which specifically addresses assurance issues pertaining to the collection, use, storage and retrieval of information.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Chief Officers and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk.

During the year Deloitte & Touche LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control.

*Sir Hugh Orde*  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Police Fund of the Police Service of Northern Ireland for the year ended 31 March 2008 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Police Service of Northern Ireland, the Chief Constable and Auditor

The Police Service of Northern Ireland and the Chief Constable as Accounting Officer are responsible for preparing the Annual Report and the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Responsibilities of the Police Service of Northern Ireland and the Chief Constable.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland. I report to you whether, in my opinion, the information, which comprises the Foreword and Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Police Service of Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Police Service of Northern Ireland's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Police Service of Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Police Service of Northern Ireland and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Police Service of Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Fund of the Police Service of Northern Ireland's affairs as at 31 March 2008 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland; and
- information, which comprises the Foreword and Management Commentary, included within the Annual Report, is consistent with the financial statements.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements.

*T J Burr*  
Comptroller and Auditor General

27 June 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS



## Income and Expenditure Account for the year ended 31 March 2008

	Year ended 31 March 2008	Year ended 31 March 2007
Note	£	£
<b>Income</b>		
Dividends and interest	3,486	3,049
Other income	24,520	25,727
Fines on Members of the PSNI	10,675	12,231
	<u>38,681</u>	<u>41,007</u>
<b>Expenditure</b>		
Disbursements for convalescent travel of members of PSNI and their dependants	24,520	18,092
Disbursements for fuel welfare payments	500	6,800
Administrative costs	6	12
	<u>25,026</u>	<u>24,904</u>
<b>Surplus before taxation</b>	<b>13,655</b>	16,103
Corporation Tax	584	579
<b>Surplus for the year</b>	<b>13,071</b>	<u>15,524</u>

## Statement of total recognised gains and losses for the year ended 31 March 2008

	Year ended 31 March 2008	Year ended 31 March 2007
Note	£	£
<b>Surplus for the year</b>	<b>13,071</b>	15,524
Surplus/(deficit) on revaluation of fixed assets	8 191	(1,025)
<b>Total recognised gains for the year</b>	<b>13,262</b>	<u>14,499</u>

*The notes on pages 65 to 66 form part of this account.*

All amounts above relate to continuing activities.

## Balance Sheet as at 31 March 2008

	Notes	Year ended 31 March 2008 £	Year ended 31 March 2007 £
<b>Fixed assets</b>			
Investments	3	<b>63,787</b>	63,596
<b>Current assets</b>			
Debtors	4	<b>40,263</b>	29,424
Bank	5	<b>48,296</b>	44,935
		<b>88,559</b>	74,359
<b>Current liabilities</b>			
Creditors	6	<b>(25,496)</b>	(24,367)
<b>Net current assets</b>		<b>63,063</b>	49,992
<b>Total assets less total liabilities</b>		<b>126,850</b>	113,588
<b>Financed by</b>			
<b>Reserves</b>			
General Fund	7	<b>125,079</b>	112,008
Revaluation Reserve	8	<b>1,771</b>	1,580
		<b>126,850</b>	113,588

*The notes on pages 65 to 66 form part of this account.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## Cash Flow Statement for the year ended 31 March 2008

	<b>Year ended 31 March 2008</b>	Year ended 31 March 2007
Notes	<b>£</b>	£
<b>Net cash inflow from operating activities</b>	9 <b>3,361</b>	26,789
<b>Increase in cash</b>	5 <b>3,361</b>	26,789

*The notes on pages 65 to 66 form part of this account.*

# Notes to the Annual Financial Statements

## 1 Statement of principal accounting policies

These financial statements have been prepared in accordance with the 2007-2008 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

### 1.2 Value added tax

Value Added Tax is not applicable with respect to receipts. Income is shown inclusive of Value Added Tax. Irrecoverable VAT is charged to the relevant expenditure category.

### 1.3 Corporation Tax

As from 1 April 2005 the Police Fund has been treated as a Mutual Trust and is only liable to corporation tax on interest and loan investment interest.

## 2 Other income

As a tax efficiency measure Northern Ireland Policing Board agreed to meet expenses incurred by officers and their dependants visiting the Police Convalescent Homes from the Police Fund and to transfer a corresponding amount to the Fund.

	<b>Year ended 31 March 2008 £</b>	Year ended 31 March 2007 £
<b>3 Fixed asset investments</b>		
14,200 4 per cent Consolidated Stock at Market Value (Cost £10,016).	<b>11,787</b>	11,596
Advances to the Consolidated Fund of Northern Ireland	<b>52,000</b>	52,000
	<b>63,787</b>	63,596
<b>4 Debtors</b>		
Money due from PSNI	<b>40,130</b>	29,291
Other Debtors	<b>133</b>	133
	<b>40,263</b>	29,424
<b>5 Bank</b>		
Opening Bank Balance 1 April	<b>44,935</b>	18,146
Net cash inflow	<b>3,361</b>	26,789
Closing Bank Balance 31 March	<b>48,296</b>	44,935

**6 Creditors**

	<b>Year ended 31 March 2008 £</b>	Year ended 31 March 2007 £
Money due to PSNI	<b>500</b>	6,800
Disbursements due	<b>24,520</b>	17,090
Administrative expenses	<b>6</b>	12
HM Revenue & Customs	<b>470</b>	465
	<b>25,496</b>	24,367

**7 General fund**

Balance as at 1 April	<b>112,008</b>	96,484
Surplus for the year	<b>13,071</b>	15,524
Balance as at 31 March	<b>125,079</b>	112,008

**8 Revaluation reserve**

Balance as at 1 April	<b>1,580</b>	2,605
Surplus/(deficit) on revaluation of fixed asset investments	<b>191</b>	(1,025)
Balance as at 31 March	<b>1,771</b>	1,580

**9 Notes to the cash flow statement**

Surplus for the year	<b>13,071</b>	15,524
(Increase) in debtors	<b>(10,839)</b>	(755)
Increase in creditors	<b>1,129</b>	12,020
Net cash inflow from operating activities	<b>3,361</b>	26,789

**10 Related party disclosures**

PSNI is a body of constables funded through the Northern Ireland Policing Board, which is a Non-Departmental Public Body of the NIO.

The NIO is regarded as a related party. During the year PSNI had a number of material transactions with the NIO and with other government departments and central government bodies. Most of these transactions have been with: the Forensic Science NI; the NI Prison Service (both executive agencies of the NIO); the Rate Collection Agency (executive agency of the Department of Finance and Personnel) and the Construction Service (Department of Finance and Personnel Core).

None of the senior staff of PSNI undertook any transactions during the year.

**11 Post balance sheet events**

The Annual Report and Accounts were authorised to be issued on 27 June 2008.

There are no other material post balance sheet events.

## Report of the Managers – Police Pension Scheme

### Introduction

Following the introduction of the New Police Pension Scheme on 6 April 2006, the Police Service of Northern Ireland (PSNI) now administers two Pension Schemes for police officers. Both of these Schemes, the existing Police Pension (now referred to as the 'closed' scheme) and the New Police Pension Scheme (or 'new' scheme), are included in the Police Pension Accounts. Both Schemes are unfunded defined benefit schemes.

The regulations under which the Closed Scheme operates are the Pensions (Northern Ireland) Order 1995 and the RUC Pensions Regulation 1988 and subsequent amendments. The regulations are modified for members of the PSNI Full Time Reserve in accordance with the RUC Reserve (Full Time) Pension Regulations 1994 and subsequent amendments.

The New Police Pensions Scheme operates under the Police Pensions (Northern Ireland) Regulations 2007 which apply retrospectively from 6 April 2006. This is now the only scheme available to new recruits serving in the PSNI.

Membership of these schemes is not compulsory and officers may make other pension arrangements.

All police officers are given a booklet explaining the scheme rules at induction or training.

This is now the fifth standalone Police Pension Accounts. The rationale of preparing separate Pension Accounts is to avoid the detail required by FRS 17 (Retirement Benefits) from overshadowing and drawing attention away from the record of the police's core financial performance. Prior to these Pension Accounts, a Revenue Account and FRS 17 information was disclosed as part of the PSNI Annual Financial Statements.

Both the Closed Police Pension Scheme and the New Police Pension Scheme are administered by PSNI on behalf of the Northern Ireland Policing Board.

### Accounts direction

The Police Pension Accounts have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12 (3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003.

The Managers, advisers and employers for both Schemes are as follows

**Managers**

*Accounting Officer and Pension Scheme Practitioner*

Chief Constable  
Police Service of Northern Ireland  
Brooklyn  
65 Knock Road  
Belfast  
BT5 6LE

*Pension Scheme Administrator*

Northern Ireland Policing Board  
Waterside Tower  
31 Clarendon Road  
Clarendon Dock  
Belfast  
BT1 3BG

**Advisers**

*Pension Scheme Actuary*

Government Actuary's Department  
Finlaison House  
15-17 Furnival Street  
London  
EC4A 1AB

*Government Department*

Northern Ireland Office  
Castle Buildings  
Belfast  
BT4 3SG

*Auditors*

Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

*Bankers*

Northern Bank  
Donegall Square West  
Belfast

The Scheme has no separate bank account. It uses the banking arrangements of the PSNI.

**Employers**

*Principal Employer*

Police Service of Northern Ireland  
Brooklyn  
65 Knock Road  
Belfast  
BT5 6LE

The Scheme has no separate bank account. It utilises the banking arrangements of the PSNI.

**Changes to the schemes**

During the year, pensions were increased by 3.6 per cent with effect from 9 April 2007.

There have been no other significant changes to either Scheme during the year.

**Membership statistics**

Details of the current membership of the Closed Police Pension Scheme are as follows

**Active Members**

At 1 April 2007	7,920
New entrants – transfers in	11
Retirements in the year	(517)
Deaths	(3)
Other leavers	(84)
At 31 March 2008	<b>7,327</b>

**Deferred Members**

At 1 April 2007	864
Members leaving who have deferred pension rights	68
Members taking up deferred pension rights	(10)
At 31 March 2008	<b>922</b>

**Pensioners in Payment**

	<b>Members</b>	<b>Dependents</b>	<b>Total</b>
At 1 April 2007	9,162	1,429	10,591
Members retiring in year at normal retirement age	32	0	32
Other retirements	661	0	661
New dependants	0	88	88
Cessations	(123)	(73)	(196)
At 31 March 2008	<b>9,732</b>	<b>1,444</b>	<b>11,176</b>

**Compensation Payments**

At 1 April 2007	<b>208</b>	<b>0</b>	<b>208</b>
Members leaving under early retirement	14	0	14
Members reaching normal retirement age during the year	(60)	0	(60)
At 31 March 2008	<b>162</b>	<b>0</b>	<b>162</b>

Details of the current membership of the New Police Pension Scheme are as follows

**Active Members**

At 1 April 2007	358
New entrants	343
Retirements in the year	0
Deaths	0
Other leavers	(33)
At 31 March 2008	<b>668</b>

There are no deferred members or pensions in payment as at 31 March 2008.

**Additional Voluntary Contributions and Stakeholder Pensions**

The Secretary of State appointed Equitable Life and Standard Life as providers of the in-house Additional Voluntary Contribution (AVC) Scheme for Police Officers in the Closed Scheme. This is legislated in Statutory Rules of Northern Ireland for the PSNI Pension Scheme. PSNI designated Standard Life as Stakeholder Pension Provider. PSNI have made known to staff the arrangements and provide a facility for staff to contribute through payroll if they so wish.



£46,117 of contributions have been made by members of PSNI to the scheme during the year (see note 17).

There is no in-house AVC Scheme available to members of the New Police Pension Scheme introduced from 6 April 2006.

### Going concern

The Combined Balance Sheet (which includes liabilities belonging to both the closed and the new pension schemes) at 31 March 2008 shows net liabilities of £4,879.71m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the PSNI's other sources of income, may only be met by future grants or grants-in-aid from the PSNI's sponsoring Department (the Northern Ireland Office). This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grants for 2008-2009 have already been included in the NIO's Estimates for that year, taking into account the amounts required to meet the PSNI's liabilities falling due. These have been approved by Parliament and there is no reason to believe that the NIO's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these pension scheme accounts.

### Future developments

Following the introduction of the New Police Pension Scheme from 6 April 2006, this is the only Scheme available to all new police officer recruits.

### Post balance sheet events

From 7 April 2008, pensions were increased by 3.9 per cent.

On 21 May 2008, guidance was published introducing new factors for commutation of annual pensions for lump sum in the Closed Police Pension Scheme and for exchange of lump sum for additional pension in the New Police Pension Scheme.

There are no other post balance sheet events to be noted.

### Audit services

The National Audit Office is responsible for the audit of the Police Pension Accounts. Audit services are paid by the Police Service of Northern Ireland and therefore payments details are included in their Annual Financial Statements. The fees for this year are £17,000 (2006-2007: £16,500).

So far as the Chief Constable is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. The Chief Constable has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

### Further information

Any enquiries regarding either the PSNI Closed Police Pension Scheme or the New Police Pension Scheme should be addressed to the Head of Pensions Branch.

# Report of the Actuary

## a Liabilities

The capitalised value as at 31 March 2008 of expected future benefit payments under the Police Pension Schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2008, has been assessed using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members, as follows

	£ million Closed Scheme	£ million New Scheme
Actives (past service)	(2,319.68)	(10.14)
Deferred Pensioners	(125.35)	(0.01)
Current Pensioners (excluding injury)	(2,424.53)	0
<b>Total</b>	<b>(4,869.56)</b>	<b>(10.15)</b>

## b Accruing costs

The cost of benefits accruing for each year is met partly by contributions by members, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2007-2008 has been assessed as follows

	% of pensionable pay Closed Scheme	% of pensionable pay New Scheme
Current service cost	60.9	55.9

In relation to the pensionable payroll for the financial year, the Current Service Cost is as follows

	£ million Closed Scheme	£ million New Scheme
Current service cost	151.74	7.00

## c Methodology

The value of the liabilities has been obtained by projecting the accrued benefits, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has also been determined using the projected unit method.

## d Assumptions

The assessments have been prepared in accordance with the Financial Reporting Manual (FRM) issued by HM Treasury. The main financial assumptions are set in accordance with the FRM. The assumptions proposed by the Government Actuary's Department and agreed with the PSNI in nominal terms are

- A rate of earnings increase of 4.3 per cent p.a. excluding promotional and performance increments;
- A long term nominal discount rate of 5.3 per cent p.a.; and
- A rate of long-term inflation and pensions increases of 2.75 per cent p.a.

The PSNI's workforce is too small to provide sufficient data from which to draw statistically reliable conclusions for all of the assumptions which are to be made. The PSNI has confirmed that demographic assumptions should be derived from aggregate experience across all authorities with officers in the Police Pension Schemes supplemented as necessary by appropriate standard tables. We are not aware of any reason why the PSNI's demographic experience over the long term should be significantly different from the aggregate experience assumed in our assessment.

**e Notes**

- 1 We understand that some benefits payable under the PSNI Severance Schemes will be accounted for outside the PSNI Police Pension Accounts. PSNI have instructed us as to which benefits should be included in these statements.
- 2 The data for this assessment was provided by the Police Service of Northern Ireland. Full data was provided in respect of the current and former members of the pension scheme as at 31 December 2007, together with summary data as at 31 March 2008.

*Andrew Johnston*  
Government Actuary's Department  
London

13 June 2008

## Statement of Accounting Officer's responsibilities

Under Section 12(3) of the Police (Northern Ireland) Act 2000 as amended by Section 7(4) of the Police (Northern Ireland) Act 2003, the Chief Constable of the Police Service of Northern Ireland is required to prepare a statement of accounts for pensions purposes on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Secretary of State.

With the exception of certain transactions (which are accounted for on a cash basis) the financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the Schemes during the year and the disposition, at the end of the financial year, of the net liability. Note 2, 'Accounting Policies', to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the net liability at the year end.

In preparing the financial statements, the Chief Constable of the PSNI is required to comply with the requirements of the Government Financial Reporting Manual and in particular to

- observe the Accounts Direction issued by the Northern Ireland Office, 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.

The Accounting Officer for the Northern Ireland Office has appointed the Chief Constable of the Police Service of Northern Ireland as Accounting Officer for the Police Pension Accounts. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension schemes, are set out in Managing Public Money published by HM Treasury.

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, 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 directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to 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 organisational 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 PSNI for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk. This work has included two training events for Risk Managers, bespoke training days for departments and one to one visits with every District Commander and District Risk Management Team.

### The risk and control framework

A Risk Policy Framework document is available to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting arrangements. The Risk Policy Framework document was reviewed and updated at the end of 2006-2007 and the revised policy published to the organisation in June 2007.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2007-2008. Following corporate restructuring on 1 April 2007, Area risk registers and District risk registers were merged to reflect the new District Command structure. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2007-2008. The Register has been revised and updated to take account of the new priorities for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum. The key risk priorities facing the organisation during 2007-2008 were in the generic areas of funding, historical enquiries and operational policing issues.

Stewardship reporting is a key element of ensuring accountability and ownership of risks and their management within the organisation. All Chief Officers and Senior Managers are required to sign a Stewardship Statement on a half yearly basis to confirm that over a period of time, they have reviewed the risk register for their respective areas of responsibility and assessed the management of the risks identified. The signing of the Stewardship Statements helps to provide assurance that all risks are being managed in the organisation.

The Audit and Risk Committee, which is chaired by a Non-Executive Member, is responsible for monitoring the PSNI's risk management and internal controls on a regular basis during the year. This Committee receives reports from internal and external audit and, in addition, reports presented on the risk management process. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary and other independent monitoring bodies, adding to the framework of assurance.

Significant progress has been made in the overall governance arrangements within the organisation and work is currently underway to further improve the operation and reporting arrangements of the governance Committees. In particular, the organisation is continuing to work on implementing a systematic process for coordinating assurance and third party reporting. A programme of work has been progressed which is focussed on eliminating duplication of effort from external recommendations by formally capturing, tracking and discharging recommendations from third parties.

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and will provide increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. During 2007-2008 PSNI continued to improve risk management procedures by implementing the recommendations of major reviews carried out in previous years. This has led to an increased capacity to identify frequently occurring risks, the development of risk templates and critical assessment of individual risk registers to improve assurance and accountability. Significant progress has already been made in these areas and there is a programme of work in place to continue development throughout 2008-2009.

PSNI have also appointed a Senior Information Risk Owner who is a member of the executive management team. PSNI comply with Communications–Electronics Security Group (CESG) and national guidance on information assurance and have an Information Assurance Unit which specifically addresses assurance issues pertaining to the collection, use, storage and retrieval of information.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Chief Officers and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk.

During the year Deloitte & Touche LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisations system of internal control.

*Sir Hugh Orde*  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## The Certificate and Report of the Comptroller And Auditor General to The Houses of Parliament

I certify that I have audited the financial statements of the Police Service of Northern Ireland Pension Accounts for the year ended 31 March 2008 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Combined Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Police Service of Northern Ireland, the Chief Constable and Auditor

The Chief Constable, as Accounting Officer, is responsible for preparing the Report of the Managers and the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Police Service of Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Police Service of Northern Ireland's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Police Service of Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the annual report, which comprises the Report of the Managers and the Actuary's Report, and consider whether it is consistent with the audited financial statements.

I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the scheme's affairs as at 31 March 2008, combined net outgoings, recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland.

## Opinion on regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Report

I have no observations to make on these financial statements.

*T J Burr*  
Comptroller and Auditor General

27 June 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS



## Combined Revenue Account for the year ended 31 March 2008

		<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<b>Income</b>	Notes		
Contributions receivable	3	<b>81,596</b>	83,127
Transfers in	4	<b>1,690</b>	1,670
<b>Total</b>		<b>83,286</b>	84,797
<b>Outgoings</b>			
Current service costs	5	<b>(158,740)</b>	(122,330)
Enhancements	6	<b>(8,980)</b>	(9,360)
Transfers in	4	<b>(1,690)</b>	(1,670)
Interest on scheme liabilities	7	<b>(236,060)</b>	(214,050)
<b>Total</b>		<b>(405,470)</b>	(347,410)
Removal of provision for injury awards	8	<b>0</b>	187,000
<b>Net outgoings for the year</b>		<b>(322,184)</b>	(75,613)

*The notes on pages 81 to 89 form part of these accounts.*

## Combined Statement of total recognised gains and losses for the year ended 31 March 2008

		<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Net outgoings for the year		<b>(322,184)</b>	(75,613)
Actuarial gain /(loss)	12.4	<b>499,280</b>	(948,630)
Recognised gains and (losses) for the year		<b>177,096</b>	(1,024,243)

*The notes on pages 81 to 89 form part of these accounts.*

## Combined Balance Sheet as at 31 March 2008

		<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<b>Current assets</b>			
Debtors	10	<b>4,372</b>	4,347
<b>Creditors due within one year</b>			
Creditors	11	<b>(4,372)</b>	(4,347)
<b>Net current assets, excluding pension liabilities</b>		<b>0</b>	0
<b>Provisions for Pension liabilities</b>			
Closed Scheme	12.1	<b>(4,869,560)</b>	(5,127,000)
New Scheme	12.2	<b>(10,150)</b>	(2,570)
<b>Net liabilities, including pension liabilities</b>		<b>(4,879,710)</b>	(5,129,570)
<b>Taxpayers' Equity</b>			
Opening balance		<b>(5,129,570)</b>	(4,156,900)
Grant In Aid	13	<b>72,764</b>	51,573
Net outgoing for the year		<b>(322,184)</b>	(75,613)
Actuarial gains / (losses)	12.4	<b>499,280</b>	(948,630)
<b>Closing balance</b>		<b>(4,879,710)</b>	(5,129,570)

*The notes on pages 81 to 89 form part of these accounts.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

20 June 2008

## Combined Cash Flow Statement for the year ended 31 March 2008

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<b>Reconciliation of net outgoings to operating cash flows</b>		
Net outgoings for the year	<b>(322,184)</b>	(75,613)
Adjustments for movements in working capital	<b>0</b>	0
<i>Increase in pension provision</i>		
Closed Scheme	12.1 <b>387,490</b>	334,840
New Scheme	12.2 <b>7,310</b>	1,540
Increase in pension provision – enhancements and transfers in		
Closed Scheme	12.1 <b>9,180</b>	10,820
New Scheme	12.2 <b>1,490</b>	210
Removal of Provision for Injury Awards	8, 12.1 <b>0</b>	(187,000)
<i>Use of provision</i>		
Closed Scheme	12.1 <b>(156,030)</b>	(136,370)
New Scheme	12.2 <b>(20)</b>	0
<b>Net cash outflow from operating activities</b>	<b>(72,764)</b>	(51,573)
<b>Financing</b>	13 <b>72,764</b>	51,573
<b>Increase/(decrease) in cash in the period</b>	<b>0</b>	0

*The notes on pages 81 to 89 form part of these accounts.*

# Notes to the Accounts

## 1 Basis of preparation of the pension accounts

The PSNI Pension Accounts have been prepared in accordance with the relevant provisions of the 2007-2008 Government Financial Reporting Manual (FReM) issued by the Treasury, which reflects the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. These accounts show the unfunded pension liabilities and movements in those liabilities during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice (SORP) *Financial Reports of Pension Schemes* to the extent that these are appropriate, together with Section 12 (3) of the Police (Northern Ireland) Act 2000 as amended by Section 7 (4) of the Police (Northern Ireland) Act 2003 and the Accounts Direction from the Northern Ireland Office.

The Accounts summarise the transactions of both the Closed Police Pension Scheme and the New Police Pension Scheme. The combined balance sheet shows the deficits on each scheme; the combined revenue account shows the total of the movements from each scheme liability analysed between the pension cost, enhancements and transfers in, and the interest on the scheme liability. The actuarial position of each pension scheme is dealt with in the Report of the Actuary, and the pension accounts should be read in conjunction with that report.

## 2 Statement of accounting policies

### 2.1 Contributions receivable

Employers' normal pension contributions are accounted for on an accruals basis.

Employers' special pension contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on a cash basis.

Employees' pension contributions which exclude amounts paid in respect of the purchase of added years and Additional Voluntary Contributions are accounted for on an accruals basis.

Employees' contributions paid in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the scheme liability is recognised as expenditure.

### 2.2 Transfers in and out

Transfers in are normally accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis, although group transfers in may be accounted for on an accruals basis where the scheme has formally accepted or transferred a liability.

### 2.3 Other income

Other income, including refunds of gratuities, overpayments recovered other than by deduction from future benefits are accounted for on an accruals basis. To the extent that this income also represents an increase in the scheme liability, it is also reflected in expenditure.

### 2.4 Current service cost

The current service cost is the increase in the present value of the scheme liabilities arising from current member's service in the current period and is recognised in the Revenue Account. The cost is based on a real discount rate of 2.5 per cent real.

### 2.5 Past service costs

Past service costs are increases in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Past service costs are recognised in the Revenue Account on a straight-line basis over the period in which increase in benefit vests.

#### *2.6 Enhancements*

Any enhancements to pensions, including on departure or retirement, are measured and reflected immediately in the Revenue Account.

#### *2.7 Interest on scheme liabilities*

The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Revenue Account. The interest cost is based on a real discount rate of 2.5 per cent.

#### *2.8 Other payments*

Other payments are accounted for on an accruals basis.

#### *2.9 Scheme liabilities*

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and is discounted at a real rate of 2.5 per cent.

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions.

#### *2.10 Pension benefits payable*

Pension benefits payable are accounted for as a decrease in the scheme liability on an accruals basis.

#### *2.11 Pension payments to those retiring at their normal retirement age*

Where a retiring member of either pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a retiring member of either pension scheme has a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

#### *2.12 Pension payments to and on account of leavers before their normal retirement age*

Where a member of either pension scheme is entitled to only a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

Where a member of either pension scheme has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the scheme liability on a cash basis.

#### *2.13 Injury benefits*

Injury benefits are accounted for in the main PSNI Financial Statements.

### 2.14 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis. They are funded through the normal pension contributions and are a charge on the pension provision.

### 2.15 Actuarial gains / losses

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Recognised Gains and Losses for the year.

### 2.16 Additional voluntary contributions

Additional Voluntary Contributions (AVC's) are deducted from employees' salaries and are paid over directly by the employing departments to the approved AVC providers.

## 3 Contributions receivable

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
Notes		
<b>Employers' Contributions</b>		
Closed Scheme	<b>50,435</b>	53,051
New Scheme	<b>2,546</b>	816
<b>Employees' Contributions</b>		
Closed Scheme	<b>27,426</b>	28,882
New Scheme	<b>1,189</b>	378
	<b>81,596</b>	83,127

## 4 Transfers in

	£000	£000
Closed Scheme	12.1 <b>200</b>	1,460
New Scheme	12.2 <b>1,490</b>	210
	<b>1,690</b>	1,670

## 5 Current service costs

	£000	£000
Closed Scheme	12.1 <b>151,740</b>	120,840
New Scheme	12.2 <b>7,000</b>	1,490
	<b>158,740</b>	122,330

## 6 Enhancements

Closed Scheme	12.1 <b>8,980</b>	9,360
New Scheme	<b>0</b>	0
	<b>8,980</b>	9,360

**7 Interest on scheme liabilities**

		<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<i>Interest charge for the year</i>	Notes		
Closed Scheme	12.1	<b>235,750</b>	214,000
New Scheme	12.2	<b>310</b>	50
		<b>236,060</b>	214,050

**8 Removal of Provision for injury awards**

Following a change to the tax regime, from April 2006 injury awards are no longer permitted to be part of pension schemes and the relevant costs are now recognised in the PSNI's main financial statements. The pension liability relating to injury awards was valued at £187m as at 31 March 2006 by the Government Actuary's Department.

**9 Administration fees and expenses**

All costs of administering the PSNI Pension Schemes are borne by the Police Service of Northern Ireland.

**10 Debtors**

		<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<i>10a Analysis by type</i>			
Pension contribution due from employer		<b>4,034</b>	3,900
Pension overpayments	285		299
Provision for doubtful debts	(75)	<b>210</b>	(95)
Amounts due from PSNI main accounts		<b>124</b>	239
Other debtors		<b>4</b>	4
		<b>4,372</b>	4,347

*10b Intra-Government balances*

	<b>Amounts falling due within one year £000</b>	£000
Balances with other central government bodies	<b>4,158</b>	4,139
Balances with bodies external to government	<b>214</b>	208
<b>At 31 March</b>	<b>4,372</b>	4,347

**11 Creditors due within one year**

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
<i>11a Analysis by type</i>		
Amount due to PSNI main accounts	<b>4,248</b>	4,108
Unpaid pensions	<b>123</b>	0
HM Revenue & Customs	<b>1</b>	239
	<b>4,372</b>	4,347

## 11b Intra-Government balances

	<b>Amounts falling due within one year</b>	
	<b>£000</b>	<b>£000</b>
Balances with other central government bodies	<b>4,249</b>	4,347
Balances with bodies external to government	<b>123</b>	0
<b>At 31 March</b>	<b>4,372</b>	4,347

**12 Provision for pension liabilities**

Both the PSNI Police Pension Schemes are unfunded defined benefit schemes. An actuarial valuation of each scheme was carried out as at 31 March 2008 by the Government Actuary's Department. The major assumptions used by the Actuary were

	<b>At 31 March 2008</b>	At 31 March 2007	At 31 March 2006
	<b>%</b>	%	%
Rate of inflation	<b>2.75</b>	2.75	2.5
Rate of increase in salaries	<b>4.3</b>	4.3	4.0
Rate of increase in pensions	<b>2.75</b>	2.75	2.5
Rate for discounting scheme liabilities	<b>5.3</b>	4.6	5.4

The PSNI are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of

- scheme membership, including age and gender profile, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the scheme;
- income and expenditure, including details of expected bulk transfers into or out of the scheme; and
- following consultation with the Actuary, the key assumptions that should be used to value the scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing each scheme liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of each scheme liability included on the balance sheet may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to reduce the assumed rate of inflation, or the assumed rate of increase in salaries, then the value of the pension scheme liability will decrease (other things being equal). Conversely, if the assumed rates are increased, the value of the liability will increase. The PSNI accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in this note. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.



## 12.1 Analysis of movement in the closed pension scheme liability

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
<b>Scheme liability at 1 April</b>	<b>(5,127,000)</b>	(4,156,900)
Current service cost	<b>(151,740)</b>	(120,840)
Interest on pension scheme liability	<b>(235,750)</b> <b>(387,490)</b>	(214,000) (334,840)
Enhancements	<b>(8,980)</b>	(9,360)
Transfers in	<b>(200)</b> <b>(9,180)</b>	(1,460) (10,820)
Removal of Injury Awards (see note 8)	<b>0</b>	187,000
Pension payments (see note 12.3)	<b>156,030</b>	136,370
Actuarial gain / (loss) (see note 12.4)	<b>498,080</b>	(947,810)
<b>Scheme liability at 31 March</b>	<b>(4,869,560)</b>	(5,127,000)

During the year ended 31 March 2008, employee contributions represented an average of 11 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay.

## 12.2 Analysis of movement in the new pension scheme liability

<b>Scheme liability at 1 April</b>	<b>(2,570)</b>	0
Current service cost	<b>(7,000)</b>	(1,490)
Interest on pension scheme liability	<b>(310)</b> <b>(7,310)</b>	(50) (1,540)
Transfers in	<b>(1,490)</b>	(210)
Pension payments (see note 12.3)	<b>20</b>	0
Actuarial gain / (loss) (see note 12.4)	<b>1,200</b>	(820)
<b>Scheme liability at 31 March</b>	<b>(10,150)</b>	(2,570)

During the year ended 31 March 2008, employee contributions represented an average of 9.5 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay.

## 12.3 Analysis of pension payments

	Year ended 31 March 2008 £000	Year ended 31 March 2007 £000
<b>Closed Scheme</b>		
Pension payments	<b>112,331</b>	100,010
Gratuities / Commutations	<b>42,759</b>	35,780
Payments to and on account of leavers	<b>940</b>	580
	<b>156,030</b>	136,370
<b>New Scheme</b>		
Pension payments	<b>0</b>	0
Gratuities / Commutations	<b>0</b>	0
Payments to and on account of leavers	<b>20</b>	0
	<b>20</b>	0

No pension payments have been made during the year regarding the New Police Pension Scheme.

## 12.4 Analysis of Actuarial Gain / (Loss)

	<b>Year ended 31 March 2008 £000</b>		Year ended 31 March 2007 £000	
<b>Closed Scheme</b>				
Experience gains and losses arising on pension liabilities	22,340		(15,240)	
Changes in assumptions underlying the present value of the pension liabilities	475,740	498,080	(932,570)	(947,810)
<b>New Scheme</b>				
Experience gains and losses arising on pension liabilities	(1,120)		(30)	
Changes in assumptions underlying the present value of the pension liabilities	2,320	1,200	(790)	(820)
Total actuarial gain / (loss)		<u>499,280</u>		<u>(948,630)</u>

## 12.5 History of experience gain / (loss)

Year ended 31 March	2008	2007	2006	2005	2004
<b>Closed Scheme</b>					
Experience gain / (loss) on scheme liabilities					
Amount (£m)	<b>22.34</b>	(15.24)	(6.35)	(5.63)	(100.00)
Percentage of liability at the year end	<b>0.5%</b>	-0.3%	-0.2%	-0.2%	-3.1%
Total actuarial gain / (loss)					
Amount (£m)	<b>498.08</b>	(947.81)	(15.79)	(813.79)	(696.95)
Percentage of liability at the year end	<b>10.2%</b>	-18.5%	-0.4%	-23.4%	-21.7%
<b>New Scheme</b>					
Experience gain / (loss) on scheme liabilities					
Amount (£m)	<b>(1.12)</b>	(0.03)	0	0	0
Percentage of liability at the year end	<b>-11.0%</b>	-1.2%	0	0	0
Total actuarial gain / (loss)					
Amount (£m)	<b>1.20</b>	(0.82)	0	0	0
Percentage of liability at the year end	<b>11.8%</b>	-31.9%	0	0	0

## 13 Grant-In-Aid

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Grant-in-Aid from the Northern Ireland Office	<b><u>72,764</u></b>	<u>51,573</u>

## 14 Related party transactions

PSNI is a body of constables, funded through the Northern Ireland Policing Board which is a Non-Departmental Public Body of the Northern Ireland Office.

The Northern Ireland Office is regarded as a related party. During the year the PSNI Pension Account has had a number of material transactions with the Northern Ireland Office and other government Departments, namely the Department of Finance and Personnel.

None of the Managers of the Schemes, key managerial staff or other related parties has undertaken any material transactions with either Scheme during the year.

## 15 Financial instruments

FRS 13 *Derivatives and Other Financial Instruments* requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which PSNI is funded from the Northern Ireland Office, the PSNI Police Pension Accounts are not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 applies.

The PSNI Pension Accounts rely primarily on departmental funding for its revenue resource requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all assets and liabilities are determined in sterling, so it is not exposed to interest rate or currency risk.

## 16 Losses and special payments

During the year, there was one recorded loss or special payment totalling £544 (2006-2007:£7,578).

## 17 Additional voluntary contributions

The Closed Police Pension Scheme provides for officers to make additional voluntary contributions (AVC's) to increase their pension entitlements or to increase life assurance cover. Officers may arrange to have agreed sums deducted from their salaries, for onward payment to the approved provider. (i.e. Equitable Life or Standard Life). The Managers of the Police Pension Scheme have responsibility only for onward payment by employers of officer's contributions to the scheme's approved provider. These AVC's are not brought to account in this statement. Officer's participating in this arrangement receive an annual statement from the approved provider as at 31 March confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows

	<b>Year ended 31 March 2008 £000</b>	Year ended 31 March 2007 £000
Movements in the year		
<b>Balance at 1 April</b>	<b>1,102</b>	1,013
New Investments	<b>46</b>	70
Sale of investments to provide pension benefits	<b>(188)</b>	(50)
Changes in market value of investments	<b>(19)</b>	69
<b>Balance at 31 March</b>	<b>941</b>	1,102
Contributions received to provide life cover	<b>0</b>	0
Benefits paid on death	<b>0</b>	0
	<b>0</b>	0

There is no in-house AVC Scheme available to members of the New Police Pension Scheme introduced from 6 April 2006.

**18 Post balance sheet events**

From 7 April 2008, pensions were increased by 3.9 per cent.

On 21 May 2008, guidance was published introducing new factors for commutation of annual pensions for lump sum in the Closed Police Pension Scheme and for exchange of lump sum for additional pension in the New Police Pension Scheme.

The Annual Report and Accounts were authorised to be issued on 27 June 2008.

There are no other post balance sheet events to be noted.

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