Accounts prepared pursuant to paragraph 9(2) of Schedule 4 of the Police (Northern Ireland) Act 2000

Northern Ireland Commissioner for Oversight Account 2003-2004

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Foreword to the Accounts

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).

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 by the current Oversight Commissioner, 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 is 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 are

- to ensure that the recommendations of the Patten Report are implemented comprehensively and faithfully; and
- to assure the community that all aspects of the report are 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, September and December of each year.

Future developments

The Office of the Oversight Commissioner began its fifth year of operation in May 2004. The objectives at that time were to

- continue public profile and access by conducting three press conferences, publishing three reports and posting on the Oversight Commissioner's website;
- meeting institutional and public representatives; and
- conducting 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 are on course. Progress can be read in our reports of May, September and December 2003.

Events since the end of the financial year

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

Results for year

Deficit for the year was £735,175.

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 discreet 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 year, invoices were sent to the Northern Ireland Office for payment, of which 85.8 per cent were paid within 30 days of receipt.

Auditor details

The Office of the Oversight Commissioner's accounts have been audited by the Northern Ireland Audit Office on behalf of the Comptroller and Auditor General. The estimated cost of auditing is £5,000.

Going concern

The Office of the Oversight Commissioner was originally due to cease its work on 31 May 2005. However, as per section 67 (6) of the Police (NI) Act 2000 the Secretary of State extended the Office of the Oversight Commissioner until 31 May 2007.

Mark Reber
Chief of Staff

21 June 2005

Statement of the responsibilities of the Office of the Oversight Commissioner and the Chief of Staff

Under paragraph 9(1) of Schedule 4 to the Police (Northern Ireland) Act 2000 the Oversight Commissioner is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State, 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 2003 to 31 March 2004.

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

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

- observe the accounts direction issued by the Northern Ireland Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis 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 has designated the Chief of Staff as Accounting Officer of the Office of the Oversight Commissioner. The Chief of Staff's relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by HM Treasury and published in 'Government Accounting'.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Office of the 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 I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Office of the Oversight Commissioner is an Independent Statutory Body, discharging functions independently from Government. The Office of the Oversight Commissioner is funded through the Northern Ireland Office, however, does not receive a grant and is a financial accounting unit within the core department.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide 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 is 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 has been in place in the Office of the Oversight Commissioner for the year ended 31 March 2004 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

Capacity to handle risk

The Office of the Oversight Commissioner is 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 has 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 include

- 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;
- maintaining financial accounting systems and administrative procedures, including delegated levels of authority; and
- the continued development and maintenance of the risk register.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The system of internal control is based on a framework of regular management information, financial and administrative procedures including the segregation of duties, management supervision and a system of delegation and accountability. In particular the system includes an internal audit service that has been appointed by the Office of the Oversight Commissioner which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is 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 are approved by me.

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

Significant internal control problems

No significant internal control problems were identified.

Mark Reber
Chief of Staff
21 June 2005

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

I certify that I have audited the financial statements on pages 10 to 20 under the Police (Northern Ireland) Act 2000. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

Respective responsibilities of the Oversight Commissioner, Chief of Staff and Auditor

As described on page 5, the Oversight Commissioner is responsible for the preparation of the financial statements in accordance with the Police (Northern Ireland) Act 2000 and the Secretary of State for Northern Ireland's directions made thereunder and for ensuring the regularity of financial transactions. The Chief of Staff, who as the designated Accounting Officer signs the accounts, is responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Police (Northern Ireland) Act 2000 and the directions made thereunder and 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. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Office of the Oversight Commissioner has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 6 and 7 reflect the Office of the Oversight Commissioner's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Office of the Oversight Commissioner's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Oversight Commissioner and Chief of Staff in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Office of the Oversight Commissioner at 31 March 2004 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 and directions made thereunder by the Secretary of State for Northern Ireland; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
5 July 2005

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Income and Expenditure Account for the year ended 31 March 2004

	Notes	2003-2004	2002-2003
		£	£
Expenditure			
Staff costs	2	**385,085**	401,571
Other operating costs	3	**313,923**	342,837
Depreciation	5	**33,855**	35,015
Notional cost of capital	4	**2,312**	6,507
Total expenditure		**735,175**	785,930
Deficit for the year		**(735,175)**	(785,930)

There were no gains or losses other than the deficit reported above.

All amounts derived wholly from continuing operations and are administrative in nature.

The notes on pages 13 to 20 form part of these financial statements.

Balance Sheet as at 31 March 2004

	Notes	**2003-2004**	2002-2003
		£	£
Fixed assets			
Tangible fixed assets	5	**64,760**	97,264
		64,760	97,264
Current assets			
Cash in hand		**100**	100
Debtors	8	**21,160**	23,576
		21,260	23,676
Current liabilities			
Creditors: amounts falling due within one year	9	**48,035**	26,796
Net current liabilities		**(26,775)**	(3,120)
Total assets less current liabilities		**37,985**	94,144
Financed by			
Capital and reserves			
General reserve	11	**37,985**	94,144
		37,985	94,144

Mark Reber
Chief of Staff

21 June 2005

The notes on pages 13 to 20 form part of these financial statements.

Cash Flow Statement for year ended 31 March 2004

	Notes	**2003-2004**	2002-2003
		£	£
Operating activities			
Cash outflow from continuing operating activities	12	**675,353**	746,215
Capital expenditure			
Payments to acquire fixed assets	5	**1,351**	4,410
Cash outflow before financing		**676,704**	750,625
Financing			
Cash inflow from financing	11	**676,704**	750,625

The notes on pages 13 to 20 form part of these financial statements.

Notes to the Accounts

1 Accounting policies

Accounting convention

The accounts have been prepared in accordance with the historical cost convention.

The accounts comply with the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Treasury, in so far as those requirements are appropriate.

Income

As the Office of the Oversight Commissioner does not receive grant-in-aid, income is not shown on the face of the Income and Expenditure Account. 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).

Fixed assets

Fixed assets would ordinarily have been stated at current cost using the Office of National Statistics indices. However due to the immateriality of the sums involved these indices were not applied. The level for capitalisation of a tangible fixed asset or group of assets is £1,000.

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	5 years
Computer equipment	5 years
Furniture and equipment	15 years

The office refurbishment life is set to correlate with the lease for the premises at Forestview.

Capital charge

A notional charge, reflecting the cost of capital utilised by the Office of the Oversight Commissioner, is included in the Income and Expenditure Account. 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.

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 dependant 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, Director of Research and Evaluators is non-pensionable.

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.

Insurance

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

Leases

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

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 numbers and costs

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

	2003-2004	2002-2003
	No	No
Oversight Commissioner*	**1**	1
Employees	**5**	6
Evaluators*	**5**	5

* Average numbers of whole time equivalent persons is not appropriate in these instances as these staff are remunerated on the basis of a per diem payment for each complete day spent on Commission business.

The aggregate payroll costs of staff were as follows

Staff	**2003-2004**	2002-2003
	£	**£**
Salaries and wages	**148,987**	156,347
Social security costs	**9,220**	9,526
Pension costs	**9,248**	8,917
Oversight Commissioner	**75,409**	76,547
Evaluators	**142,221**	150,234
Total	**385,085**	401,571

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. The most up to date actuarial valuation of the PCSPS(NI) was carried out as at 31 March 2003 and an estimate of the scheme liability is available at 31 March 2004. Details of the PCSPS can be found in the resource accounts of the Cabinet Office; Civil Superannuation (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 2003-2004, employer's contributions of £9,248 were payable to the PCSPS and PCSPS(NI) (2002-2003 £8,917) at rates in the range 12 to 18.5 per cent of pensionable pay for PCSPS and 12 to 18 per cent of pensionable pay for PCSPS(NI). For PCSPS, rates will remain the same next year, subject to revalorisation of the salary bands. For PCSPS(NI), rates for next year will be in the range 12 to 18 per cent of pensionable pay, 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 2003-2004.

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

Table of disclosure

	Date in posts	**Salary (incl performance pay) at 60**	**Real increase in pension at 60**	**Total accrued pension**	**Benefits in kind**	**employer contribution etc**
Commissioner Constantine	1 April 2003 - 31 December 2003	66,709	n/a	n/a	0	n/a
Commissioner Hutchinson	1 January 2004 - 31 March 2004	8,700	n/a	n/a	0	n/a
Chief of Staff Hutchinson	1 April 2003 - 31 December 2003	42,174	n/a	n/a	14,886	n/a
Chief of Staff Reber	1 January 2004 31 March 2004	11,250	n/a	n/a	4,362	n/a

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.

Pension

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

a Classic scheme

Benefits 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. Members pay contributions of 1.5 percent of pensionable earnings. On death, pensions are payable to the surviving spouse at the rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

b Premium scheme

Benefits accrue at the rate of 1/60th of the final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the members pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

c Classic plus scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

All staff in service at 1 October 2002 will be given the option to join the premium or classic plus arrangements.

Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

d Partnership pension account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between three per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product. The employee does not have contribute but where they do make contributions, these will be matched by the employer up to a limit of three per cent (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 risk benefit cover (death in service and ill health retirement). The member may retire at any time between the age of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25 per cent of the fund as a lump sum.

e Benefits-in-Kind

The Chief of Staff received benefits-in-kind to the value of £19,248 (£13,800 accommodation and £5,448 vehicle hire) (2003 - £20,985).

3 Other operating costs

Other operating costs comprise

	2003-2004	2002-2003
	£	£
Accommodation costs	**28,716**	27,213
Lease of premises	**27,867**	26,721
Travel, subsistence	**123,416**	139,897
Telecommunications	**7,682**	6,460
Commissioner's expenses	**30,640**	39,575
Consultants' fees	**15,174**	11,221
Audit fee	**5,000**	8,639
Other expenditure	**73,455**	80,570
Hospitality	**1,973**	2,541
	313,923	342,837

4 Notional costs

Cost of capital	**2,312**	6,507

Notional cost of capital

The Income and Expenditure Account 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 2003 to 31 March 2004, defined as total assets less total liabilities.

5 Fixed assets

Tangible fixed assets	**Office refurbish-ment**	**Computer and office equipment**	**Total**
	£	**£**	**£**
Cost			
At 1 April 2003	116,929	60,374	177,303
Additions	0	1,351	1,351
Disposals	0	0	0
At 31 March 2004	116,929	61,725	178,654
Accumulated depreciation			
At 1 April 2003	(62,293)	(17,746)	(80,039)
Disposals	0	0	0
Charged in year	(21,873)	(11,982)	(33,855)
At 31 March 2004	(84,166)	(29,728)	(113,894)
Net book value			
At 31 March 2004	**32,763**	**31,997**	**64,760**
At 31 March 2003	54,636	42,628	97,264

6 Capital commitments

There were no outstanding capital commitments as at 31 March 2004.

7 Contingent liabilities

Inland Revenue has yet to make a final determination regarding an organisational liability for Employers National Insurance Contributions. As at 31 March 2004, the estimated potential liability for ERNIC was £6,618.28.

8 Debtors

	2003-2004	2002-2003
	£	£
Prepayments	**21,160**	23,576

9 Creditors and accruals

	2003-2004	2002-2003
	£	£
Amounts falling due within one year		
Creditors and accruals	**48,035**	26,796

10 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

Operating leases expiring

	Land/building	**Other**
	£	**£**
Within one year	NIL	NIL
Between one and five years	20,400	672
After five years	NIL	NIL

11 Reconciliation of movements in reserves

	2003-2004	2002-2003
	£	£
General reserve		
At 1 April 2003	**94,144**	122,942
Transfer from income and expenditure account	**(735,175)**	(785,930)
Notional costs	**2,312**	6,507
Financing from NIO request for resources 1	**676,704**	750,625
At 31 March 2004	**37,985**	94,144

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

	2003-2004	2002-2003
	£	£
(Deficit) for the year	**(735,175)**	(785,930)
Adjustments for non-cash transactions		
Depreciation	**33,855**	35,015
Notional costs	**2,312**	6,507
Adjustments for movements in working capital		
(Increase)/decrease in debtors	**2,416**	806
(Decrease)/increase in creditors	**21,239**	(2,613)
Net cash outflow from operating activities	**(675,353)**	(746,215)

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 2004 are as set out below

Primary financial instruments

	Book value	Fair value
	£	£
Financial assets		
Petty cash	100	100
Financial liabilities		
None	N/A	N/A

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 Commissioner during this year.

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