

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

Northern Ireland Policing Board (Board Grants) Account 2004-2005

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Contents

	Page
Foreword to the Financial Statements	2
Statement of the Northern Ireland Policing Board and Chief Executive's responsibilities	6
Statement on Internal Control	7
The Certificate and Report of the Comptroller and Auditor General	9
2004-2005 Northern Ireland Policing Board Financial Statements	11
Income and Expenditure Account	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Financial Statements	16

Foreword to the Financial Statements

Background and principal activities

History

The Northern Ireland Policing Board (NIPB) was established as an executive Non-Departmental Public Body (NDPB) of the Northern Ireland Office (NIO) on 4 November 2001 by the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003 and replaced the Police Authority for Northern Ireland.

The Board's Chief Executive, who is the Accounting Officer for the Board's grant, reports directly to the Permanent Under Secretary, NIO on NDPB Accounting Officer matters.

Principal activities

The NIPB's statutory duty is to secure that the Police Service of Northern Ireland (PSNI) is effective and efficient and to hold the Chief Constable to account. Its primary responsibilities are:

- to consult with the community to obtain their views on policing and their co-operation with the police in preventing crime;
- to set objectives and performance targets for PSNI;
- to publish objectives and targets for PSNI as part of an Annual Policing Plan and to monitor PSNI performance against this plan;
- to appoint all officers of the Service above the rank of Chief Superintendent;
- to set the budget for policing and monitor expenditure; and
- to oversee complaints against the police and to conduct investigations into complaints against senior officers.

Details of the NIPB's aims, objectives and achievements are contained in its Annual Report.

Basis of accounts

The accounts have been prepared in accordance with an Accounts Direction issued by the NIO on 29 July 2002.

Exclusion

The accounts do not incorporate the expenditure of PSNI.

Funding

The NIPB is funded from the NIO request for resources 1 'Police'.

Results for the year

The Income and Expenditure Account is set out on page 13 and shows a surplus for the year of £693,000.

Events since the year end

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.

Interest rate and currency risk

NIPB has no borrowings other than the temporary overdraft that occurred at the year end (see note 9) and relies primarily on the Northern Ireland Office for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

Future developments

The Board was originally constituted in 2001 and will reach the end of its current term in October 2005. The Police (Northern Ireland) Act 2000 – Schedule 1 – Part 4(2) states that the Board may not be appointed for a term of more than four years at a time. The Secretary of State, through the Northern Ireland Office holds responsibility for the reconstitution process, and has rolled forward the current Board until April 2006.

In relation to our statutory responsibility to monitor the performance of the Police Service in complying with the Human Rights Act 1998, the Board plans to monitor each of the recommendations contained within the first Human Rights Annual Report, which was published during 2004-2005. In addition, for this incoming year, particular emphasis will be placed on the issues of Victims Rights, Data Protection and Privacy.

It is the Government's stated intention to transfer responsibility for policing and justice functions to a local devolved administration. The Government has said that the precise structural arrangements for the delivery of justice functions within a devolved administration will be a matter for a Northern Ireland Executive and Assembly. The NIPB will continue to work with other agencies in the criminal justice sector to ensure that agreed recommendations are implemented in a timely manner.

The commitment on the part of the PSNI to develop and deliver policing with the community as the standard way in which policing is organised is a major undertaking. This commitment on the part of PSNI is matched by the commitment of the Board to monitor all aspects of the delivery of policing to ensure that policing with the community becomes a reality. This will entail the Board developing and agreeing a monitoring framework in relation to this area. Having agreed the framework, the Board will monitor performance against it and report on the findings. This will entail detailed discussion with PSNI in order to agree appropriate performance indicators and to agree a methodology by which objectives can be agreed to bring about improvement where that is necessary.

The Board is currently working with consultants to appoint new members to the DPPs. This is a major exercise and is the largest public appointments exercise undertaken in Northern Ireland. This exercise attracts a considerable level of public scrutiny and the Board is committed to ensuring that the task is completed in accordance with the guidance contained in the NIO Code of Practice on the Appointment of Independent Members to the DPPs. In addition to the external competition to attract suitable candidates to the DPPs, the Board is also managing the process whereby existing Independent Members are considered for re-appointment to the DPPs.

The Board is also committed to the provision of training, guidance and support to the DPP Members. In fulfilling this role the Board will provide Induction Training for new members supported by a detailed Members' Handbook. This is a new development and requires a substantial input from the Board to put this in place. In addition, Induction Training will be followed up with a full programme of training, based on the outcomes from the Training Needs Analysis which the Board is currently undertaking for DPPs.

The Board has recently completed a comprehensive Review of the work of the DPPs during their first year in office. Arising from this Review there is a series of recommendations which the Board is in the process of implementing. This will require an implementation strategy in relation to each recommendation and monitoring of the progress that is being made in each area of work.

Fixed assets

Movements in fixed assets are disclosed in Note 8. The NIPB does not believe there is any material difference between the market and net book value of its assets.

Management Board

Members of the NIPB for the period of the accounts were

Independent Members

Professor D Rea (Chairman)
Mr D Bradley (Vice-Chairman)
Viscount Brookeborough
Mr B Dougherty
Mr B Gilligan
Mr T Kelly
Mrs P McCabe
Mrs R Moore
Mr S Sharma

Political Members

Mr A Attwood
Mr J Byrne
Mr F Cobain
Mr S Foster
Mr W Hay
Lord Kilclooney
Mr A McFarland
Mr E McGrady
Mr I Paisley Jnr
Mr S Wilson

Full details of the Register of Members Interests can be obtained on the NIPB website or by written request to the Board.

Payments to suppliers

The NIPB is committed to the prompt payment of bills for goods and services received in accordance with the Better Payment Practice Code and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. 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 a prompt payment figure of 96 % of bills paid within 30 days was achieved (96% in 2003-2004).

Charitable donations

No charitable donations were made in the year.

Disabled employees

The NIPB shares the NIO's commitment to the Northern Ireland Civil Service Equal Opportunities Policy. This ensures equality of opportunity for disabled persons seeking employment in the NIPB.

Employee involvement

The NIPB continues to encourage staff involvement and commitment to its business. Information is disseminated through contact with management and team briefings. The NIPB has continued to support and encourage staff through nationally recognised qualifications, in-house training and external programmes.

Going concern

The balance sheet at 31 March 2005 shows net liabilities of £210,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the NIPB's other sources of income, may only be met by future grants or grants-in-aid from the NIPB's sponsoring Department, the NIO.

Grants from NIO for 2005-2006, taking into account the amounts required to meet the NIPB's liabilities falling due in that year, have already been included in the Department's Estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department'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 financial statements.

Audit

The financial statements are audited by the Comptroller and Auditor General. The audit fee this year is £14,000 (2003-2004 £14,000).

T Reaney
Chief Executive

8 November 2005

Statement of the Northern Ireland Policing Board and Chief Executive's responsibilities

Paragraph 16 of Schedule 1 of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, requires that a statement of accounts be prepared in the form and on the basis directed by the Secretary of State, with the approval of HM Treasury. The financial statements are prepared on an accruals basis and must give a true and fair view of the NIPB state of affairs at the period end and of its income and expenditure, recognised gains and losses and cash flows for the financial period.

In preparing the accounts the NIPB is required to

- observe the accounts direction issued by NIO, 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 a going concern basis, unless it is inappropriate to presume that the NIPB will continue in operation.

The Permanent Under Secretary of the NIO has appointed the Chief Executive of the NIPB as the Sub Accounting Officer. His relevant responsibilities as Sub 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 Officers 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 NIPB policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

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. The responsibilities of an Accounting Officer are set out in the Police Act 2000 and in the HM Treasury memorandum 'Responsibilities of an NDPB Accounting Officer'.

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 NIPB 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 NIPB for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

Leadership is provided through the Chief Executive, the Senior Management Team (SMT) and the Audit and Best Value Committee, with Directors being held responsible for the management of risk within their area of responsibility.

The Risk Management Framework document details the NIPB's attitude to risk, the risk management framework and the roles and responsibilities of all parties involved in the risk management process.

Staff are aware of this framework and guidance is provided through regular Branch Meetings. Training is also provided for staff to equip them with the necessary knowledge and skills to manage risk in a way appropriate to their authority and duties.

The risk and control framework

Risks are identified, evaluated and monitored through regular updates and reviews conducted by the Accounting Officer and his Senior Management Team. The Corporate and Directorate Risk Registers are reviewed at least quarterly or more frequently as determined by the SMT. These areas are discussed and action is agreed at Senior Management Team meetings.

The Accounting Officer provides progress reports through the Audit and Best Value Committee every six months or as required. Each Director is responsible for providing a stewardship statement on their area of responsibility. Within this statement they will demonstrate how they have dealt with risk issues during the period and highlight any areas, which might adversely affect their Directorate or the organisation as a whole.

The SMT defines the organisation's risk appetite as risk aware and prudent. The NIPB is committed to embedding risk management within the activities of the organisation as a priority in developing an appropriate Corporate Governance environment and through inclusion in the corporate planning and decision making processes.

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 executive managers within the NIPB 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 Board, the Audit and Best Value Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The certificate and report of the Comptroller and Auditor General on pages 9 to 10 contains a qualification. This relates to the Policing Board Number 2 Bank Account, which is exclusively used to control the flow of funds between the NIO and the PSNI. The account was overdrawn at 31 March 2005. I am satisfied that the Board did not deliberately set out to borrow money and there was no opportunity to rectify the situation before year end, as the transfer of funds which created the overdraft took place on the last day of the financial year. Changes to the request for funding were not communicated to the Board. The Board will incorporate additional management controls in relation to its part of the process to ensure that this situation will not happen again.

Up to 2001-2002, Grants were paid by our predecessor body, the Police Authority for Northern Ireland, to various town partnerships in relation to CCTV schemes. The NIPB CCTV Project Board is continuing investigations into payments made to one partnership and have sought legal advice from the Crown Solicitors Office regarding the recovery of the Grant.

During the year PricewaterhouseCoopers provided an Internal Audit Service and submitted regular reports together with recommendations for improvements where appropriate. They have issued an assurance statement on the internal control framework and risk management process within NIPB and on the basis of the systems audit work performed during the year, were able to provide a high assurance in relation to the adequacy of the systems of control in place within the organisation. They have received positive responses from management on all issues raised and acknowledge that improvements and enhancements in controls have already been made.

T Reaney
Chief Executive

8 November 2005

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

I certify that I have audited the financial statements on pages 13 to 27 under the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 17.

Respective responsibilities of the Northern Ireland Policing Board, the Chief Executive and Auditor

As described on page 6, the Northern Ireland Policing Board and Chief Executive are responsible for the preparation of 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. The Northern Ireland Policing Board and Chief Executive are also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are 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 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, 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.

I review whether the statement on pages 7 to 8 reflects the Northern Ireland Policing Board's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An 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 judgements made by the Northern Ireland Policing Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Northern Ireland Policing Board'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 error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion in respect of a transaction that contravened relevant governing legislation

Sections 9(5) and 9(6) of the Police (NI) Act 2000 state that the Northern Ireland Policing Board is not allowed to borrow any more than is approved in writing by the Secretary of State and, in any case, any borrowing must be repaid by the end of the financial year.

The Northern Ireland Policing Board balance sheet includes a bank overdraft of £2,551,000. No prior written approval was obtained for this borrowing, nor was it repaid by the end of the financial year. Accordingly, I have concluded the transaction leading to this overdraft does not conform to the authorities which govern it.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Northern Ireland Policing Board at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended, and 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
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and, except for the bank overdraft referred to above, the financial transactions conform to the authorities which govern them.

My report is attached below

John Bourn
Comptroller and Auditor General

21 November 2005

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

2004-2005 Northern Ireland Policing Board Financial Statements – borrowing in contravention of statutory requirements

Purpose of Report

In 2004-2005, the Northern Ireland Policing Board (the Board) inadvertently paid out funds from their bank account which they did not at the time possess and as a result had borrowing in the form of an overdraft of £2,551,000 as at 31 March 2005. The Board may not undertake any borrowing without the written approval of the Secretary of State and any borrowing must be repaid by the end of the financial year. This contravenes statutory requirements and therefore I have qualified my audit opinion. The purpose of this report is to explain the reasons for the qualification and note action taken to prevent any recurrence.

My responsibilities with regard to the breach of regularity

As part of my audit of the Board's financial statements, I am required to satisfy myself that, in all material respects, the expenditure and income shown in their accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them; that is, they are 'regular'. In doing so I have regard to statutory requirements as well as Treasury authorities.

How the overdraft was incurred

The Board is responsible for the issue and control of funding to the Police Service of Northern Ireland (PSNI). The Board, in turn, requests funding for the PSNI from the Northern Ireland Office (NIO).

Towards the end of March 2005, PSNI made a request to the Board for funding of £42,876,927 and, in turn, the Board requested grant funding from NIO for the same amount. The Board also arranged to issue £42,876,927 to PSNI in anticipation of the funding being received from NIO. However NIO only issued funding of £40,325,927 to the Board as the PSNI had reached their budgetary limit. This resulted in the Board issuing funding of £42,876,927 to PSNI, £2,551,000 more than had been remitted by the NIO.

Consequently, at the Board's year end of 31 March 2005, the Board was overdrawn to the value of £2,551,000. I noted that the full amount of the funding to the PSNI was recovered by the Board from PSNI at the earliest opportunity in April 2005 and no interest was incurred.

The overdraft of £2,551,000 at 31 March 2005 is contrary to Sections 9(5) and 9(6) of the Police (NI) Act 2000 which respectively state that the Board is only allowed to borrow with the approval of the Secretary of State and any borrowing must be repaid by the end of the relevant financial year. The Board did not have the required approval and the borrowing that had been incurred had not been repaid by the year end. I have therefore limited my opinion on the financial statements of the Board in respect of this irregular overdraft.

The Board has reviewed the tripartite arrangements in relation to the drawdown of PSNI grant funding and has put in place additional management controls within its own internal processes and procedures to prevent a similar situation arising in the future. The Chief Executive of the Board has also initiated a wider review of the Board's responsibilities in relation to PSNI's finances. This will highlight any additional potential risk areas for the Board to address.

Qualification of audit opinion

In forming my audit opinion on the Northern Ireland Policing Board 2004-2005 financial statements I am required to confirm whether, in all material respects, the expenditure and income of the Department have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In respect of borrowing, the underlying transaction is not in accordance with the Police (Northern Ireland) Act 2000, and my audit opinion has been qualified in this respect.

John Bourn
Comptroller and Auditor General

21 November 2005

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

Income and Expenditure Account for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Income			
Grant from NIO RfR 1 'Police'	2	7,228	5,756
Release from Capital Grant Reserve	13	34	37
Total income		7,262	5,793
Expenditure			
Staff costs	3(b)	2,129	1,761
Grant to district policing partnerships	4	2,447	2,410
Other operating costs	5	2,438	2,208
Depreciation	8	34	29
Permanent diminution	8	0	8
Notional cost of capital	6	(20)	(18)
Total expenditure		7,028	6,398
Surplus/(deficit) before exceptional item		234	(605)
Exceptional credit/(charge): pension liability	7	459	(165)
Surplus/(deficit) for the year		693	(770)
Notional cost of capital	6	(20)	(18)
Amount transferred to/(from) reserves		673	(788)

Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Note	2005 £000	2004 £000
Surplus/(deficit) for the year		673	(788)
Unrealised surplus on revaluation of fixed assets	13	1	1
Total recognised gains and losses for the year		674	(787)

All amounts above relate to continuing activities and are administrative in nature.

The notes on pages 16 to 27 form part of these financial statements.

Balance Sheet as at 31 March 2005

	Notes	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	8		180		147
Current assets					
Debtors	9	2,728		478	
Cash at bank and in hand	10	50		1	
		2,778		479	
Current liabilities					
Creditors: amounts falling due within one year	11	(3,168)		(1,037)	
Net current liabilities					
Provision for liabilities and charges	12		(390)		(558)
			0		(505)
Net liabilities					
			(210)		(916)
Financed by					
General fund	13		(390)		(1,063)
Capital grant reserve	13		180		147
			(210)		(916)

T Reaney
Chief Executive

8 November 2005

The notes on pages 16 to 27 form part of these financial statements.

Cash Flow Statement for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Operating activities			
Net cash outflow from operating activities	14	(2,502)	(92)
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets	8	(66)	(26)
Financing			
Grant received for capital purposes	13	66	18
Decrease in cash		<u>(2,502)</u>	<u>(100)</u>

The notes on pages 16 to 27 form part of these financial statements.

Notes to the Financial Statements

1 Statement of accounting policies

The financial statements have been prepared in accordance with the Executive Non Departmental Public Bodies Annual Reports and Accounts Guidance issued by HM Treasury. The particular accounting policies adopted by the NIPB are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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 Tangible fixed assets

Tangible fixed assets are revalued annually in accordance with the Office for National Statistics indices as published by the Stationery Office.

Surpluses on revaluation are taken to the capital grant reserve. Deficits on revaluation are charged to the reserve until the asset's depreciated historic cost is reached; any further deficit is charged to the Income and Expenditure Account.

The minimum level of capitalisation as an individual or grouped fixed asset is £500.

The NIPB does not own any land or buildings. A charge for accommodation costs is included in the Income and Expenditure Account.

1.3 Depreciation

Depreciation is provided on all fixed assets from the month they are brought into service, on a straight-line basis in order to write off the cost or valuation over their estimated useful lives.

The estimated useful lives of all assets are as follows

Furniture and kitchen equipment	8 - 12 years
IT equipment	5 years

1.4 Capital grant reserve

Grants for capital purposes are credited to the Capital Grant Reserve and released to the Income and Expenditure Account over the expected useful lives of the assets.

1.5 Early departure costs

The NIPB is required to account for the cost of paying pensions of employees who retire early from the date of their retirement until they reach normal pensionable age.

The NIPB provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes in the period. The total costs of these programmes are recognised in the year the announcement is made.

There were no early departures during the period.

1.6 Pension costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes (NI) and the Police Service of Northern Ireland (Civilian) Pension Scheme. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants benefits. NIPB recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Schemes (PCSPS) (NI) and the PSNI (Civilian) Pension Scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI) and the PSNI (Civilian) Scheme. In respect of the defined contribution elements of the schemes, NIPB recognises the contributions payable for the year.

The PSNI (Civilian) Scheme, which is analogous to the PCSPS (NI), is being 'wound-up' retrospectively as at 30 September 2002 and transferred to the PCSPS (NI) as a Schedule 1 Member. It is expected that the PSNI (Civilian) Pension Scheme will be wound up and the transfer made in 2005-2006.

1.7 Value added tax (VAT)

Income and Expenditure are shown exclusive of VAT which is recoverable in most cases from HM Customs and Excise, in accordance with section 20 of the Value Added Tax Act 1983.

1.8 Notional charges

- i Notional amounts are charged to the Income and Expenditure Account in respect of services provided by Government Bodies in order to reflect the full cost of these services. However there have been no such notional amounts charged to the Income and Expenditure Account.
- ii A notional charge for interest on capital is included in the Income and Expenditure Account. This is calculated at 3.5% (3.5% in 2003-2004) of the average value of total assets less total liabilities.

1.9 Provision for pension liability

The PSNI (Civilian) Pension Scheme is being 'wound up' and transferred to the PCSPS(NI) as a Schedule 1 Member. This is in keeping with current HM Government Policy to close all 'by analogy' schemes and transfer them into the main PCSPS schemes. The present value of the scheme liabilities in relation to NIPB direct recruits was provided for as an exceptional item in 2002-2003 and in 2003-2004.

The Accounting treatment in 2004-05 for this liability has been changed to reflect the fact that the liability more appropriately lies with the PSNI. This has resulted in the release of £459,000 of the Provision to the Income and Expenditure Account, as an Exceptional Item, in 2004-2005.

Additionally, an amount of £46,000 due to the PSNI for Employer's Superannuation Costs in relation to NIPB Direct Recruits who were members of the PSNI (Civilian) Pension Scheme, has been transferred to Creditors and will be paid over to the PSNI during 2005-2006.

1.10 Leases

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

1.11 Insurance

Except where there is a statutory requirement to do so, NIPB does not take out general insurance. Instead, expenditure in connection with uninsured risks is charged as incurred.

2 Reconciliation of grant

	2005 £000	2004 £000
Grant from Northern Ireland Office	7,294	5,774
Less transfer to Capital Grant Reserve	(66)	(18)
	<u>7,228</u>	<u>5,756</u>

3 Northern Ireland Policing Board members and staff*a NIPB Members*

Remuneration of NIPB Members is disclosed below. None of the posts are pensionable and the only other primary benefit is the payment of expenses for home to office travel and the associated taxation amounting in total to £28,000 for 2004-2005 (£55,000 in total for 2003-2004). Political Members do not normally receive remuneration unless the Assembly is suspended and their remuneration from the Assembly is reduced.

Name and Title	2005 Salary £000	2004 Salary £000
Independent Members		
Professor D Rea (Chairman)	57	50
Mr D Bradley (Vice-Chairman)	40	37
Viscount Brookeborough	18	15
Mr B Dougherty	18	15
Mr B Gilligan	21	16
Mr T Kelly	21	16
Mrs P McCabe	28	20
Mrs R Moore	19	15
Mr S Sharma	18	15

Name and Title	2005 Salary £000	2004 Salary £000
Political Members		
Mr A Attwood	11	12
Mr J Byrne	17	14
Mr F Cobain	11	12
Mr S Foster	17	14
Mr W Hay	11	12
Lord Kilclooney	11	12
Mr A McFarland	11	12
Mr E McGrady	20	9
Mr I Paisley Jnr	11	12
Mr S Wilson	11	12

The average number of Members during the year was

2005 Number	2004 Number
19	19

b Staff costs and numbers

	2005	2004
	£000	£000
Wages and salaries	1,690	1,369
Social security costs	140	105
Other pension costs	177	131
Secondments/agency	122	156
Total cost	<u>2,129</u>	<u>1,761</u>

The average number of employees during the year was

	2005	2004
	£000	£000
Senior management	5	4
Other directly employed staff	52	40
Secondments/agency	6	6
	<u>63</u>	<u>50</u>

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members were as follows

Title	2004-2005		2003-2004	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Chief Executive	90 - 95	-	20 - 25	-
Director of Corporate Services	40 - 45	-	5 - 10	-
Director of Policy	45 - 50	-	45 - 50	-
Director of Community Affairs	40 - 45	-	40 - 45	-
Director of Communications (appointed 23 August 2004)	30 - 35	-	N/A	N/A
Director of Planning (appointed 1 June 2004)	30 - 35	-	N/A	N/A

The Chief Executive and the Director of Corporate Services were both appointed in January 2004.

'Salary' includes gross salary, performance pay or bonuses, overtime and any other allowance to the extent that it is subject to UK taxation.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. No benefits in kind were paid to senior employees.

Pension entitlements of the most senior employees are shown below.

	Real increase in pension and related lump sum at age 60 £000	Total accrued pension at age 60 at 31 March 2005 and related lump sum £000	CETV at 31 March 2005 (nearest £000)	CETV at 31 March 2004 (nearest £000)	Real increase in CETV (nearest £000)
Chief Executive	0 - 2.5 No automatic lump sum	0 - 5.0 No automatic lump sum	21	1	19
Director of Corporate Services	7.5 - 10.0 Plus 22.5 - 25.0 lump sum	10.0 - 15.0 Plus 30.0 - 35.0 lump sum	111	23	90
Director of Policy	0 - 2.5 Plus 2.5 - 5.0 lump sum	5.0 - 10.0 Plus 20.0 - 25.0 lump sum	75	62	9
Director of Community Affairs	0 - 2.5 Plus 0 - 2.5 lump sum	10.0 - 15.0 Plus 35.0 - 40.0 lump sum	191	170	11
Director of Communications (appointed 23 August 2004)	2.5 - 5.0 No automatic lump sum	0 - 5.0 No automatic lump sum	31	0	31
Director of Planning (appointed 1 June 2004)	0 - 2.5 Plus 0 - 2.5 lump sum	5.0 - 10.0 Plus 15.0 - 20.0 lump sum	59	54	2

The 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. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the member has accrued as a consequence of their total service. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV takes account of the increase in accrued pension due to inflation and contributions paid by the member and is calculated using common market valuation factors for the start and end of the period.

c Principal Civil Service Pension Scheme (NI)

Pension benefits for Civil Servants seconded from DFP are provided through the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)). From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but NIPB 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.

For 2004-2005, employers' contributions of £176,955 were payable to the PCSPS(NI) (2003-2004, £130,988) at one of four rates in the range 12 to 18 per cent of pensionable pay, based on the salary bands. From 1 April 2005 these rates have increased as a result of the latest actuarial valuation to between 16.5% and 23.5%. 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. No employers' contributions were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, no employer contributions of 0.8% of pensionable pay, were payable to the PCSPS(NI) 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.

d Police Service of Northern Ireland (Civilian) Pension Scheme

Pension benefits for direct recruits are provided through the Police Service of Northern Ireland (Civilian) Pension Scheme which is analogous to the PCSPS (NI) scheme, described above.

Legislation was approved on 8 March 2004 to add direct recruits to the employments listed in Schedule 1 to the Superannuation (Northern Ireland) Order 1972 with effect from 30 September 2002 however it is expected the scheme will be wound up and the transfer made during 2005-2006.

An actuarial valuation of the Police Service of Northern Ireland (Civilian) Pension Scheme was carried out at 31 March 2005 based on 30 September 2002 as the effective date of the transfer, by the Government Actuary. The present value of the scheme liabilities has been estimated at £75 million. In accordance with the NDPB Accounting Guidance, the scheme liability has been discounted at 3.5%.

Direct Recruits joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No employers' contributions were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

In addition, no employer contributions of 0.8% of pensionable pay, were payable to the PCSPS(NI) 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, and no contributions prepaid at that date.

4 District Policing Partnerships Grants

District Policing Partnership	2005 £000	2004 £000
Antrim	75	92
Ards	104	100
Armagh	92	110
Ballymena	86	94
Ballymoney	89	100
Banbridge	96	105
Belfast	205	200
Carrickfergus	75	85
Castlereagh	97	100
Coleraine	96	96
Cookstown	85	85
Craigavon	90	87
Derry	99	121
Down	91	98
Dungannon	54	25
Fermanagh	93	101
Larne	82	81
Limavady	93	87
Lisburn	112	120
Magherafelt	67	78
Moyle	85	92
Newry and Mourne	98	110
Newtownabbey	113	105
North Down	99	108
Omagh	86	87
Strabane	85	84
	2,447	2,551
Recoverable amounts	0	(141)
Total	2,447	2,410

Funding of the DPPs is by way of the payment of a grant by the Policing Board to each of the District Councils that have set up DPPs. The amount of grant is 75% of the total cost of operating the DPPs, including salaries, travel and allowances and accommodation costs, with the remaining 25% funded by the District Councils. The grant is recognised on an accruals basis in NIPBs financial statements. A comparison of amounts paid against actual costs incurred for the year to the final amount due, gives rise to a Creditor balance, representing the final payment due to the DPPs from the Policing Board for 2004-2005 expenditure.

5 Other operating costs

	2005	2004
	£000	£000
Travel and subsistence	121	132
Course fees	67	43
Hospitality	23	17
Press and public relations	274	206
Custody visitors	54	47
Independent observers	11	18
Policing in the Community Awards	10	0
Crown Solicitor's office	51	10
Public Attitude Survey	184	107
Human rights	131	70
Running costs	492	487
Accommodation costs	681	736
Audit fees	14	14
Pension medical services and appeals	193	230
DPP Website	114	80
District Policing Partnership Review Costs	18	11
Total other operating costs	<u>2,438</u>	<u>2,208</u>

6 Notional cost of capital

	2005	2004
	£000	£000
The notional cost of capital is calculated as 3.5% of the average value of total assets less total liabilities.	(20)	(18)
Notional cost of capital	<u>(20)</u>	<u>(18)</u>

7 Exceptional item

The PSNI (Civilian) Pension Scheme is being 'wound up' retrospectively and admitted to the main PCSPS(NI) as a Schedule 1 Member. The accruing cost of the NIPB direct recruits that are members of the PSNI scheme was estimated in 2003-2004 by the Government Actuaries at £505k and was reflected in Provisions in the 2003-2004 Accounts. The Accounting treatment in 2004-2005 for this liability has been changed to reflect the fact that it more appropriately lies with the PSNI.

The liability for members of the direct recruit scheme up to 4th November 2001, when the NIPB was created, lies with the PSNI, as there was no transfer of value to the NIPB at this time. For the period from 4 November 2001 to 30 September 2002, the date of transfer to the PCSPS(NI), direct recruits of the NIPB, were still members of the PSNI scheme and as there was only one scheme, the liability for this period of time remains with the PSNI. This has resulted in the release of £459,000 of the NIPB Provision for these direct recruits to the Income and Expenditure Account, as an Exceptional Item, in 2004-2005 and the transfer of £46,000 to Creditors, representing Superannuation Contributions owed to the PSNI in relation to these direct recruits. This amount will be paid over to the PSNI during 2005-2006.

8 Tangible fixed assets

	Computer Equipment £000	Furniture and Kitchen Equipment £000	Total £000
Cost or valuation			
At 1 April 2004	91	126	217
Additions	65	1	66
Disposals	0	0	0
Revaluation	0	2	2
At 31 March 2005	<u>156</u>	<u>129</u>	<u>285</u>
Accumulated depreciation			
At 1 April 2004	36	34	70
Provided in period	21	13	34
Backlog depreciation	0	1	1
At 31 March 2005	<u>57</u>	<u>48</u>	<u>105</u>
Net book value			
At 1 April 2004	<u>55</u>	<u>92</u>	<u>147</u>
At 31 March 2005	<u>99</u>	<u>81</u>	<u>180</u>

9 Debtors

	2005 £000	2004 £000
Amounts due within one year:		
Trade Debtors	0	0
Prepayments and Accrued Income	169	164
Debtor balances with other central government bodies	2,551	0
Debtor balances with local authorities	8	314
	<u>2,728</u>	<u>478</u>

The year-end Debtor balance with other central government bodies is with the PSNI and is in relation to changes in funding agreed between the NIO and the PSNI which were processed on the 31 March 2005. This resulted in the NIPB Number 2 Bank Account, which is used by the NIPB to control the movement of cash between the NIO and the PSNI, being overdrawn by £2,551,000, with the PSNI Bank Account having a corresponding surplus.

Debtor balances with local authorities are with the District Councils and relate to the DPPs.

10 Cash at bank and in hand

	2005 £000	2004 £000
Commercial Banks and cash in hand		
NIPB Number 1 Account	50	1

11 Creditors

	2005	2004
	£000	£000
Amounts due within one year		
Bank loans and overdrafts	2,551	0
Trade creditors	196	273
Payroll accrual	7	78
Creditor balances with other central government bodies	36	0
Creditor balances with local authorities	332	686
Amount payable to settle pension liability	46	0
	3,168	1,037

The Overdraft bank balance of £2,551,000 is explained in note 9 above.

Creditor balances with other central government bodies includes £27,000 with the Crown Solicitors Office and £9,000 with the Department of Finance and Personnel.

Creditor balances with local authorities are with the District Councils and relate to the DPPs.

The amount payable to settle pension liability is in relation to Superannuation Contributions owed to the PSNI in respect of NIPB direct recruits who were members of the PSNI (Civilian) Pension Scheme. During the period 4 November 2001 to 31 March 2003 the NIPB Payroll was administered by the PSNI and no Superannuation charges were made against the NIPB throughout this period.

12 Provisions for liabilities and charges

	Pension Liability
	£000
At 1 April 2004	505
Utilised in year	0
Discount	0
Decrease in provision	459
Transferred to creditors	46
At 31 March 2005	0

13 Reconciliation of government funds and movement on capital and reserves

	Notes	General fund	Capital grant reserve	Total
		£000	£000	£000
At 1 April 2004		(1,063)	147	(916)
Grant received for capital purchases	8	0	66	66
Depreciation of assets released	8	0	(34)	(34)
Surplus on revaluation of fixed assets	8	0	1	1
Permanent diminution released	8	0	0	0
Transfer from Income and Expenditure Account		673	0	673
At 31 March 2005		(390)	180	(210)

14 Reconciliation of operating surplus/(deficit) to net cash inflow/(outflow) from operating activities

	2005	2004
	£000	£000
Surplus/(deficit) for the year	693	(770)
Adjustment for non-cash transactions		
Depreciation	34	29
Permanent diminution	0	8
Release from Capital Grant Reserve	(34)	(37)
Notional cost of capital	(20)	(18)
Adjustments for movements in working capital		
(Increase) in debtors	(2,250)	(78)
(Decrease)/increase in creditors	(420)	609
(Decrease)/increase in provisions	(505)	165
Net cash outflow from operating activities	(2502)	(92)

15 Capital commitments

There were no capital commitments outstanding at the year-end for which contracts had been entered into or which had been authorised by the Management Board.

16 Obligations under leases

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings		Other	
	2005	2004	2005	2004
	£000	£000	£000	£000
Operating Leases which expire				
Within one year	0	0	0	2
In two to five years	0	0	8	3
In over five years	286	286	0	0
	286	286	8	5

17 Losses and special payments

Type	Description	Number of Cases	£000
Losses	Fruitless payments	7	2

18 Related party transactions

The NIPB is a Non-Departmental Public Body of the Northern Ireland Office.

The NIO is regarded as a related party. During the year the NIPB has had a number of material transactions with the Department and with other Government Departments and central government bodies. Most of these transactions have been with the Department of Finance and Personnel; the Crown Solicitor's Office, the Government Purchasing Agency, the Construction Service, the Rate Collection Agency and the Northern Ireland Statistics and Research Agency (the last two are executive agencies of the Department of Finance and Personnel); Local Councils, through the District Policing Partnerships; and the Police Service of Northern Ireland.

One Board member is the Chairman of a newspaper Group in which the NIPB may have placed advertisements.

None of the other NIPB members, members of the key management staff or other related parties has undertaken any material transactions with the NIPB during the year.

19 Contingent liabilities

There were no contingent liabilities at 31 March 2005.

20 Post Balance Sheet events

There are no post balance sheet events that impact on these financial statements.

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