

Presented pursuant to Police (Northern Ireland) Act 1998, Section 12, para 4(b)

Police Ombudsman for Northern Ireland Account 2003-2004

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Foreword

History and statutory background

The Office of the Police Ombudsman for Northern Ireland was established under the Police (Northern Ireland) Act 1998. It is an executive Non-Departmental Public Body financed by Grant in Aid from the Northern Ireland Office and is accountable to Parliament through the Secretary of State for Northern Ireland.

The Office of the Police Ombudsman operates under a management framework governed by the Police (Northern Ireland) Act 1998 as amended by the Police (Northern Ireland) Act 2000. The Office of the Police Ombudsman became a legal entity on 6 November 2000 by virtue of Statutory Rule 2000 No. 399, Police (Northern Ireland) Act 1998 (Commencement) Order (Northern Ireland) 2000.

The Office of the Police Ombudsman for Northern Ireland does not have a Board but is headed by the Police Ombudsman who is appointed by Royal Assent and serves for a period of seven years. The current Police Ombudsman was appointed on 1 January 2000 as Police Ombudsman designate, with appointment as Police Ombudsman taking effect from 6 November 2000.

The Permanent Under Secretary of State, who is the Principal Accounting Officer of the Northern Ireland Office, has designated the Chief Executive as NDPB Accounting Officer for the Office of the Police Ombudsman for Northern Ireland.

Principal activities

The purpose of the Office of the Police Ombudsman for Northern Ireland is to provide an independent and impartial police complaints service in which both the public and the police have confidence. The main activities of the Office include

- establishing an efficient, effective and independent police complaints system;
- receiving complaints and other referred matters and deciding how to deal with them;
- investigating complaints and keeping complainants and police officers informed as to progress;
- seeking, when appropriate, to have complaints resolved through informal resolution;
- notifying the Secretary of State, Policing Board and the Chief Constable of the outcome of complaints;
- making recommendations, where appropriate, to the Director of Public Prosecutions for criminal action;
- making recommendations, where appropriate, to the Chief Constable or the Policing Board for disciplinary action;
- reporting annually to the Secretary of State;
- carrying out inquiries as directed by the Secretary of State or as requested by the Policing Board;
- reporting on priorities and policy matters to be drawn to the attention of the Chief Constable and the Policing Board;
- providing statistical information to the Policing Board and to the Police Service; and
- carrying out research to inform and improve policing policy and practice.

Funding and financial position

The Office of the Police Ombudsman is financed by a Grant in Aid from the Northern Ireland Office, Request for Resources 1; playing a full part in implementing the Good Friday Agreement and representing the interests of Northern Ireland in the United Kingdom Government; supporting and developing an efficient, effective and responsive Criminal Justice System; upholding and sustaining the rule of law and preventing crime; maintaining a secure and humane prison service and reducing the risk of re-offending. The statutory authority to incur expenditure is Schedule 3, Paragraph 11 of the Police (Northern Ireland) Act 1998.

The accounts have been prepared in a form directed by the Secretary of State for Northern Ireland in accordance with Schedule 3 paragraph 12 of the Police (Northern Ireland) Act 1998.

The financial position at the year end is set out in the Income and Expenditure Account included on page 10. The surplus for the year was £256,867.

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.

Future developments

Details of future developments are contained in the Corporate and Business Plan prepared by the Office of the Police Ombudsman and which is available as a separate document.

Fixed assets

Fixed assets are valued at cost, adjusted as appropriate to reflect current replacement costs. The leasehold interest in respect of leasehold improvements carried out to New Cathedral Buildings has been capitalised under land and buildings and valued on the basis of existing use value at £1,250,000 at 31 March 2004. The open market value of the leasehold interest in New Cathedral Buildings has been valued at £100,000 at 31 March 2004.

Details of the movement of fixed assets are set out in Note 7 to the Financial Statements.

Senior Management

The Office of the Police Ombudsman for Northern Ireland is headed by the Police Ombudsman who is supported by a Chief Executive and a Senior Management Team. A further development of the management structure took place during the year, creating the post of Director of Policy and Practice. The management structure at 31 March 2004 was as follows

Mrs N O'Loan	Police Ombudsman
Mr S Pollock	Chief Executive
Mr D Wood	Executive Director of Investigations
Mr J Felice	Director of Investigations
Mrs O Laird	Director of Corporate Services*
Mr G Mullan	Director of Policy & Practice**
Mr E McMullan	Director of Legal Services***

Note

* Mrs O Laird was appointed on 17 November 2003, replacing Mr J O'Hagan who left the organisation on 7 September 2003.

** Mr G Mullan was appointed as Director of Policy and Practice on 1 December 2003.

*** On a career break since 1 January 2004.

All other members of the Senior Management Team were in post during the period 1 April 2003 to 31 March 2004.

Disabled employees and equal opportunities

It is the policy of the Office of the Police Ombudsman to promote equality of opportunity. The Office will provide equal opportunity for all job applicants and employees. All recruitment, promotion and training will be based on a person's ability and job performance and will exclude any consideration of an applicant's/employee's religious beliefs, political opinion, sex, marital status or disability.

The Office of the Police Ombudsman submitted an Equality Scheme in accordance with Section 75 of the Northern Ireland Act 1998. The Equality Scheme was approved by the Equality Commission in February 2003. The Police Ombudsman and her Senior Management Team are fully committed to the promotion of equality and will continue to consult extensively in the development and implementation of the Equality Scheme.

Employee involvement

The Office of the Police Ombudsman recognises the importance of good industrial relations and is committed to effective employee communications. Trade Union representation is open to all employees and the Office has put in place a Joint Negotiating Consultative Committee.

Payment of suppliers

In line with the Better Payment Practice Code it is the policy of the Office of the Police Ombudsman for Northern Ireland to pay all invoices not in dispute within 30 days of receipt or if stated otherwise in accordance with agreed contractual terms. The Office aims to pay 100% of invoices, including disputed invoices, once the dispute has been settled, on time within these terms. During the year 1 April 2003 to 31 March 2004 the Office of the Police Ombudsman paid 98.8% of suppliers within 30 days, (98.3% for the year ended 31 March 2003).

Health and safety

The Office of the Police Ombudsman is committed to providing for staff and visitors an environment that is as far as possible safe and free from risk to health.

A standing sub-committee on health and safety has been established under the Joint Negotiating Consultative Committee.

Auditors

The financial statements are audited by the Comptroller and Auditor General.

His certificate and report are reproduced on pages 8 and 9.

The audit fee for the work performed by his staff during the reporting period and which relates solely to the audit of these financial statements was £14,500.

The Comptroller and Auditor General may also undertake other statutory activities that are not related to the audit of the Office of the Police Ombudsman's financial statements such as value for money reports. No such activity took place during the year.

Samuel D Pollock BSc (Hons)
Dip. App. Soc. Studies
Chief Executive

23 August 2004

Statement of the responsibilities of the Police Ombudsman for Northern Ireland and the Chief Executive

Under paragraph 12 of Schedule 3 of the Police (Northern Ireland) Act 1998 the Police Ombudsman for Northern Ireland 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.

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 Police Ombudsman for Northern Ireland 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.

The Accounting Officer of the Northern Ireland Office has designated the Chief Executive as Accounting Officer of the Office of the Police Ombudsman for Northern Ireland. The Chief Executive'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 Police Ombudsman's policies, aims and objectives, as set out in the Annual Business Plan and agreed with the Northern Ireland Office, 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 my letter of designation as Accounting Officer.

In addition I report on a quarterly basis to the Permanent Under Secretary of the Northern Ireland Office on progress towards business objectives, financial objectives, staffing and other matters.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the 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 the policies, aims and objectives of the Office, 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 Police Ombudsman for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Office of the Police Ombudsman's Senior Management Team is committed to achieving high standards of corporate governance throughout the organisation and to integrity and high ethical standards in all its dealings. Responsibility for implementing the risk management process rests with me, as Accounting Officer, supported by the Senior Management Team. A risk management policy and strategy has been established and has been communicated to all staff.

The risk control framework

In order to ensure risk management is embedded throughout the Office it is incorporated into the corporate planning process.

A risk register has also been established which includes all risks which have been identified prioritised by likelihood and impact. Each risk has been assigned with an owner who is responsible for ensuring that the necessary actions are undertaken within an established timescale. The risk register is regularly reviewed and updated accordingly. The key organisational risks have also been separately identified and are informed to staff through the internal website.

Further, the risk management process was audited within the financial year as part of the internal audit programme.

Review of effectiveness

As Accounting Officer, I also 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 Office of the Police Ombudsman who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters 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 Audit Committee and a plan to ensure continuous improvement of the system is in place. 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

- business planning and objective setting processes, including the setting of targets to measure financial and other performance;
- the operation of a performance management system for staff;
- financial planning and budgeting systems;
- internal audit arrangements and an audit committee;
- financial accounting systems and administrative procedures, including delegated levels of authority; and
- capital investment control guidelines.

An Audit Committee was established in 2002 and provides an essential oversight of the controls and good governance of the Office. The Committee is self standing with a terms of reference and comprises representatives of the Police Ombudsman and the Department (Northern Ireland Office). I am required to report to this Committee quarterly or more often if required.

The Office has appointed two independent non-executive members to the Audit Committee in order to enhance and to be able to demonstrate more clearly the independence of the Committee.

The Office of the Police Ombudsman for Northern Ireland has an internal audit service, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is informed by the risk management process and the internal audit plans are based on the risk register. The analysis of risk and the internal audit plans are endorsed by the Police Ombudsman's Audit Committee and approved by me. The internal audit arrangements require the Head of Internal Audit (HIA), at least annually, to provide me with an annual report on internal audit activity in the Office.

The report includes the HIA's independent opinion on the adequacy and effectiveness of the Office's system of internal control. The internal audit report, completed during the period of the accounts, provided assurance that controls were operating adequately in respect of research and policy, complaints and investigations, legal services and financial management systems. In respect of risk management, the report commended the Office on the progress that had been made to date but highlighted a need to further develop Business Continuity Plans. This matter is now being addressed by the Office.

Samuel D Pollock BSc (Hons)
Dip. App. Soc. Studies
Chief Executive

23 August 2004

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

I certify that I have audited the financial statements on pages 10 to 22 under the Police (Northern Ireland) Act 1998. 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 13 and 14.

Respective responsibilities of the Office of the Police Ombudsman for Northern Ireland, Accounting Officer and Auditor

As described on page 5, the Office of the Police Ombudsman for Northern Ireland and Accounting Officer are responsible for the preparation of the financial statements in accordance with the Police (Northern Ireland) Act 1998 and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. The Office of the Police Ombudsman for Northern Ireland and Accounting Officer are also responsible for the preparation of the Foreword. 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 1998 and directions made 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 Office of the Police Ombudsman has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on Pages 6 and 7 reflects the Office of the Police Ombudsman'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 the Office of the Police Ombudsman'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 Office of the Police Ombudsman for Northern Ireland and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Office of the Police Ombudsman'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.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Office of the Police Ombudsman for Northern Ireland at 31 March 2004 and of the retained surplus for the year, 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 1998 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 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

28 September 2004

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Income and Expenditure Account for the year ended 31 March 2004

	Note	2003-2004 £	2002-2003 £
Income			
Revenue Grant in Aid	1.2, 3	<u>6,639,132</u>	<u>6,428,000</u>
Expenditure			
Salaries and wages	4	4,104,370	3,966,011
Depreciation	7	291,605	290,902
Other operating costs	5	2,277,895	2,333,726
Loss on disposal of fixed assets	7	0	10,932
Permanent diminution on revaluation of fixed assets	7, 12	76,358	130,771
Notional cost of capital	6	<u>72,153</u>	<u>116,170</u>
Total expenditure		<u>6,822,381</u>	<u>6,848,512</u>
Deficit of income over operating expenditure		<u>(183,249)</u>	<u>(420,512)</u>
Release from Government Grant Reserve re loss on disposal	7	0	10,932
Release from Government Grant Reserve re depreciation and diminution	12	367,963	421,673
Credit in respect of notional costs and cost of capital	6	<u>72,153</u>	<u>116,170</u>
Retained surplus for the year		<u>256,867</u>	<u>128,263</u>

This surplus relates to the continuing activities of the Office of the Police Ombudsman for Northern Ireland.

The movement on the General Fund and reserves is set out in Note 12.

Statement of Total Recognised Gains and Losses

Retained surplus for the year	256,867	128,263
Unrealised gain on revaluation	158,663	1,597
Total recognised gains and losses relating to the year	<u>415,530</u>	<u>129,860</u>

The notes on pages 13 to 22 form part of these accounts.

Balance Sheet as at 31 March 2004

	Note	As at 31 March 2004 £	as at 31 March 2003 £
Fixed assets			
Tangible assets	7	1,767,760	1,767,519
Intangible assets	7	175,420	94,093
		1,943,180	1,861,612
Current assets			
Debtors and prepayments	8	128,593	69,814
Cash at bank and in hand	9	377,977	241,727
		506,570	311,541
Creditors - amounts falling due within one year	10	(145,518)	(210,056)
Net current assets/(liabilities)		361,052	101,485
Total assets less current liabilities			
		2,304,232	1,963,097
Creditors - amounts falling due after more than one year	10	0	0
Provisions for liabilities and charges	11	(73,500)	(70,800)
		2,230,732	1,892,297
Financed by			
Capital and reserves			
	12		
General fund		272,281	15,414
Government grant reserve		1,958,451	1,876,883
		2,230,732	1,892,297

The notes on pages 13 to 22 form part of these accounts.

Samuel D. Pollock, BSc (Hons)
Dip. App. Soc. Studies
Chief Executive

23 August 2004

Cash Flow Statement for the year ended 31 March 2004

	Note	2003-2004 £	2002-2003 £
Net cash inflow from continuing operating activities	15	136,250	110,550
Capital expenditure	7	(290,868)	(218,069)
Net cash outflow before financing		(154,618)	(107,519)
Financing			
Grant in Aid to fund capital expenditure	12	290,868	215,000
Increase in cash and cash equivalents	16	136,250	107,481

The notes on pages 13 to 22 form part of these accounts.

Notes to the Accounts

1 Accounting policies

These financial statements have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State for Northern Ireland and the requirements of the Annual Reports and Accounts Guidance for Executive Non-Departmental Public Bodies issued by HM Treasury. The particular accounting policies adopted by the Office of the Police Ombudsman for Northern Ireland are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of tangible fixed assets by reference to their current cost.

Without limiting the information given, the accounts meet

- the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986;
- the accounting standards issued or adopted by the Accounting Standards Board;
- the accounting and disclosure requirements of the Accounts Direction, the Management Statement, Financial Delegations and Conditions of Grant issued to the Office of the Police Ombudsman by the Secretary of State for Northern Ireland; and
- disclosure and accounting requirements of HM Treasury

in so far as those requirements are appropriate.

1.2 Grant in Aid

The Office of the Police Ombudsman for Northern Ireland is funded by Grant in Aid from the Northern Ireland Office, Request for Resources 1. Grant in Aid received for revenue expenditure is credited to income in the year to which it relates. Grant in Aid for capital expenditure is credited to a Government Grant Reserve. The value of some assets paid for by the Northern Ireland Office, prior to 6 November 2000, has also been credited to the Government Grant Reserve. Each year an amount equal to the depreciation charge in respect of each category of fixed assets and any deficit on their revaluation in excess of any prior revaluation increase, will be released from the Government Grant Reserve to the Income and Expenditure Account.

1.3 Value Added Tax

The Office of the Police Ombudsman for Northern Ireland is not registered for Value Added Tax, (VAT). All transactions are therefore stated inclusive of VAT.

1.4 Fixed assets

Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their individual original purchase cost is £1,000 or more. Items with an individual cost of less than £1,000 but which, when taken together, represent a significant fixed asset investment will be grouped to form an asset group. The materiality threshold for a group of assets is £3,500.

Items costing less than £1,000 and which are not part of an asset group are written off in the year of purchase.

Leasehold improvement expenditure has been capitalised and is restated at current cost using professional valuations every year. Valuations are carried out each year by professional external valuers, employed by the Valuation and Lands Agency, in accordance with the Appraisal and Valuation Manual prepared and published by the Royal Institution of Chartered Surveyors, as at 31 March. The unexpired term in respect of the lease for New Cathedral Buildings is eleven years, with an option to extend it for a further ten years.

Other fixed assets have been stated at current cost using appropriate indices compiled by the Office for National Statistics. Any surplus on revaluation is credited to the Government Grant Reserve. A deficit on revaluation is debited to the Income and Expenditure Account.

Computer hardware and in-house developed software are classified under Information Technology Assets and included under the heading of Tangible Assets on the Balance Sheet. Purchased software licences have been accounted for as intangible assets.

Depreciation is provided at rates calculated to write-off the valuation of fixed assets by equal instalments (straight-line depreciation) over their estimated useful lives.

The estimated useful lives of fixed assets are summarised under each category below

Category	Estimated useful lives
Land and buildings – leasehold improvement expenditure	The remaining term of the lease
Furniture and fittings	3-10 years
<i>Information technology</i>	
PCs, peripherals and other related equipment	4-7 years
Servers	7 years
Software	4-7 years

The threshold levels will be reviewed regularly and revised to reflect the effect of inflation on asset values. The estimated useful lives of assets will also be reviewed regularly and when necessary revised.

1.5 Pension costs

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described at Note 4.5. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The organisation 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 Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the organisation recognises the contributions payable for the year.

1.6 Leases

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

2 Financial targets

The Office of the Police Ombudsman for Northern Ireland has no formally agreed financial targets.

3 Income

	2003-2004	2002-2003
	£	£
HMG		
Grant in Aid received, from the Northern Ireland Office, Request for Resources 1, for revenue expenditure	6,639,132	6,428,000
Other income		
Miscellaneous receipts	0	0
Total income	<u>6,639,132</u>	<u>6,428,000</u>
HMG		
Grant in Aid received, from the Northern Ireland Office, Request for Resources 1, for capital expenditure	290,868	215,000
Total Grant in Aid received	<u>6,930,000</u>	<u>6,643,000</u>

4 Staff costs and numbers

4.1 Staff costs incurred during the period were as follows

	2003-2004	2002-2003
	£	£
Directly employed Police Ombudsman staff		
Wages and salaries	2,541,288	2,239,463
Social security costs	182,877	155,213
Employer's pension contributions	315,511	300,684
Total direct employee staff costs	3,039,676	2,695,360
Seconded staff		
Wages and salaries	924,956	1,091,384
Social security costs	82,916	94,065
Employer's pension contributions	56,822	85,202
Total seconded staff costs	1,064,694	1,270,651
Total staff costs	4,104,370	3,966,011

The Office of the Police Ombudsman meets all of the staff costs for seconded staff as these are incurred. Although these costs are fully re-charged to the Office of the Police Ombudsman for Northern Ireland, the seconding organisation remains the permanent employer with responsibility for their pay, allowances and pension.

4.2 The average number of full time equivalent persons employed during the period were as follows

	2003-2004	2002-2003
	No	No
Directly employed Police Ombudsman staff		
Management and executive	5	6
Administrative and support staff	40	32
Complaints and investigation officers	57	50
	102	88
Seconded staff		
Management and executive	2	2
Administrative and support staff	0	0
Complaints and investigation officers	16	16
	18	18
Total	120	106

4.3 Police Ombudsman's Remuneration

During the year the Police Ombudsman's total remuneration, excluding pension contributions, was £89,155 (£83,234 for the year ended 31 March 2003). The Police Ombudsman is an ordinary member of the Principal Civil Service Pension Scheme.

4.4 Senior Management Team

The salary, pension entitlements and the value of any taxable benefits in kind of the senior management team, during the year, are disclosed below

	Column 1 Salary, including performance pay £000	Column 2 Benefits in Kind (rounded to nearest £100)	Column 3 Real increase in pension and related lump sum at age 60 £000	Column 4 Total accrued pension at Age 60 at 31 March 2004 and related lump sum £000	Column 5 CETV at 31 March 2003 (nearest £k)	Column 6 CETV at 31 March 2004 (nearest £k)	Column 7 Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Column 8 Employer contribution- to partnership pension account including risk benefit cover - to (nearest £100)
Mrs Nuala O'Loan Police Ombudsman	85 - 90	N/A	0-2.5 plus 5-7.5 lump sum	20-25 plus 65-70 lump sum	329	381	32	N/A
Mr Samuel Pollock Chief Executive	65 - 70	N/A	0-2.5 plus 2.5-5 lump sum	0-5 plus 5-10 lump sum	28	46	16	N/A
Mr David Wood Executive Director of Investigations	110-115	£32,600	N/A	N/A	N/A	N/A	N/A	N/A
Mr Jim O'Hagan* Director of Corporate Services (left 7 September 2003)	20-25	N/A	0-2.5 plus 0-2.5 lump sum	10-15 plus 10-15 lump sum	118	117	1	N/A
Ms Olwen Laird* Director of Corporate Services (appointed 17 November 2003)	15-20	N/A	0-2.5 plus 0-2.5 lump sum	0-5 plus 0-5 lump sum	0	2	0	N/A
Mr Eunan McMullan** Director of Legal Services	30-35	N/A	0-2.5 plus 0-2.5 lump sum	5-10 plus 15-20 lump sum	85	93	4	N/A
Mr Justin Felice Director of Investigations	70-75	£10,100	N/A	N/A	N/A	N/A	N/A	N/A
Mr Greg Mullan*** Director of Policy & Practice (appointed 1 December 2004)	35-40	N/A	0-2.5 plus 0-2.5 lump sum	10-15 plus 30-35 lump sum	145	166	11	N/A

* Mr J O'Hagan left the Office of the Police Ombudsman on 7 September 2003.
Mrs O Laird was appointed as replacement for Mr J O'Hagan on 17 November 2003.

** Mr E McMullan commenced a career break on 1 January 2004.

*** Mr G Mullan was appointed as Director of Policy & Practice on 1 December 2004.

Salary

'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. The salary range reflects remuneration for the months in office.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Mr David Wood, Executive Director of Investigations, is seconded to the Office of the Police Ombudsman for Northern Ireland from the Metropolitan Police Service. He remains an employee of that organisation and his salary costs reflect the amount reimbursed by the Office of the Police Ombudsman to the Metropolitan Police Service in respect of his salary and allowances. The Office of the Police Ombudsman has no responsibility for his pension. During the year benefits in kind, arising from the provision of a vehicle, the payment of a rent and utilities allowance and the associated taxation costs, amounting to £32,600 (£22,000 for the year ended 31 March 2003) were met by this Office.

Mr Justin Felice, Director of Investigations, is seconded to the Office of the Police Ombudsman for Northern Ireland from the Lancashire Constabulary. He remains an employee of that organisation and his salary costs reflect the amount reimbursed by the Office of the Police Ombudsman to the Lancashire Constabulary in respect of his salary and allowances. The Office of the Police Ombudsman has no responsibility for his pension. During the year benefits in kind, arising from the payment of a rent and utilities allowance and the associated taxation costs, amounting to £10,100 (none for the year ended 31 March 2003) were met by this Office.

4.5 Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

Column 5 (CETV at 31 March 2003) and Column 6 (CETV at 31 March 2004) of the table at note 4.4 show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 (Real increase in CETV after adjustment for inflation and changes in market investment factors) reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

For the year employers' contributions of £315,511 were payable to the Principal Civil Service Pension Scheme (£300,684 for the year ended 31 March 2003) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next year, subject to revalorisation of the 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 costs are actually incurred, and reflect past experience of the scheme.

5 Other operating costs

	2003-2004	2002-2003
	£	£
Travel and subsistence	333,509	372,420
Training, recruitment and other personnel costs	569,195	607,367
Redundancy costs	15,788	0
Rent, rates, maintenance, electricity and other accommodation costs	338,712	304,516
Consultancy and legal costs	90,563	118,860
Information and media	107,323	64,549
Printing, stationery, postage and office equipment	102,635	100,628
Direct case investigation costs	90,084	54,697
Computer support including maintenance and telecommunications	282,340	301,870
Operating leases; photocopying machines	18,023	25,267
Operating leases; other	254,574	241,136
Other costs	57,949	58,616
External audit fee	14,500	13,000
Provisions - provided in year	2,700	70,800
Total	<u>2,277,895</u>	<u>2,333,726</u>

During the year the Office of the Police Ombudsman used five administrative agency staff, for varying periods of time, to provide temporary administrative cover, at a cost of £47,062 (£52,994 for the year ended 31 March 2003), included above under training, recruitment and other personnel costs.

6 Notional cost of capital

A capital charge, reflecting the cost of capital utilised by the Office of the Police Ombudsman, is included in the Income and Expenditure Account along with a reversing notional income to finance the charge. The charge is calculated at the Government's standard rate of 3.5% (6% for the year ended 31 March 2003) of the average capital employed, defined as total assets less total liabilities.

For the purpose of this calculation the opening capital employed as at the 1 April 2003 and the closing capital employed as at 31 March 2004 have been used.

	2003-2004	2002-2003
	£	£
Interest on capital employed	<u>72,153</u>	<u>116,170</u>

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

7 Fixed assets

	Land and buildings, leasehold improvements New Cathedral Buildings	Furniture and fittings	Information technology	Total tangibles	Intangible assets purchased software licences	Total assets
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2003	1,265,000	149,052	780,502	2,194,554	154,324	2,348,878
Additions	32,359	23,380	102,475	158,214	132,654	290,868
Revaluation	(47,359)	(489)	(89,111)	(136,959)	(25,555)	(162,514)
Disposals	0	0	0	0	0	0
At 31 March 2004	1,250,000	171,943	793,866	2,215,809	261,423	2,477,232
Depreciation						
At 1 April 2003	105,417	31,350	290,268	427,035	60,231	487,266
Charge for year	100,605	15,872	142,919	259,396	32,209	291,605
Backlog	(206,022)	(56)	(32,304)	(238,382)	(6,437)	(244,819)
Disposals	0	0	0	0	0	0
At 31 March 2004	0	47,166	400,883	448,049	86,003	534,052
Net book value						
At 1 April 2003	1,159,583	117,702	490,234	1,767,519	94,093	1,861,612
At 31 March 2004	1,250,000	124,777	392,983	1,767,760	175,420	1,943,180

Leasehold improvements have been valued by Valuation and Lands Agency on the existing use basis at £1,250,000 at 31 March 2004. The open market valuation at that date was £100,000.

8 Debtors

	As at 31 March 2004 £	As at 31 March 2003 £
Debtors	17,814	9,495
Prepayments	110,779	60,319
	128,593	69,814

Amounts falling due after one year

There are no amounts falling due in more than one year.

9 Cash at bank and in hand

	As at 31 March 2004 £	As at 31 March 2003 £
Bank	377,577	241,047
Cash	400	680
	377,977	241,727

10 Creditors

	As at 31 March 2004 £	As at 31 March 2003 £
<i>Amounts falling due within one year</i>		
Taxation, pension and social security accruals	2,269	0
Trade creditors	92,032	15,493
Consolidated fund extra receipts received and receivable due to be paid to the consolidated fund	0	9,057
Other accruals	51,217	185,506
	<u>145,518</u>	<u>210,056</u>

Amounts falling due after one year

There are no creditors falling due for payment after more than one year.

11 Provision for liabilities and charges

	As at 31 March 2004 £	As at 31 March 2003 £
Balance as at 1 April 2003	70,800	0
Provided in year	2,700	70,800
	<u>73,500</u>	<u>70,800</u>

Legal claims

Provision has been made for various legal claims against the organisation. The provision reflects a reliable estimate, based on legal advice, of the amount of the claims. The amount provided is on a percentage expected probability basis and reflects the estimated legal costs with regard to these cases. Generally judicial reviews do not have any award of damages. Expenditure is likely to be incurred within one year. No re-imbursement is likely to be received in respect of any of these claims.

There are no contingent liabilities as at 31 March 2004.

12 Reconciliation of movement on general fund and reserves

	General Fund £	Government Grant Reserve £	Total 2003-2004 £	As at 31 March 2003 £
Opening balance at 1 April 2003	15,414	1,876,883	1,892,297	1,980,042
Grant in Aid received to fund capital assets	0	290,868	290,868	215,000
Transfer from Income and Expenditure Account	256,867	0	256,867	128,263
Diminution arising on revaluation of fixed assets	0	(76,358)	(76,358)	(130,771)
Depreciation transferred to Income and Expenditure Account	0	(291,605)	(291,605)	(290,902)
Loss on disposal transferred to Income and Expenditure Account	0	0	0	(10,932)
Unrealised surplus on revaluation of fixed assets	0	158,663	158,663	1,597
Balance at 31 March 2004	<u>272,281</u>	<u>1,958,451</u>	<u>2,230,732</u>	<u>1,892,297</u>

Transfer to Income and Expenditure Account from the Government Grant Reserve

	2003-2004	2002-2003
	£	£
Diminution arising on revaluation of fixed assets	76,358	130,771
Depreciation transferred to Income and Expenditure Account	291,605	290,902
	<u>367,963</u>	<u>421,673</u>

13 Capital commitments

As at 31 March 2004 the Office of the Police Ombudsman for Northern Ireland had contracted capital commitments with three suppliers amounting to approximately £42,000 (£8,251 as at 31 March 2003).

14 Commitments under operating leases

	Buildings	Other	Total	As at 31 March 2003
	£	£	£	£
Operating leases expiring				
Within one year	0	3,383	3,383	0
Between one and five years	0	16,837	16,837	39,473
After five years	223,250	0	223,250	223,250
Total	<u>223,250</u>	<u>20,220</u>	<u>243,470</u>	<u>262,723</u>

15 Reconciliation of operating deficit to net cash inflow from operating activities

	2003-2004	2002-2003
	£	£
Operating deficit	(183,249)	(420,512)
Depreciation charge	291,605	290,902
Loss on disposal of fixed assets	0	10,932
Permanent diminution in value of fixed assets	76,358	130,771
Notional costs/cost of capital	72,153	116,170
Provisions made in year	2,700	70,800
Increase in debtors and prepayments	(58,779)	(10,675)
Increase/(decrease) in creditors and accruals	(64,538)	(77,838)
Net cash inflow from operating activities	<u>136,250</u>	<u>110,550</u>

16 Analysis of changes in cash

	As at 31 March 2004	As at 31 March 2003
	£	£
Opening balance at 1 April 2003	241,727	134,246
Increase in cash	136,250	107,481
Closing balance at 31 March 2004	<u>377,977</u>	<u>241,727</u>

17 Related party transactions

The Office of the Police Ombudsman for Northern Ireland is an executive Non-Departmental Public Body sponsored by the Northern Ireland Office.

The Northern Ireland Office is regarded as a related party. During the year the Office of the Police Ombudsman has had various material transactions with the Department and with one other entity for which the Northern Ireland Office is regarded as the parent Department, namely Forensic Science Northern Ireland.

In addition the Office of the Police Ombudsman has had various transactions with other Government Departments and some GB police forces. Most of these transactions have been with the Cabinet Office and the Metropolitan Police Service.

During the year, none of the key management staff or other related parties has undertaken any material transaction with the Office.

18 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 Police Ombudsman is not exposed to the degree of financial 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 Police Ombudsman 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 FRS13, 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 Police Ombudsman is financed by Grant in Aid from the Northern Ireland Office 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 Police Ombudsman carry nil rates of interest and therefore are not exposed to interest-rate risk.

Currency risk

The Office of the Police Ombudsman 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 Police Ombudsman's financial assets and financial liabilities as at 31 March 2004 are set out below

Primary financial instruments

	Book value £	Fair value £
<i>Financial assets</i>		
Cash at bank	377,977	377,977
<i>Financial liabilities</i>		
None	N/A	N/A

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