

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

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# Police Service of Northern Ireland Account 2008-2009

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# Police Service of Northern Ireland Account 2008-2009

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## Foreword

### Background information

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

### Principal activities

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

### Accounts Direction

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

### Chief Officers

The Chief Officers who served throughout the 2008-2009 year were as follows

*Sir Hugh Orde*  
Chief Constable

*Paul Leighton*  
Deputy Chief Constable

*Peter Sheridan (Retired 7 September 2008)*  
Assistant Chief Constable Crime Operations

*Drew Harris (Appointed 8 September 2008, previously ACC Criminal Justice)*  
Assistant Chief Constable Crime Operations

*Roy Toner*  
Assistant Chief Constable Operational Support

*Duncan McCausland (Appointed 15 September 2008, previously ACC Urban)*  
Assistant Chief Constable Criminal Justice

*Judith Gillespie*  
Assistant Chief Constable Rural Region

*Alistair Finlay (Appointed 15 September 2008, previously ACC Crime Support)*  
Assistant Chief Constable Urban

*David Jones (Appointed 8 September 2008)*  
Assistant Chief Constable Crime Support

*David Best*  
Director of Finance & Support Services

*Joe Stewart*  
Director of Human Resources

Further details are provided in the Remuneration Report section on page 10.

## Corporate Governance

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

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

The key sub committees supporting the CCF are the

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

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

## Company directorships

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

## Fixed assets

Details of the movement in fixed assets are set out in notes 7 and 8 to the Accounts. There are no significant differences between the market values and book values of land and buildings to be disclosed.

## Research and development

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

## Interest rate and currency risk

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

## Future developments

The Northern Ireland Policing Board, in conjunction with the PSNI, published a Policing Plan covering the period 2009-2012 in March 2009. The Policing Plan sets out performance indicators and targets by which the Service will be held to account.

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

A copy of the Policing Plan 2009-2012 can be viewed on the Policing Board's website ([www.nipolicingboard.org.uk](http://www.nipolicingboard.org.uk)) or the PSNI website ([www.psni.police.uk](http://www.psni.police.uk)), as well as being available in a number of other mediums.

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

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

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

### Charitable donations

PSNI made no charitable or political donations during the year.

### Disabled persons

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

### Employee involvement

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

### Health and safety

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

### Payment of suppliers

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

Following the full implementation of a new e-finance payment system during the previous year, PSNI paid 95 per cent of all invoices within 30 days (92 per cent in 2007-2008). In November 2008, Prime Minister Gordon Brown announced that all Government Bodies would pay all external suppliers who provided a correctly rendered invoice to the correct location within 10 working days. PSNI paid 66 per cent for the period January – March 2009, of eligible invoices within 10 days, although the 10 day prompt payment initiative is prepared on a different basis to the 30 day target.

## Pension liabilities

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

## Audit services

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

The audit fees for this year are £88,000 (2007-2008: £69,700). This includes the audit fees in respect of the Main Police Account, the Police Pension Accounts, the Police Fund and the Police Property Fund and the interim IFRS audit.

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

## Chief Constable's Annual Report

A full certified copy of the Annual Report and Accounts will be available on the PSNI's website ([www.psnipolice.uk](http://www.psnipolice.uk)) together with the Chief Constable's general report 2008-2009 due to be published in June 2009. The Chief Constable's report is posted to every household in Northern Ireland.

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

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



## Management Commentary

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

The Management Commentary discusses the following main areas

- Nature of the business;
- Review of performance and future development;
- Risks and uncertainties;
- Review of financial position and resources;
- Sickness absence data; and
- Personal data related incidents.

### Nature of the business

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

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

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

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

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

Local policing plans are also produced for each of the eight District Command Units. These plans are developed in consultation with the local community and District Policing Partnerships. They emphasise local issues and agree and establish performance indicators and targets against which each District is measured.

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

### Review of performance and future development

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

After the end of the financial year, the Chief Constable submits an annual report to the Policing Board. This report is published by the Chief Constable and sent to the Secretary of State who lays it before Parliament. A copy of this report for 2008-2009 is available on the PSNI website [www.psnipolice.uk](http://www.psnipolice.uk), as well as being available in a number of other formats.

The Policing Board must also produce a report on the extent to which the targets set in the annual Policing Plan have been fulfilled and this information is set out in the Board's Annual Report and Statement of Accounts 2008-2009, available online at [www.nipolicingboard.org.uk](http://www.nipolicingboard.org.uk).

In summary, although crime increased slightly (1.5 per cent) in 2008-2009, the trend over recent years has generally been downward since crime peaked in 2002-2003. The level of crime recorded in 2008-2009 was the second lowest recorded in Northern Ireland in the last 10 years (with 2007-2008 being the lowest). The Clearance rate for recorded crimes increased by 2.5 per cent on the previous year.

This has been achieved by continuing to develop new policing techniques and by receiving increased support and assistance from communities. In a number of categories there were substantial decreases in the number of crimes being committed. For example, recorded offences of Criminal Damage fell by 8 per cent and incidents of Anti Social Behaviour fell by over 12 per cent.

There were very small increases in some categories of crime. There was an increase of 149 (+0.5 per cent) in the number of violent crimes recorded during 2008-2009. Within this category, offences against the person fell by 112 (-0.4 per cent).

Sexual offences rose by 121 (+6.6 per cent). Within this category, rape offences (attempts included) fell by 16 (-3.8 per cent), however sexual assault/sexual activity offences increased by 141.

Overall, burglary offences increased by 776 (+6.6 per cent). Domestic burglary rose by 639 (+9.5 per cent) with non-domestic burglary increasing by 107 (+2.2 per cent). The clearance rate for domestic burglary decreased slightly from 10.0 per cent to 9.9 per cent, while the clearance rate for non-domestic burglary increased from 10.9 per cent to 13.6 per cent.

The drive to make Northern Ireland's roads safer is reflected in an overall improving trend in road safety with fewer deaths and injuries. There were 82 fewer people killed or seriously injured on the road during 2008-2009. In part, this is due to the PSNI's strategy on road safety and policing, which seeks to educate drivers and encourage them to modify their behaviour and drive more safely. This was backed up by robust and ongoing enforcement.

There were 3,198 drug seizure incidents recorded in 2008-2009, an increase of 7.7 per cent on the previous year. Seizures of cannabis increased by 11.9 per cent from 2,219 seizure incidents in 2007-2008 to 2,484 in 2008-2009. The most marked change was in seizures of cannabis plants which increased from 4,006 plants seized in 2007-2008 to 30,904 plants seized in 2008-2009. There were 2,014 people arrested for drug related offences in 2008-2009, an increase of 6.2 per cent on the 1,896 arrested in the previous year.

In the year ahead, PSNI plan to tackle those issues which continue to be most important to people, including Policing with the Community, road policing, violent crime, hate crime, domestic burglary, anti-social behaviour and drugs. More detail is available in the annual Policing Plan 2009-2012.

Looking to the future, the PSNI will continue to ensure that Policing with the Community is at the core of the delivery of the policing service. We will continue to build confidence in all communities by working alongside them to prevent and reduce crime.

The forthcoming devolution of policing and justice sends out a clear signal to those who want to destroy all that has been achieved that Northern Ireland is moving forward and will not be dragged back. The Chief Constable has made a firm commitment to work with the Northern Ireland Assembly, the Policing Board, District Policing Partnerships and the wider community over the coming year to deliver an effective, efficient policing service and to make Northern Ireland safer for all.

## Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the PSNI's long-term performance. These risks are managed within the Police Service of Northern Ireland's risk and control framework.

The key risk priorities, detailed in the Corporate Risk Register, facing the organisation during 2008-2009 were in the areas of funding, compensation/legal claims, Legacy issues (*Policing the Past*), the ongoing dissident threat and operational policing issues.

## Review of financial position and resources

### Results for the year

The Income and Expenditure Account is set out on page 22 and shows a deficit for the year of £845,027k (£859,150k in 2007-2008).

An amount of £838,253k was transferred from reserves after crediting £6,774k in respect of the notional cost of capital.

### The total cost of policing

From a budget outturn perspective, as reported in the Chief Constable's annual report for 2008-2009 and subject to audit, the available total revenue resource funding for 2008-2009 was £1,198.6m. The total projected net revenue resource expenditure for 2008-2009 was £1,186.9m, resulting in an overall surplus of £11.7m (1 per cent) of total available resource funding. Projected net capital spend was £37.2m against available net funding of £41.1m, resulting in a surplus of £3.9m. The reported overall 2008-2009 under spend, reflects the continued success of devolved budgeting/financial management and local empowerment of Districts and Headquarter Departments.

Further details and accompanying pie charts on the cost of policing can be found in the Chief Constable's annual report 2008-2009.

### Value For Money Efficiency (VFM) Initiative

In 2008-2009, a new three year governmental target efficiency was introduced to achieve further efficiencies and 'Value For Money' (VFM) within the Public Sector. In the first year of reporting, the organisation agreed a VFM efficiency target of £26.6m. The Police Service of Northern Ireland reported and achieved a range of efficiencies totalling £36.0m, exceeding the target by £9.4m.

### Environmental matters

PSNI have developed a corporate Sustainability Strategy focussing on the legislative requirements applicable to a public body. This Sustainability Strategy encompasses Governance and Monitoring arrangements and reflects the individual requirements associated with transportation, estates management, IT development and general operations. The Estate's element has established key targets for 2009-2010 with the emphasis on carbon emission reductions, waste management and recycling, use of sustainable energy resources and overall management of utilities.

In addition, low carbon design is being implemented in relation to significant building projects (new builds and maintenance refurbishments) and innovative concepts such as the use of ground water for building cooling are being developed with the Carbon Trust.

### Employees

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

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

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

### **Social and community issues**

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

For 2008-2009, the Northern Ireland Cancer Fund for Children was selected as the nominated 'Charity of the Year' when all of Northern Ireland's 999 emergency services came together to jointly raise funds for the charity.

A huge fundraising campaign took place throughout the year with police, fire, ambulance and coastguard staff organising their own fundraising events and combining their efforts for a number of joint events planned across Northern Ireland. As a result over £264,000 was raised for the children's charity.

The money will help fund the purchase of a property to extend the charity's Shimna Valley retreat in Newcastle, County Down.

Among other good causes that benefitted from police fundraising efforts were the Special Olympics Torch run and Cystic Fibrosis Trust.

### **Going concern**

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

### **Sickness absence data**

The reported average number of working days lost due to sickness for 2008-2009 were

	<b>Average Working Days Lost 2008-2009</b>
Police Officers	8.86
Police Staff	9.07

### **Personal data related incidents**

During the financial year 2008-2009, the Police Service of Northern Ireland reported no incidents of personal data related incidents.

# Remuneration Report

## Remuneration policy

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

In reaching its recommendations, the Policing Board has considered the following

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

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

## Service contracts

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

### **Chief Constable & Deputy Chief Constable**

The Chief Constable was appointed by the Policing Board from 1 September 2002 on a five year fixed term contract. In March 2007, the Board offered the Chief Constable an extension to his current contract which he accepted. In April 2009, he announced his departure to take up an appointment with the Association of Chief Police Officers.

The Deputy Chief Constable was appointed by the Policing Board from 31 March 2003 on a seven year fixed term contract. However, this fixed term period was reduced to five years, effective from 1 September 2003, in line with the 2004 pay agreement. In May 2008, the Deputy Chief Constable was offered an extension to his current contract. He announced his intention to retire in May 2009.

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

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

### **Assistant Chief Constables**

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

The appointment dates for current Assistant Chief Constables are as follows

Peter Sheridan	1 May 2003 (Retired 7 September 2008)
Duncan McCausland	1 September 2002
Roy Toner	1 September 2002
Judith Gillespie	19 May 2004
Drew Harris	13 March 2006
Alistair Finlay	28 August 2006
David Jones	8 September 2008

### **Civilian Chief Officers**

The appointment dates for current Civilian Chief Officers are as follows

David Best	1 October 1999
Joe Stewart	3 September 2001

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

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

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

## Salary and pension entitlement

### Chief Officer Salaries

Remuneration and pension information for the year ended 31 March 2009 is provided for Chief Officers of the PSNI as follows

	<b>Salary 2008-2009 £000's</b>	Salary 2007-2008 £000's
Audited Information		
<i>Sir Hugh Orde</i> Chief Constable	<b>200-205</b>	185-190
<i>Paul Leighton</i> Deputy Chief Constable	<b>170-175</b>	165-170
<i>Peter Sheridan (Retired 7 September 2008)</i> Assistant Chief Constable Crime Operations (Full Year Equivalent)	<b>65-70</b> <b>(125-130)</b>	120-125
<i>Duncan McCausland (Appointed 15 September 2008, previously ACC Urban)</i> Assistant Chief Constable Criminal Justice	<b>120-125</b>	115-120
<i>Roy Toner</i> Assistant Chief Constable Operational Support	<b>115-120</b>	110-115
<i>Judith Gillespie</i> Assistant Chief Constable Rural Region	<b>110-115</b>	105-110
<i>Drew Harris (Appointed 8 September 2008, previously ACC Criminal Justice)</i> Assistant Chief Constable Crime Operations	<b>105-110</b>	100-105
<i>Alistair Finlay (Appointed 15 September 2008, previously ACC Crime Support)</i> Assistant Chief Constable Urban	<b>105-110</b>	95-100
<i>David Jones (Appointed 8 September 2008)</i> Assistant Chief Constable Crime Support (Full Year Equivalent)	<b>65-70</b> <b>(105-110)</b>	nil
<i>David Best</i> Director of Finance & Support Services	<b>110-115</b>	105-110
<i>Joe Stewart</i> Director of Human Resources	<b>110-115</b>	105-110

### Notes

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

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

None of the above Chief Officers received any benefits in kind during the year to 31 March 2008, or during the year ended 31 March 2009.

**Chief Officer Pension Benefits**

Audited Information	Accrued pension at age 60 as at 31 March 2009 or Date of Leaving and related lump sum £000's	Real increase in pension and related lump sum at age 60 £000's	CETV at 31 March 2009 or Date of Leaving £000's	CETV at 31 March 2008 £000's	Real increase in CETV £000's
Sir Hugh Orde <sup>1</sup>	120-125	(0-2.5)	1,986	1,476	(54)
Paul Leighton <sup>1</sup>	90-95	2.5-5	1,561	1,094	42
Peter Sheridan <sup>1</sup> (DOL 7 September 2008)	65-70	(0-2.5)	936	782	(13)
Duncan McCausland <sup>1</sup>	50-55	0-2.5	825	575	28
Roy Toner <sup>1</sup>	55-60	2.5-5	873	620	24
Judith Gillespie <sup>1</sup>	55-60	2.5-5	785	554	48
Drew Harris <sup>1</sup>	45-50	2.5-5	606	414	37
Alistair Finlay <sup>1</sup>	50-55	2.5-5	753	516	45
David Jones <sup>1</sup>	25-30	5-7.5	394	241	60
David Best	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 2.5-5	829	648	14
Joe Stewart	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	340	254	8

**Notes**

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

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

*Principal Civil Service Pension Scheme (NI)*

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

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



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

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

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

#### *PSNI Police Pension Scheme*

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

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

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

#### *Cash Equivalent Transfer Values*

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCS(SNI) or PSNI Police Pension Scheme arrangements and for which a transfer payment has been received, commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. The factors for calculating CETVs changed from 1 October 2008 under advice from the Government Actuaries Department. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

*Real increase in CETV*

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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

19 June 2009

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

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

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

- observe the Accounts Direction issued by the Northern Ireland Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

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

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk.

## The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document will be reviewed and updated during the first quarter of 2009-2010. The findings of the review will be incorporated into a revised policy and published to the organisation in July 2009.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2008-2009. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2008-2009 were in relation to the threat of terrorist attack, funding and legacy investigations. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. The remit of the Organisational Development Committee will be expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. An enhanced programme of risk management inspections is planned for 2009-2010. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

The PSNI Audit and Risk Committee, chaired by a Non Executive Member, is responsible for providing assurance to the Chief Constable that effective risk management, governance and control arrangements are in place. The Committee receives reports on risk management and updates on the Corporate Risk Register. In addition, the Committee also receives reports from both Internal and External Audit and from a number of other assurance sources. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary, the Criminal Justice Inspectorate for Northern Ireland and other independent monitoring bodies, adding to the assurance framework.

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' system to track and manage the implementation of external recommendations arising from third party reports. The Organisational Development Committee (ODC) has provided a satisfactory level of assurance in relation to the effectiveness of this new system during 2008-2009.

During 2008-2009 PSNI reviewed their corporate governance model. The scope of this work included: a Revised Terms of Reference for CCF and the 6 Sub-Committees reporting through to CCF, the Corporate Governance Assurance Framework and the Charter for the Committees.

A new Service Procedure was developed in relation to the above model and approved by CCF in January 2009. PSNI are currently in the process of implementing the revised governance model with sound progress having been made in relation to the development of the assurance framework. Committee Secretaries are in the process of being appointed and they will play a key role in the implementation of this model. PSNI have plans to undertake during 2009-2010 an operational assurance inspection programme to ensure ongoing compliance against operational service instructions.

PSNI is acutely aware of the need for all information used for operational purposes and financial reporting purposes to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other agencies within the Criminal Justice community.

PSNI has developed an Information Assurance Strategy under the direction of the Senior Information Risk Owner (ACC Operational Support). The Information Management Committee approved this Strategy in March 2009. Key components of the IS Strategy include security policy implementation, the application of physical, personnel and operational security controls and the delivery of an education, training and awareness programme. The Information Assurance Governance framework is informed by means of the Information Risk Register, which details the current level of risk and from which an implementation plan has been developed to enhance the control environment in relation to information risk management.

## Review of effectiveness

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

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control.

Dissident Republican paramilitaries remain the most significant threat to national security in Northern Ireland. The threat level to PSNI was raised from substantial to severe in February 2009. Although Government is providing additional funding, this increased threat continues to affect conventional policing methods and may impact on the quality of service provided by PSNI and a reduction in the level of resources available to other core areas of policing. This may have a negative impact on public confidence.

PSNI faces significant challenges to remain within existing spending targets in future years, primarily due to the costs of legacy issues (historical inquires, equal pay claims, compensation claims and pension charges) and the current level of Dissident Republican threat. As a result of these significant pressures, there is the potential effect of a reduction in the level of resources available to other core areas of policing. The potential effect of these competing demands for future finances is a significant risk to PSNI.

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

The provision of a new Training College at Desertcreat continues to be central to the future performance of the Police Service. During the year, PSNI joined a strategic partnership with the Northern Ireland Fire & Rescue Service and the Northern Ireland Prison Service and there is a clear implementation programme in place to deliver the project. It is anticipated that the overall benefits will outweigh any potential risk of increased costs due to the delay associated with the preparation of a new Outline Business Case.

PSNI are conscious of the fact that a number of senior officers are due to leave in 2009-2010. The organisation has succession and continuity plans in place. The key issue is to secure successful and timely appointments to these posts.

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

19 June 2009

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

I certify that I have audited the financial statements of the Police Service of Northern Ireland for the year ended 31 March 2009 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland.

I report to you whether, in my opinion, the information, which comprises the Foreword and Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

## Basis of audit opinions

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

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

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Service of Northern Ireland's affairs as at 31 March 2009 and of its deficit, total recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland; and
- information, which comprises the Foreword and Management Commentary, included within the Annual Report, is consistent with the financial statements.

### Opinion on regularity

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

## Report

I have no observations to make on these financial statements.

*Amyas CE Morse*  
Comptroller and Auditor General

10 July 2009

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



## Income and Expenditure Account for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
<b>Income</b>			
Operating income	2	<u>8,342</u>	<u>7,190</u>
<b>Expenditure</b>			
Staff costs	3	<b>516,649</b>	531,230
Other operating costs	4	<b>276,264</b>	273,938
Notional cost of capital	5	<b>6,774</b>	9,044
Amortisation and depreciation	7 & 8	<u><b>35,281</b></u>	<u>34,081</u>
		<b>834,968</b>	848,293
<b>Deficit before exceptional item</b>		<b>(826,626)</b>	(841,103)
Exceptional items		<u>0</u>	<u>0</u>
<b>Deficit before interest</b>		<b>(826,626)</b>	(841,103)
Interest paid and similar charges	6	<u>(18,401)</u>	<u>(18,047)</u>
<b>Deficit for the year</b>		<b>(845,027)</b>	(859,150)
Credit in respect of notional cost of capital	5	<u>6,774</u>	<u>9,044</u>
<b>Amount transferred from reserves</b>	14	<u><b>(838,253)</b></u>	<u>(850,106)</u>

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2009

<b>Deficit for the year</b>		<b>(845,027)</b>	(859,150)
Unrealised (deficit)/surplus on revaluation of fixed assets	14	<b>(30,646)</b>	19,832
Actuarial loss	14	<u><b>(13,810)</b></u>	<u>(19,110)</u>
<b>Total recognised gains and losses for the year</b>		<u><b>(889,483)</b></u>	<u>(858,428)</u>

*The notes on pages 25 to 39 form part of this account.*

All amounts above relate to continuing activities.

## Balance Sheet as at 31 March 2009

	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
<b>Fixed assets</b>			
Intangible fixed assets	7	3,259	3,517
Tangible fixed assets	8	<u>642,642</u>	<u>672,095</u>
		<b>645,901</b>	<b>675,612</b>
<b>Current assets</b>			
Stocks	9	4,715	4,604
Debtors	10	21,602	17,178
Bank and Cash	15.2	<u>15,448</u>	<u>16,082</u>
		<b>41,765</b>	<b>37,864</b>
<b>Creditors: amounts falling due within one year</b>	11	<u>(62,990)</u>	<u>(54,620)</u>
<b>Net current liabilities</b>		<b>(21,225)</b>	<b>(16,756)</b>
<b>Total assets less current liabilities</b>		<u>624,676</u>	<u>658,856</u>
<b>Creditors: amounts falling due after more than one year</b>			
Provision for liabilities and charges	12	<u>(454,485)</u>	<u>(410,556)</u>
<b>Total assets less total liabilities</b>		<u>170,191</u>	<u>248,300</u>
<b>Financed by</b>			
<b>Capital and reserves</b>			
General fund	14	(52,825)	(5,704)
Revaluation reserve	14	<u>223,016</u>	<u>254,004</u>
		<b>170,191</b>	<b>248,300</b>

*The notes on pages 25 to 39 form part of this account.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

19 June 2009

## Cash Flow Statement for the year ended 31 March 2009

		<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
	Notes		
<b>Net cash outflow from operating activities</b>	15.1	<b>(769,292)</b>	(758,795)
<b>Capital expenditure</b>			
Purchase of intangible fixed assets	15.3	<b>(2,802)</b>	(1,621)
Purchase of tangible fixed assets	15.3	<b>(34,622)</b>	(46,502)
Actual proceeds on disposal of fixed assets		<b>1,482</b>	9,875
<b>Net cash outflow from Capital Expenditure</b>		<b><u>(35,942)</u></b>	<u>(38,248)</u>
<b>Financing</b>			
Grant-in-aid	13	<b>764,565</b>	749,209
Capital Grant to acquire fixed assets	13 & 15.3	<b>40,035</b>	50,051
<b>Net cash inflow from Financing</b>		<b><u>804,600</u></b>	<u>799,260</u>
<b>(Decrease)/Increase in cash</b>	15.2	<b><u>(634)</u></b>	<u>2,217</u>

*The notes on pages 25 to 39 form part of this account.*

# Notes to the Accounts for the year ended 31 March 2009

## 1 Statement of accounting policies

This Annual Report and Accounts have been prepared in accordance with the 2008-2009 Government Financial Reporting Manual (FREM) issued by the Treasury. The accounting policies contained in the FREM follow UK generally accepted accounting practice for companies (i.e. UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

### 1.1 Accounting convention

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

### 1.2 Fixed assets and depreciation

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

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

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

The PSNI policy on disposal is to revalue the asset in the year of disposal to projected current market value. Previously no revaluation was applied.

### 1.3 Intangible assets – software licences

Software licences are included at cost and amortised over a 3 year period which is estimated to be their useful economic life.

### 1.4 Notional cost of capital

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

### 1.5 Pension costs

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

Police Staff are members of the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)) which is an unfunded defined benefit scheme. The PCSPS (NI) produces its own resource accounts, but PSNI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS (NI) Resource Accounts.

Police Officers are members of the existing PSNI Police Pension Scheme or the New Police Pension Scheme, introduced from 6 April 2006. Separate Police Pension Accounts have been prepared by PSNI for the year ended 31 March 2009.

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

#### *1.6 Value added tax*

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

#### *1.7 Stock*

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

#### *1.8 Provision for severance programmes*

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

#### *1.9 Provision for compensation claims*

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

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

PSNI has met the additional cost of benefits beyond the normal PCSPS(NI) benefits in respect Police Staff who retire early, from the date of their retirement until they reach normal pensionable age. This provision was fully utilised during the 2008-2009 year.

#### *1.11 Provision for injury awards*

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

#### *1.12 Provision for stock*

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

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

#### *1.13 Leases*

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

### 1.14 Third party assets

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

## 2 Operating income

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Fees for firearms certificates, permits and accident reports	<b>855</b>	1,226
Police transport	<b>162</b>	272
Profit on Disposal of Fixed Assets	<b>123</b>	43
Other	<b>7,202</b>	5,649
	<b><u>8,342</u></b>	<u>7,190</u>

## 3 Staff costs

Wages and salaries	<b>406,321</b>	417,675
Social security costs	<b>33,204</b>	35,095
Pension costs (employer contribution)	<b>62,882</b>	62,109
Secondments/Agency	<b>14,242</b>	16,351
	<b><u>516,649</u></b>	<u>531,230</u>

The average number of employees over the year is as follows

	<b>Number</b>	Number
Chief Officers	<b>10</b>	10
PSNI (police staff)	<b>2,583</b>	2,723
PSNI (police officers)	<b>7,877</b>	8,048
PSNI (part-time reserve)	<b>853</b>	894
Secondments	<b>19</b>	15
Agency	<b>679</b>	795
	<b><u>12,021</u></b>	<u>12,485</u>

### Principal Civil Service Pension Scheme (NI)

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

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

For 2008-2009, employers' contributions of £9,956,070 were paid to the PCSPS (NI) (2007-2008: £9,140,972) at one of four rates in the range 16.5 per cent to 23.5 per cent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

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

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

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

### **PSNI police pension schemes**

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

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

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

For 2008-2009, employers' contributions of £48,419,983 were paid to the PSNI Police Pension Scheme (2007-2008: £50,421,630) at the rate of 20.25 per cent of pensionable pay. To qualify for an ordinary retirement pension, an officer has to complete 25 years service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25 per cent of the pension. Actuarial tables are used to calculate the lump sum. Members pay contributions of 11 per cent of basic pay. Pensions increase in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme. On death in service, that is not as a result of an injury on duty (IOD), the scheme pays a lump sum benefit of twice pensionable pay, and there are also pension benefits for the spouse and/or children of the deceased. On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of 5 times pensionable pay is payable, subject to scheme conditions. Medical retirement is possible in the event of serious ill health. Officers with less than 2 years service receive a lump sum benefit (gratuity), and those with more than 2 years service receive an ill-health pension, depending on the number of years of actual pensionable service.

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

*New Police Pension Scheme (NPPS)*

For 2008-2009, employers' contributions of £4,508,076 were paid to the PSNI New Police Pension Scheme (2007-2008: £2,546,141) at the rate of 20.25 per cent of pensionable pay. To qualify for an ordinary retirement pension, an officer must serve to age 55. Benefits accrue at the rate of 1/70th of APP for each year of service up to a maximum of 35/70th of APP.

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

**Severance payments**

Severance Payments have been made from 1 January 2001 to officers leaving the PSNI under the Voluntary Severance or Full Time Reserve programmes for the PSNI. The Schemes were developed in line with the recommendations of the Independent Commission on Policing (Patten) and it was necessary, in order to fulfil Government commitments, to permit officers to leave from the planned date of 1 January 2001. The total of payments made in the year to 31 March 2009 was £59.9m (see note 12). HM Treasury approved the payments.

**4 Other operating costs**

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Transport	<b>12,312</b>	11,515
IT & communications	<b>40,462</b>	41,636
Accommodation services	<b>42,960</b>	47,810
General expenses	<b>66,666</b>	65,031
Travel, subsistence & relocation	<b>10,426</b>	10,417
Audit fees	<b>88</b>	70
Hospitality	<b>165</b>	151
Reclassification of capital expenditure	<b>51</b>	171
Downward revaluation in fixed assets (see note 7 & 8)	<b>761</b>	1,285
Net Increase in Provisions (see note 12)	<b>101,207</b>	94,794
Charges for operating leases: photocopiers	<b>254</b>	766
property	<b>912</b>	292
	<b><u>276,264</u></b>	<u>273,938</u>

**5 Notional cost of capital**

Cost of capital (3.5 per cent of average of total assets excluding cash less total liabilities)	<b><u>6,774</u></b>	<u>9,044</u>
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**6 Interest paid and similar charges**

Unwind of discount on provisions (see note 12)	<b><u>18,401</u></b>	<u>18,047</u>
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**7 Intangible fixed assets**

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Software Licences		
<b>Cost</b>		
At 1 April 2008	<b>7,009</b>	5,406
Additions	<b>3,261</b>	1,616
Disposals	<b>0</b>	0
Revaluation	<b>4</b>	0
Revaluation below Historical Cost	<b>(237)</b>	(13)
Transfers	<b>39</b>	0
Reclassification	<b>118</b>	0
At 31 March 2009	<u><b>10,194</b></u>	<u>7,009</u>
<b>Amortisation</b>		
At 1 April 2008	<b>3,492</b>	1,366
Charged in year	<b>3,566</b>	2,131
Disposals	<b>0</b>	0
Revaluation below Historical Cost	<b>(123)</b>	(5)
At 31 March 2009	<u><b>6,935</b></u>	<u>3,492</u>
<b>Net Book Value</b>		
At 31 March 2009	<u><b>3,259</b></u>	<u>3,517</u>

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

**8 Tangible fixed assets**

	Land and Buildings £000	Assets in Course of Construction £000	Operational (inc Plant & Equip) £000	Vehicles (inc Aircraft) £000	IT and Comms £000	Total £000
<b>Cost or Valuation</b>						
At 1 April 2008	663,824	30,804	11,029	63,215	89,781	<b>858,653</b>
Additions	8,122	26,628	334	1,678	130	<b>36,892</b>
Disposals	(3,400)	0	(57)	(3,541)	(2,836)	<b>(9,834)</b>
Revaluation on Disposal	1,584	0	0	0	0	<b>1,584</b>
Transfers	12,524	(22,398)	0	81	9,793	<b>0</b>
Reclassification	0	(1,075)	0	0	0	<b>(1,075)</b>
Revaluation below Historical Cost	0	0	(4)	0	(1,183)	<b>(1,187)</b>
Revaluation	(48,031)	0	755	5,304	2,848	<b>(39,124)</b>
<b>At 31 March 2009</b>	<b>634,623</b>	<b>33,959</b>	<b>12,057</b>	<b>66,737</b>	<b>98,533</b>	<b>845,909</b>
<b>Depreciation</b>						
At 1 April 2008	88,755	0	6,802	42,100	48,901	<b>186,558</b>
Charged in Year	12,297	0	571	7,516	11,331	<b>31,715</b>
Disposals	(162)	0	(46)	(3,289)	(2,836)	<b>(6,333)</b>
Revaluation below Historical Cost	0	0	0	0	(540)	<b>(540)</b>
Revaluation	(14,060)	0	469	3,587	1,871	<b>(8,133)</b>
Depreciation w/o	0	0	0	0	0	<b>0</b>
<b>At 31 March 2009</b>	<b>86,830</b>	<b>0</b>	<b>7,796</b>	<b>49,914</b>	<b>58,727</b>	<b>203,267</b>
<b>Net Book Value</b>						
<b>At 31 March 2009</b>	<b>547,793</b>	<b>33,959</b>	<b>4,261</b>	<b>16,823</b>	<b>39,806</b>	<b>642,642</b>
At 31 March 2008	575,069	30,804	4,227	21,115	40,880	672,095

The Land and Property Services carried out an interim valuation of land and buildings on 15 March 2009. The basis of valuation was as follows

Police Stations and hill top installations – depreciated replacement cost

Offices and stores – existing use value

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

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

Other tangible fixed assets were revalued on 31 March 2009 using latest available indices.

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

Included within land and buildings is long leasehold property with a net book value of £86,573,168 and surplus assets with a net book value of £1,305,000.

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

Land – £133,110,000

Assets in course of construction – £33,959,000

During the year £1,075,000 of assets in the course of construction capitalised in 2008-2009 were reclassified as intangible fixed assets and stock.

During the year a land swap transaction took place to acquire land at Desertcreat this was taken through reserves.

## 9 Stocks

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
General stores	<b>2,330</b>	2,391
Transport Services stores	<b>1,303</b>	712
Information and Communication Services stores	<b>16</b>	54
Heating oil	<b>426</b>	672
Petrol and diesel	<b>640</b>	775
	<b><u>4,715</u></b>	<u>4,604</u>

### 10a Debtors: amounts falling due within one year

Trade debtors	<b>3,200</b>	2,744
Other debtors	<b>16,024</b>	11,060
Prepayments and accrued income	<b>2,378</b>	3,374
	<b><u>21,602</u></b>	<u>17,178</u>

### 10b Intra Government debtor balances

#### Amounts falling due within one year

Balances with NIO Core, its agencies and NDPBs	<b>7,364</b>	5,798
Balances with other central government bodies	<b>7,823</b>	7,115
Balances with local authorities	<b>146</b>	109
Balances with NHS Trusts	<b>289</b>	93
Balances with public corporations and trading funds	<b>0</b>	0
Balances with bodies external to government	<b>5,980</b>	4,063
<b>Total</b>	<b><u>21,602</u></b>	<u>17,178</u>

### 11a Creditors: amounts falling due within one year

Trade creditors	<b>14,893</b>	9,983
Trade accruals	<b>19,143</b>	17,868
Taxation and social security	<b>11,964</b>	12,537
Payroll accrual	<b>11,055</b>	10,659
Other creditors	<b>5,935</b>	3,573
	<b><u>62,990</u></b>	<u>54,620</u>

**11b Intra Government creditor balances**

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Amounts falling due within one year</b>		
Balances with NIO Core, its agencies and NDPBs	<b>520</b>	679
Balances with other central government bodies	<b>14,704</b>	14,670
Balances with local authorities	<b>214</b>	125
Balances with NHS Trusts	<b>0</b>	0
Balances with public corporations and trading funds	<b>1,672</b>	1,262
Balances with bodies external to government	<b>45,880</b>	37,884
<b>Total</b>	<b>62,990</b>	54,620

**12 Provisions for liabilities and charges**

	Voluntary and FTR Severance £000	Compensation Claims £000	Injury Awards £000	Stock £000	Early Retirement £000	Total £000
At 1 April 2008	114,613	23,572	271,960	405	6	410,556
Utilised in Year	(59,956)	(12,224)	(17,191)	(112)	(6)	(89,489)
Provision not utilised	(9,023)	0	0	0	0	(9,023)
Discount unwind	4,011	826	13,560	4	0	18,401
Actuarial loss	0	0	13,810	0	0	13,810
Increase in Provision	42,974	51,465	15,791	0	0	110,230
<b>At 31 March 2009</b>	<b>92,619</b>	<b>63,639</b>	<b>297,930</b>	<b>297</b>	<b>0</b>	<b>454,485</b>

*Voluntary Severance Programme*

The Secretary of State for Northern Ireland established a Voluntary Severance Scheme for PSNI Regular and Full Time Reserve (FTR) Officers in July 2000. During the current year, 331 officers left the Service. The provision is in respect of a further 700 officers estimated to leave during 2009-2010 and 2010-2011. This provision is subject to uncertainty and is based on estimates of numbers, ranks and profiles of officers who may apply and an average amount they may receive. HM Treasury is committed to funding the scheme.

*Full Time Reserve (FTR) Severance Programme*

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

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

In September 2007 the decision was taken on the remaining 680 Full Time Reserve officers. It was decided to reduce the number of officers by 299 from 1 April 2008. The remaining 391 officers are being retained based firmly on operational policing and security considerations. Following the decision by the Chief Constable on the 18 June 2009 regarding the future of the remaining 391 FTR Officers, a post balance sheet note has been made Note 23 page 54 refers.

*Compensation claims*

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

	Injury Claims £000	Damage Claims £000	Legal Fees £000	Total £000
At 1 April 2008	12,297	84	11,191	23,572
Utilised in Year	(5,769)	(82)	(6,373)	(12,224)
Provision not utilised				
Discount unwind	431	3	392	826
Increase in Provision	27,732	149	23,584	51,465
<b>At 31 March 2009</b>	<b>34,691</b>	<b>154</b>	<b>28,794</b>	<b>63,639</b>

As at 31 March 2009 there were 5,337 'live' injury or wrongful acts claims and 337 'live' damage to property claims. Associated legal fees are also provided for.

Claims have varying life spans with claims involving personal injury mostly concluded within six years of receipt and claims for damage to property usually being concluded within one or two years of receipt. In deriving the above figures, assumptions have been made relating to the number of outstanding claims likely to attract compensation, the average claim value for the different claim types and likely timing of settlement. The data assumes that past trends will persist with only marginal fluctuations and any deviations from this pattern may have a material impact on actual claims settled. The provision for years 1-6 have been discounted at the HM Treasury rate of 3.5 per cent.

This note, together with note 18, reflects that the PSNI is involved in a number of legal cases. While these are being dealt with appropriately, ultimately damages may be awarded against the Service. We regularly review the outcome of these cases, to see if there are lessons to be learnt and to identify areas where we can improve our systems of internal control, if necessary.

*Injury awards*

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

*Stock*

PSNI entered into a managed service contract for the ordering, supply, handling and accounting of uniform related items. The contractor purchased the total amount of uniform stock held by PSNI during the financial year. However as part of the contract, PSNI has agreed to purchase any stock in possession of the contractor at the end of the contract. It has been estimated, based on usage levels of the stock transferred, that £297,000 of stock initially transferred may not be issued by the end of the contract, and therefore this amount has been provided for in full.

**13 Grant-in-aid**

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Revenue	<b>692,912</b>	688,218
Patten Severance	<b>55,648</b>	50,687
Patten Non Severance	<b>16,005</b>	10,304
	<b>764,565</b>	749,209
Capital	<b>40,035</b>	50,051
	<b>804,600</b>	799,260

**14 Reconciliation of government funds**

	<b>31 March 2009</b>		31 March 2008	
	<b>General Fund</b>	<b>Revaluation Reserve</b>	General Fund	Revaluation Reserve
	<b>£000</b>	<b>£000</b>	£000	£000
At 1 April 2008	<b>(5,704)</b>	<b>254,004</b>	57,011	241,413
Transfer to income and expenditure account	<b>(838,253)</b>	<b>0</b>	(850,106)	0
Grant-in-aid (note 13)	<b>804,600</b>	<b>0</b>	799,260	0
(Deficit)/Surplus on revaluation of fixed assets (note 8)	<b>0</b>	<b>(30,646)</b>	0	19,832
Realised surplus on disposals of fixed assets	<b>342</b>	<b>(342)</b>	7,241	(7,241)
Actuarial loss (note 12)	<b>(13,810)</b>	<b>0</b>	(19,110)	0
<b>At 31 March 2009</b>	<b><u>(52,825)</u></b>	<b><u>223,016</u></b>	<u>(5,704)</u>	<u>254,004</u>

**15 Notes to cash flow statement***15.1 Reconciliation of operating deficit to net cash outflow from operating activities*

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Deficit for the year before interest & exceptional item	<b>(826,626)</b>	(841,103)
Interest	<b>(18,401)</b>	(18,047)
Depreciation	<b>35,281</b>	34,081
(Profit) on disposal of fixed assets	<b>(123)</b>	(43)
Notional proceeds taken through reserves	<b>900</b>	0
Gain on disposal taken through reserves	<b>(342)</b>	0
Notional cost of capital	<b>6,774</b>	9,044
Reclassification of capital expenditure	<b>1,126</b>	171
Revaluation below Historical Cost	<b>761</b>	1,285
(Increase)/Decrease in stock	<b>(111)</b>	2,106
(Increase)/Decrease in debtors	<b>(4,409)</b>	2,694
Increase in creditors	<b>5,759</b>	9,781
Increase in provisions	<b>101,207</b>	94,794
Provisions used	<b>(89,489)</b>	(71,605)
Unwinding of Discount	<b>18,401</b>	18,047
Net cash outflow from operating activities	<b><u>(769,292)</u></b>	<u>(758,795)</u>

The £1,126,000 for reclassification of capital expenditure comprises of £1,075,000 (note 8) and the reclassification from income and expenditure £51,000 (note 4).

*15.2 Reconciliation of net cash inflow to movement in net debt*

Cash in bank at 1 April 2008	<b>16,082</b>	13,865
Net cash (outflow)/inflow	<b>(634)</b>	2,217
Cash in bank at 31 March 2009	<b><u>15,448</u></b>	<u>16,082</u>

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

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

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Purchase of Intangible Fixed Assets	<b>2,802</b>	1,621
Purchase of Tangible Fixed Assets	<b>34,622</b>	46,502
Opening Capital Creditors	<b>(3,660)</b>	(1,732)
Closing Capital Creditors	<b>6,271</b>	3,660
Capital Grant to Acquire Fixed Assets	<b><u>40,035</u></b>	<u>50,051</u>

## 16 Capital commitments

Contracted	<b>26,273</b>	44,073
Authorised but not contracted	<b>63,755</b>	94,189
	<b><u>90,028</u></b>	<u>138,262</u>

## 17 Obligations under leases

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings		Other	
	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<i>Operating Leases which expire:</i>				
Within one year	<b>24</b>	0	<b>66</b>	9
In two to five years	<b>74</b>	381	<b>60</b>	213
In over five years	<b>92</b>	81	<b>0</b>	0
	<b><u>190</u></b>	<u>462</u>	<b><u>126</u></b>	<u>222</u>

## 18 Contingent liabilities

*Full Time Reserve (FTR) Severance*

As disclosed in note 12, a decision was taken in September 2007 to reduce the number of the FTR officers by 299 after April 2008. It is anticipated that the remaining 381 officers may be released before 31 March 2011. However, this decision is contingent on the prevailing security circumstances and will be subject to an announcement due in the Summer of 2009. Dependant upon the announcement, final costs are to be determined.

*Hearing loss cases*

The PSNI is named Defendant in a number of claims from current and ex-police officers for occupational hearing loss. Current claims are reflected in the compensation provision (note 12). However, the number of claims has increased significantly during 2008-2009 and it is anticipated this trend will continue for the foreseeable future and cannot at this stage be reliably estimated. Each case will be considered on its merits and any settlement based on the severity of hearing loss. Due to the unusual nature of these claims, it is not possible to identify from previous statistics, a scientific assessment of likely settlement rates or the potential liability of potential claimants.

*Post Traumatic Stress Disorder Class Action*

The PSNI and the Northern Ireland Policing Board are named defendants in a class action by 5,585 former and serving police officers. The hearing for this case began in November 2005 and concluded in June 2006. A judgement was delivered in June 2007 which found in favour of the PSNI under four of the five headings. The judge specifically referred to the formidable tasks individual plaintiffs may have in pursuing claims. This was confirmed by the successful defence by the PSNI in respect of the 10 lead cases. An appeal by 5 lead plaintiffs and a cross appeal by the defendants on the issue that went against them, was lodged in October 2007. The appeal was heard in June 2008 and judgement is awaited.

*DNA ruling*

In December 2008, the European Court of Human Rights ruled that the UK is in violation of the individuals' rights to privacy due to its retention of fingerprints, cellular samples and DNA profiles of both those who have been acquitted and those for whom a decision of no further action (NFA) was taken.

The Home Office has committed to a consultation on DNA and fingerprint retention powers and the existing law will remain in place while the judgement is considered. The PSNI is awaiting guidance from the Home Secretary before any decision can be made regarding the destruction of any material held that would be in breach of this ruling. The estimated costs of complying with this ruling cannot be reliably estimated at this time.

*Federal Security Services Limited*

There may be a potential liability for the organisation relating to Federal Security. This matter is currently the subject of litigation. There is an injunction in place and a substantive hearing yet to be heard. The outcome of this hearing is as yet unknown and whilst liability can be anticipated for the organisation, such liabilities cannot be quantified at this stage.

*Equal pay*

The former Minister for Finance and Personnel Northern Ireland announced measures in May 2008 to address equal pay issues in the Northern Ireland Civil Service. The Police Service of Northern Ireland (PSNI) are inextricably linked to this announcement, having significant numbers of seconded civil servants at these grades up to and including the 30 September 2008 and all staff administered in line with the NICS pay agreement. This continues to be the case. The present Minister for Finance and Personnel has assured NIPSA of the commitment to resolve the equal pay issue, if possible, through a negotiated settlement and without the need for litigation. In May 09 he confirmed to NIPSA that a settlement offer had not been made but that he had instructed officials to work intensively with NIPSA to establish, as clearly as possible, parameters within which a negotiated settlement might be reached so that he, in conjunction with his Ministerial colleagues in the Executive, can consider how the matter should be taken forward.

NIPSA has lodged equal pay claims with the Industrial Tribunal on behalf of its female members in the AA, AO and EOII and analogous grades in the NICS. PSNI have assessed the potential impact of these equal pay claims and the wider equal pay issue against relevant accounting standards, in particular FRS 12. The ministerial statements have created an obligation on the part of the NICS and PSNI to comply with equal pay legislation and to address any anomalies that may exist in its present pay and grading structures. PSNI consider that a reliable estimate cannot be made, at this point in time, of the potential liability to resolve the issue. This is as a result of the complexities associated with the resolution of the issue, including establishing clearly the extent to which the claims may be valid, the groups of staff that might be entitled to a payment and the size of those payments. Consequently, PSNI do not consider that it is possible to reach a reliable estimate of the obligation, and thus make a provision under the criteria set out in FRS12.



*Claims resulting from security breaches*

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

*Temporary Acting Up – Police officers*

A review is currently being undertaken and representations to be made by the Police Federation for police officers acting up more than 56 days and entitled to temporary post.

**19 Losses and special payments**

Type	No of cases	£000
Cash Losses	6	1
Overpayments	10	9
Stores	1,810	199
Claims waived or abandoned	434	379
Special payments – compensation	691	5,791
Fruitless payment and constructive losses	32	30

**20 Related party disclosures**

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

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

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

**21 Third party assets**

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

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

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Bank Balances and Monetary Sealed Packages held	<b>3,493</b>	2,886

## **22 Financial instruments**

The PSNI has no financial instruments to report during the financial year 2008-2009. This is due to PSNI being essentially a non-trading entity and financed as a Non-Departmental Public body. The organisation is not exposed to the same degree of financial risk faced by business entities. The PSNI has no powers to borrow or invest in surplus funds and has limited year-end flexibility. As such, it is exposed to little liquidity, currency or market risks.

## **23 Post balance sheet events**

As a result of the announcement by the Chief Constable on 18 June 2009 to allow the remaining Full Time Reserve Officers (FTR) to leave by 31 March 2011, the PSNI are hereby noting this decision as a post balance sheet event. All charges pertaining to this decision will be accounted for in the 2009-2010 financial year. Current estimates are that 391 FTR officers will leave at a projected cost of £44m.

The Annual Report and Accounts were authorised to be issued and laid in the Houses of Parliament on 10 July 2009.

## Foreword – Police Property Fund

### Background information

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

### Principal activities

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

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

### Accounts direction

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

## Chief Officers

The Chief Officers who served throughout the year were as follows

*Sir Hugh Orde*

Chief Constable

*Paul Leighton*

Deputy Chief Constable

*Peter Sheridan (Retired 7 September 2008)*

Assistant Chief Constable Crime Operations

*Drew Harris (Appointed 8 September 2008, previously ACC Criminal Justice)*

Assistant Chief Constable Crime Operations

*Roy Toner*

Assistant Chief Constable Operational Support

*Duncan McCausland (Appointed 15 September 2008, previously ACC Urban)*

Assistant Chief Constable Criminal Justice

*Judith Gillespie*

Assistant Chief Constable Rural Region

*Alistair Finlay (Appointed 15 September 2008, previously ACC Crime Support)*

Assistant Chief Constable Urban Region

*David Jones (Appointed: 8 September, 2008)*

Assistant Chief Constable Crime Support

*David Best*

Director of Finance & Support Services

*Joe Stewart*

Director of Human Resources

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

## Corporate Governance

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

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

The key sub committees supporting the CCF are the

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

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

## Company directorships

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

## Fixed assets

The Police Property Fund has no fixed assets.

## Research and development

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

## Interest rate and currency risk

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

## Future developments

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

## Charitable contributions

No political donations were made during the year. On the direction of the Northern Ireland Policing Board, no Charitable donations were made during the year (2007-2008: £15,233), and items are detailed in Note 2 page 54.

## Disabled persons

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

## Employee involvement

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

## Health and safety

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

## Payment of suppliers

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

Following the full implementation of a new e-finance payment system during the previous year, PSNI paid 95 per cent of all invoices within 30 days (92 per cent in 2007-2008). In November 2008, Prime Minister Gordon Brown announced that all Government Bodies would pay all external suppliers who provided a correctly rendered invoice to the correct location within 10 days. PSNI paid 66 per cent for the period January – March 2009, of eligible invoices within 10 days, although the 10 day prompt payment initiative is prepared on a different basis to the 30 day one.

## Pension liabilities

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

## Audit services

The Comptroller and Auditor General of the National Audit Office is responsible for the audit of the Police Property Fund Annual Report and Accounts. Audit services are paid by the Police Service of Northern Ireland and therefore payment details are included in their Annual Report and Accounts. The fees for this year are £2,800 (2007-2008: £2,600).

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

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

The Annual Report and Accounts were authorised to be issued and laid in the Houses of Parliament on 10 July 2009.

A full certified copy of these Police Property Fund Annual Report and Accounts will be included on the PSNI's website ([www.psni.police.uk](http://www.psni.police.uk)), together with the Chief Constable's general report 2008-2009 due to be published in June 2009. The Chief Constables report is posted to every household in Northern Ireland.

## Management Commentary

### Nature of the business

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

### Review of performance and financial position

The Income and Expenditure Account is set out on page 51 and shows a surplus of £9,021 (2007-2008: surplus of £22,468). No charitable donations were made during the year on the direction of the Northern Ireland Policing Board. The General Fund increased from £39,228 (31 March 2008) to £48,249 (31 March 2009), note 6 on page 55.

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

### Risks and uncertainties

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

### Remuneration Report

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

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

19 June 2009

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

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

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

- observe the Accounts Direction issued by the Northern Ireland Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

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



## Statement on Internal Control

### Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk.

### The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document will be reviewed and updated during the first quarter of 2009-2010. The findings of the review will be incorporated into a revised policy and published to the organisation in July 2009.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2008-2009. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2008-2009 were in relation to the threat of terrorist attack, funding and legacy investigations. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. The remit of the Organisational Development Committee will be expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. An enhanced programme of risk management inspections is planned for 2009-2010. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

The PSNI Audit and Risk Committee, chaired by a Non Executive Member, is responsible for providing assurance to the Chief Constable that effective risk management, governance and control arrangements are in place. The Committee receives reports on risk management and updates on the Corporate Risk Register. In addition, the Committee also receives reports from both Internal and External Audit and from a number of other assurance sources. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary, the Criminal Justice Inspectorate for Northern Ireland and other independent monitoring bodies, adding to the assurance framework.

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' system to track and manage the implementation of external recommendations arising from third party reports. The Organisational Development Committee (ODC) has provided a satisfactory level of assurance in relation to the effectiveness of this new system during 2008-2009.

During 2008-2009 PSNI reviewed their corporate governance model. The scope of this work included: a Revised Terms of Reference for CCF and the 6 Sub-Committees reporting through to CCF, the Corporate Governance Assurance Framework and the Charter for the Committees.

A new Service Procedure was developed in relation to the above model and approved by CCF in January 2009. PSNI are currently in the process of implementing the revised governance model with sound progress having been made in relation to the development of the assurance framework. Committee Secretaries are in the process of being appointed and they will take play a key role in the implementation of this model. PSNI have plans to undertake during 2009-2010 an operational assurance inspection programme to ensure ongoing compliance against operational service instructions.

PSNI is acutely aware of the need for all information used for operational purposes and financial reporting purposes to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other agencies within the Criminal Justice community.

PSNI has developed an Information Assurance Strategy under the direction of the Senior Information Risk Owner (ACC Operational Support). The Information Management Committee approved this Strategy in March 2009. Key components of the IS Strategy include security policy implementation, the application of physical, personnel and operational security controls and the delivery of an education, training and awareness programme. The Information Assurance Governance framework is informed by means of the Information Risk Register, which details the current level of risk and from which an implementation plan has been developed to enhance the control environment in relation to information risk management.

## Review of effectiveness

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

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisations system of internal control.

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

19 June 2009

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

I certify that I have audited the financial statements of the Police Property Fund of the Police Service of Northern Ireland for the year ended 31 March 2009 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

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

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

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

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

## Basis of audit opinions

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

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

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Property Fund of the Police service of Northern Ireland's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland; and
- information, which comprises the Foreword and Management Commentary, included within the Annual Report, is consistent with the financial statements.

### **Opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

10 July 2009

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

## Income and Expenditure Account for the year ended 31 March 2009

	Notes	Year ended 31 March 2009	Year ended 31 March 2008
<b>Income</b>			
Proceeds from sale of seized and lost property		<b>9,058</b>	39,854
<b>Expenditure</b>			
Charitable donations	2	<b>0</b>	(15,233)
Sundry expenses of collection, storage and disposal		<b>(37)</b>	(2,153)
Other disbursements	3	<b>0</b>	0
		<b>(37)</b>	(17,386)
<b>Surplus for the year</b>		<b>9,021</b>	22,468

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

*The notes on pages 54 to 55 form part of this account.*

All amounts above relate to continuing activities.

## Balance Sheet as at 31 March 2009

	Notes	Year ended 31 March 2009	Year ended 31 March 2008
<b>Current assets</b>			
Debtor	4	<b>48,249</b>	43,171
<b>Current liabilities</b>			
Creditor	5	<b>0</b>	(3,943)
<b>Net current assets</b>		<b>48,249</b>	39,228
<b>Total assets less total liabilities</b>		<b>48,249</b>	39,228
<b>Creditors: amounts falling due after more than one year</b>			
<b>Financed by</b>			
<b>Reserves</b>			
General fund	6	<b>48,249</b>	39,228

*The notes on pages 54 to 55 form part of this account.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

19 June 2009

## Cash Flow Statement for the year ended 31 March 2009

	Notes	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
<b>Net cash inflow from operating activities</b>	7	<u>0</u>	<u>0</u>
<b>Increase/(Decrease) in cash</b>		<u>0</u>	<u>0</u>

*The notes on pages 54 to 55 form part of this account.*



# Notes to the Annual Financial Statements for the year ended 31 March 2009

## 1 Statement of principal accounting policies

These financial statements have been prepared in accordance with the 2008-2009 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

### 1.1 Accounting convention

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

### 1.2 Value added tax

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

### 1.3 Bank

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

## 2 Charitable donations

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
Age Concern	0	280
Foyle and District Road Safety Committee	0	500
Older People North West/Age Concern	0	500
Children In Crossfire	0	500
Derry Children's Commission	0	500
Cookstown & District Disability Forum	0	760
RAYS	0	1,000
Focus on Family	0	1,163
999 Charity 2008	0	1,500
Cheers Youth Centre	0	1,500
Magnet TALK Programme	0	1,500
React and Breakthru	0	1,500
Childline	0	1,500
Morph	0	2,500
Benevolent Fund	0	30
	<u>0</u>	<u>15,233</u>

**3 Other disbursements**

There have been no disbursements under this category in 2008-2009 or 2007-2008.

**4 Debtor**

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
Money due from the PSNI	<u>48,249</u>	<u>43,171</u>

**5 Creditor**

Money due to the PSNI	<u>0</u>	<u>3,943</u>
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**6 General fund**

Balance at 1 April	39,228	16,760
Add Surplus for year	<u>9,021</u>	<u>22,468</u>
Money due to the PSNI	<u>48,249</u>	<u>39,228</u>

**7 Reconciliation of Operating Surplus/(Deficit) for the year to Net Cash Flow from Operating Activities**

Operating Surplus	9,021	22,468
Decrease/(Increase) in debtors	(5,078)	(25,608)
(Decrease)/Increase in creditors	<u>(3,943)</u>	<u>3,140</u>
	<u>0</u>	<u>0</u>

**8 Related party disclosures**

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

The NIO and NIPB are regarded as related parties.

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

**9 Post balance sheet events**

There are no material post balance sheet events.

## Foreword – Police Fund

### Background information

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

### Principal activities

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

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

### Accounts direction

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

## Chief Officers

The Chief Officers who served throughout the year were as follows:

*Sir Hugh Orde*

Chief Constable

*Paul Leighton*

Deputy Chief Constable

*Peter Sheridan (Retired 7 September 2008)*

Assistant Chief Constable Crime Operations

*Drew Harris (Appointed 8 September 2008, previously ACC Criminal Justice)*

Assistant Chief Constable Crime Operations

*Roy Toner*

Assistant Chief Constable Operational Support

*Duncan McCausland (Appointed 15 September 2008, previously ACC Urban)*

Assistant Chief Constable Criminal Justice

*Judith Gillespie*

Assistant Chief Constable Rural Region

*Alistair Finlay (Appointed 15 September 2008, previously ACC Crime Support)*

Assistant Chief Constable Urban Region

*David Jones (Appointed: 8 September, 2008)*

Assistant Chief Constable Crime Support

*David Best*

Director of Finance & Support Services

*Joe Stewart*

Director of Human Resources

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

## Corporate governance

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

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

The key sub committees supporting the CCF are the

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

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

### Company directorships

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

### Fixed assets

The Police Fund only has fixed asset investments.

### Research and development

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

### Interest rate and currency risk

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

### Future developments

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

### Charitable contributions

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

### Disabled persons

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

### Employee involvement

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

### Health and safety

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

## Payment of suppliers

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

Following the full implementation of a new e-finance payment system during the previous year, PSNI paid 95 per cent of all invoices within 30 days (92 per cent in 2007-2008). In November 2008, Prime Minister Gordon Brown announced that all Government Bodies would pay all external suppliers who provided a correctly rendered invoice to the correct location within 10 days. PSNI paid 66 per cent for the period January – March 2009, of eligible invoices within 10 days, although the 10 day prompt payment initiative is prepared on a different basis to the 30 day one.

## Pension liabilities

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

## Audit services

The Comptroller and Auditor General of the National Audit Office is responsible for the audit of the Police Fund Annual Report and Accounts. Audit services are paid by the Police Service of Northern Ireland and therefore payment details are included in their Annual Report and Accounts. The fees for this year are £2,800 (2007-2008: £2,600).

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

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

The Annual Report and Accounts were authorised to be issued and laid in the Houses of Parliament on 10 July 2009.

A full certified copy of these Police Fund Annual Report and Accounts will be available on the PSNI's website ([www.psni.police.uk](http://www.psni.police.uk)), together with the Chief Constable's general report 2008-2009 due to be published in June 2009. The Chief Constable's report is posted to every household in Northern Ireland.

## Management Commentary

### Nature of the business

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

### Review of performance and financial position

The Income and Expenditure Account is set out on page 67 and shows a surplus of £6,996 (2007-2008: £13,071). There were no charitable donations made during the year and the General Fund increased from £125,079 (31 March 2008) to £132,075 (31 March 2009), note 7 on page 71.

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

### Risks and uncertainties

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

### Remuneration Report

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

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

19 June 2009

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

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

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

- observe the Accounts Direction issued by the Northern Ireland Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

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



## Statement on Internal Control

### Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk.

### The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document will be reviewed and updated during the first quarter of 2009-2010. The findings of the review will be incorporated into a revised policy and published to the organisation in July 2009.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2008-2009. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2008-2009 were in relation to the threat of terrorist attack, funding and legacy investigations. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. The remit of the Organisational Development Committee will be expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. An enhanced programme of risk management inspections is planned for 2009-2010. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

The PSNI Audit and Risk Committee, chaired by a Non Executive Member, is responsible for providing assurance to the Chief Constable that effective risk management, governance and control arrangements are in place. The Committee receives reports on risk management and updates on the Corporate Risk Register. In addition, the Committee also receives reports from both Internal and External Audit and from a number of other assurance sources. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary, the Criminal Justice Inspectorate for Northern Ireland and other independent monitoring bodies, adding to the assurance framework.

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' system to track and manage the implementation of external recommendations arising from third party reports. The Organisational Development Committee (ODC) has provided a satisfactory level of assurance in relation to the effectiveness of this new system during 2008-2009.

During 2008-2009 PSNI reviewed their corporate governance model. The scope of this work included: a Revised Terms of Reference for CCF and the 6 Sub-Committees reporting through to CCF, the Corporate Governance Assurance Framework and the Charter for the Committees.

A new Service Procedure was developed in relation to the above model and approved by CCF in January 2009. PSNI are currently in the process of implementing the revised governance model with sound progress having been made in relation to the development of the assurance framework. Committee Secretaries are in the process of being appointed and they will take play a key role in the implementation of this model. PSNI have plans to undertake during 2009-2010 an operational assurance inspection programme to ensure ongoing compliance against operational service instructions.

PSNI is acutely aware of the need for all information used for operational purposes and financial reporting purposes to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other agencies within the Criminal Justice community.

PSNI has developed an Information Assurance Strategy under the direction of the Senior Information Risk Owner (ACC Operational Support). The Information Management Committee approved this Strategy in March 2009. Key components of the IS Strategy include security policy implementation, the application of physical, personnel and operational security controls and the delivery of an education, training and awareness programme. The Information Assurance Governance framework is informed by means of the Information Risk Register, which details the current level of risk and from which an implementation plan has been developed to enhance the control environment in relation to information risk management.

## Review of effectiveness

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

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisations system of internal control.

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

19 June 2009

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

I certify that I have audited the financial statements of the Police Fund of the Police Service of Northern Ireland for the year ended 31 March 2009 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

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

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

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

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

## Basis of audit opinions

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

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

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Fund of the Police Service of Northern Ireland's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland; and
- information, which comprises the Foreword and Management Commentary, included within the Annual Report, is consistent with the financial statements.

### Opinion on regularity

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

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

10 July 2009

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

## Income and Expenditure Account for the year ended 31 March 2009

	Notes	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
<b>Income</b>			
Dividends and interest		<b>2,968</b>	3,486
Other income	2	<b>24,931</b>	24,520
Fines on Members of the PSNI		<b>9,095</b>	10,675
		<b><u>36,994</u></b>	<u>38,681</u>
<b>Expenditure</b>			
Disbursements for convalescent travel of members of PSNI and their dependants		<b>24,360</b>	24,520
Disbursements for fuel welfare payments		<b>4,900</b>	500
Administrative costs		<b>0</b>	6
		<b><u>29,260</u></b>	<u>25,026</u>
<b>Surplus before taxation</b>		<b>7,734</b>	13,655
Tax		<b>(738)</b>	(584)
<b>Surplus for the year</b>		<b><u>6,996</u></b>	<u>13,071</u>

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2009

	Notes	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
<b>Surplus for the year</b>		<b>6,996</b>	13,071
Surplus on revaluation of fixed assets	8	<b>306</b>	191
<b>Total recognised gains for the year</b>		<b><u>7,302</u></b>	<u>13,262</u>

*The notes on pages 70 to 72 form part of this account.*

All amounts above relate to continuing activities.

## Balance Sheet as at 31 March 2009

	Notes	Year ended 31 March 2009	Year ended 31 March 2008
<b>Fixed assets</b>			
Investments	3	97,093	63,787
<b>Current assets</b>			
Debtors	4	6,447	40,263
Bank	5	33,222	48,296
		<u>39,669</u>	<u>88,559</u>
<b>Current liabilities</b>			
Creditors	6	(2,610)	(25,496)
<b>Net current assets</b>		<u>37,059</u>	<u>63,063</u>
<b>Total assets less total liabilities</b>		<u>134,152</u>	<u>126,850</u>
<b>Financed by</b>			
<b>Reserves</b>			
General fund	7	132,075	125,079
Revaluation Reserve	8	2,077	1,771
		<u>134,152</u>	<u>126,850</u>

*The notes on pages 70 to 72 form part of this account.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

19 June 2009

## Cash Flow Statement for the year ended 31 March 2009

	Notes	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
<b>Net cash inflow from operating activities</b>	9	<b>17,926</b>	3,361
<b>Cash outflow from investment activities</b>	9	<b><u>(33,000)</u></b>	<u>0</u>
<b>(Decrease)/Increase in cash</b>	5	<b><u>(15,074)</u></b>	<u>3,361</u>

*The notes on pages 70 to 72 form part of this account.*



# Notes to the Annual Financial Statements

## 1. Statement of principal accounting policies

These financial statements have been prepared in accordance with the 2008-2009 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

### 1.1 Accounting convention

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

### 1.2 Value added tax

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

### 1.3 Corporation tax

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

## 2. Other income

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

## 3 Fixed asset investments

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
14,200 4 per cent Consolidated Stock at Market Value (Cost £10,016).	<b>12,093</b>	11,787
Advances to the Consolidated Fund of Northern Ireland	<b>85,000</b>	52,000
	<b><u>97,093</u></b>	<u>63,787</u>

## 4 Debtors

Money due from PSNI	<b>6,288</b>	40,130
Accrued Income	<b>26</b>	0
Other Debtors	<b>133</b>	133
	<b><u>6,447</u></b>	<u>40,263</u>

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
<b>5 Bank</b>		
Opening Bank Balance 1 April	<b>48,296</b>	44,935
Net cash (outflow)/inflow	<b>(15,074)</b>	3,361
Closing Bank Balance 31 March	<b><u>33,222</u></b>	<u>48,296</u>
<b>6 Creditors</b>		
Money due to PSNI	<b>0</b>	500
Disbursements due	<b>2,100</b>	24,520
Administrative Expenses	<b>0</b>	6
HM Revenue and Customs	<b>510</b>	470
	<b><u>2,610</u></b>	<u>25,496</u>
<b>7 General fund</b>		
Balance as at 1 April	<b>125,079</b>	112,008
Surplus for the year	<b>6,996</b>	13,071
Balance as at 31 March	<b><u>132,075</u></b>	<u>125,079</u>
<b>8 Revaluation reserve</b>		
Balance as at 1 April	<b>1,771</b>	1,580
Surplus on revaluation of fixed asset investments	<b>306</b>	191
Balance as at 31 March	<b><u>2,077</u></b>	<u>1,771</u>
<b>9 Notes to the cash flow statement</b>		
<i>9.1 Net Cash Inflow from operating activities</i>		
Surplus for the year	<b>6,996</b>	13,071
Decrease/(Increase) in Debtors	<b>33,816</b>	(10,839)
(Decrease)/Increase in Creditors	<b>(22,886)</b>	1,129
Net cash inflow from operating activities	<b><u>17,926</u></b>	<u>3,361</u>
<i>9.2 Cash outflows from investment activities</i>		
	<b><u>(33,000)</u></b>	<u>0</u>

The Police Fund invested a further £33,000 in the Northern Ireland Consolidated Fund during 2008-2009. The Consolidated Fund is a government fund which provides minimum risk for the investment.

## **10 Related party disclosures**

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

The NIO and NIPB are regarded as related parties.

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

## **11 Post balance sheet events**

There are no material post balance sheet events.

# Report of the Managers – Police Pension Scheme

## Introduction

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

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

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

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

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

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

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

## Accounts direction

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

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

**Managers:**

*Accounting Officer and Pension Scheme Practitioner*  
Chief Constable  
Police Service of Northern Ireland  
Brooklyn  
65 Knock Road  
Belfast  
BT5 6LE

*Pension Scheme Administrator*  
Northern Ireland Policing Board  
Waterside Tower  
31 Clarendon Road  
Clarendon Dock  
Belfast  
BT1 3BG

**Advisers:**

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

*Government Department*  
Northern Ireland Office  
Castle Buildings  
Belfast  
BT4 3SG

*Auditors*

Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1S 9SS

*Bankers*

Northern Bank  
Donegall Square West  
Belfast

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

**Employers:**

*Principal Employer*

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

**Changes to the schemes**

During the year, pensions were increased by 3.9 per cent with effect from 7 April 2008.

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

**Membership Statistics**

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

**Active Members**

At 1 April 2008	7,327
New entrants – transfers in	21
Retirements in the year	(359)
Deaths	(6)
Other leavers	(225)
At 31 March 2009	<b>6,758</b>

**Deferred Members**

At 1 April 2008	922
Members leaving who have deferred pension rights	214
Members taking up deferred pension rights	(16)
At 31 March 2009	<b>1,120</b>

**Pensioners in Payment**

	Members	Dependents	Total
At 1 April 2008	9,732	1,444	11,176
Members retiring in year at normal retirement age	67	0	67
Other retirements	585	0	585
New dependents	0	107	107
Cessations	(75)	(58)	(133)
At 31 March 2009	<b>10,309</b>	<b>1,493</b>	<b>11,802</b>

**Compensation Payments**

	Members	Dependents	Total
At 1 April 2008	162	0	162
Members leaving under early retirement	22	0	22
Members reaching normal retirement age during the year	(41)	0	(41)
At 31 March 2009	<b>143</b>	<b>0</b>	<b>143</b>

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

**Active Members**

At 1 April 2008	668
New entrants	393
Retirements in the year	0
Deaths	(1)
Other leavers	(32)
At 31 March 2009	<b>1,028</b>

**Deferred Members**

At 1 April 2008	0
Members leaving who have deferred pension rights	2
Members taking up deferred pension rights	0
At 31 March 2009	<b>2</b>

<b>Pensioners in Payment</b>	<b>Members</b>	<b>Dependents</b>	<b>Total</b>
At 1 April 2008	0	0	0
Members retiring in year at normal retirement age	0	0	0
Other retirements	0	0	0
New dependents	0	1	1
Cessations	0	0	0
At 31 March 2009	<b>0</b>	<b>1</b>	<b>1</b>

### **Additional Voluntary Contributions and Stakeholder Pensions**

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

£33,644 of contributions have been made by members of PSNI to the scheme during the year 2007-2008 £46,117, (see note 16).

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

### **Going concern**

The Combined Balance Sheet (which includes liabilities belonging to both the closed and the new pension schemes) at 31 March 2009 shows net liabilities of £4,530.34m. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the PSNI's other sources of income, may only be met by future grants or grants-in-aid from the PSNI's sponsoring Department (the Northern Ireland Office). This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grants for 2009-2010 have already been included in the NIO's Estimates for that year, taking into account the amounts required to meet the PSNI's liabilities falling due. These have been approved by Parliament and there is no reason to believe that the NIO's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these pension scheme accounts.

### **Post balance sheet events**

From 6 April 2009, pensions were increased by 5.0 per cent, this was notified in April 2009.

New commutation factors were announced on 21 May 2008 and the factors were to be backdated to 1 October 2007. Following a Judicial Review brought by the Police Federation (England and Wales) adjudicated on 17 March 2009 (with no appeal being made by the Home Office in April 2009 within the required deadline) these factors are now to be backdated to 1 December 2006, will also apply in the Northern Ireland Police Pension scheme, and therefore a provision of £15m has been built into the Police Pension Accounts for 2008-2009.

The Annual Report and Accounts were authorised to be issued and laid in the Houses of Parliament on 10 July 2009.

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

## Audit services

The National Audit Office is responsible for the audit of the Police Pension Accounts. Audit services are paid by the Police Service of Northern Ireland and therefore payments details are included in their Annual Financial Statements. The fees for this year are £18,000 (2007-2008 £17,000).

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

## Further information

A full certified copy of these Police Pension Annual Report and Accounts will be available on the PSNI's website ([www.psni.police.uk](http://www.psni.police.uk)), together with the Chief Constable's general report 2008-2009 due to be published in June 2009. The Chief Constable's report is posted to every household in Northern Ireland.

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



## Report of the Actuary

### a Liabilities

The capitalised value as at 31 March 2009 of expected future benefit payments under the police pension schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2009, has been assessed using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members as follows

	Closed Scheme £ million	New Scheme £ million
Active (past service)	(1,903.28)	(18.44)
Deferred Pensioners	(139.93)	(0.02)
Current Pensioners	(2,468.67)	0
<b>Total</b>	<b>(4,511.88)</b>	<b>(18.46)</b>

### b Accruing Costs

The cost of benefits accruing for each year is met partly by contributions by members, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2008-2009 has been assessed as follows

	% of pensionable pay	
	Closed Scheme	New Scheme
Current service cost	52.3	44.0

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

	Closed Scheme £ million	New Scheme £ million
Current service cost	126.47	9.72

### c Methodology

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

### d Assumptions

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

- A rate of earnings increases of 4.30 per cent p.a. excluding promotional and performance increments;
- A long term nominal discount rate of 6.04 per cent p.a.; and
- A rate of long term inflation and pensions increases of 2.75 per cent p.a.

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

**e Notes**

- 1 We understand that some benefits payable under the PSNI Severance Schemes will be accounted for outside the PSNI Police Pension Scheme Accounts. PSNI have instructed us as to which benefits should be included in these statements.
- 2 The data for this assessment was provided by the Police Service of Northern Ireland. Full data was provided in respect of the current and former members of the pension scheme as at 31 December 2008, together with summary data as at 31 March 2009.

*Ian Boonin*  
Government Actuary's Department

28 April 2009

## Statement of Accounting Officers responsibilities

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

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

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

- observe the Accounts Direction issued by the Northern Ireland Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

# Statement on Internal Control

## Scope of responsibility

As Accounting Officer for the Police Service of Northern Ireland, I have responsibility for maintaining a sound system of internal control that supports the achievement of PSNI's policies, aims and objectives, set by the Northern Ireland Policing Board, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

All Chief Officers and Senior Managers, together with the Audit and Risk Committee, have played an important role in providing leadership to the risk management process. In addition, the Corporate Risk Manager continues to provide training, support and guidance to staff throughout the organisation to ensure that staff are equipped to manage risk.

## The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document will be reviewed and updated during the first quarter of 2009-2010. The findings of the review will be incorporated into a revised policy and published to the organisation in July 2009.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2008-2009. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but continues to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2008-2009. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2008-2009 were in relation to the threat of terrorist attack, funding issues and legacy investigations. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. The remit of the Organisational Development Committee will be expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. An enhanced programme of risk management inspections is planned for 2009-2010. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

The PSNI Audit and Risk Committee, chaired by a Non Executive Member, is responsible for providing assurance to the Chief Constable that effective risk management, governance and control arrangements are in place. The Committee receives reports on risk management and updates on the Corporate Risk Register. In addition, the Committee also receives reports from both Internal and External Audit and from a number of other assurance sources. PSNI is also subject to regular review by Her Majesty's Inspectorate of Constabulary, the Criminal Justice Inspectorate for Northern Ireland and other independent monitoring bodies, adding to the assurance framework.

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' system to track and manage the implementation of external recommendations arising from third party reports. The Organisational Development Committee (ODC) has provided a satisfactory level of assurance in relation to the effectiveness of this new system during 2008-2009.

During 2008-2009 PSNI reviewed their corporate governance model. The scope of this work included: a Revised Terms of Reference for CCF and the 6 Sub-Committees reporting through to CCF, the Corporate Governance Assurance Framework and the Charter for the Committees.

A new Service Procedure was developed in relation to the above model and approved by CCF in January 2009. PSNI are currently in the process of implementing the revised governance model with sound progress having been made in relation to the development of the assurance framework. Committee Secretaries are in the process of being appointed and they will take play a key role in the implementation of this model. PSNI have plans to undertake during 2009-2010 an operational assurance inspection programme to ensure ongoing compliance against operational service instructions.

PSNI is acutely aware of the need for all information used for operational purposes and financial reporting purposes to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other agencies within the Criminal Justice community.

PSNI has developed an Information Assurance Strategy under the direction of the Senior Information Risk Owner (ACC Operational Support). The Information Management Committee approved this Strategy in March 2009. Key components of the IS Strategy include security policy implementation, the application of physical, personnel and operational security controls and the delivery of an education, training and awareness programme. The Information Assurance Governance framework is informed by means of the Information Risk Register, which details the current level of risk and from which an implementation plan has been developed to enhance the control environment in relation to information risk management.

## Review of effectiveness

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

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisations system of internal control.

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

19 June 2009

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

I certify that I have audited the financial statements of the Police Service for Northern Ireland Pension Accounts for the year ended 31 March 2009 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Combined Revenue Account, the Combined Balance Sheet, the Combined Cash Flow Statement and Combined Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

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

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

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

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

I read the other information contained in the Police Service of Northern Ireland Police Pension Accounts and consider whether it is consistent with the audited financial statements. This information comprises the Report of the Managers and the Report of the Actuary.

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

## Basis of audit opinions

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

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

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Police Service for Northern Ireland Pension Scheme's affairs as at 31 March 2009 and of its net outgoings, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions made thereunder by the Secretary of State for Northern Ireland.

## Opinion on regularity

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

## Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

10 July 2009

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



## Combined Revenue Account for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
<b>Income</b>			
Contributions receivable	3	<b>82,140</b>	81,596
Transfers in	4	<b>1,220</b>	1,690
<b>Total</b>		<b><u>83,360</u></b>	<u>83,286</u>
<b>Outgoings</b>			
Current service costs	5	<b>(136,190)</b>	(158,740)
Enhancements	6	<b>(29,290)</b>	(8,980)
Transfers in	4	<b>(1,220)</b>	(1,690)
Interest on scheme liabilities	7	<b>(258,600)</b>	(236,060)
<b>Total</b>		<b><u>(425,300)</u></b>	<u>(405,470)</u>
<b>Net outgoings for the year</b>		<b><u>(341,940)</u></b>	<u>(322,184)</u>

The notes on pages 89 to 97 form part of these accounts.

## Combined Statement of Total Recognised Gains and Losses for the year ended 31 March 2009

	Notes	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Net outgoings for the year		<b>(341,940)</b>	(322,184)
Actuarial gain	11.4	<b>599,450</b>	499,280
<b>Total Recognised gains for the year</b>		<b><u>257,510</u></b>	<u>177,096</u>

The notes on pages 89 to 97 form part of these accounts.

## Combined Balance Sheet as at 31 March 2009

		<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Current assets</b>			
Debtors	9	<b>7,160</b>	4,372
<b>Creditors due within one year</b>			
Creditors	10	<b>(7,160)</b>	(4,372)
<b>Net current assets, excluding pension liabilities</b>		<b>0</b>	0
<b>Provisions for Pension liabilities</b>			
Closed Scheme	11.1	<b>(4,511,880)</b>	(4,869,560)
New Scheme	11.2	<b>(18,460)</b>	(10,150)
<b>Net liabilities, including pension liabilities</b>		<b>(4,530,340)</b>	(4,879,710)
<b>Taxpayers' Equity</b>			
Opening balance		<b>(4,879,710)</b>	(5,129,570)
Grant In Aid	12	<b>91,860</b>	72,764
Net outgoings for the year		<b>(341,940)</b>	(322,184)
Actuarial gains	11.4	<b>599,450</b>	499,280
<b>Closing balance</b>		<b>(4,530,340)</b>	(4,879,710)

*The notes on pages 89 to 97 form part of these accounts.*

Sir Hugh Orde  
Chief Constable  
Police Service of Northern Ireland

19 June 2009

## Combined Cash Flow Statement for the year ended 31 March 2009

	Year ended <b>31 March</b> <b>2009</b> <b>£000</b>	Year ended 31 March 2008 £000
<b>Reconciliation of net outgoings to operating cash flows</b>		
Net outgoings for the year	<b>(341,940)</b>	(322,184)
Adjustments for movements in working capital	<b>0</b>	0
<i>Increase in pension provision</i>		
Closed Scheme	11.1 <b>384,250</b>	387,490
New Scheme	11.2 <b>10,540</b>	7,310
<i>Increase in pension provision – enhancements and transfers in</i>		
Closed Scheme	11.1 <b>29,290</b>	9,180
New Scheme	11.2 <b>1,220</b>	1,490
<i>Use of provision</i>		
Closed Scheme	11.1 <b>(175,080)</b>	(156,030)
New Scheme	11.2 <b>(140)</b>	(20)
<b>Net cash outflow from operating activities</b>	<b>(91,860)</b>	(72,764)
<b>Financing</b>	12 <b>91,860</b>	72,764
<b>Increase/(decrease) in cash in the period</b>	<b>0</b>	0

*The notes on pages 89 to 97 form part of these accounts.*

# Notes to the Accounts

## 1 Basis of preparation of the Pension Accounts

The PSNI Pension Accounts have been prepared in accordance with the relevant provisions of the 2008-2009 Government Financial Reporting Manual (FReM) issued by the Treasury, which reflects the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. These accounts show the unfunded pension liabilities and movements in those liabilities during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice (SORP) *Financial Reports of Pension Schemes* to the extent that these are appropriate, together with Section 12 (3) of the Police (Northern Ireland) Act 2000 as amended by Section 7 (4) of the Police (Northern Ireland) Act 2003 and the Accounts Direction from the Northern Ireland Office.

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

## 2 Statement of accounting policies

### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

### 2.2 Contributions receivable

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

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

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

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

### 2.3 Transfers in and out

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

### 2.4 Other income

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

### 2.5 Current service cost

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

#### 2.6 *Past service costs*

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

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

#### 2.7 *Enhancements*

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

#### 2.8 *Interest on scheme liabilities*

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

#### 2.9 *Other payments*

Other payments are accounted for on an accruals basis.

#### 2.10 *Scheme liabilities*

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

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

#### 2.11 *Pension benefits payable*

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

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

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

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

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

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

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

#### 2.14 *Injury benefits*

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

### 2.15 Lump sums payable on death in service

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

### 2.16 Actuarial gains/losses

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

### 2.17 Additional voluntary contributions

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

## 3 Contributions receivable

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Notes		
<b>Employers' Contributions</b>		
Closed Scheme	<b>48,929</b>	50,435
New Scheme	<b>4,508</b>	2,546
<b>Employees' Contributions</b>		
Closed Scheme	<b>26,604</b>	27,426
New Scheme	<b>2,099</b>	1,189
	<b>82,140</b>	81,596

## 4 Transfers in

Closed Scheme	11.1	<b>0</b>	200
New Scheme	11.2	<b>1,220</b>	1,490
		<b>1,220</b>	1,690

## 5 Current service costs

Closed Scheme	11.1	<b>126,470</b>	151,740
New Scheme	11.2	<b>9,720</b>	7,000
		<b>136,190</b>	158,740

## 6 Enhancements

Closed Scheme	11.1	<b>29,290</b>	8,980
New Scheme	11.2	<b>0</b>	0
		<b>29,290</b>	8,980

**7 Interest on scheme liabilities**

		<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Interest charge for the year			
Closed Scheme	11.1	<b>257,780</b>	235,750
New Scheme	11.2	<b>820</b>	310
		<u><b>258,600</b></u>	<u>236,060</u>

**8 Administration fees and expenses**

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

**9 Debtors**

		<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<i>9a Analysis by type</i>			
Pension contribution due from employer		<b>6,340</b>	4,034
Pension overpayments	235	285	
Provision for doubtful debts	<u>(70)</u>	<u>165</u>	210
Amounts due from PSNI main accounts		<b>649</b>	124
Other debtors		<b>6</b>	4
		<u><b>7,160</b></u>	<u>4,372</u>

*9b Intra-Government Balances*

		<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Amounts falling due within one year</b>			
Balances with other central government bodies		<b>6,989</b>	4,158
Balances with bodies external to government		<b>171</b>	214
<b>At 31 March</b>		<u><b>7,160</b></u>	<u>4,372</u>

**10 Creditors due within one year**

		<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<i>10a Analysis by type</i>			
Amount due to PSNI main accounts		<b>6,511</b>	4,248
Unpaid pensions		<b>68</b>	123
HM Revenue and Customs		<b>581</b>	1
		<u><b>7,160</b></u>	<u>4,372</u>

## 10b Intra-Government balances

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Amounts falling due within one year</b>		
Balances with other central government bodies	<b>7,092</b>	4,249
Balances with bodies external to government	<b>68</b>	123
<b>At 31 March</b>	<b>7,160</b>	4,372

**11 Provision for pension liabilities**

Both the PSNI Police Pension Schemes are unfunded defined benefit schemes. An actuarial valuation of each scheme was carried out as at 31 March 2009 by the Government Actuary's Department. The major assumptions used by the Actuary were

	<b>At 31 March 2009 per cent</b>	At 31 March 2008 per cent	At 31 March 2007 per cent
Rate of inflation	2.75	2.75	2.75
Rate of increase in salaries	4.3	4.3	4.3
Rate of increase in pensions	2.75	2.75	2.75
Rate for discounting scheme liabilities	6.04	5.3	4.6

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

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

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

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



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

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Scheme liability at 1 April</b>	<b>(4,869,560)</b>	(5,127,000)
Current service cost	<b>(126,470)</b>	(151,740)
Interest on pension scheme liability	<b>(257,780)</b>	(235,750)
	<b>(384,250)</b>	(387,490)
Enhancements	<b>(29,290)</b>	(8,980)
Transfers in	<b>0</b>	(200)
	<b>(29,290)</b>	(9,180)
Pension payments (see note 11.3)	<b>175,080</b>	156,030
Actuarial gain (see note 11.4)	<b>596,140</b>	498,080
<b>Scheme liability at 31 March</b>	<b>(4,511,880)</b>	(4,869,560)

During the year ended 31 March 2009, employee contributions represented an average of 11.0 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay.

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

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Scheme liability at 1 April</b>	<b>(10,150)</b>	(2,570)
Current service cost	<b>(9,720)</b>	(7,000)
Interest on pension scheme liability	<b>(820)</b>	(310)
	<b>(10,540)</b>	(7,310)
Transfers in	<b>(1,220)</b>	(1,490)
Pension payments (see note 11.3)	<b>140</b>	20
Actuarial gain (see note 11.4)	<b>3,310</b>	1,200
<b>Scheme liability at 31 March</b>	<b>(18,460)</b>	(10,150)

During the year ended 31 March 2009, employee contributions represented an average of 9.5 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay.

## 11.3 Analysis of pension payments

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Closed Scheme</b>		
Pension payments	<b>124,490</b>	112,331
Gratuities/Commutations	<b>50,350</b>	42,759
Payments to and on account of leavers	<b>240</b>	940
	<b>175,080</b>	156,030
<b>New Scheme</b>		
Pension payments	<b>10</b>	0
Gratuities/Commutations	<b>80</b>	0
Payments to and on account of leavers	<b>50</b>	20
	<b>140</b>	20

## 11.4 Analysis of actuarial gain/(loss)

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
<b>Closed Scheme</b>		
Experience gains and losses arising on pension liabilities	(54,470)	22,340
Changes in assumptions underlying the present value of the pension liabilities	<u>650,610</u>	<u>475,740</u>
	596,140	498,080
<b>New Scheme</b>		
Experience gains and losses arising on pension liabilities	(2,050)	(1,120)
Changes in assumptions underlying the present value of the pension liabilities	<u>5,360</u>	<u>2,320</u>
	3,310	1,200
Total actuarial gain	<u>599,450</u>	<u>499,280</u>

## 11.5 History of experience gain / (loss)

<b>Year ended 31 March</b>	<b>2009</b>	2008	2007	2006	2005
<b>Closed Scheme:</b>					
Experience gain / (loss) on scheme liabilities					
Amount (£m)	<b>(54.47)</b>	22.34	(15.24)	(6.35)	(5.63)
Percentage of liability at the year end	<b>(1.2%)</b>	0.5%	(0.3%)	(0.2%)	(0.2%)
Total actuarial gain / (loss)					
Amount (£m)	<b>596.14</b>	498.08	(947.81)	(15.79)	(813.79)
Percentage of liability at the year end	<b>13.3%</b>	10.2%	(18.5%)	(0.4%)	(23.4%)
<b>New Scheme:</b>					
Experience gain / (loss) on scheme liabilities					
Amount (£m)	<b>(2.05)</b>	(1.12)	(0.03)	0	0
Percentage of liability at the year end	<b>(11.1%)</b>	(11.0%)	(1.2%)	0	0
Total actuarial gain / (loss)					
Amount (£m)	<b>3.31</b>	1.20	(0.82)	0	0
Percentage of liability at the year end	<b>17.9%</b>	11.8%	(31.9%)	0	0

**12 Grant-In-Aid**

	<b>Year ended 31 March 2009 £000</b>	Year ended 31 March 2008 £000
Grant-in-Aid from the Northern Ireland Office	<b>91,860</b>	72,764

**13 Related party transactions**

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

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

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

**14 Financial instruments**

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

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

**15 Losses and special payments**

During the year there were no losses or Special Payments recorded (2007-2008 £544).

**16 Additional voluntary contributions**

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

**The aggregate amounts of AVC investments are as follows**

	<b>Year ended 31 March 2009</b>	Year ended 31 March 2008
Movements in the year	<b>£000</b>	£000
<b>Balance at 1 April</b>	<b>941</b>	1,102
New Investments	<b>34</b>	46
Sale of investments to provide pension benefits	<b>(85)</b>	(188)
Changes in market value of investments	<b>(97)</b>	(19)
<b>Balance at 31 March</b>	<b>793</b>	941
Contributions received to provide life cover	<b>0</b>	0
Benefits paid on death	<b>0</b>	0
	<b>0</b>	<b>0</b>

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

**17 Post balance sheet events**

From 6 April 2009, pensions were increased by 5.0 per cent.

New commutation factors were announced on 21 May 2008 and the factors were to be backdated to 1 October 2007. Following a Judicial Review brought by the Police Federation (England and Wales), adjudicated on 17 March 2009 (with no appeal being made by the Home Office in April 2009 within the required deadline) these factors are now to be backdated to 1 December 2006, will also apply in the Northern Ireland Police Pension scheme, and therefore a provision of £15m has been built into the Police Pension Accounts for 2008-2009.

The Annual Report and Accounts were authorised to be issued and laid in the Houses of Parliament on 10 July 2009.

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

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