



Security Industry Authority

# Annual Report and Accounts 2012/13

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Annual Report presented to Parliament pursuant to paragraph 17(2) of Schedule 1 to the  
Private Security Industry Act 2001

Accounts presented to Parliament pursuant to paragraph 16(4)(b) of Schedule 1 to the  
Private Security Industry Act 2001

Ordered by the House of Commons to be printed on 29 January 2015  
Laid before the Scottish Parliament by the Scottish Ministers January 2015  
Laid before the Northern Ireland Assembly by the Department of Justice January 2015



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Any enquiries regarding this publication should be sent to us at:  
Security Industry Authority,  
PO Box 1293,  
Liverpool,  
L69 1AX

Print ISBN 9781474106696

Web ISBN 9781474106702

ID 03111402 01/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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# Introduction

The Security Industry Authority (SIA) is responsible for regulating the UK private security industry. We are an independent body reporting to the Home Secretary under the terms of the Private Security Industry Act 2001. Our remit includes Scotland and Northern Ireland and we consult closely with the Scottish Government and the Northern Ireland Assembly about our regulation. Our regulation of the private security industry supports the objectives of the Home Office and the devolved administrations to protect the public, as the public come into contact with members of the private security industry in their daily lives. We contribute to making communities safer, helping people feel secure and cutting crime, protecting the public from terrorism, controlling immigration and safeguarding identity. We made a significant contribution to public safety at the highly successful London Olympic and Paralympic Games in 2012 and also played an important role in the 2014 Commonwealth Games.

## Intended regulatory outcomes

Through its regulatory activities, the SIA reduces criminality and sets and approves standards in the private security industry. We currently regulate in two ways: the compulsory licensing of individuals undertaking designated activities within the private security industry and the approval, on a voluntary basis, of security suppliers that meet specified quality standards.

For individual licensing, we apply approved criminality and other fit and proper person criteria and establish the competency requirements. We specify qualifications and endorse awarding organisations, which in turn approve training providers, oversee the standard of assessment and award qualifications recognised for licensing.

For approved security contractors, we apply eligibility and other fit and proper criteria and establish terms and conditions of approval. We specify management and operational requirements in the Approved Contractor Scheme (ACS) standard and appoint assessing bodies to conduct assessments against this standard.

## Working with partners

In order to achieve our objectives effectively we share information, ideas and knowledge with many different organisations across the United Kingdom. Our partner community includes government departments and other agencies, along with police forces, local authorities and organisations in business and industry.

# Joint Statement by the Chairman and the Chief Executive

2012/13 was a successful year for the SIA. High levels of service and compliance within our statutory regime have been maintained and the voluntary Approved Contractor Scheme (ACS) has continued to attract and retain companies wishing to commit to providing higher quality private security services. During the year, we have continued to work with the industry, Government, the devolved administrations in Scotland and Northern Ireland and other stakeholders, to develop and deliver proposals for the transition to a new regulatory regime. We have made further improvements to our operating arrangements to ensure that we deliver good quality and cost effective services. We also supported preparations and arrangements for the delivery of private security at and around the 2012 London Olympic and Paralympic Games. As always, the commitment of our staff and the support and engagement of those within the industry and our partners has allowed us to deliver our objectives.

We apologise for the late publication of these accounts. They were originally completed on time in May 2013, but were held by the Accounting Officer pending the completion of an independent investigation into allegations made to the Home Office. The investigation has been completed and the report has concluded that there was no impropriety and made a number of recommendations which the Board has accepted and which have been addressed.

Our performance over the year was good.

- 154,054 (2011/12 – 138,450) net licence applications were processed. Of these, 92% were processed within our target time of 25 working days or less (against our commitment of 80%) with 80% of applicants receiving their licence in 15 working days or less.
- Membership of the Approved Contractor Scheme (ACS) now stands at 756 (2011/12 – 736) and those in the scheme are very satisfied, with a high percentage of members continuing or renewing their membership and with satisfaction ratings, from monthly surveys, of 92% over the year.
- Our enforcement team, working with a wide variety of partners, has supported compliance levels of 98%. This was been particularly important during the period of the Olympic and Paralympic Games when the maintenance of standards was critical. Our work has included significant operations against organised crime and the successful prosecutions of individuals and businesses.
- The quality of our services was improved and simplified. Standards achieved were again recognised through the renewal of our award of the Government Standard for Customer Service Excellence, in which we achieved a total of five 'compliance plus' ratings.

Our income comes directly from the individuals that we licence and the members of the ACS. Income in 2012/13 was £34.1m, (2011/12 – £33.7m, reflecting our three year licence and financial cycle) and we made a surplus of £3.7m. This surplus also reflects the further reductions we have been able to make to our costs which, at £30.4m, were only £2.1m (7%) higher than in 2011/12, in spite of the 15 % higher number of applications processed. This represents an average cost to issue a licence of £131 (2011/12 £138) and an operational cost of £89 (2011/12 £100) per active licence.

As we reported last year, we were asked by the Government to lead the development, together with industry, of detailed proposals for a new regulatory regime. These were to reflect the overarching proposals we had put to ministers in response to the recommendations of the Cabinet Office Public Bodies Review, that the SIA should no longer be a non departmental public body (NDPB) and should be reconstituted as an independent regulator outside of the public sector and that there should be a phased transition to a new regulatory regime. We continued to discuss these proposals with the industry and the Strategic Consultation Group, with members drawn from private security buyers and suppliers, industry representative organisations, trade unions, the Home Office and devolved administrations.

In November 2012, the Home Office issued a consultation paper setting out proposals for the introduction of a new regulatory regime. The consultation document attracted 776 responses. These have been considered by the Home Office, with separate consideration of the issues for Scotland and Northern Ireland. The Home Office response was published on 5 September 2013, this can be found on the [www.gov.uk](http://www.gov.uk) website.

In November 2012, we held a conference for stakeholders in London to update them on the new regime. The conference was addressed by the Minister, Lord Taylor of Holbeach, who set out the government's commitment to the proposals.

Lord Taylor also announced that Baroness Ruth Henig, our Chairman for six years, would be standing down. Ruth's contribution to the SIA and her work with the industry has been considerable. She has driven and supported the necessary improvements in the service that the SIA provides, has worked to understand and support the development of a respected and professional industry and provided leadership and support to SIA staff (including both of us). We owe Ruth a great debt of gratitude for her commitment and significant achievements during her time at the SIA and hope that she will continue to play a role in the development of the industry.

Bill Matthews was appointed as Acting Chair for a period of 12 months from January 2013 and we are grateful for his commitment and contribution. Elizabeth France was appointed as Chair for a period of three years from January 2014 and Bill Matthews has been reappointed for three years and will continue with his particular responsibilities for Scotland as a non-Executive Director.

Our commitment to improve the service and value that we deliver is not limited to changes in the future or dependant on legislation. During the year, we have demonstrated our commitment to improving service levels and value for money, putting in place changes



A handwritten signature in black ink that reads "Elizabeth France".

Elizabeth France  
Chair

to our licensing system and working with the industry to develop relevant and practical improvements. These have included the introduction of an online renewal process for businesses, as well as other improvements which have made licensing quicker and more straightforward for most applicants. These changes and improvements have allowed us to maintain high levels of satisfaction from individuals and ACS companies. Our increasing use of social and electronic media to communicate has allowed us to reach more of our licensed community. We now reach 23,237 subscribers through electronic media.

The year also saw a number of national and international events where the private security industry played a significant role, including the celebration of the Diamond Jubilee, the London 2012 Olympic and Paralympic Games, the Olympic Torch relay and the many events that took place around the Games themselves. Although the events were not without some well publicised problems, they passed off safely. We were able to manage the increased licensing activity within our normal standards and to ensure that standards were maintained within the ACS. The planning carried out over a number of years with the London Organising Committee of the Olympic and Paralympic Games (LOCOG), government, other agencies and the industry to plan for and support the delivery of effective security during the Games paid off. Our work with partners ensured that high levels of compliance were maintained throughout the year. We have taken forward lessons from this work to support our work in other events, including the 2014 Commonwealth Games in Glasgow and the G8 summit in Northern Ireland in June 2013.



A handwritten signature in black ink that reads "Bill Butler".

Bill Butler  
SIA Chief Executive

Our work is only possible with the support and cooperation of those working for us and those in the private security industry and our many partners. They help to ensure that we can work with our customers effectively, that we deliver good services (and are challenged when we do not) and that we pursue robustly those who choose not to comply. We are grateful for that support and cooperation. Our teams at the SIA have again performed to a high standard in 2012/13. We thank them for this and we both look forward to continuing to work with them and with our partners to deliver effective regulation and the new regime over the coming years.

# Review of 2012/13 – our key achievements

## Overview

The SIA continues to perform well against its business objectives. For the year 2012/13 the number of licence applications completed within five weeks was 92% (against a target of 80%) and the performance of all contacts resolved at the point of first contact was 83% (target 80%).

Regulatory activity continues to ensure that the regime is effectively enforced. Working with partner organisations to deliver regular checks, the SIA has supported compliance rates of 98%. This is a particularly good result in a year when the London 2012 Olympic and Paralympic games presented considerable challenges, but passed without incident.

Operational and service efficiency have continued to improve and this is reflected in the achievement of the Customer Service Excellence Award for the third year running.

The drive to support the Government's austerity measures and reduce the SIA's cost base has continued mainly through driving down the costs of licensing. Whilst fees have remained stable it is expected that the cost reductions achieved will present opportunities for further reductions in the future whilst allowing the transition to a new regime and ensuring that the SIA remains self-funding.

The SIA has also continued to work with licence holders and applicants to achieve more efficient communication, including the introduction of 'e- Renewals', which allow businesses to renew their employees' licences online, phone renewals and other services, such as SIA updates via email and SMS.

During the year, the SIA has continued to lead work with the industry to deliver proposals for a new regulatory regime in line with the government's proposals following the Public Bodies Review in 2010. It has consulted widely and directly with the industry and other stakeholders to develop the supporting principles and to begin the work of putting in place a new regulatory regime. This programme of change is supported by the work on developing a future operational model which will deliver a timely, high quality and value for money service to both individual licence holders and businesses alike as well as developing new arrangements for the regulation of businesses.

## Supplier/contract performance

Our outsourced service provision, used to receive and process licence applications, has continued to perform well, meeting or exceeding all customer commitments over the last financial year. The move to an output based contract, continues to provide better value for money resulting in an overall 23% saving (£3.1m) over the last financial year compared with the previous commercial arrangement. Working closely with our provider we have implemented a number of changes that have enhanced the service provision and contributed to this overall saving, including the introduction of a streamlined renewals process and further development of the online services.

## Approved Contractor Scheme

The ACS scheme has continued to grow in popularity and now includes 756 approved contractors covering more than 135,000 licensable staff. ACS membership is mandatory for all Scottish Government contracts (and sub-contracts) for the provision of security industry services. The SIA withdrew approval from 20 organisations which failed to reach or maintain standards during the course of the year.

The consistent approach we introduced for the use of self-employed operatives by ACS members has resulted in a significant switch to Pay As You Earn (PAYE).

Updated ACS requirements were introduced from 1 January 2013 with additional good practice elements. Approved contractors have demonstrated further improvement against these and previous requirements. 50% of approved contractors achieved a score of 56 or above (40% 2011/12) and 5% of approved contractors achieved a score of 130 or above (2.5% 2011/12).

Contracts with the five ACS assessing organisations have been extended until March 2015 to provide continuity for approved contractors and to ensure consistency of approach.

Our programme of ACS forums took place at different regional locations in October 2012 and February 2013. The forums were attended by a total of 431 delegates. Guest Speakers for 2012/13 included: The Security Institute, experts in British Standards screening, trauma awareness, insurance and workplace pensions, along with Purple Flag, Her Majesty's Revenue & Customs (HMRC), Serious Organised Crime Agency (SOCA) (now the National Crime Agency), and the Community Safety Accreditation Scheme.

The feedback from these forums has been excellent, with over 80% satisfaction ratings.

## Customer service

In March 2013, the SIA was assessed against the Cabinet Office 'Customer Service Excellence' standard. The independent assessment confirmed that the SIA continues to meet the standard, which it first attained in 2011. The assessment also confirmed that the SIA holds five 'compliance plus' ratings, meaning that the SIA is among the elite in those areas and sets the standard others strive for.

During the year we have introduced new application channels for both telephone and internet. Following the introduction of a popular telephone application channel in March 2012, the SIA launched an 'e-Renewals' service in March 2013. This is the SIA's first fully online applications service, which allows businesses to submit applications on behalf of employees. Customer feedback during a pilot and after the launch has been very positive.

# Compliance and Enforcement

## Intelligence

The SIA is a risk-led organisation, using intelligence to prioritise and decide how to use resources based on the risk to the public. This has involved tackling the most serious non-compliance, working with partners to share information and carry out joint operations and initiatives.

From March 2012 to March 2013, the Intelligence team processed and risk assessed 6,598 intelligence reports received from sources including the general public, police forces and other law enforcement agencies, local authorities and through our partnership with Crimestoppers. The team were able to identify key risks contained within this intelligence to prioritise and inform the activity of SIA resources. Intelligence led referrals during the year resulted in 525 entities (organisations, venues and individuals) being categorised as high risk for compliance activity or formal investigation.

The team also continued to develop strong and effective working relationships with partners during the year. The team shared 774 pieces of information and responded to 352 requests from partners, exceeding our service level agreement. A number of analytical products were produced using a combination of SIA and partner data and disseminated to relevant agencies to inform their activity. One example includes a product which identified key individuals and companies potentially using door supervisors to distribute drugs. This was used to inform a Lincolnshire Police investigation and analysis of a South London-based security company with potential links to serious and organised crime and was also used by the Metropolitan Police to inform one of their operations.

The Intelligence team have also produced analysis to drive successful joint operations with partners. In October 2012, SIA investigators visited a number of addresses with UK Border Agency (UKBA) officers as part of an investigation into suspected illegal working at a security company. This resulted in a number of individuals being arrested (and subsequently charged) on suspicion of immigration, fraud and Private Security Industry Act 2001 (PSIA) offences. This operation marked the conclusion of a period in which the Intelligence team worked very closely with UKBA, SOCA and HMRC to obtain and analyse a range of intelligence to identify key risks and make appropriate enforcement recommendations. A recently completed SIA/Crimestoppers joint operation in Birmingham resulted from our analysis of intelligence held about the night time economy. During the operation 28 venues were visited and 132 individuals checked. Seven individuals were found to have contravened SIA licence conditions and one was working without a licence.

Police partners notified Intelligence of 1,273 offences that related to SIA licensed individuals. Using this, we were able to work with our Licensing team to make suspension decisions on

383 licence holders and revocation decisions on 253 licence holders. Further analysis into the nature and extent of the use of forged and counterfeit SIA licences (and related areas) has also identified a number of other risks leading to licence suspensions and revocations. The Intelligence team have worked closely with the Operation Amberhill Team (an initiative led by the Metropolitan Police Service targeting identity-related frauds) to develop an information sharing agreement, permitting the exchange of information relating to the private security industry to ensure new risks are quickly identified and targeted in this area.

The Intelligence team have also worked closely with the ACS team, to strengthen the processing of ACS applications to ensure that the full intelligence picture can be considered. Recently this has highlighted links between an applicant company and criminality, which has instigated further compliance and investigation activity to obtain sufficient evidence to refuse their application on 'fit and proper' grounds.

Learning from these cases and others, enables the Intelligence team to continue to build knowledge within priority risk areas. These include PSIA 2001 non-compliance, identity fraud, serious and organised crime, training provider malpractice and ACS integrity to help identify new risks and inform and shape future responses.

## Compliance

Compliance with the requirements of the PSIA 2001 continues to be consistently high. The Compliance and Investigation team dealt with 525 compliance cases where potential risk had been identified. For each case an action plan was drawn up to confirm whether there has been non-compliance as indicated by intelligence, and where this is confirmed to then bring about compliance. This can involve working with partners, carrying out inspections and the prevention of offending that is identified through issuing warnings and improvement notices (during the year we issued 373 warnings and 43 improvement notices). In the overwhelming majority of cases this approach is effective in bringing about compliance. In a small number of cases where we identify serious cases of non-compliance including persistent non-compliance and risk to the public, we will undertake a formal investigation with a view to prosecution. During 2012/13 26 cases were referred for formal investigation. Overall compliance rates based on the 525 checks were 98%.

Prosecution is not our preferred approach to achieving compliance, but we do not hesitate to bring prosecutions where we believe it is necessary to protect the public or, ensure the credibility of our regulation or the integrity of the Approved Contractor Scheme. We brought a number of successful prosecutions of individuals and businesses during the year, including the following:

- Staffordshire Security Services Limited and its director were convicted for PSIA 2001 offences including supplying an unlicensed operative. The business was fined £1,500 and had to pay costs of £10,000. In addition to an 18 month community service order and costs of £1,200, the director was disqualified as a director for three years.
- In Manchester, three individuals were convicted of providing the SIA with false information when attempting to deceive the regulator regarding the suitability of its business to qualify for ACS membership.

- A jury at Cardiff Crown Court found a security company director and consultant to a security business guilty of falsely claiming to be part of the ACS scheme. Two individuals claimed that their security company Secure Serve Facilities Management Services Limited (Secure Serve) was an SIA accredited security company to maintain a lucrative security contract worth in excess of £800,000 with a supermarket chain. The supermarket chain had made it a requirement of their security contracts that security companies are members of the ACS. Secure Serve sent documentation that showed that they had passed an SIA assessment. The documentation was false.

Some examples of our work with enforcement partners include:

- 502 supervisors were inspected during the various phases of London borough-wide Operation Condor. The campaign was led by the Metropolitan Police Service and was supported by the SIA, local authorities, trading standards and other partners. The operation saw officers deployed across London boroughs to crack down on licensing issues including unlicensed door staff working at pubs and clubs. SIA investigators supported inspections that took place at over 100 venues across London.
- UK Border Agency (UKBA) officers arrested five people as part of an investigation into suspected illegal working at a security company. The operation was carried out by the UKBA's Criminal and Financial Investigation team, in conjunction with the SIA.
- Enforcement activity in Northern Ireland also included Operation Pearl, which involved joint working between the SIA, the Police Service Northern Ireland and Crimestoppers.

The London 2012 Olympic and Paralympic Games presented a unique challenge and opportunity for the SIA to test the regulatory regime and its processes, procedures and people. The SIA carried out comprehensive and meticulous planning in the lead up to the Games, including working directly with the industry to ensure that their personnel were fully and properly licensed, not just at the Olympic sites but across the UK. The SIA was able to ensure that compliance rates of 97% were maintained, all non-compliance was dealt with appropriately, and it played a major part in ensuring the delivery of a safe and secure Games with very high levels of public satisfaction over safety and security.

## Communications and stakeholder engagement

During 2012/13, the SIA has continued to meet with private security industry representatives and companies to set out, explain, share and canvass views on its proposals for a new regulatory regime and other matters of interest. We have held a national conference, industry network meetings, ACS forums and a range of workshops around the UK. In addition, we continue to engage with those who buy security and attend external events to promote our plans.

During the year, our Strategic Consultation Group met regularly with members drawn from private security buyers and suppliers, industry representative organisations, trade unions, the Home Office and devolved administrations. A Commercial Consultation sub-group with industry has also been set up specifically to consider future cost and fee arrangements.

We held SIA Board meetings in Belfast and Glasgow to enable us to speak to politicians, the industry and other stakeholders locally.

The SIA has continued to develop its digital communication strategy and, during 2012/13, our website was visited 2.7 million times, by 1.3 million unique visitors who viewed 10.6 million pages of information. During the year our digital community grew by over 25% to 23,237 subscribers and now comprises a wide range of our stakeholders, including our licence holders, security professionals, and our enforcement partners. Our Facebook page is one of our main channels of communication, delivering immediate communication to nearly 5,000 followers. On average our monthly reach was 13,000. However, in June 2012 we posted an article about additional training for door supervisors and this attracted 32,000 visitors to our page that month. We also have 2,600 followers on Twitter.

In addition, we produce 'SIA Update' which is our monthly e-newsletter with 14,000 direct subscribers. Research has shown that most subscribers pass on their copy of SIA Update, which gives us an estimated monthly audience of 20,000.

# Delivery against our business objectives

We set five objectives for 2012/13 which are supported by key performance indicators (KPIs).

## Protecting the public

Ensuring only fit and proper people provide regulated private security services to protect people, property and premises

## Customer service

Delivering timely, effective and accessible services which meet the needs of our customers and ensuring that the ACS remains attractive to the industry

Delivering proportionate regulation to the private security industry to reduce criminality and improve standards under the Private Security Industry Act 2001

## Delivering value

Delivering value for money within the income received from licensing and striving to drive costs down over time

## Developing our people and organisation

Helping our staff to develop their skills and competencies so that they can release their full potential

## Delivering a phased transition to a new regulatory regime

Working with stakeholders to gain their support and engagement to deliver the new regime in the agreed timescales

## Our objectives

### Objective I: Protecting the public

To measure our progress against this objective, we have established two success factors which focus on reducing criminality, and developing and maintaining compliance and enforcement.

Success factor	Key Performance Indicator	Target	Achieved	Comments
Reducing relevant criminality	The correct application of licensing criteria at the time of the decision	99%	99%	We adopted a more risk based approach to quality checking in 2012/13 and this has enabled us to meet the target more efficiently.
Developing and maintaining compliance and enforcement	Security operatives correctly licensed or deployed under a valid Licence Dispensation Notice	90%	98%	Random checking and joint partner operations have shown that compliance has remained strong during the year.
	Assessment or initial action takes on disclosures received from partners that indicate public safety concerns, completed within five working days	95%	99%	We exceeded the target and kept our focus on high risk cases.
	Assessment or initial action takes on disclosures received from partners that indicate public safety concerns, completed within ten working days	95%	100%	We exceeded our target in completing disclosures that did not indicate public safety concerns.

All the KPIs concerned with reducing criminality and with developing and maintaining compliance and enforcement standards were met.

## Objective 2: Customer service

During 2012/13, the drive to improve customer service has continued. The main focus has been on the timeliness and accessibility of the service we provide.

Success factor	Key Performance Indicator	Target	Achieved	Comments
Timely service	Proportion of end to end licence applications processed within five weeks	80%	92%	Licence applications were processed significantly faster than the agreed timeframe.
Accessible service	All contacts (calls, letters, faxes and emails) resolved at the point of first contact.	80%	83%	Result of all contacts resolved at the point of first contact was above target.

All customer service KPIs were met.

## Objective 3: Delivering value

The ACS remains as a voluntary scheme and the retention of contractors within the scheme is a key measure of delivering value. The SIA is self-financing and is required to manage its costs effectively to balance against the licence fee income it receives.

Success Factor	Key Performance Indicator	Target	Achieved	Comments
ACS valued by industry	Eligible companies re-registering or renewing their ACS status during the year.	95%	97%	Performance remains good despite the economic situation and the transition to a new regulatory regime.
Achieving full cost recovery	To balance the budget within a variance of no more than 3% of turnover.	+/- 3%	+11%	The continued drive to reduce costs and improve efficiency has resulted in lower costs and a higher surplus. Whilst this is outside target it demonstrates the SIA's commitment to reducing costs.

Despite the challenges of the current economic climate, which has had an impact on all our stakeholders and the uncertainty over the future, the SIA delivered value to its stakeholders and continues to strive towards the opportunity to reduce the burden to the industry.

## Objective 4: Developing our people and organisation

Our key performance measures in this area concentrate on ensuring the effectiveness of our staff and on their engagement with the SIA as an employer.

Success factor	Key Performance Indicator	Target	Achieved	Comments
Staffing effectively	Mandatory training completed by eligible employees during the financial year.	90%	89%	Whilst the target was narrowly missed during the reporting period, all staff carried out the required e-learning during the course of the last twelve months.
	Percentage of permanent and fixed term contract employees achieving their agreed objectives.	85%	95%	Target was met on employees achieving their agreed objectives.
Staff satisfaction	Rate of overall staff satisfaction – annual survey.	60%	60%	60% of respondents ticked the 'agree' or 'strongly agree' option of the positive statements in the online staff satisfaction questionnaire.

One of the developing our people and organisation KPIs was narrowly missed during the course of the last twelve months, the remaining two KPIs were met.

## Objective 5: Delivering a phased transition to a new regulatory regime

Our key performance measures in this area concentrate on meeting our key transition milestones and ensuring that we engage stakeholders with our transition to a new regulatory regime.

Success Factor	Key Performance Indicator	Target	Achieved	Comments
Transition key milestones	Percentage of high level programme key milestones achieved within agreed timeframe.	90% within a 20 working day period	89%	Some transition milestones were not fully met on due dates.
Stakeholder support and engagement	Percentage of positive feedback from stakeholders in relation to their support and engagement on the transition to a new regulatory regime.	80%	92%	Overall feedback from stakeholders was supportive and positive.

The results of our KPIs under 'delivering a phased transition to a new regulatory regime' were a positive direction of travel in line with the ultimate achievement of the objective.

## Environmental, social and community performance

The SIA is committed to working to ensure that it takes proper account of the impact of its activities on the environment. Performance in relation to greenhouse gas emissions, waste management and finite resource consumption is set out in the following table.

### Sustainability

Greenhouse Gas Emissions				
	2012–13		2011–12	
	Consumption	Cost £	Consumption	Cost £
Direct Emissions *	–	–	–	–
Indirect emissions				
Electricity: Non-renewable	183,542 kWh	46,930	192,224 kWh	41,869
Gas	8,278 kWh	–	15,877 kWh	–
Official Business Travel				
Private fleet business travel	95.10 CO <sub>2</sub>	153,878	108.35 CO <sub>2</sub>	172,379
Rail business travel	Not Available	131,409	Not Available	141,437
Other business travel	Not Available	78,925	Not Available	58,076
Total business travel	–	364,212	–	371,892
Waste Minimisation and Management *				
	Volume	Cost £	Volume	Cost £
Hazardous waste	–	–	–	–
Non-hazardous waste:				
Landfill	130 Kgs	–	130 Kgs	Not available
Recycled/Reused	7884 Kgs	1,072	4577 Kgs	576
Incinerated	–	–	–	–
Finite Resource Consumption				
	Consumption	Cost	Consumption	Cost
Water supply *	687m <sup>3</sup>	Not available	654m <sup>3</sup>	Not available

\* based upon calculations supplied by the landlord in relation to the proportion of SIA usage against that of the whole building.

## Environmental, Social and Community matters

### Green Group

The Green Group, a staff and management group responsible for supporting our approach to environmental matters, has continued to promote sustainable activities including cycle and walk to work weeks. It has continued to promote the 'turn off' campaign which encourages staff to switch off lights, monitors and computers. During the year the policy of not replacing spotlights adjacent to windows has been continued.

### **Recycling**

The use of recycling bins continues to be well supported and during 2012/13, 98% of office waste was recycled (2011/12 – 97%). We were congratulated on our level of recycling by the Paper Round. In 2012, recycling at the SIA saved the equivalent of 52 trees or 6,050kg of CO<sup>2</sup>.

### **Charity assistance**

The SIA continues to support charities selected by staff. The charity group has raised and distributed a total of £332 to worthy causes (2011/12 – £1,151).

### **Procurement**

The SIA invites tenders for goods and services through the OJEU process or via 'buying solutions' provided by the Government Procurement Service.

### **Approved Contractor Scheme (ACS).**

As part of achieving ACS status, companies must comply with a set of corporate and social responsibility standards that are laid out in the accreditation guidance. In this way the SIA actively promotes corporate and social responsibility in the regulated sector.

## **Equality and diversity**

We are an equal opportunities employer. We give full and fair consideration to all applications for employment and we welcome applications from everyone, regardless of race, sex, disability, sexual orientation, religion or belief, age, marriage and civil partnership, gender reassignment, pregnancy and maternity.

We are proud of the diverse nature of our organisation and continue to seek to develop a culture within our organisation that reflects our strong values surrounding the importance of diversity.

Our workplace diversity approach underpins our human resource management strategies with attention paid to particular areas such as selection and recruitment, performance appraisal, training and development, and workplace relations which are all integrated into our diversity approach with continued success.

We have developed an Equality and Diversity Policy to promote and support these areas, and where applicable, undertake an Equality Impact Assessment for each new policy that is drafted. We carry out regular monitoring to ensure that our equality processes are working effectively and no group is adversely affected.

We work continuously to address discrimination and recognise that this requires us not only to make a commitment, but to deliver that commitment by embedding equality and diversity principles and ethos in all our work within the SIA.

# Our vision for the future

Following the Public Bodies Review, published in October 2010, the Government announced its intention that regulation of the private security industry would no longer lie with a NDPB and that there would be a “phased transition to a new regulatory regime”.

The Government’s preferred option is that there is a phased transition to a business regulation regime guided by the following principles:

- The regulator would own and maintain a public register for regulated businesses and licensed individuals. Each register would enable businesses and individuals to show they have met regulatory standards, as well as provide assurance for private security buyers and employers that the registers are maintained in a common, consistent and credible manner. The regulator would also have appropriate powers to ensure compliance with the new regulatory regime.
- Responsibility for developing and administering a quality business hallmark, currently the ACS, and for individual competency standards to be transferred to an industry-led organisation.
- The intended outcome of this reform is that there would be some deregulation of the private security industry leading to more efficient and cost effective regulation, which continues to reduce criminality, protect the public and improve standards within the industry.
- The new regime will deliver regulation at a reduced cost in real terms than the current regime. Fees will be set at levels in line with the cost of regulation and recognise the need for businesses and individuals equitably sharing the costs.

At the request of ministers, the SIA has continued to lead work to develop a framework for the new regime, working closely with the industry through a Strategic Consultation Group, conferences and forums and with other stakeholders and officials in the Home Office and the devolved administrations of Scotland and Northern Ireland. In addition, the SIA has established a Commercial Consultation sub-group during the year to work with industry specifically in relation to fees and the cost of regulation.

The Government published a consultation document setting out proposals for a new regulatory regime in November 2012. The consultation ended in January 2013, and the Government published its report on 5 September 2013. The consultation showed broad support for the proposals.

The proposed arrangements are in line with those that have been developed with industry. Meaning the SIA would be abolished in its current form and reconstituted as an independent statutory regulator outside the government sector. This will require new primary legislation in an Act of Parliament. Separately we aim to move to a business focussed regulatory regime, with a consequent reduction of the burden on individuals. These changes will require the introduction of new secondary legislation. The SIA recognises that the achievement of such a shift will require the continued support and engagement of the industry and other stakeholders

and partners and the establishment of effective arrangements to deliver the new business regulatory regime. Key elements of this will be effective communication to the industry of the changes and what will be required, and the introduction of proportionate and relevant powers to allow the proper enforcement of the new regime.

The devolved administrations support the proposed arrangements, and have been involved in their development to ensure the regime is capable of being implemented on a UK wide basis, and takes account of region specific requirements.

# Financial Review

## Results for 2012/13

The SIA is required by HM Treasury to operate on the basis of full cost recovery. The achievement of full cost recovery should be considered in the context of our three year business cycle, which is driven by the pattern of licensing. The majority of licences have a three year span with the licence fee for those three years paid in full in the first year. Licensing was introduced in sectors of the private security industry on specified 'enforcement dates' from 2006/07, with the largest sectors being licensed for the first time in that year. These factors, combined with the subsequent pattern of licence applications, mean that the SIA's income follows a three year cycle. This cycle is highest in the year reflecting the anniversary of inception of the licence regime. 2012/13 is the highest year of the cycle.

A summary of the last three years results is shown in the table below.

	2012/13	2011/12	2010/11
Application numbers (net)	154,054	138,450	108,418
	£'000	£'000	£'000
<b>Income</b>			
Licence fees	31,890	31,378	25,146
ACS	2,122	2,271	2,275
Northern Ireland	-	-	37
Other income from activities	13	23	182
Court costs recovered	61	32	72
<b>Total self generated income</b>	<b>34,086</b>	<b>33,704</b>	<b>27,712</b>
<b>Expenditure</b>			
Employment costs*	10,419	9,668	10,219
Accommodation	1,368	1,390	1,566
Advertising and publicity	207	283	298
Licensing costs	15,456	14,169	12,906
Depreciation	544	930	1,075
Other costs	2,406	1,908	1,903
Exceptional item	-	-	151
<b>Total expenditure</b>	<b>30,400</b>	<b>28,348</b>	<b>28,118</b>
<b>Operating Surplus/(Deficit)</b>	<b>3,686</b>	<b>5,356</b>	<b>(406)</b>

\*Employment costs include staff costs and other staff related costs.

## Overview

The overall financial result for 2012/13 was an operating surplus of £3.7m against an original budgeted surplus of £1.8m. Licence fee income was £31.9m, which reflects the high level of applications in this year of the cycle. During 2012/13, demand for licences was 1% higher than the level budgeted, the increased demand for licences created by the

London 2012 Olympic and Paralympic Games was offset by decreased demand in the latter half of the year. The SIA has continued to reduce costs and has achieved a £1.8m (6%) reduction against budgeted levels. In particular, £0.7m of this saving has been achieved in the area of licensing costs through reduced rejection rates, new application channels and contract efficiencies. The combination of these factors has generated the additional level of surplus of £2m.

## Financial highlights

- Total income of £34.1m exceeded the budgeted level by 0.8%. This generated an additional £0.3m of income.
- The new contract for the managed service for licence processing, which came into effect on 30 September 2010, has continued to deliver cost savings. Whilst licence demand is up by 1% against budget, related processing costs have decreased by 5% against the levels budgeted.
- This output based contract has provided a 23% saving over the last financial year compared with the previous commercial arrangement.

## Funding considerations

The SIA's operation is funded through licence fees from individuals and ACS subscriptions. In making its decision to hold fees at a stable level, the Board has had to take into account the following factors:

- The fluctuation of income against a largely fixed cost base over the three year licence demand cycle.
- The requirement to surrender any annual surpluses to the Consolidated Fund as an extra receipt (CFER).
- To provide the industry and individuals with cost stability by ensuring that the fees do not change on an annual basis.
- The costs associated with the transition to a new regulatory regime.

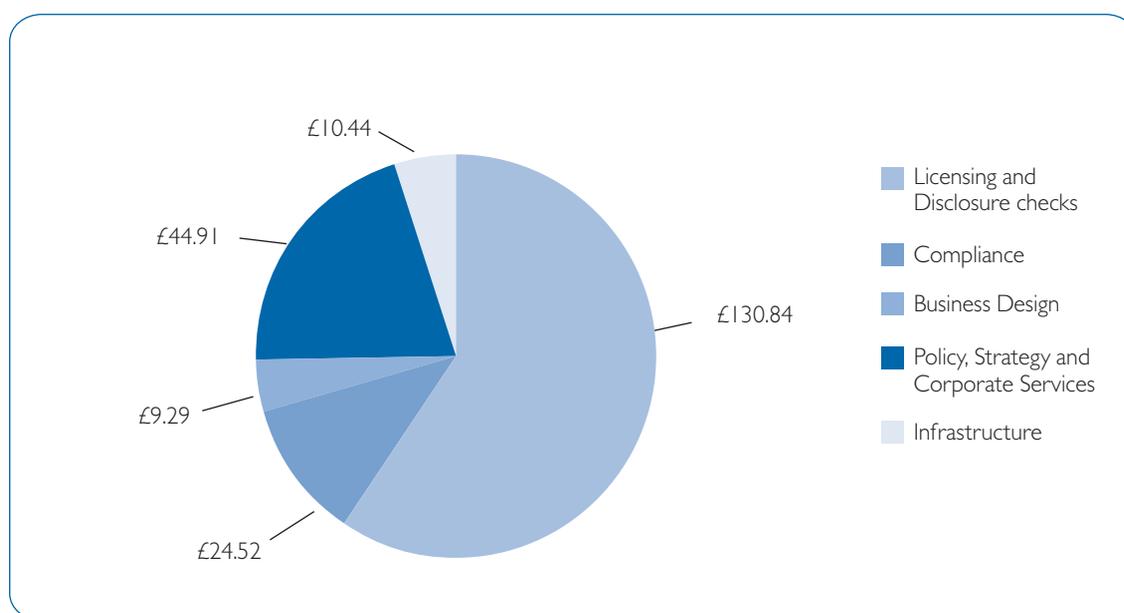
## How the licence fee was spent in 2012/13

During 2011/12 the licence fee was reduced to £220 from £245, which was the level that had been maintained since October 2007. During 2012/13 the fee has been held at the £220 level which ensures that the SIA is self-funding. Future fee levels are based on a number of key assumptions, the most significant of which are:

- The size of the security industry market and therefore the number of individuals who are required to be licensed.
- The level of staff turnover within the industry, which generates new licensing applications.
- Stability of the SIA and therefore its cost base.

- The requirement to fund those activities associated with transition to a new regulatory regime which can be funded from licence fees. Some aspects of transition cannot be funded out of licence fee money and are expected to be funded directly by the Government.
- The cost of the new regulatory regime and the manner in which costs will be equitably borne by both businesses and individuals.

A breakdown of the way the licence fee was spent in 2012/13 is set out in the following chart:



## Forecast results for the next three years

The SIA carries out a comprehensive annual cycle of planning. The resultant plan covers the three years commencing with 2012/13. The plan and forecasts are summarised in the following table:

	Forecast			Net result
	2013/14	2014/15	2015/16	2013-2016
	£000s	£000s	£000s	£000s
<b>Income</b>				
Licence fees	23,494	28,092	29,242	80,828
ACS	2,040	2,039	2,039	6,118
<b>Total income</b>	<b>25,534</b>	<b>30,131</b>	<b>31,281</b>	<b>86,946</b>
<b>Expenditure</b>				
Licensing	13,582	14,662	13,156	41,400
Compliance	3,766	2,873	4,497	11,136
Support services	5,267	5,983	4,435	15,685
Transition	3,385	1,425	255	5,065
<b>Total expenditure</b>	<b>26,000</b>	<b>24,943</b>	<b>22,343</b>	<b>73,286</b>
<b>Surplus/(deficit)</b>	<b>(466)</b>	<b>5,188</b>	<b>8,938</b>	<b>13,660</b>

The major financial factors underpinning these forecasts and points to note are:

- The decision of the Board to maintain the licence fee at £220 for the next three years, and the need to manage both operational costs and appropriate costs associated with the transition to a new regulatory framework within this level. The Board will continue to keep the fee level under review and will, as appropriate, adjust the fee levels in line with ensuring that the SIA remains self-funding and does not make significant levels of surplus.
- This will require a new approach to fees for businesses and individuals which will be the subject of further consultation. The current forecasts are not adjusted for a new fee regime.
- The demand for individual licences over the next three years is 112,000 in 2013/14, 133,920 in 2014/15 and 139,400 in 2015/16. The impact of this significant fluctuation is reflected in the income forecasts.

- Although income fluctuates, the regulatory workload of the SIA remains broadly constant. The only costs that vary directly with volume are those relating to licence processing and these account for less than one third of total costs. The balance of costs relates to the on-going regulation of the industry. The SIA's total costs do not, therefore, vary directly with volume and cannot be flexed in the short term.
- The forecasts include a continuation of the cost reduction initiatives commenced in 2010/11 and supported under austerity measures. In addition, the SIA has been, and continues to be, active in developing new and more efficient ways of working that will drive further savings.
- Overall, we forecast an operational surplus of £13.7m over the three year period. This will fund both the regulatory activity of the SIA and the relevant costs of transition to a new regulatory regime. The SIA Board will monitor the results closely, to identify opportunities to make any reductions to the fee levels to reduce the surplus in line with ensuring the continued ability of the SIA to be self-funding. Funding arrangements for those areas such as businesses and policy which cannot be funded from licence income are yet to be formally agreed with the Home Office.
- The above forecasts are based on the demand and cost profile for the current regime and fee charging arrangements. The effects of transition and the new regime and its accompanying alternative fee charging arrangements are being developed, and are subject to extensive consultation within both Government and industry.

## Going concern

The accounts have been prepared on a going concern basis. The financial forecasts for the period to 31 March 2015 show the organisation will continue to be self-funding over the three year licence cycle. (See note 14 to the accounts).

## Payment practice

We follow the principles of the Better Payment Procedure Code, in accordance with HM Treasury Guidelines. We aim to pay suppliers within ten days of the receipt of a valid invoice, provided that the relevant invoice is properly presented and is not subject to dispute. In 2012/13, we paid 86% of all invoices within ten days (77% by value), reflecting a significant improvement over the previous year.

	2012/13		2011/12	
	£	Number	£	Number
Total invoices paid in year	21,612,046	1,994	19,007,182	1,754
Total invoices paid within 10 day target	16,715,112	1,711	13,147,718	1,345
Percentage of invoices paid within 10 day target	77%	86%	69%	77%

## Contractual arrangements

Name	Service	Value of Contract	Expiry Date
BT	Managed Services	Licence application processing – variable cost basis	30/09/2014

## Personal data related incidents

During 2012/13 there were 18 (2011/12 – 22) security related incidents reported, of which seven related to incidents involving emails breaching SIA policy. Two of these held personal data and were deemed serious breaches, investigations into which have now been successfully concluded. Significant improvements have been made during the year, including the implementation of systems that track and, where appropriate, block email traffic to personal accounts. Work continues to improve and ensure compliance with best practice and reduce the level of risk to make sure that the safety of our information is assured.

## Staff sickness and absence

During 2012/13, the average level of sickness and absence was 5.3 days per employee (2011/12, 3.9 days).

## Payment to auditors

The audit fee for 2012/13, payable to the National Audit Office (NAO), has been set at £37,000 (2011/12 £31,000). No other payments were made to the NAO for non-audit services during the year.

# Remuneration Report

## Unaudited information

### Executive

The remuneration of our directors is based on a strategy that takes account of the Senior Civil Service Pay Bands together with independent job evaluation reports on the posts. Pay awards are performance related; the Chief Executive makes recommendations on the awards for directors, which are considered by the Remuneration Committee of our Board. The pay award of the Chief Executive is based on the Senior Civil Service Pay Bands and the recommendations of the Senior Salaries Review Body Report. The Chairman recommends the pay award of the Chief Executive which is submitted to ministers for approval.

Non-consolidated performance payments are available to directors based on their performance and the overall success of the organisation and take account of the recommendations of the Senior Salaries Review Body Report.

## Audited

### Remuneration

The role of the Remuneration Committee is to provide assurance to the Board and Accounting Officer that appropriate pay systems and policies are in place for the SIA and the remuneration of directors. The Committee also provides advice to the Chairman on the pay of the Chief Executive. The Committee meets at least twice a year. The Remuneration Committee comprised three independent non-executive Board members, Linda Sharpe (Chair), Desmond Rea and Bill Matthews. Bill Butler and Dianne Tranmer attend the meeting as executives.

### SIA Directors during the year 1 April 2012 to 31 March 2013

Bill Butler	Chief Executive
Dave Humphries	Director of Compliance and Enforcement
Stephen McCormick	Director of Service Delivery
Dianne Tranmer	Director of Transition

### Non-Executive Board members during the year | April 2012 to 31 March 2013

Baroness Ruth Henig	Chair	To 14 January 2013
Bill Matthews	Acting Chair	Previously Board member then Chair from 15 January 2013 To 14 January 2014
Robin Dahlberg	Vice Chair; Chair of Performance and Finance Committee	To 31 March 2014
Linda Sharpe	Chair of Remuneration Committee	To 31 March 2014
Edward Weiss	Chair of Audit Committee	To 2 March 2015
Professor Sir Desmond Rea		From 7 November 2012 To 6 November 2015

### Salary payments to directors

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the SIA in the financial year 2012/13 was £130k – £135k (2011/12 – £130k – £135k). This was 3.8 times (2011/12, 4.0 times) the median remuneration of the workforce, which was £34,890 (2011/12 – £33,020).

Remuneration ranged from £20,857 to £135,000 (2011/12 – £15,993 to £135,000).

Total remuneration includes salary, non-consolidated performance related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer of pensions.

## Salary

	Directorship and significant interests	2012/13		2011/12	
		Salary £000's	Performance Payment £000's	Salary £000's	Performance Payment £000's
Bill Butler (Chief Executive)	Member of Disciplinary Appeals Committee, CIPFA	120 – 125	10 – 15	120 – 125	5 – 10
Dave Humphries (Director of Compliance and Enforcement)		90 – 95	-	90 – 95	-
Stephen McCormick (Director of Service Delivery)		95 – 100	0 – 5	95 – 100	0 – 5
Dianne Tranmer (Director of Transition)		90 – 95	-	15 – 20 (FTE 70 – 75)	-
Band of highest paid director's total remuneration (£'000)		130 – 135		130 – 135	
Median total remuneration		34,890		33,020	
Ratio		3.8		4.0	

## Salary

Salary includes gross salary, London allowances, and any other allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the organisation and thus recorded in these accounts.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the organisation and treated by HM Revenue and Customs as a taxable emolument. Bill Butler received a loan of £7,300 for a season ticket, which was over the HMRC threshold.

## Performance payments

Performance payments are based on performance levels attained and are made as a result of the performance appraisal process. They relate to the performance in the year in which they become payable to the individual. The payments reported in 2012/13 relate to performance in 2012/13 and the comparative payments reported for 2011/12 relate to the performance in 2011/12.

Director's contracts are permanent and open ended with the exception of Bill Butler, who has a fixed term contract which expires in July 2015, at which point he is due to retire.

## The Non Executive Board

The remuneration of the Board in the period ending 31 March 2013 is shown in the table below. Fees are based on Board members being paid £763 per month and the Vice Chairman £1,526 per month.

	Directorship and significant interests		2012/13	2011/12
			£	£
Ruth Henig (Chair) 14 January 2013	Member of Independent Policing Commission	Fees	50 – 55 (FTE 65 – 70)	65 – 70
Bill Matthews <sup>2</sup> (Acting Chair From 15 January 2013)	Director of M2M2 Ltd Voluntary Chair of Crimestoppers Scotland Member of British Transport Police Authority Member of BBC Trust and Chair of BBC Pension Trust Ltd	Fees	10 – 15 (FTE 30 – 35)	5 – 10
Robin Dahlberg (Vice Chair)	Board member of Health and Safety Executive Commissioner of Gambling Commission Non Executive Board Member of Orbit Group Limited Chair of Orbit Heart of England Housing Association Treasurer of Jubilee Gardens Trust Chair of Customer Challenge Group at Affinity Water	Fees	15 – 20	15 – 20
Professor Sir Desmond Rea (From 7 November 2012)	Chair of NIJobs.com Advisor to Hanna World Fund re Runkerry Development, NI Advisor to Amber Green, NI	Fees	0 – 5 (FTE 5 – 10)	0
Linda Sharpe	Trustee of South West Region YMCA Trust Fund	Fees	5 – 10	5 – 10
Edward Weiss	Director of South Central Ambulance Service Director of YMCA	Fees	5 – 10	5 – 10

<sup>2</sup> Member worked one additional day in 2012/13 (2011/12 – three additional days).

## Pension Benefits

	Accrued pension at age 60 as at 31/3/13 and related lump sum	Real increase in pension at age 60 and related lump sum	CETV at 31/3/13	CETV at 31/3/12*	Employee contributions and transfers in	Real increase in CETV	Employer contribution to Partnership Pension Account
	£'000	£'000	£'000	£'000	£'000	£'000	Nearest £100
Ruth Henig** Chair to January 2013	N/A	N/A	94 (as at 14 Jan 2013)	85	1	N/A	£8,100
Bill Butler, Chief Executive	75 – 80	2.5 – 5	1,382	1,238	7	71	N/A
Dave Humphries Director of Compliance and Enforcement	30 – 35 plus 100 – 105 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	611	579	4	(1)	N/A
Stephen McCormick Director of Service Delivery	15 – 20	0 – 2.5	252	208	6	27	N/A
Dianne Tranmer Director of Transition	15 – 20	2.5 – 5	190	145	6	32	N/A

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus), or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members who joined from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

\* The figure may be different from the closing balance in last year's Annual Report. This is due to the Cash Equivalent Transfer Value (CETV) factors being updated to comply with the Occupational Pension Scheme (Transfer Values) (Amendment) Regulation 2008.

\*\* Ruth Henig was part of a personal pension, and some of the data is not available.

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions were applied from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial 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. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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 from a panel of three providers. 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).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

## Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include 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 handwritten signature in black ink that reads "Bill Butler". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Bill Butler  
Chief Executive and Accounting Officer  
The Security Industry Authority  
9 January 2015

# Statement of Responsibilities

## Statement of responsibilities for the Security Industry Authority and its Accounting Officer

The Security Industry Authority 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 for the Home Office with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the SIA and of its net operating income, changes in tax payer equity and cash flows for the financial year. These accounts have been prepared for the year ended 31 March 2013.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State for the Home Office with the approval of the Treasury, in accordance with Schedule 1, paragraph 16(2) of the Private Security Industry Act 2001, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Accounting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Permanent Secretary for the Home Office has designated me as Accounting Officer for the SIA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the SIA's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*. Details may be accessed on line at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

## Statement regarding Disclosure of Information to the Auditors

As Accounting Officer I have taken all the steps necessary to make myself aware of any relevant audit information and to establish that the National Audit Office have been made aware of that information in connection with their audit.

Insofar as I am aware, there is no relevant audit information of which the National Audit Office is unaware.

A handwritten signature in black ink, appearing to read "Bill Butler", with a horizontal line underneath it.

Bill Butler  
Chief Executive and Accounting Officer  
The Security Industry Authority  
9 January 2015

# Governance Statement for the Security Industry Authority for the year ended 31 March 2013

## Scope of Accounting Officer's responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of Governance and internal control that supports the achievement of the Security Industry Authority's (SIA) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money (Managing Public Money, HM Treasury October 2007).

The SIA's system of internal control was in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts. It accords with Treasury guidance.

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

## The Governance framework

The Board routinely monitors performance, discusses and takes decisions on key policies and allows Board members to note and comment on key strategic issues. The Board comprises of five non-executive directors and the Chair. Desmond Rea joined the organisation as a non-executive director in November 2012.

Ruth Henig's term as SIA Chair ended on 14 January 2013. Arrangements for the appointment of the Chair are the responsibility of ministers and the Home Office. The appointment of Bill Matthews as Acting Chair was announced on 15 January. Arrangements were made within the SIA to ensure that the transition to the new Chair was properly and effectively managed, including the handover to Bill Matthews. I am satisfied that these arrangements ensured the continuing proper governance of the SIA.

SIA Board	Meeting Attendance
Ruth Henig (Chair until 14 January 2013)	5/5
Robin Dahlberg	5/6
Linda Sharpe	6/6
Bill Matthews (Acting Chair from 15 January 2013)	6/6
Desmond Rea (from November 2012)	2/2
Edward Weiss	5/6

The Performance and Finance Committee, Remuneration Committee and Audit Committee all report into the Board.

The Performance and Finance Committee's main functions are to review and challenge performance against the business plan and budget at the end of each quarter; to support the development of the SIA's business plan, working with directors and assistant directors, to ensure challenging targets and frameworks are in place and to oversee effective management of the managed service provision and strategic change programmes. This Committee consists of five non-executive Board members appointed by the Board and the Chair.

Performance and Finance Committee	Meeting Attendance
Ruth Henig	4/4
Robin Dahlberg (Chair)	4/4
Linda Sharpe	4/4
Bill Matthews	2/4
Eddie Weiss	4/4
Sir Desmond Rea (from – November 2012)	1/1

The Remuneration Committee's main functions are to support the development and maintenance of the SIA's HR policies and frameworks, to oversee the development of pay and remuneration policy, to make recommendations on the pay and performance of the Chief Executive, directors and overall strategies for pay and reward and prepare an annual report on relevant matters. This Committee comprises a minimum of three non-executive members of the Board.

Remuneration Committee	Meeting Attendance
Bill Matthews	4/4
Linda Sharpe	4/4
Desmond Rea (from November 2012)	1/1
Ruth Henig	2/3

The Audit Committee's main functions are to consider and agree the internal and external audit plans, review and monitor progress on actions arising from audit reports, to support the Accounting Officer in respect of his responsibilities for risk and financial propriety and to consider the annual report and accounts and make recommendations to the Board. This Committee is comprised of three non-executive members of the Board. Eddie Weiss replaced Bill Matthews as Chair of the Committee from 1 December 2012.

Audit Committee	Meeting Attendance
Eddie Weiss (Chair from 1 December 2012)	4/4
Bill Matthews (Chair until 1 December 2012)	4/4
Linda Sharpe	3/4

There are two further Executive Groups. These are the Business Continuity Executive Group and the Information Assurance Executive Group. Both of these are chaired by the Assistant Director of Finance and Business Planning, who also acts as the Senior Information Risk Officer.

The Business Continuity Executive Group oversees the framework associated with delivering and validating arrangements for sound business continuity and resilience capabilities. The Information Assurance Executive Group has responsibility for setting the Information Assurance strategy and policy for the SIA and monitoring delivery.

A self-assessment of effectiveness has been carried out by the Audit Committee and actions identified are being addressed. The self-assessment of effectiveness for the Remuneration Committee was presented to the Committee in May 2013. This process was also carried out for the Board in October 2013 and will be completed annually.

## The risk and control framework

I have overall responsibility for risk management within the SIA and have established and developed a framework of responsibility for risk management which is an integral part of the SIA's management and planning procedures. I publish and maintain a risk management strategy document that lays down the policy and strategy. This is reviewed by the Board (through the Audit Committee) at least annually.

The SIA has continued to develop its capacity to handle risk, led by the work of the executive directors and the Senior Management Team and supported by risk coordinators and administrators. An on-going programme of training is in place and this outlines key aspects of the risk management process and identifies reporting procedures.

The risk appetite of the organisation is reflected in this strategy. The SIA will take a pragmatic approach to risk and will assess all relevant factors in deciding courses of action, accepting a calculated level of risk where it is reasonable and necessary in pursuit of our statutory responsibilities to do so.

Staff and managers are required to identify new or increased risks and opportunities as part of the routine performance reporting process. Risk is a standard agenda item in team meetings across the SIA. Workshops continue to be held with both the Board and Senior Management Team to explore risk issues and assess current and emerging risk and mitigation priorities.

Risks are reviewed and the effectiveness of the way in which they are managed and the level of residual risk is monitored, and any changes are identified and evaluated throughout the year as part of routine management activity. All risks are allocated to owners depending on their type, severity, and impact, and risk owners report on their handling of operational risks as part of their routine reporting. The key strategic risks are managed by the executive directors and are reported to the Board.

## Overall assessment of risk

In my opinion, I am able to provide a Moderate Assurance as the strengths in the control, governance, risk and information management systems in place outweigh weaknesses. Systems generally operate effectively and the SIA has a well embedded governance structure including a Board with committees covering Audit, Performance & Finance and Remuneration. All committees have non-executive director membership. There are regular meetings of executive directors and the Senior Management Team.

## Review of the effectiveness of the Internal Control system

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review includes discussions with the Internal Auditor, the National Audit Office and the Chair of the Audit Committee. The review is informed by the work of the internal auditors and stewardship reports from the executive managers within the Authority, who have responsibility for the day to day monitoring, development and maintenance of the internal control framework, and comments and recommendations made by the external auditors in their management letter and other reports.

Internal audit have provided the following opinion for 2012/13 in respect of corporate governance, risk management and internal controls “those activities and controls examined were operating with sufficient effectiveness to provide reasonable but not absolute assurance that the related risk management objectives were achieved during the period under review.”

## Overall assessment of Internal Control system

I confirm that I have reviewed the system of internal control in operation within my area of responsibility and am able to provide the following assurance.

I am satisfied that the control framework is effective in the context of the external environment and that all recommendations arising from both internal and external audit work are followed through in a timely and complete manner. A number of areas for improvement have been identified and I am satisfied that there are appropriate plans in place to address these.

## The Internal Control Framework

### Financial management

The SIA has a comprehensive budget and business plan in place that is reviewed and agreed by the Board. A thorough review of management accounts is completed each month and reported to the Board or its committees monthly.

A review of the Finance Manual has taken place to ensure the controls and processes are current and are implemented consistently across the organisation.

We continue to drive value for money and cost reduction through both internal process reviews and by the improvements that we have made to our procurement processes. Cost reduction initiatives are in place that adhere to the requirements of the austerity measures. A comprehensive Procurement Policy has been agreed and implemented across the organisation.

The SIA only receives one grant which is a capital grant. The use of this grant is fully documented and is monitored throughout the year.

The SIA has in place an internal audit programme and this covers key elements of financial control and management. Reports are considered, and follow up on the recommendations made is monitored by the Audit Committee.

## Managing the Risk of Financial Loss

The SIA has implemented Managing the Risk of Financial Loss, a cross government initiative to encourage departments to embed a systematic approach to assessing the risk of financial loss arising from the operation of financial processes. As the organisation is relatively small, the Finance Department was able to complete most of the work with assistance from relevant departments (e.g. HR and Information Communication Technology). Regular stakeholder meetings are attended at the Home Office to ensure that the approach used is consistent with that of other Non Departmental Public Bodies (NDPBs).

The Government model comprises an Organisational Capability Assessment (OCA) and a Financial Process Assessment (FPA) for each of seven financial processes (payroll, income, benefits, grants, procurement, funding, and expenses). Of these only payroll, income, procurement and expenses are relevant to the SIA. OCAs assess the capability of the SIA to manage financial loss, with action plans developed to address any gaps identified. FPAs have been carried out using the tools provided by the Cabinet Office.

Risk based planning will be used for future reviews and the level of risk will be factored into deciding how frequently FPAs should be conducted. OCAs will be undertaken annually.

## People management

The HR Strategy has been reviewed and developed and the revised strategy is being implemented across the organisation to ensure a fit for purpose HR function and to build the capability of the workforce to meet business needs during the transition to a new regulatory regime.

Stage 1 of the new HR system, HR Select, has been implemented; although there were some integration issues. An internal audit has been completed in relation to the system and based upon recommendations; this was placed and continued to be undertaken under project controls until it was completed in May 2014.

Concerns have been identified within the payroll process, and an internal audit has taken place to identify required improvements to the existing controls. A follow up audit took place to confirm what progress had taken place. This was reported to the Audit Committee in May 2013.

## Information management

All staff are required to take Information Assurance training level 1, managers are required to take level 1 and 2, and Information Asset Owners are required to take level 1, 2 and 3. 100% of staff completed the relevant training. All information assurance policies have been reviewed, updated as appropriate and published.

We have achieved level 3 in the Information Assurance Maturity Model (IAMM) for 2012/13.

The SIA is connected to the Government Secure Intranet (GSI) to ensure we have a secure route for e-mail to connected partner organisations up to RESTRICTED level.

All remote services utilise dual factor authentication, all new systems are penetration tested prior to deployment and all systems are subjected to a formal annual health check.

The Government Protective Marking Scheme is implemented across all SIA business areas.

The Risk Managed and Accreditation Document Set (RMADS) accreditation process has been completed and the organisation is accredited until December 2014.

We have appointed an Information Security Manager.

During 2012/13 there were 18 (2011/12: 22) security related incidents reported, of which seven involved incidents related to emails being sent to personal accounts. Two of these involved personal data and were deemed serious breaches, one of which is still under investigation. All other incidents were of a minor nature and involved breaches of policy, loss of equipment or system issues. Significant improvements have been made during the year, including the implementation of systems that track and, where appropriate, block email traffic to personal accounts. Work continues to improve and ensure compliance with best practice and reduce the level of risk and to make sure that the safety of our information is assured.

## Programme and Project Management

The SIA has a clear and comprehensive framework for Programme and Project Management which is supported by a wide range of tools. The framework used within the Programme and Project management in the SIA is closely aligned with both PRINCE 2 and MSP methodologies.

All projects are subject to full business case and benefits realisation plans. Progress is reported at Change Programme Board, Executive Management Group and Board levels.

Following a competitive procurement process, the SIA has appointed Grant Thornton as internal auditors for the three years starting 1 April 2012.

### Disaster and contingency planning

The SIA has addressed contingency issues and have put plans in place. A three year contract has been signed with SunGard for a disaster recovery space and an annual programme of testing and training is in progress to ensure the contingency plans are adequate for our business needs.

### Delay to these accounts

The accounts for 2012/13 were completed in May 2013 and the Audit Committee had received and considered the NAO's management report for 2012/13 at its meeting on 30 May 2013. On 31 May 2013 the Acting Chair was informed that allegations concerning the propriety of certain matters relating to the SIA's procurement and recruitment had been received by the Home Office. As Accounting Officer, I therefore decided that the accounts should not be signed until the allegations had been investigated and informed the NAO accordingly by telephone on 7 June 2013 and in writing on 11 June 2013. An independent investigation was conducted into the allegations by Grant Thornton under the direction of the Chair of the Audit Committee. The Audit Committee reported to the Board on 29 May 2014. The report concluded that there was no impropriety and made a number of recommendations which the Board has accepted and which have been addressed. None of these matters have required any changes to these accounts. The report was shared with the Accounting Officer at the Home Office who has confirmed that he is satisfied that this brings the matters raised to a conclusion. The report was published by the SIA on 2 July 2014.



Bill Butler  
Chief Executive and Accounting Officer  
The Security Industry Authority  
9 January 2015

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

I certify that I have audited the financial statements of the Security Industry Authority for the year ended 31 March 2013 under the Private Security Industry Act 2001. The financial statements comprise: the Statements of Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Security Industry Authority, Accounting Officer and auditor

As explained more fully in the Statement of responsibilities for the Security Industry Authority and its Accounting Officer, the Authority and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Private Security Industry Act 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Security Industry Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Security Industry Authority; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Security Industry Authority's affairs as at 31 March 2013 and of the net income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Private Security Industry Act 2001 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Private Security Industry Act 2001; and
- the information given in "Delivery Against Our Business Objectives" and "Financial Review" for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I draw your attention to the disclosure in the Governance Statement (page 41) regarding the delay in the publication of the Security Industry Authority's 2012-13 Annual Report and Accounts. I am content with the actions currently being undertaken by Security Industry Authority to address the issues as stated in the disclosure.

Sir Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

22 January 2015

# Accounts 2012/13

## The Security Industry Authority Statement of Comprehensive Net Income For the year ended 31 March 2013

		2012/13	2011/12
	Note	£'000	£'000
<b>Expenditure</b>			
Staff Costs	3	(10,419)	(9,668)
Depreciation & Amortisation	5	(544)	(930)
Other Expenditure	5	(19,437)	(17,750)
		<u>(30,400)</u>	<u>(28,348)</u>
<b>Income</b>			
Income from Activities	6	34,012	33,649
<b>Other Income</b>			
Other Income from Activities	6	13	23
Court Costs Recovered	6	61	32
		<u>34,086</u>	<u>33,704</u>
Net Income Before Tax and Interest		3,686	5,356
Interest Receivable		17	14
Corporation Tax		(3)	(3)
Interest Repayable to the Consolidated Fund		(14)	(11)
Net Income after Tax and Interest		<u><b>3,686</b></u>	<u><b>5,356</b></u>

The notes on pages 50 to 74 form part of these accounts

There are no other comprehensive income items. All income and expenditure relates to continuing operations.

## The Security Industry Authority

### Statement of Financial Position as at 31 March 2013

	Note	2012/13	2011/12
		£'000	£'000
<b>Non-Current Assets:</b>			
Property, Plant and Equipment	8	287	258
Intangible Assets	9	685	646
<b>Total Non-Current Assets</b>		972	904
<b>Current Assets:</b>			
Trade and Other Receivables	11	600	3,645
Cash and Cash Equivalents	12	11,397	9,386
<b>Total Current Assets</b>		11,997	13,031
<b>Total Assets</b>		12,969	13,935
<b>Current Liabilities:</b>			
Trade and Other Payables	13	(7,348)	(8,977)
<b>Total Current Liabilities</b>		(7,348)	(8,977)
<b>Non-Current Assets Plus Net Current Assets</b>		5,621	4,958
<b>Non-Current Liabilities</b>			
Provisions	14	(131)	(68)
<b>Total Non-Current Liabilities</b>		(131)	(68)
<b>Assets Less Liabilities</b>		5,490	4,890
<b>Taxpayers' Equity</b>			
General Reserve		5,490	4,890
		5,490	4,890

The financial statements on pages 45 to 74 were approved by the Board on 30 October 2014 and were signed on its behalf by

A handwritten signature in black ink, appearing to read "Bill Butler", with a horizontal line underneath it.

Bill Butler  
Chief Executive and Accounting Officer  
9 January 2015

The notes on pages 50 to 74 form part of these accounts.

## The Security Industry Authority

### Statement of Cash Flows

#### For the year ended 31 March 2013

	Note	2012/13	2011/12
<b>Cash Flows from Operating Activities</b>		<b>£'000</b>	<b>£'000</b>
Net Operating Surplus		3,686	5,356
Loss on Sale of Assets	5	1	0
Decrease/(Increase) in trade and other receivables	11	3,045	(1,076)
Depreciation & Amortisation	5	544	930
Interest paid to consolidated fund		(14)	(11)
Utilisation of provisions	14	(7)	(2)
Expenditure arising from provisions		70	(22)
(Decrease)/Increase in trade payables	13	(1,629)	4,232
Less movement in payables not relating to the Statement of Comprehensive Income		(3,686)	(5,129)
Corporation tax paid		(3)	(3)
<b>Net Cash Inflow from Operating Activities</b>		<b>2,007</b>	<b>4,275</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	8	(190)	(122)
Purchase of intangible assets	9	(423)	(237)
Interest received		17	14
<b>Net Cash Outflow from Investing Activities</b>		<b>(596)</b>	<b>(345)</b>
<b>Cash Flows from Financing Activities</b>			
Capital Grant relating to prior year		600	236
<b>Net Cash Inflow from Financing Activities</b>		<b>600</b>	<b>236</b>
<b>Net Increase in Cash and Cash Equivalents in the period</b>		<b>2,011</b>	<b>4,166</b>
Cash and cash equivalents at the beginning of the period	12	9,386	5,220
Cash and cash equivalents at the end of the period	12	11,397	9,386

The notes on pages 50 to 74 form part of these accounts.

The Security Industry Authority  
Statement of Changes in Taxpayers' Equity  
Year ended 31 March 2013

	General Reserve
	£'000
<b>Balance at 31 March 2011</b>	4,427
<b>Changes in Taxpayers' Equity 2011-12</b>	
Interest Surrendered to the Consolidated Fund	(11)
Comprehensive Income for the Year	5,367
<i>Recognised in Statement of Comprehensive Income</i>	5,356
Grant from Home Office	236
Repayment due to Home Office	(5,129)
<b>Balance at 31 March 2012</b>	4,890
<b>Changes in Taxpayers' Equity 2012-13</b>	
Interest Surrendered to the Consolidated Fund	(14)
Comprehensive Income for the Year	3,700
<i>Recognised in Statement of Comprehensive Income</i>	3,686
Grant from Home Office	600
Repayment due to Home Office	(3,686)
<b>Balance at 31 March 2013</b>	5,490

The notes on pages 50 to 74 form part of these accounts

# The Security Industry Authority

## Year ended 31 March 2013

### I. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Security Industry Authority for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Security Industry Authority for the current year are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### Ia. Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, and intangible assets.

#### Ib. Grants

Grants, whether in relation to revenue or capital, have been treated as contributions from controlling parties giving rise to financial interest in the organisation and therefore credited to general reserves.

#### Ic. Licence Fee Income

Income is recognised at the point when an application is accepted. At this point, the fee paid becomes non-refundable and the SIA is committed to paying the managed service provider for processing the application.

An individual who has more than one application accepted is entitled to a discount of 50% on subsequent accepted applications (but not renewals). This discount is included in licensing income.

#### Id. Approved Contractor Scheme (ACS) Income

The ACS is a voluntary scheme for providers of security services. Companies who satisfactorily meet the agreed standards may be registered as approved and may advertise themselves as such.

Application fee income is recognised at the point when a decision is made on the status of that application.

Annual registration income is charged to the Statement of Comprehensive Net Income on a straight line basis over the period covered by the registration.

## Ie. Enforcement Agents Income

The SIA was asked by the Ministry of Justice to carry out development work with a view to amending the Private Security Industry Act to include a new sector of Enforcement Agent. The project was suspended in 2010/11, £533k was being held by the SIA to complete the work and this was fully paid back to the Ministry of Justice in March 2012.

## If. Deferred Income

The SIA will defer ACS income where:

- An application fee has been received but a decision has not been reached on the status of that application.
- Annual registration fees have been received prior to the awarding of approved status.
- The annual registration fee covers a period extending over the financial year end.

## Ig. Property, Plant and Equipment and Intangible Assets

Items are capitalised as non-current assets where the purchase cost exceeds £1,000, or £5,000 for grouped assets, and the benefit they yield has a life of more than one year. Non-current assets are held at cost less accumulated depreciation. There was no revaluation of assets for 2012/13 because it is deemed immaterial, and the depreciated historical cost basis is considered as a proxy for fair value for assets that have short useful lives.

**Intangible assets are reviewed annually for impairment.**

The SIA entered a contract with British Telecommunications plc from 30 September 2010. The contract includes the implementation of a number of enhancements to the existing managed service provider database. The cost of these improvements to the original asset are being capitalised and spread over the life of the contract and all future improvements will also be capitalised.

## Ih. Depreciation and Amortisation

Depreciation and Amortisation is provided on all non-current assets on a straight-line basis to write off the cost or valuation evenly over the asset's expected useful life as follows:

Leasehold improvements	over the remaining term of the lease
IT, Servers (hardware and software)	five years
IT, PCs (hardware and software)	three to five years
Fittings	five years
Furniture and office equipment	seven years
Telephone equipment	seven years
Photocopiers	five years
Other equipment	five years
Managed Service Provider (MSP) Database	over the remaining life of the contract to 30 June 2014
Approved Contractor Scheme (ACS)	Four years

### **Ii. Provision for Bad Debt**

Licensing Debts – the SIA have a number of licence applicants whose cheques fail to clear. Efforts are made to recover the debt but where it has been outstanding for more than three months, it is written off and the licence is revoked.

In addition, The SIA is awarded costs by the courts when appeals are successfully defended. It is not always possible for the SIA to collect all these debts and those that are outstanding for more than 12 months are charged in full to the Statement of Comprehensive Net Income.

### **Ij. Provisions**

In accordance with IAS 37, provisions are disclosed in the Statement of Financial Position for legal constructive obligations in existence at the end of the reporting period if the payment amount to settle the obligation is probable and can be reliably estimated. The amount recognised in provisions takes in to account the resources required to cover future payment obligations. Measurement is based on the settlement amount with the highest probability.

### **Ik. Leases**

(a) Finance Leases – The SIA has no finance leases.

(b) Operating Leases – Payments made under operating leases on equipment and buildings are charged to expenditure on a straight line basis.

## **II. Pension Costs**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The SIA 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 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 schemes, the SIA recognises the contributions payable for the year.

### **Im. Value Added Tax**

The SIA is not registered for VAT for its statutory functions but is registered for VAT in respect of certain ancillary activities. The amounts involved are low.

### **In. Corporation Tax**

The SIA is liable for corporation tax at 20% on interest received on investment income, this relates to the bank interest.

### I o. Standards in issue but not yet effective

The SIA has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable.

It is considered that no IFRS in issue but not yet effective will materially impact the SIA in the future.

### I p. Significant Estimates and Judgements

There are no areas which are subject to estimation or a judgement in relation to their value.

### I q. Going Concern

Work has been ongoing following the recommendations of the Cabinet Office Public Bodies Review that the SIA should no longer be an NDPB, but that it should be reconstituted as an independent regulator outside of the public sector, and that there should be a phased transition towards this point. This would require primary legislation, and the SIA continues to work with the Home Office on mechanisms that may achieve some of these aims outside of a new Act of Parliament.

In Management's view, this does not impact on the going concern of the organisation, and therefore the SIA's financial statements have been prepared on a going concern basis.

## Note 2

### ANALYSIS OF NET EXPENDITURE BY SEGMENT

This note is to meet HM Treasury's disclosure requirement for fees and charges rather than to support IFRS 8: Reporting Segments. The SIA is required to set fees on a full cost recovery basis.

	2012/13			
	Licensing	ACS	Other	Total
	£'000	£'000	£'000	£'000
Gross Expenditure	(28,494)	(1,906)	0	(30,400)
Income	31,890	2,122	13	34,025
Court Costs Recovered	61	0	0	61
Net Income (Expenditure)	<u>3,457</u>	<u>216</u>	<u>13</u>	<u>3,686</u>

	2011/12			
	Licensing	ACS	Other	Total
	£'000	£'000	£'000	£'000
Gross Expenditure	(26,363)	(1,985)	0	(28,348)
Income	31,378	2,271	23	33,672
Court Costs Recovered	32	0	0	32
Net Income (Expenditure)	<u>5,047</u>	<u>286</u>	<u>23</u>	<u>5,356</u>
Total Assets	13,096	839	0	13,935
Total Liabilities	(7,745)	(1,300)	0	(9,045)
Net Assets	5,351	(461)	0	4,890

## Note 3

### STAFF NUMBERS AND RELATED COSTS

#### Staff Costs Comprise:

	2012/13			2011/12		
	Total	Permanently Employed Staff	Others	Total	Permanently Employed Staff	Others
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and Salaries	8,791	6,030	2,761	8,010	6,064	1,946
Social Security Costs	513	495	18	504	488	16
Other Pension Costs	1,115	1,070	45	1,154	1,115	39
<b>Total Net Costs</b>	<b>10,419</b>	<b>7,595</b>	<b>2,824</b>	<b>9,668</b>	<b>7,667</b>	<b>2,001</b>

#### Pension

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is an unfunded multi-employer defined benefit scheme but the Security Industry Authority is unable to identify its share of the underlying assets and liabilities. The scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Further information on the PCSPS is included within the remuneration report.

### Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the period was as follows:

Number	2012/13			2011/12		
	Total	Permanent Staff	Others	Total	Permanent Staff	Others
Directly Employed	170	169	1	176	174	2
Other	26	0	26	19	0	19
<b>Total</b>	<u>196</u>	<u>169</u>	<u>27</u>	<u>195</u>	<u>174</u>	<u>21</u>

## Note 4

### REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000–£25,000	0	0	0
£25,000–£50,000	1	0	1
£50,000–£100,000	0	0	0
£100,000–£150,000	0	0	0
£150,000–£200,000	0	0	0
<b>Total number of exit packages</b>	<b>1</b>	<b>0</b>	<b>1</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirements costs are met by the pension scheme and are not included in the table.

## Note 5

### OTHER EXPENDITURE

		2012/13	2011/12
	Note	£'000	£'000
<b>Running Costs</b>			
Licensing Costs		15,456	14,169
Accommodation Costs		1,364	1,390
Travel and Subsistence		510	549
Information Technology		444	484
Office Supplies and Services		312	454
Legal Costs		261	64
Training		217	161
Communications		207	283
Recruitment		182	133
Audit fee - internal		38	23
Audit fee - external		37	31
Bad and Doubtful Debts		328	25
Catering		6	6
Financial Costs		4	1
Hospitality		0	1
<b>Non Cash Items</b>			
Amortisation	9	384	749
Depreciation	8	160	181
Movement in Provisions	14	70	(24)
Loss on Disposal of Property, Plant and Equipment	8	1	0
		<b>19,981</b>	<b>18,680</b>

No payments were made to auditors for non-audit work.

## Note 6

### INCOME

	2012/13	2011/12
	£'000	£'000
Licensing	31,890	31,378
Approved Contractors Scheme (ACS)	2,122	2,271
	<b>34,012</b>	<b>33,649</b>

<b>Other Income</b>		
Other Income from Activities	13	23
Court Costs Recovered	61	32
	<b>34,086</b>	<b>33,704</b>

## Note 7

### ANALYSIS OF NET EXPENDITURE BY PROGRAMME AND ADMINISTRATION BUDGET

	2012/13			2011/12		
	Programme	Administration	Total	Programme	Administration	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>						
Staff Costs	(4,519)	(5,900)	(10,419)	(4,702)	(4,966)	(9,668)
Licensing Costs	(15,416)	(40)	(15,456)	(14,107)	(62)	(14,169)
Running Costs	(949)	(2,961)	(3,910)	(599)	(3,006)	(3,605)

Non-Cash Items						
Depreciation	0	(160)	(160)	0	(181)	(181)
Amortisation	0	(384)	(384)	0	(749)	(749)
Profit or Loss on Disposal of Property, Plant and Equipment	0	(1)	(1)	0	0	0
Provision Provided for in Year	(90)	20	(70)	24	0	24

Income						
Income from Activities	31,951	2,122	34,073	31,410	2,271	33,681
Other Income	1	12	13	0	23	23
<b>Net Income/(Expenditure) Before Tax</b>	<u>10,978</u>	<u>(7,292)</u>	<u>3,686</u>	<u>12,026</u>	<u>(6,670)</u>	<u>5,356</u>

## Note 8

### PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2012	326	281	622	1,229
Additions	62	0	128	190
Disposals	0	0	(45)	(45)
<b>At 31 March 2013</b>	<b>388</b>	<b>281</b>	<b>705</b>	<b>1,374</b>

<b>Depreciation</b>				
At 1 April 2012	276	250	445	971
Charged in year	52	19	89	160
Disposals	0	0	(44)	(44)
<b>At 31 March 2013</b>	<b>328</b>	<b>269</b>	<b>490</b>	<b>1,087</b>

Net Book Value at 31 March 2013	<b>60</b>	<b>12</b>	<b>215</b>	<b>287</b>
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Net Book Value at 31 March 2012	<b>50</b>	<b>31</b>	<b>177</b>	<b>258</b>
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<b>Asset Financing:</b>				
Owned	60	12	215	287
Finance Leased	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0
<b>Net Book Value at 31 March 2013</b>	<b>60</b>	<b>12</b>	<b>215</b>	<b>287</b>

## Note 8 (continued)

## PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
At 1 April 2011	326	281	553	1,160
Additions	0	0	122	122
Disposals	0	0	(53)	(53)
<b>At 31 March 2012</b>	<b>326</b>	<b>281</b>	<b>622</b>	<b>1,229</b>

<b>Depreciation</b>				
At 1 April 2011	224	229	390	843
Charged in year	52	21	108	181
Disposals	0	0	(53)	(53)
<b>At 31 March 2012</b>	<b>276</b>	<b>250</b>	<b>445</b>	<b>971</b>

Net Book Value at 31 March 2012	<b>50</b>	<b>31</b>	<b>177</b>	<b>258</b>
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Net Book Value at 31 March 2011	<b>102</b>	<b>52</b>	<b>163</b>	<b>317</b>
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<b>Asset Financing:</b>				
Owned	50	31	177	258
Finance Leased	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0
<b>Net Book Value at 31 March 2012</b>	<b>50</b>	<b>31</b>	<b>177</b>	<b>258</b>

## Note 9

### INTANGIBLE ASSETS

	Software Licences	Managed Service Provider	Managed Service Provider II	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2012	509	9,967	4,785	1,075	16,336
Additions	128	0	295	0	423
Disposals	(26)	0	0	0	(26)
<b>At 31 March 2013</b>	<b>611</b>	<b>9,967</b>	<b>5,080</b>	<b>1,075</b>	<b>16,733</b>

<b>Amortisation</b>					
At 1 April 2012	306	9,967	4,342	1,075	15,690
Charged in Year	93	0	291	0	384
Disposals	(26)	0	0	0	(26)
<b>At 31 March 2013</b>	<b>373</b>	<b>9,967</b>	<b>4,633</b>	<b>1,075</b>	<b>16,048</b>

<b>Net Book Value at 31 March 2013</b>	<u><u>238</u></u>	<u><u>0</u></u>	<u><u>447</u></u>	<u><u>0</u></u>	<u><u>685</u></u>
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<b>Asset financing:</b>					
Owned	238	0	447	0	685
Finance Leased	0	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0	0

<b>Net Book Value at 31 March 2013</b>	<u><u>238</u></u>	<u><u>0</u></u>	<u><u>447</u></u>	<u><u>0</u></u>	<u><u>685</u></u>
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## Note 9 (continued)

## INTANGIBLE ASSETS

	Software Licences	Managed Service Provider	Managed Service Provider II	Approved Contractors Scheme Costs	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2011	477	9,967	4,637	1,075	16,156
Additions	89	0	148	0	237
Disposals	(57)	0	0	0	(57)
<b>At 31 March 2012</b>	<b>509</b>	<b>9,967</b>	<b>4,785</b>	<b>1,075</b>	<b>16,336</b>

<b>Amortisation</b>					
At 1 April 2011	282	9,967	3,674	1,075	14,998
Charged in Year	81	0	668	0	749
Disposals	(57)	0	0	0	(57)
<b>At 31 March 2012</b>	<b>306</b>	<b>9,967</b>	<b>4,342</b>	<b>1,075</b>	<b>15,690</b>

<b>Net Book Value at 31 March 2012</b>	<u>203</u>	<u>0</u>	<u>443</u>	<u>0</u>	<u>646</u>
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<b>Asset financing:</b>					
Owned	203	0	443	0	646
Finance Leased	0	0	0	0	0
On Balance Sheet PFI Contracts	0	0	0	0	0

<b>Net Book Value at 31 March 2013</b>	<u>203</u>	<u>0</u>	<u>443</u>	<u>0</u>	<u>646</u>
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## Note 10

### FINANCIAL INSTRUMENTS

Due to the largely non-trading nature of the activities of the SIA and the way in which it is financed, the organisation is not exposed to the degree of financial risk faced by a non-public sector body. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The SIA has very limited powers to borrow or invest surplus funds, and consequently financial assets and liabilities are generated by day-to-day operational activities and are not deemed to change the risk facing the SIA in undertaking its activities.

Financial instruments only relate to contracts to buy non-financial items in line with the SIA's expected purchase requirements.

#### Liquidity Risk

The SIA's net revenue resource requirements are financed by licence fees and its capital expenditure is largely funded by resources which are granted annually by Parliament and National Assemblies. The SIA is not therefore exposed to significant liquidity risk.

#### Interest Rate Risk

The SIA is not exposed to significant interest rate risk.

#### Foreign Currency Risk

The SIA is not exposed to any foreign exchange risk.

#### Credit Risk

The SIA is not exposed to significant credit risk, other than the provision for bad debts as set out in note 1.

## Note 11

### TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2012/13	2011/12
	£'000	£'000
<b>Amounts Falling Due Within One Year:</b>		
Trade Receivables	302	3,140
Other Receivables	36	274
Court Debts	128	170
Prepayments and Accrued Income	195	182
	<b>661</b>	<b>3,766</b>
Less Provision for Bad Debts	(61)	(121)
	<u>600</u>	<u>3,645</u>
<b>Amounts Falling Due After One Year:</b>		
	NIL	NIL
<b>Intra-Government Balances</b>		
Balances with other central government bodies	0	236
Balances with local authorities, NHS trusts, public corporations	0	0
Balances with bodies external to government	600	3,409
	<u>600</u>	<u>3,645</u>

## Note 12

### CASH AND CASH EQUIVALENTS

	2012/13	2011/12
	£'000	£'000
Balance at 1 April 2012 (2011)	9,386	5,220
Net Change in Cash and Cash Equivalent Balances	2,011	4,166
Balance at 31 March	<u>11,397</u>	<u>9,386</u>

The following balances at 31 March were held at:		
Commercial Banks and Cash in Hand	<u>11,397</u>	<u>9,386</u>

## Note 13

### TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2012/13	2011/12
	£'000	£'000
<b>Amounts Falling Due Within One Year</b>		
Other Taxation & Social Security	152	178
Trade Payables	746	1,533
Monies Due to Consolidated Fund	3,099	5,140
Other Payables	20	24
Accruals & Deferred Income	3,331	2,102
	<b>7,348</b>	<b>8,977</b>

<b>Amounts Falling Due After More Than One Year</b>	NIL	NIL
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<b>Intra-Government Balances</b>		
Balances with other central government bodies	3,704	5,836
Balances with local authorities, NHS trusts, public corporations and trading funds	0	0
Balances with bodies external to government	3,644	3,141
	<b>7,348</b>	<b>8,977</b>

## Note 14

### PROVISIONS FOR LIABILITIES AND CHARGES

	Licence Refunds	Compensation	Total
	£'000	£'000	£'000
Balance at 1 April 2011	20	72	92
Provided in the Year	0	7	7
Provisions not Required Written Back	0	(29)	(29)
Provisions Utilised in the Year	0	(2)	(2)
<b>Balance at 31 March 2012</b>	<b>20</b>	<b>48</b>	<b>68</b>

Balance at 1 April 2012	20	48	68
Provided in the Year	0	94	94
Provisions not Required Written Back	(20)	(4)	(24)
Provisions Utilised in the Year	0	(7)	(7)
<b>Balance at 31 March 2013</b>	<b>0</b>	<b>131</b>	<b>131</b>

The provision for licence refunds is for refunds not yet claimed, see Accounting Policies – Note 1

The provision for compensation covers potential claims for losses incurred by applicants due to errors made by the SIA or its agents in the licensing process.

## Note 15

### CAPITAL COMMITMENTS

As at 31 March 2013 the SIA has a commitment to capital expenditure of £117,600 (2011/12: None) with the Post Office Limited.

## Note 16

### COMMITMENTS UNDER LEASES

#### 16.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2012/13	2011/12
	£'000	£'000
Obligations under operating leases comprise:		
<b>Buildings</b>		
Not later than one year	559	995
Later than one year and not later than five years	2,298	27
Later than five years	0	0
	<u>2,857</u>	<u>1,022</u>

<b>Office Equipment</b>		
Not later than one year	16	27
Later than one year and not later than five years	15	0
Later than five years	0	0
	<u>31</u>	<u>27</u>

#### 16.2 Finance Leases

The SIA currently does not have any finance leases.

## Note 17

### COMMITMENTS UNDER PFI CONTRACTS

The SIA does not have any PFI contracts (2011/12: None).

## Note 18

### OTHER FINANCIAL COMMITMENTS

The SIA entered in to a contract with its managed service provider, British Telecommunications plc., which commenced on 30 September 2010, initially for two years with an option to continue to receive services for a further two years to 30 September 2014. This option has been exercised and the authority intends to continue to utilise the managed service provision to 29 June 2014 in order to facilitate a smooth transition to a new IT Managed Service Provision. The contract does not contain any fixed charges, with all costs based on a unit charge per licence application. There is however, a “financial floor” whereby the SIA is contracted to pay any shortfall if forecast net applications are below an annually agreed set level. Since the start of the contract the volumes have not fallen beneath the “financial floor”.

The SIA has entered in to a contract with the Post Office Limited as a Mediated Access Provider (MAP) under the terms of the United Kingdom Border Agency (UKBA) agreement. The expiry date of this agreement is 28th February 2016, which is four months short of the initial commercial model with the Post Office, which was for 36 months. In order to sign up to the contract the SIA have been required to introduce a termination charge applicable to the remaining four months of the term not offered under contractual cover; this amounts to £231,200 based on forecast application volumes for the period.

This charge will not apply if the SIA elects to enter into a new contracting arrangement with the Post Office for the total 36 month period.

## Note 19

### CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

The SIA had no contingent liabilities as at 31 March 2013 (2011/12 – Nil).

## Note 20

### RELATED PARTIES

The Home Office is the sponsor department of the SIA, and at 31 March 2013 it had an outstanding payable of £3.1m. This is the surplus for the year 2012/13 less the capital grant of £0.6m that is owed to the SIA.

SIA has had transactions during the period with the following government bodies, and all transactions were conducted at arms length:

- Criminal Records Bureau
- Disclosure and Barring Service
- Independent Police Complaints Commission
- Metropolitan Police
- The Home Office
- Treasury Solicitors

No Board member, key manager or other related parties has undertaken any material transactions with the SIA during the year.

## Note 21

### EVENTS AFTER THE REPORTING PERIOD

There have been no events after the reporting date requiring an adjustment to the accounts.

The financial statements were authorised for issue on the same date that the Comptroller and Auditor General certified the annual report and accounts.

## Note 22

### LOSSES AND SPECIAL PAYMENTS

During 2012/13 adjustments of £466k were made to the debtor balance with the Managed Service Provider to write off fees waived as a result of significant delays in taking payments in 2007/08 and 2008/09.

ISBN 978-1-4741-0669-6



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