

Presented pursuant to Paragraph 9 (2) of Schedule 4 of the Police (Northern Ireland) Act 2000.

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# Office of the Oversight Commissioner Account 2006-2007

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on behalf of Parliament.

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## Foreword

### History and statutory background

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

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

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

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

### Principal activities

The principal activities of the Office of the Oversight Commissioner were

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

### Review of activities

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

### Future developments

The Office of the Oversight Commissioner ceased operation on 31 May 2007. The objectives of the office were to

- continue public profile and access by conducting a series of press interviews, publishing three reports and posting on the Oversight Commissioner's website;
- meet institutional and public representatives; and
- conduct three evaluations with the evaluation team.

The original mandate of the Office of the Oversight Commissioner was due to finish on 31 May 2005. In accordance with section 67(6) of the Police (Northern Ireland) Act 2000 the Secretary of State extended the mandate of the Office until 31 May 2007. Objectives were met. All evaluations were successfully completed as planned and all reports were published according to timescale. An effective media programme was conducted as part of the publication of each report. Progress can be read in our reports of June, September and December 2006. The nineteenth and final report of the Oversight Commissioner was published on 31 May 2007.

### Financial position as at 31 March 2007

The financial position for the financial year 31 March 2007 is set out in the Operating Cost Statement and the Balance Sheet on pages 14 and 15. The office incurred a deficit of £569,611 in the financial year to 31 March 2007.

### Post balance sheet events

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

### Charitable donations

None

### Employment of disabled persons

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

### Equal opportunities

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

### Information provided to employees

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

### Prompt payment

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

During the periods 1 April 2006 to 31 March 2007, invoices were sent to the Northern Ireland Office for payment, of which 97 per cent were paid within 30 days of receipt.

### Auditor details

The Office of the Oversight Commissioner's accounts have been audited by the Comptroller and Auditor General. The estimated cost of auditing is £5,100 for the year ended 31 March 2007.

The Office of the Oversight Commissioner confirms that

- a so far as its Accounting Officer is aware, there is no relevant audit information of which the Commissioner's auditors are unaware; and
- b the Accounting Officer 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 Commissioner's auditors are aware of that information.

### Going concern

The Secretary of State extended the remit of the office on 25 February 2005 as per section 67 (6) of the Police (NI) Act 2000 Office of the Oversight Commissioner until 31 May 2007 when the Office closed and all assets and liabilities were transferred to the Northern Ireland Office.

### Executive management

The executive management structure at 31 March 2007 was as follows

Al Hutchinson	Oversight Commissioner
Mark Reber	Chief of Staff

Mark Reber resigned as full time Chief of Staff on 15 September 2006 and was contracted as required on a per diem basis until 31 December 2006. He was replaced as Accounting Officer in September by Dean Coates.

### Remuneration and pensions

Full details of the executive management remuneration and pension interests for the year ended 31 March 2007 are contained in the Remuneration report on pages 7 and 8. Pensions are provided to staff through the Principal Civil Service Pension Scheme. Further details in respect of pensions can be found in the Remuneration Report on pages 7 and 8 and in note 1(f) and note 2 of the account.

### Register of interests

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

### Risk and management register

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

### Staffing

Expenditure on staffing costs represents the largest area of expenditure for the Office. The Office was staffed by the Oversight Commissioner, the Chief of Staff (until 15 September 2006), three Civil Servants, and employed a team of six evaluators on a per diem basis.

## Funding and financial accountability

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

## Expenditure and accounts

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

## Management Commentary

During the year to 31 March 2007, our oversight evaluations were conducted efficiently and effectively and the three oversight reports were completed and issued within statutory requirements, in June, September and December 2006. The final comprehensive evaluation by the Office of the Oversight Commissioner commenced in March 2007.

On 31 May 2007, the Oversight Commissioner published his 19th and final report on the progress of the implementation of the 175 recommendations made by the Independent Commission on Policing Reform for Northern Ireland (the Patten Commission). This report highlighted the significant progress made by the responsible organisations demonstrated by the fact that 140 recommendations had so far been fully completed and a further 16 had been substantially completed. The report also drew attention to the areas and performance indicators that remain outstanding and also the specific issues that, in the opinion of the Commissioner, required ongoing monitoring and evaluation by the Northern Ireland Policing Board.

With regard to financial performance, the office operated under budget by delivering efficiencies and targeting savings within a number of key areas, for example, staffing reductions.



# Remuneration Report

## Remuneration policy

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

In reaching its recommendations, the Review Body has regard to the following considerations

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

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

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## Service contracts

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

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

## Salary and pension entitlements

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

Audited information	Salary	2006-2007 Benefits in kind (to nearest £100)	Salary	2005-2006 Benefits in kind (to nearest £100)
	£	£	£	£
Commissioner Al Hutchinson	58,562	773	50,980	1,600
Accounting Officer Dean Coates (appointed September 2006)	26,435	0	0	0
Chief of Staff Mark Reber (Until 15 September 2006)	38,220	10,690	45,000	15,500

### Salary

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

**Benefits-in-kind**

- ii The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The Chief of Staff received benefits-in-kind to the value of £10,690 (£8,875 accommodation and £1,815 vehicle hire).

**Pensions of Senior Management**

Audited information	Accrued pension at age 60 as at 31 March 2007 and related lump sum	Real increase in Pension at age 60	CETV at 31 March 2007	CETV at 31 March 2006	Real increase In CETV
	£	£	£	£	£
Dean Coates	7,748  plus lump sum of  23,244	226	117,360	112,189	5,171
Mark Reber	0	0	0	0	0
Al Hutchinson	0	0	0	0	0

*Cash equivalent transfer values*

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

*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 employer (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.

Dean Coates  
Accounting Officer

19 March 2008

## Statement of responsibilities of the Oversight Commissioner and the Accounting Officer

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

In accordance with the provisions of the Police (Northern Ireland) Act 2000 this statement of accounts is for the period 1 April 2006 to 31 March 2007.

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

In preparing the accounts the Office of the Oversight Commissioner was required to

- observe the accounts direction issued by the Northern Ireland Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Office of the Oversight Commissioner will continue in operation.

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

## Statement on Internal Control

### Scope of responsibility

The Accounting Officer during the time of the office, had responsibility for maintaining a sound system of internal control that supported the achievement of the Office of the Oversight Commissioner's policies, aims and objectives, as set out in Sections 67 and 68 of the Police (Northern Ireland) Act 2000, whilst safeguarding the public funds and the Office's assets for which he was personally responsible, in accordance with the responsibilities assigned to him in Government Accounting.

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

### The purpose of the system of internal control

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

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

The system of internal control was in place in the Office of the Oversight Commissioner for the year ended 31 March 2007 and up to the date of closure of the office, and accords with Treasury guidance.

### Capacity to handle risk

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

### The risk and control framework

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

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

## Review of effectiveness

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

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

## Significant internal control problems

It has been brought to my attention that a number of important issues have been identified in relation to travel and subsistence, hospitality and the former chief of staff's employment. While it is now too late for this body to benefit from the lessons learned from these issues the Northern Ireland Office has confirmed that the issues identified have been investigated and lessons learned have been disseminated across the Department and its sponsor bodies.

*Dean Coates*  
Accounting Officer

19 March 2008

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

I certify that I have audited the financial statements of the Office of the Oversight Commissioner for the year ended 31 March 2007 under the Police (Northern Ireland) Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement 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 Office of the Oversight Commissioner, Accounting Officer and Auditor

The Office of the Oversight Commissioner and the 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 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 Oversight Commissioner and the Accounting Officer.

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 and directions made thereunder by the Secretary of State for Northern Ireland. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Foreword and Management Commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

I review whether the Statement on Internal Control reflects the Office of the Oversight Commissioner's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Office of the Oversight Commissioner's corporate governance procedures or its risk and control procedures.

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

## Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure has 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

### **Audit opinion**

In my opinion

- the financial statements give a true and fair view, in accordance with the Police (Northern Ireland) Act 2000 and directions made thereunder by the Secretary of State for Northern Ireland, of the state of the Office of the Oversight Commissioner's affairs at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 and directions made thereunder by the Secretary of State for Northern Ireland; and
- information given within the Annual Report, which comprises the Foreword and Management Commentary, is consistent with the financial statements.

### **Audit opinion on regularity**

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

### **Report**

I have no observations to make on these financial statements.

*T J Burr*  
Comptroller and Auditor General

21 April 2008

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## Operating Cost Statement for the year ended 31 March 2007

	Notes	2007 £	2006 £
<b>Expenditure</b>			
Staff costs	2	<b>294,603</b>	276,883
Depreciation	5	<b>17,631</b>	20,197
Other operating costs	3	<b>257,377</b>	214,587
		<u><b>569,611</b></u>	<u>511,667</u>
(Deficit) for year before notional costs		<b>(569,611)</b>	(511,667)
Notional cost of capital	4	<b>967</b>	(374)
(Deficit) for year after notional costs		<b>(568,644)</b>	(512,041)
Adjustment for notional cost of capital		<b>(967)</b>	374
Amount transferred to General Reserve		<u><b>(569,611)</b></u>	<u>(511,667)</u>

*The notes on pages 17 to 23 form part of these accounts.*

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



## Balance Sheet as at 31 March 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible	5	<u>8,591</u>	<u>26,222</u>
<b>Current assets</b>			
Debtors	6	<u>9,814</u>	<u>32,587</u>
Cash at bank and in hand		<u>100</u>	<u>100</u>
		<u>9,914</u>	<u>32,687</u>
<b>Creditors amounts falling due within one year</b>	7	<u>77,664</u>	<u>54,782</u>
<b>Net current liabilities</b>		<u>(67,750)</u>	<u>(22,095)</u>
<b>Total assets less current liabilities</b>		<u>(59,159)</u>	<u>4,127</u>
<b>Reserves</b>			
General Reserve	9	<u>(59,159)</u>	<u>4,127</u>
		<u>(59,159)</u>	<u>4,127</u>

Dean Coates  
Accounting Officer

19 March 2008

*The notes on pages 17 to 23 form part of these accounts.*

## Cash Flow Statement for the year ended 31 March 2007

	Notes	2007 £	2006 £
<b>Net cash (outflow) from continuing operating activities</b>	10	<b>(506,325)</b>	(489,923)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		<u>0</u>	<u>(8,502)</u>
<b>Net cash (outflow ) before financing</b>		<b>(506,325)</b>	(498,425)
<b>Financing</b>			
Cash inflow from financing	9	<u>506,325</u>	<u>498,425</u>
<b>Increase/(decrease) in cash in the year</b>		<u><b>0</b></u>	<u>0</u>

*The notes on pages 17 to 23 form part of these accounts.*

# Notes to the accounts

## 1 Accounting policies

### a Basis of accounting

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

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

### b Income

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

### c Tangible fixed assets

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

### d Depreciation

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

The estimated useful lives for depreciation purposes are as follows

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

### e Capital charge

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

### f Pensions costs

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

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

*g VAT*

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

*h Insurance*

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

*i Leases*

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

*j Foreign exchange*

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

## 2 Staff costs

*Analysis of staff costs*

	<b>2007</b>	2006
	£	£
Salaries and wages	<b>94,037</b>	98,991
Social Security costs	<b>3,714</b>	3,694
Other pension costs	<b>10,100</b>	9,446
Oversight commissioner	<b>58,562</b>	50,980
Evaluators	<b>128,190</b>	113,772
<b>Total</b>	<b>294,603</b>	276,883

*Average number of persons employed*

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

	<b>2007</b>	2006
	£	£
Oversight Commissioner*	<b>1</b>	1
Employees	<b>4</b>	4
Evaluators*	<b>6</b>	6

\* These staff are remunerated on the basis of a per diem payment.

### *Oversight Commissioners Remuneration*

During the year, the Oversight Commissioners total remuneration was £59,335 (£58,562 salary, and £773 benefits in kind).

### *Pensions*

The PCSPS and PCSPS (NI) are unfunded multi-employer defined benefit schemes but the Office of the Oversight Commissioner (OOC) is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the PCSPS was carried out at 31 March 2003 and an interim valuation was carried out in 2005. The most up to date actuarial valuation of the PCSPS (NI) was carried out as at 31 March 2003 and details of this evaluation are available in the PCSPS (NI) resource accounts. Details of the PCSPS can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). Details of the PCSPS (NI) can be found in the resource accounts of the Department of Finance and Personnel; Superannuation and Other Allowances (PCSPS (NI)).

For 2006-2007, employer's contributions of £10,100 were payable to the PCSPS and PCSPS (NI) (2005-2006 £9,446) at rates in the range 17.1 to 21.5 per cent of pensionable pay for PCSPS and 16.5 to 23.5 per cent of pensionable pay for PCSPS (NI). For PCSPS and PCSPS (NI), rates for next year will be in the range 17.1 to 25.5 per cent and 16.5 to 23.5 per cent of pensionable pay respectively, based on the revalorised salary bands.

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

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions are paid to one or more of a panel of four appointed stakeholder pension providers. Employer's contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. In addition, employer's contributions of 0.8 per cent of pensionable pay are payable to the PCSPS and PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. No employees of the OOC have opted for a partnership pension account during 2006-2007.

### **3 Other operating costs**

	<b>2007</b>	2006
	<b>£</b>	£
Accommodation Costs	<b>13,768</b>	21,379
Lease of Premises	<b>31,424</b>	27,912
Training	<b>664</b>	0
Travel and subsistence	<b>101,852</b>	70,848
Telecommunications	<b>4,741</b>	6,623
Commissioner's Expenses	<b>44,108</b>	32,122
Consultants' Fees	<b>3,332</b>	3,398
Audit Fee	<b>5,100</b>	5,100
Other Expenditure	<b>31,409</b>	22,443
Report Design and printing	<b>17,967</b>	22,406
Hospitality	<b>3,012</b>	2,356
	<b><u>257,377</u></b>	<u>214,587</u>

**4 Notional Costs**

	<b>2007</b>	2006
	£	£
Cost of capital	<b>(967)</b>	374

The Operating Cost Statement bears a non-cash charge for interest relating to the use of capital by the Office of the Oversight Commissioner. The basis of the charge is 3.5 per cent of the average capital employed by the Office of the Oversight Commissioner during the year 1 April 2006 to 31 March 2007, defined as total assets less total liabilities.

A notional debit equal to the interest on capital employed is included in the Operating Cost Statement.

**5 Tangible fixed assets**

	Office Refurbishment	Computer and office equipment	<b>Total</b>
	£	£	£
<b>Cost</b>			
At 1 April 2006	116,929	66,872	<b>183,801</b>
Additions at cost	0	0	<b>0</b>
Disposals	0	0	<b>0</b>
At 31 March 2007	<u>116,929</u>	<u>66,872</u>	<b><u>183,801</u></b>
<b>Depreciation</b>			
At 1 April 2006	(109,567)	(48,012)	<b>(157,579)</b>
Charge for period	(7,362)	(10,269)	<b>(17,631)</b>
Disposals	0	0	<b>0</b>
At 31 March 2007	<u>(116,929)</u>	<u>(58,281)</u>	<b><u>(175,210)</u></b>
<b>Net book value</b>			
At 31 March 2007	<u>0</u>	<u>8,591</u>	<b><u>8,591</u></b>
<b>Net book value</b>			
At 31 March 2006	<u>7,362</u>	<u>18,860</u>	<b><u>26,222</u></b>

**6 Debtors**

	<b>2007</b>	2006
	£	£
Prepayments	<b>9,814</b>	32,587
	<b>9,814</b>	32,587

**7 Creditors**

	<b>2007</b>	2006
	£	£
Creditors and Accruals	<b>77,664</b>	54,782
	<b>77,664</b>	54,782

## 8 Commitments under Operating Leases

Annual commitments under non-cancellable operating leases are as follows

<i>Operating Leases expiring</i>	Land/ Building £	Other £	<b>2007 Total £</b>
Within one year	5,500	0	<b>5,500</b>
Between one and five years	0	0	<b>0</b>
After five years	0	0	<b>0</b>

## 9 Reconciliation of movements in Reserves

	<b>2007 £</b>	2006 £
General Reserve		
Balance at 1 April 2006	<b>4,127</b>	17,369
Transfer from operating cost statement	<b>(569,611)</b>	(511,667)
Financing from NIO Request for Resources 1	<b>506,325</b>	498,425
<b>Balance at 31 March 2007</b>	<b>(59,159)</b>	4,127

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

	<b>2007 £</b>	2006 £
Deficit for the year	<b>(569,611)</b>	(511,667)
<b>Adjustments for non cash transactions</b>		
Depreciation	<b>17,631</b>	20,197
<b>Adjustments for movements in working capital</b>		
(Increase)/decrease in Debtors	<b>22,773</b>	(18,236)
Increase/(decrease) in Creditors	<b>22,882</b>	19,783
<b>Balance at 31 March 2007</b>	<b>(506,325)</b>	(489,923)

## 11 Capital commitments

There are no outstanding capital commitments as at 31 March 2007.

## 12 Contingent liabilities

The former Chief of Staff was entitled to claim exemption in respect of national insurance payments under a tax treaty between the UK and Canada. As a result of this the Office did not make employer's national insurance payments over the period of his employment. A formal exemption certificate has, however, not been received from the Inland Revenue and as a result it is possible that the employer's national insurance payments may become payable. If this was to occur the potential liability is estimated to be in the region of £18,800.

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

### 13 Financial instruments

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

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

#### *Liquidity risk*

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

#### *Interest-rate risk*

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

#### *Currency risk*

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

#### *Fair values*

The book values and fair values of the Office of the Oversight Commissioner's financial assets and financial liabilities as at 31 March 2007 are as set out below

#### *Primary financial instruments*

	<b>Book value</b>	<b>Fair value</b>
	<b>£</b>	<b>£</b>
<b>Financial assets</b>		
Petty cash	100	100
<b>Financial liabilities</b>		
None	0	0



#### **14 Related party transactions**

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

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

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

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

#### **15 Events after the balance sheet date**

As discussed in the foreword, the Office of the Oversight Commission ceased to operate on 31 May 2007. There were no other events occurring after the balance sheet date that required disclosure. The financial statements were authorised for issue by the accounting officer on 21 April 2008.

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