

Accounts prepared pursuant to paragraph 9 (2) of Schedule 4 of the Police (Northern Ireland) Act 2000

Office of the Oversight Commissioner for Northern Ireland Account 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 16 APRIL 2007

The National Audit Office
scrutinises public spending
on behalf of Parliament.

The Comptroller and Auditor General,
Sir John Bourn, is an Officer of the
House of Commons. He is the head of the
National Audit Office, which employs some
850 staff. He, and the National Audit Office,
are totally independent of Government.

He certifies the accounts of all Government
departments and a wide range of other public
sector bodies; and he has statutory authority
to report to Parliament on the
economy, efficiency and effectiveness
with which departments and other bodies
have used their resources.

Our work saves the taxpayer millions of
pounds every year. At least £8 for every
£1 spent running the Office.

This account can be found on the National Audit Office web site at
www.nao.org.uk

Contents

	Page
Foreword	2
Management Commentary	5
Remuneration Report	6
Statement of the responsibilities of the Oversight Commissioner and the Accounting Officer	8
Statement on Internal Control	9
Certificate and Report of the Comptroller and Auditor General	11
Income and Expenditure Account	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Accounts	16

Foreword

History and statutory background

The Office of the Oversight Commissioner was established as a result of a recommendation by the Independent Commission on Policing for Northern Ireland in the 'Patten Report' (September 1999).

Mr Tom Constantine was appointed as the Oversight Commissioner by the Secretary of State for Northern Ireland on 31 May 2000 and served in this position until retiring at the end of December 2003. He was succeeded by the current Oversight Commissioner, Mr Al Hutchinson, on 1 January 2004. The statutory requirements of the Oversight Commissioner are laid down in Sections 67 and 68 of the Police (Northern Ireland) Act 2000.

These accounts have been prepared in accordance with a direction given by HM Treasury in pursuance of paragraph 9 (1) of schedule 4 to the Police (NI) Act 2000.

The Office of the Oversight Commissioner is financed by a budget allocated by the Secretary of State from the Northern Ireland Office Resource Account (Request for Resources 1).

Principal activities

The principal activities of the Office of the Oversight Commissioner are

- to ensure that the recommendations of the Patten Report are implemented comprehensively and faithfully; and
- to assure the community that all aspects of the report are being implemented and being seen to be implemented.

Review of activities

The Office of the Oversight Commissioner was established at Forestview, Purdy's Lane, Belfast, which it occupied in September 2000. The Oversight Commissioner established an experienced team of contract evaluators from the United States of America and Canada, including a Chief of Staff who moved to Belfast and commenced work in January 2001. The Oversight Commissioner released his first report in January 2001, which described the methodology, approach and evaluation team for the oversight process. Subsequent reports were released in September and December of 2001. This reporting schedule continued, with the release of reports in May/June, September and December of each year.

Future developments

The Office of the Oversight Commissioner began its seventh year of operation in May 2006. The objectives at that time were to

- continue public profile and access by conducting three press conferences, publishing three reports and posting on the Oversight Commissioner's website;
- meeting institutional and public representatives; and
- conducting three evaluations with the evaluation team.

The original mandate of the Office of the Oversight Commissioner was due to finish on 31 May 2005. In accordance with section 67(6) of the Police (Northern Ireland) Act 2000 the Secretary of State extended the mandate of the Office until 31 May 2007. Objectives are on course. Progress can be read in our reports of June, September and December 2005.

Events since the end of the financial year

There have been no significant events since the end of the financial year which would affect the results for the year or the assets and liabilities at the year end.

Financial position as at 31 March 2006

The financial position at the end of the financial year is set out in the Income and Expenditure Account and the Balance Sheet on pages 13 and 14. The office incurred a deficit of £511,667 in the financial year.

Post balance sheet events

There have been no significant events since the end of the financial year which would affect the results for the year or assets and the liabilities at the year end.

Charitable donations

None.

Employment of disabled persons

The Office of the Oversight Commissioner follows the Civil Service Code of Practice on the employment of Disabled People which aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement in the Organisation is based solely on ability, qualifications and suitability for the post.

Equal opportunities

The Office of the Oversight Commissioner adheres to the NIO's Equal Opportunities Policy, which states that "all eligible persons shall have equal opportunity for employment and advancement in the Department on the basis of their ability, qualifications and aptitude for the work".

Information provided to employees

The Office of the Oversight Commissioner is committed to the continuous development and provision of information to its employees. The NIO, on behalf of the Office of the Oversight Commissioner, actively consults with Trade Unions and is developing improved communications with staff as a discrete project, within the Performance Improvement Programme.

Prompt payment

The Office of the Oversight Commissioner is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

During the year, invoices were sent to the Northern Ireland Office for payment, of which 88.1 per cent were paid within 30 days of receipt.

Auditor details

The Office of the Oversight Commissioner's accounts have been audited by the Northern Ireland Audit Office on behalf of the Comptroller and Auditor General. The estimated cost of auditing is £5,100 for the year ended 31 March 2006 and £5,000 actual for the year ended 31 March 2005.

Going concern

The Secretary of State extended the remit of the office on 25 February 2005 as per section 67 (6) of the Police (NI) Act 2000 Office of the Oversight Commissioner until 31 May 2007.

Executive management

The executive management structure at 31 March 2006 was as follows

Al Hutchinson	Oversight Commissioner
Mark Reber	Chief of Staff

Mark Reber resigned as Chief of Staff on 15 September 2006, and was replaced as Accounting Officer by Dean Coates.

Remuneration and pensions

Full details of the executive management remuneration and pension interests for the year ended 31 March 2006 are contained in the Remuneration report on pages 6 and 7. Pensions are provided to staff through the Principal Civil Service Pension Scheme. Further details in respect of pensions can be found in the Remuneration Report on pages 6 and 7 and in note 1(f) and note 2 of the account.

Register of interests

A register of interests is maintained within the Office of the Oversight Commissioner for all members of the senior management team. No interests were identified which may cause a conflict of interests with management responsibilities.

Risk and management register

Within the executive process of the Office, there is now embedded a corporate Risk Register in line with Government guidance. Currently 13 areas of risk are identified and assessed in terms of regularity of occurrence and impact. The most significant risks attached to the business are accountability, loss of key personnel and reputation of the office.

Staffing

Expenditure on staffing costs represents the largest area of expenditure for the Office. The Office is staffed by the Oversight Commissioner, the Chief of Staff, three Civil Servants, and employs a team of six evaluators on a per diem basis.

Funding and financial accountability

The Permanent Secretary, who is the Principal Accounting Officer of the Northern Ireland Office, has designated me as Accounting Officer for the Office of the Oversight Commissioner for Northern Ireland. The statutory requirements of the Office of the Oversight Commissioner are laid down in section 67 and 68 of the Police (Northern Ireland) Act 2000.

Expenditure and accounts

The statutory authority to meet expenditure is laid out in para 8 of schedule 4 of the Police (Northern Ireland) Act 2000. These accounts have been prepared in a form directed by the Secretary of State for Northern Ireland in accordance with para 9 (2) of schedule 4 of the Police (Northern Ireland) Act 2000

Dean Coates
Accounting Officer

9 March 2007

Management Commentary

During the year to 31 March 2006, our oversight evaluations were conducted efficiently and effectively and the three oversight reports were completed and issued within statutory requirements, in June, September and December 2005.

In December 2006, the Oversight Commissioner published his 18th report on the progress of the implementation of the 175 recommendations made by the Independent Commission on Policing Reform for Northern Ireland (the Patten Commission). This report highlighted the good progress being made by the responsible organisations in that 129 recommendations had so far been completed. The report also focused on the areas and performance indicators that remain outstanding.

With regard to financial performance, the office operated within a reduced budget, in line with government requirements. Additionally, efficiencies were delivered by targeting savings within a number of key areas.

The final evaluation of the Office of the Oversight Commissioner is to be conducted in March and April 2007 and the final comprehensive report is due to be published at the end of May 2007.

Dean Coates
Accounting Officer

9 March 2007

Remuneration report

Remuneration policy

The remuneration of the senior management is set by independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body 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 to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

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

Further information about the work of the Review Body can be found at www.ome.uk.com

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Early termination, other than for misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the Office of the Oversight Commissioner.

	2005-2006		2004-2005	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
	£	£	£	£
Commissioner Al Hutchinson	50,980	1,600	62,700	–
Chief of Staff Mark Reber	45,000	15,500	45,000	17,400

Salary

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

Benefits-in-kind

- ii The monetary value of benefits-in-kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The Chief of Staff received benefits-in-kind to the value of £15,541 (£9,625 accommodation and £5,916 vehicle hire).

Pension

Neither member of senior management attracts any pension rights.

Dean Coates
Accounting Officer

9 March 2007

Statement of responsibilities of the Oversight Commissioner and the Accounting Officer

Under paragraph 9(1) of Schedule 4 to the Police (Northern Ireland) Act 2000 the Oversight Commissioner is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State, with the approval of HM Treasury.

In accordance with the provisions of the Police (Northern Ireland) Act 2000 this statement of accounts is for the period 1 April 2005 to 31 March 2006.

The accounts are prepared on an accruals basis and must include an income and expenditure account, balance sheet and a cash flow statement. The accounts are required to give a true and fair view of the income and expenditure for the financial year and the balances held at the year end.

In preparing the accounts the Office of the Oversight Commissioner is required 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 have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Office of the Oversight Commissioner will continue in operation.

The Accounting Officer of the Northern Ireland Office has designated the Office Manager as Accounting Officer of the Office of the Oversight Commissioner. The Office Manager's relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by HM Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Office of the Oversight Commissioner's policies, aims and objectives, as set out in Sections 67 and 68 of the Police (Northern Ireland) Act 2000, whilst safeguarding the public funds and the Office's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Office of the Oversight Commissioner was classified as an Advisory Non Departmental Public Body in February 2005, discharging functions independently from Government. The Office of the Oversight Commissioner is funded through the Northern Ireland Office, however, does not receive a grant and is a financial accounting unit within the core department.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Office of the Oversight Commissioner became a legal entity on 31 May 2000. The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the Office of the Oversight Commissioner's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Office of the Oversight Commissioner for the year ended 31 March 2006 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

Capacity to handle risk

The Office of the Oversight Commissioner is committed to achieving high standards of corporate governance throughout the organisation, and to high ethical standards and integrity in all its dealings. Underlying this commitment, the Office of the Oversight Commissioner has put in place systems and processes necessary to ensure compliance with Treasury guidance. This entailed incorporating risk management more fully into the corporate planning and decision making processes of the Office.

The risk and control framework

The controls and systems operating within the Office of the Oversight Commissioner include

- the implementation of a Strategic Internal Audit Plan and Audit Needs Assessment;
- the application and maintenance of a risk management document and risk register;
- other managers within the Office of the Oversight Commissioner who have responsibility for the development and maintenance of the internal control framework;
- the operation of a performance management system for staff;
- the maintenance of financial planning and budgeting systems with an annual budget which is agreed with the Northern Ireland Office; and
- maintaining financial accounting systems and administrative procedures, including delegated levels of authority.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The system of internal control is based on a framework of regular management information, financial and administrative procedures including the segregation of duties, management supervision and a system of delegation and accountability. In particular the system includes an internal audit service that has been appointed by the Office of the Oversight Commissioner which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is informed by an analysis of risk and a review of systems of control and reports on adequacy and effectiveness of these systems. The analysis of risk and the internal audit plans are approved by me.

My review of the effectiveness of the system of internal control is informed by the work of both internal and external auditors, and the senior staff from within the Office of the Oversight Commissioner who have responsibility for the development and maintenance of the internal control framework.

Significant internal control problems

No significant internal control problems were identified.

Dean Coates
Accounting Officer

9 March 2007

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 Office of the Oversight Commissioner for the year ended 31 March 2006 under the Police (Northern Ireland) Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Oversight Commissioner, Accounting Officer and Auditor

The Oversight Commissioner is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Police (Northern Ireland) Act 2000 and directions made thereunder by the Secretary of State for Northern Ireland. The Accounting Officer is responsible for the propriety and regularity of financial transactions and for the keeping of proper records. These responsibilities are set out in the Statement of Responsibilities of the Oversight Commissioner and the Accounting Officer.

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 and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Office of the Oversight Commissioner 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 9 and 10 reflects the Office of the Oversight Commissioner's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Office of the Oversight Commissioner'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 only the Foreword and Management Commentary, and 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 opinion

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 judgements made by the Oversight Commissioner and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Office of the Oversight Commissioner'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.

Opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Office of the Oversight Commissioner's affairs at 31 March 2006 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 and directions made thereunder by the Secretary of State for Northern Ireland; and
- in all material respects the expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

26 March 2007

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Income and Expenditure Account for the year ended 31 March 2006

	Notes	2006 £	2005 £
Expenditure			
Staff costs	2	276,883	342,135
Depreciation	5	20,197	30,325
Other operating costs	3	214,587	346,876
		<u>511,667</u>	<u>719,336</u>
(Deficit) for year before notional costs		(511,667)	(719,336)
Notional cost of capital	4	<u>(374)</u>	<u>(969)</u>
(Deficit) for year after notional costs		(512,041)	(720,305)
Adjustment for notional cost of capital		<u>374</u>	<u>969</u>
Amount transferred to Income General Reserve		<u>(511,667)</u>	<u>(719,336)</u>

The notes on pages 16 to 21 form part of these accounts.

All amounts above relate to continuing operations of the Commission. There are no gains and losses other than the deficit reported above.

Balance Sheet as at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible	5	<u>26,222</u>	<u>45,276</u>
Current assets			
Debtors	6	<u>32,587</u>	14,351
Cash at bank and in hand		<u>100</u>	100
		<u>32,687</u>	<u>14,451</u>
Creditors amounts falling due within one year	7	<u>54,782</u>	<u>42,358</u>
Net current assets		<u>(22,095)</u>	<u>(27,907)</u>
Total assets less current liabilities		<u>4,127</u>	<u>17,369</u>
Reserves			
General Reserve	9	<u>4,127</u>	<u>17,369</u>
		<u>4,127</u>	<u>17,369</u>

Dean Coates
Accounting Officer

9 March 2007

The notes on pages 16 to 21 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2006

	Notes	2006 £	2005 £
Net cash (outflow) from continuing operating activities	10	(489,923)	(694,900)
Capital expenditure			
Purchase of tangible fixed assets		(8,502)	(3,820)
Net cash (outflow) before financing		(498,425)	(698,720)
Financing			
Cash inflow from financing	9	498,425	698,720
Increase/(decrease) in cash in the year		0	0

The notes on pages 16 to 21 form part of these accounts.

Notes to the Accounts

1 Accounting policies

a Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention and the Accounts Direction given by the Secretary of State for Northern Ireland and the requirements of the Government Financial Reporting Manual (FREM).

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, Accounting Standards issued or adopted by the Accounting Standards Board and disclosure requirements issued by the Treasury, insofar as those requirements are appropriate.

b Income

As the Office of the Oversight Commissioner does not receive grant-in-aid, income is not shown on the face of the Income and Expenditure Account. The Office of the Oversight Commissioner does not hold any bank accounts and all accounting transactions are processed through the NIO and are included in the NIO Resource Account (Request for Resources 1).

c Tangible fixed assets

Fixed assets would ordinarily have been stated at current costs using the Office of National Statistics indices. However due to the immateriality of the sums involved these indices were not applied. The minimum level for capitalisation as an individual or grouped fixed asset is £1,000. Items below the threshold of £1,000 are written off to the Income and Expenditure Account.

d Depreciation

Depreciation is provided on all fixed assets at rates calculated to write off the cost (less any estimated residual value) of each asset over its expected useful life. The Straight Line method of depreciation is used for all assets.

The estimated useful lives for depreciation purposes are as follows

Office refurbishment	7 years
Computer equipment	5 years
Furniture and equipment	15 years

The useful life of the Office Refurbishment was estimated to correlate with the lease for the premises at Forestview, which has been extended to 2007.

e Capital charge

A notional charge, reflecting the cost of capital utilised by the Office of the Oversight Commissioner, is included in the Income and Expenditure Account. The charge is calculated at the Government's standard rate of 3.5 per cent on the average value of total assets less total liabilities.

f Pensions costs

The past and present employees of the Office of the Oversight Commissioner are covered by the provisions of the Civil Service Pensions Schemes, which are described at Note 2. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependant benefits. The Office of the Oversight Commissioner recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) and PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and PCSPS (NI).

Under the terms and conditions of their contracts, the remuneration of the Oversight Commissioner, the Chief of Staff and Evaluators is non-pensionable.

g VAT

Most of the activities of the Office are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where input VAT is recoverable, the amounts are stated net of VAT.

h Insurance

Only insurance costs in respect of motor vehicles are charged to the Operating Cost Statement. No insurance is effected against fire, explosion, common law, third party and similar risks.

i Leases

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

j Foreign exchange

Transactions, which are denominated in a foreign currency, are translated into sterling at the exchange rate ruling on the date of each transaction.

2 Staff costs

Analysis of staff costs

	2006	2005
	£	£
Salaries and wages	98,991	117,366
Social security costs	3,694	4,400
Other pension costs	9,446	9,319
Oversight Commissioner	50,980	62,700
Evaluators	113,772	148,350
Total	276,883	342,135

Average number of persons employed

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

	2006	2005
	£	£
*Oversight Commissioner	1	1
Employees	4	5
*Evaluators	6	6

* Average numbers of whole time equivalent persons is not appropriate in these instances as these staff are remunerated on the basis of a per diem payment for each complete day spent on Commission business.

Oversight Commissioners remuneration

During the year, the Oversight Commissioner's total remuneration was £52,580 (£50,980 salary, and £1,600 benefits in kind).

Pensions

The PCSPS and PCSPS (NI) are unfunded multi-employer defined benefit schemes but the Office of the Oversight Commissioner (OOC) is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the PCSPS was carried out at 31 March 2003. The most up to date actuarial valuation of the PCSPS (NI) was carried out as at 31 March 2003 and details of this evaluation are available in the PCSPS (NI) resource accounts. Details of the PCSPS can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk). Details of the PCSPS (NI) can be found in the resource accounts of the Department of Finance and Personnel; Superannuation and Other Allowances (PCSPS (NI)).

For 2005-2006, employer's contributions of £9,446 were payable to the PCSPS and PCSPS (NI) (2004-2005 £9,319) at rates in the range 16.2 to 24.6 per cent of pensionable pay for PCSPS and 16.5 to 23.5 per cent of pensionable pay for PCSPS (NI). For PCSPS and PCSPS (NI), rates for next year will be in the range 17.1 to 25.5 per cent and 16.5 to 23.5 per cent of pensionable pay respectively, based on the revalorised salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions are paid to one or more of a panel of four appointed stakeholder pension providers. Employer's contributions are age-related and range from three to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition, employer's contributions of 0.8 per cent of pensionable pay are payable to the PCSPS and PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. No employees of the OOC have opted for a partnership pension account during 2005-2006.

3 Other operating costs

	2006 £	2005 £
Accommodation costs	21,379	31,448
Lease of premises	27,912	28,987
Training	0	661
Travel and subsistence	70,848	138,019
Telecommunications	6,623	6,837
Commissioner's expenses	32,122	54,054
Consultants' fees	3,398	13,893
Audit fee	5,100	5,000
Other expenditure	22,443	34,223
Report design and printing	22,406	29,694
Hospitality	2,356	3,721
Loss on disposal	0	339
	214,587	346,876

4 Notional costs

	2006	2005
	£	£
Cost of capital	374	969

The Income and Expenditure Account bears a non-cash charge for interest relating to the use of capital by the Office of the Oversight Commissioner. The basis of the charge is 3.5 per cent of the average capital employed by the Office of the Oversight Commissioner during the year 1 April 2005 to 31 March 2006, defined as total assets less total liabilities.

A notional credit equal to the interest on capital employed is included in the Income and Expenditure Account.

5 Tangible fixed assets

	Office refurbishment	Computer and office equipment	Total
	£	£	£
Cost			
At 1 April 2005	116,929	65,729	182,658
Additions at cost	0	1,143	1,143
Disposals	0	0	0
At 31 March 2006	<u>116,929</u>	<u>66,872</u>	<u>183,801</u>
Depreciation			
At 1 April 2005	(101,956)	(35,426)	(137,382)
Charge for period	(7,611)	(12,586)	(20,197)
Disposals	0	0	0
At 31 March 2006	<u>(109,567)</u>	<u>(48,012)</u>	<u>(157,579)</u>
Net book value			
At 31 March 2006	<u>7,362</u>	<u>18,860</u>	<u>26,222</u>
Net book value			
At 31 March 2005	<u>14,973</u>	<u>30,303</u>	<u>45,276</u>

6 Debtors

	2006	2005
	£	£
Prepayments	32,587	14,351
	32,587	14,351

7 Creditors

	2006	2005
	£	£
Creditors and accruals	54,782	42,358
	54,782	42,358

8 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	Land/ building £	Other £	2006 Total £
<i>Operating leases expiring</i>			
Within one year	0	0	0
Between one and five years	22,000	0	22,000
After five years	0	0	0

9 Reconciliation of movements in Reserves

	2006 £	2005 £
General Reserve		
Balance at 1 April 2005	17,369	37,985
Transfer from Income and Expenditure Account	(511,667)	(719,336)
Financing from NIO Request for Resources 1	498,425	698,720
Balance at 31 March 2006	<u>4,127</u>	<u>17,369</u>

10 Reconciliation of deficit for the year to net cash outflow from operating activities

	2006 £	2005 £
Deficit for the year	(511,667)	(719,336)
Adjustments for non cash transactions		
Depreciation	20,197	30,325
Loss on disposal	0	339
Adjustments for movements in working capital		
(Increase)/decrease in debtors	(18,236)	6,809
Increase/(decrease) in creditors	*19,783	*(13,037)
Balance at 31 March 2006	<u>(489,923)</u>	<u>(694,900)</u>

* Excluded from the movement for creditors is an amount in relation to the purchase of fixed assets of £7,359 for the year ended 31 March 2005. This figure has been included in the cash flow for the year ended 31 March 2006.

11 Capital commitments

There are no outstanding capital commitments as at 31 March 2006.

12 Contingent liabilities

The former Chief of Staff was entitled to claim exemption in respect of national insurance payments under a tax treaty between the UK and Canada. As a result of this the Office did not make employer's national insurance payments over the period of his employment. A formal exemption certificate has, however, not been received from the Inland Revenue and as a result it is possible that the employer's national insurance payments may become payable. If this was to occur the potential liability is estimated to be in the region of £16,000.

In addition the Office may have a liability in relation to underpaid tax in respect of the former Chief of Staff. We have contacted the Inland Revenue to determine if a potential liability exists and to attempt to quantify the liability but this may take some time to resolve. If a liability for underpaid tax does in fact arise our understanding is that the primary responsibility for meeting it will rest with the former Chief of Staff.

13 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Due to the non-trading nature of its activities and the way in which executive Non Departmental Public Bodies are financed, the Office of the Oversight Commissioner is not exposed to the degree of risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Office of the Oversight Commissioner has no powers to borrow or invest surplus funds and has limited end year flexibility. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Office in undertaking its activities.

As permitted by FRS 13, debtors and creditors, which mature or become payable within 12 months from the balance sheet date have been excluded from this disclosure.

Liquidity risk

The Office of the Oversight Commissioner is budgeted through the Northern Ireland Office Resource Account and is accountable to Parliament through the Secretary of State for Northern Ireland, and is not therefore exposed to significant liquidity risk.

Interest-rate risk

All financial assets and financial liabilities of the Office of the Oversight Commissioner carry nil rates of interest and therefore are not exposed to interest rate risk.

Currency risk

The Office of the Oversight Commissioner does not trade in foreign currency and therefore has no exposure to foreign currency risk.

Fair values

The book values and fair values of the Office of the Oversight Commissioner's financial assets and financial liabilities as at 31 March 2006 are as set out below

Primary financial instruments	Book value	Fair value
	£	£
Financial assets		
Petty Cash	100	100
Financial liabilities		
None	0	0

14 Related party transactions

The Office of the Oversight Commissioner is an independent statutory body, established by the Police (Northern Ireland) Act 2000, and funded by the Secretary of State through the Northern Ireland Office.

The Northern Ireland Office is regarded as a related party. During the year, the Office of the Oversight Commissioner has had various material transactions with the Northern Ireland Office.

In addition, the Office of the Oversight Commissioner has had a small number of material transactions with other Government Departments.

None of the Office of the Oversight Commissioner members, key managerial staff or other related parties has undertaken any material transactions with the Office of the Oversight Commission during this year.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: D85730 7463RC

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
05/07

Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline

Lo-call 0845 7 023474

E-mail book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

Email bookshop@parliament.uk

Internet www.bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-328728-7



9 780103 287287