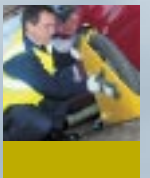
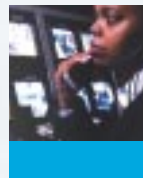




Security Industry Authority

annual report and accounts



2003/2004





DOOR SUPERVISOR



Security Industry Authority
LICENCE



VISOR



Security Industry Authority
LICENCE



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EXPIRES END 04/07

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Security Industry Authority

ANNUAL REPORT & ACCOUNTS 2003-4

Presented to Parliament by the Secretary of State, and by the Comptroller and Auditor General, in pursuance of Schedule 1, Section 16 (1) and (4) and Section 17, Section (1) and (2) of the Private Security Industry Act 2001.

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Contents

The Chairman's View	2
Background to the Security Industry Authority	3
Chief Executive's Review and Report	6
Strategic Direction	8
SIA Mission, Vision, Overall Aims and Values	10
The Critical Success Factors in Delivering on the Aims	12
From Development to 2004/05 and Delivery and Development	14
Ministerial Targets	15
Achievements to Date	16
Measurement of Performance	20
Challenges for 2004/05 and Beyond	21
Statement of Accounts	31

The Chairman's View

The first year of existence of the SIA as an independent body has been one marked by significant achievements and action. Our launch in 2003 demonstrated not only our commitment to the private security industry in terms of our role as a catalyst for change and our dedicated professional approach, but also set out a very demanding timetable and priorities for a fledgling organisation. These priorities reflected the need not just to begin to put in place the infrastructure and people we needed to carry out our basic function, but to begin, as quickly as possible, to achieve real and lasting change in the structure and outlook of the private security industry in England and Wales.

One of our key objectives of course, and one of the reasons we came into being was to contribute as effectively as possible to a fundamental Government objective – reducing crime and the fear of crime. It is no secret that certain sections of the private security industry have – rightly or wrongly – been viewed as a potential soft-touch option for petty criminals. Low wages and a lack of knowledge and skills amongst too many workers have contributed to bad practices and poor image. Parts of the industry have made considerable progress in terms of self-imposed standards for recruitment, skills, and probity, and this progress is to be welcomed. But there is still a long way to go before the private security industry is viewed with trust by the general public, as a partner by other enforcement authorities, and as making a real contribution in the fight against crime.

Key to this is nothing less than transformation of the industry – eradicating criminality, increasing professionalism and skills, improving career paths and employment prospects, providing reassurance for security users and for the wider public. In this approach we are joined by those in the industry who share our vision and aims, and who have worked with us consistently and in partnership during the

Peter Hermitage QPM, Chairman



development of our policies and strategies. No-one can pretend that our agenda is less than challenging, and debate has often been robust! To these valued partners we would like to express sincere thanks for their significant and continuing contribution.

The first year of the SIA has been marked by the achievement of substantial milestones in our development, and 2004-5 will see this continue. None of this could have been achieved without the dedication, skill and professional approach of everyone in the SIA, and we have every confidence that the challenges that lie ahead in the next year of operation will be met head-on with equal success.

A handwritten signature in black ink that reads "Peter Hermitage". The signature is written in a cursive style and is underlined with a single horizontal line.

Peter Hermitage QPM
Chairman

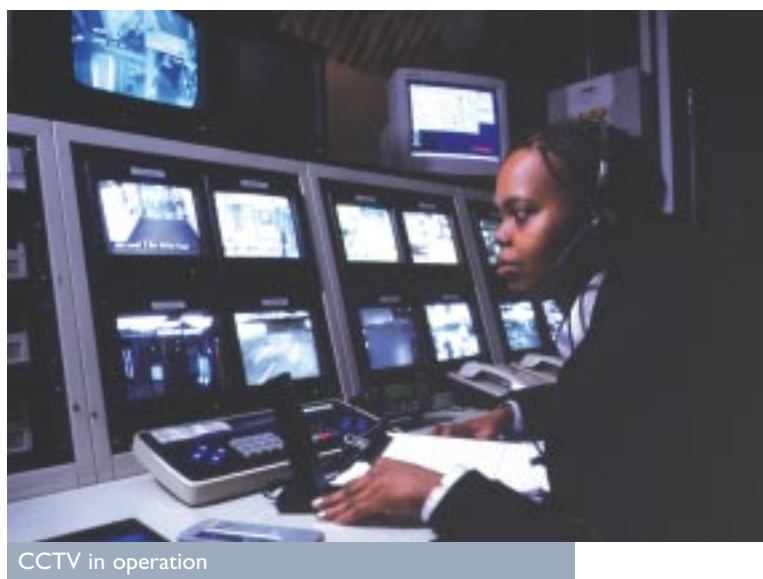
Background to the Security Industry Authority

The Private Security Industry Act 2001 created the Security Industry Authority (SIA) – as an establishment programme from late 2001 and as a legal entity – a Non Departmental Public Body (NDPB) from April 2003. The Private Security Industry (PSI) Act 2001 defines the functions of the SIA as follows:

- To licence individuals in specific sectors and to approve companies.
- To keep under general review the PSI and the operation of the legislative framework.
- To monitor the activities and effectiveness of those working in the private security industry.
- To conduct inspections.
- To set and approve standards of conduct, training and supervision within the industry.
- To make recommendations to improve standards.

Foreword to the Government's Programmes for Regulation of the Private Security Industry in England and Wales by The Home Secretary, Jack Straw, March 1999

The private security industry is a thriving, diverse industry covering a range of services from manned guarding to alarm systems and from cash-in-transit to wheelclamping. The industry has grown rapidly over recent years as people have taken greater steps to protect themselves and their property. The work which the private security industry does has also changed from a largely passive role into one where the industry has far greater and more active contact with the public. While continuing to develop into areas of physical security and electronic systems to protect staff – the industry has expanded rapidly into people-related work including surveillance of retail premises, manned guarding and protection for the elderly.



We are all used to seeing private security personnel in our everyday lives in shopping centres, parks, leisure facilities and housing estates. Increasingly they complement the work of the police in many situations. Some of these activities are strictly commercial, private sector activities, but some are based in the public sector as local authorities have developed an overarching awareness of the need to protect public property and the public themselves, with a particular concern for vulnerable groups such as the elderly or children. The Government's commitment to a partnership approach to crime and disorder as set out in the Crime and Disorder Act means that there will be the opportunity for the private security industry to play a wider role in securing community safety.

Jack Straw, Home Secretary
1997 - 2001



It has also been suggested recently that the private security industry might be able to assist the police by performing a form of complementary patrol service. The Government is considering the issue and welcomes constructive debate in this area.

Despite the importance of the activities which the private security industry carries out there is no regulation to control those who work in the industry and no standards to which companies have to adhere. We have discovered examples of firms owned by and run by people with serious criminal records. Research has shown that, in some areas, door supervisors and criminal gangs which control them are responsible for drug dealing in clubs. Reputable companies enforce effective standards and self-regulation but less scrupulous companies are able to undermine their best efforts. Voluntary regulation cannot touch this situation and it leaves the police powerless to protect the public. If the private security industry is to take a greater role in our society then the public have a right to be protected from the rogues who exploit the current unenforceable system and to expect certain standards from the companies they choose to provide the services with which they come into contact.

Across the board, this Government's new approach is to provide better regulation which benefits the citizen and provides simpler regimes for business, particularly small business. Regulation of the private security industry must be comprehensive and effective, but it must also be streamlined.

Chief Executive's Review and Report

Since Spring 2002 we have, together with our stakeholders, focussed our efforts on converting the PSI Act 2001 from its welcome appearance on the statute books to working reality.

The Act calls for a range of particular actions to achieve its overall aims. But perhaps the Act's most important contribution is that it provides sound foundations for introducing fundamental change, creating a private security industry that is healthier, more successful, dynamic and fit to pursue new market opportunities. Above all, an industry that is respected and proud of its reputation.

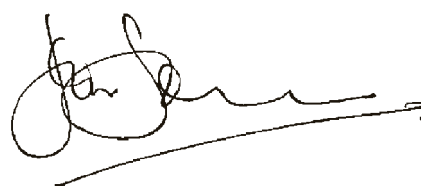
The SIA will play a key role in this era of change, particularly as a catalyst. We recognise our responsibility for converting aspirations to results. We wish to be judged on our achievements.

We hope that our approach of collaboration, openness and fairness in achieving these goals can be recognised already. But we want this approach to become our hallmark as we continue to develop our organisational personality and style.

We are acutely conscious that the Government, the industry and many stakeholders are making a significant investment in the SIA. We have a responsibility to provide an exceptional return on that investment. Such a return is firstly measurable by our effectiveness, efficiency, productivity and adherence to the highest standards of business practice. Secondly our impact, over time, will be evidenced by improved industry competitiveness and business performance, improved employment practices and investment in skills and development, new markets and, critically, the confidence and respect of the public, the business community, Government and the Police.

Equally the SIA is well aware of the wisdom, energy and commitment needed if we are to earn the respect of the industry. The SIA's aspirations, ambitions and work programme are challenging.

There is, in short, a lot of 'tough stuff' to do.



John Saunders OBE
Chief Executive

John Saunders OBE,
Chief Executive



“ Equally the SIA is well aware of the wisdom, energy and commitment needed if we are to earn the respect of the industry. The SIA’s aspirations, ambitions and work programme are challenging.”

Strategic Direction

Early in 2002 a strategic assessment of the industry revealed a substantial (c.£3 billion in revenue) industry with very significant differentiation between the various diverse sectors.

Within the door supervisors sector some outstanding examples of good practice exist but overall it is a fragmented and unstable industry with low public and police confidence.

“The public and business have a mainly negative view of private security. Officers are ridiculously underpaid, inadequately trained and screening is a joke. But what can you expect when the Security Industry is often forced to provide cheap solutions and cannot pay enough to recruit and maintain quality people. We all face increased threats, crime, violence, theft and even terrorism – our duty of care to our employees, customers, shareholders and communities have never been more vivid – we should be embarrassed and ashamed.”

These are the words of a UK buyer who spends c. £3million p.a.

And from; Bouncers: Violence and Governance in the Night-Time Economy (Hobbs, Hadfield, Lister, Winlow);

“Manchester city centre now attracts crowds of up to 100,000 people on Friday and Saturday nights. A liberal estimate is that approximately 30 - 40 [police] officers are engaged on public order duty at these times, whilst the crowds are simultaneously controlled by an estimated 1,000 bouncers working per night. Similar comparisons can be drawn in towns and cities throughout the UK.”

These two quotations quite clearly set in context the market that the SIA is working to transform.

Within the security guarding sector there are some excellent organisations and performance but a general backcloth of:

- Poor competitiveness and business performance.
- Difficulties in responding to market needs.
- Significant staff turnover and poor employment practices.
- Generally poor supplier/buyer relationships – primarily price driven and not quality driven.
- Limited ability to respond to new market opportunities.
- A poor reputation and limited confidence.

PA Photos

Crowd control at the Olympic ceremony, London



This early strategic assessment has since been verified by the industry leadership, wide spread consultation and by research underpinning a Business Impact Analysis and Sector Skills Strategy (summer 2003).

A number of further opportunities and threats were also revealed:

- The Police Reform Act creates significant opportunities for collaboration and contracting between the Police and the private security industry.
- The introduction of the Working Time Directive is likely to create a demand for a substantial workforce increase (forecasts of up to 25%).
- The capacity and appetite across the industry to harness and share knowledge and good practice is limited. Planning information is generally unreliable and unsophisticated.

To simply introduce regulation in the form of licensing and an approved contractor scheme without seeking to address the weakness and opportunities evident would not achieve the aims of the PSI Act and is not what the majority in the industry wish to see. Consequently it is extremely important that the introduction of regulation be designed as a catalyst to assist the industry in correcting the deficiencies and weaknesses and position for a new future.

The strategic direction of the SIA is therefore built around a fundamental overhaul and transformation of the industry.

Our intention is to help create an industry that is materially different:

- Business performance overhauled – new markets, growth and enhanced margins.
- An innovative and dynamic industry with best practice in abundance – convincing buyers of added value and quality.
- A modernised industry where technology and knowledge are exploited to optimise competitiveness.
- A stable, well trained and valued workplace with secure futures and career prospects.
- Increased investment and exceptional returns on that investment.
- A trusted, respected and proud industry with positive public and stakeholder feedback.
- A new relationship between security supplier and security demander.
- An industry that contributes to addressing crime and disorder.

SIA Mission, Vision, Overall Aims and Values

The strategic assessment of the industry and consequent strategic direction for the SIA has created a clear mission, vision and aims:

Mission

To help protect society by collaboratively developing and achieving high standards in the private security industry.

Vision

To create a Security Industry Authority that is internationally recognised as a major contributor to the quality and effectiveness of the private security industry thus helping to reduce crime, disorder and the fear of crime.

Overall Aims

The SIA shall at all times act within the overall aims of:

- Increasing public trust and confidence in the private security industry by setting and maintaining standards of probity and improving the professionalism and opportunities of all who work in the industry.
- Encouraging businesses in the industry to improve their standards by creating a framework for developing, promoting and spreading best practice.
- Creating a security industry centre of knowledge and expertise which enables and encourages effective industry development and investment.
- Strengthening the extended police family by encouraging and supporting further engagement of the private security industry.

In pursuing these aims the Authority will work in partnership with the industry and its customers, the police service and the public.

Values

We will conduct our work within SIA values by being:

SMART - We will be clever and effective by being resourceful, keeping focussed and organised.

COLLABORATIVE - We will be approachable, will listen and consult and will always seek out knowledge and harness expertise.

INDEPENDENT - We will not be inappropriately influenced but will maintain our integrity by being open, trustworthy and not driven by status.

BRAVE - We will be honest and earn respect by having a 'can do' and decisive approach to our vision.

INNOVATIVE - We will be forward thinking and modern by being creative and using our initiative to make a difference.

ENERGISED - We will be positive, constructive and stimulating in our approach.



Emma Loveday and Oliver Gardiner were the first door supervisors to be awarded the SIA licence.

The Critical Success Factors (CSFs) in Delivering on the Aims

Aim:

Increasing public trust and confidence in the private security industry (PSI) by setting and maintaining standards of probity and improving the professionalism and opportunities of all who work in the industry.

CSFs:

- Reduced criminality associated with the industry.
- Reduced staff turnover in the industry (retention of experienced staff).
- Increasing the attractions of the industry as a well rewarded career with:
 - Consistently trained and qualified security personnel throughout England and Wales;
 - Public, Police and stakeholder recognition of improvement and thus increased confidence.

Aim:

Encouraging businesses in the industry to improve their standards by creating a framework for developing, promoting and spreading best practice.

CSFs:

- Approved contractor schemes that are covered by contractors and widely recognised as “hallmarks” of quality by customers.
- A PSI that the public recognises continually driving up its own professionalism and performance.
- The adoption and adherence to Industry Good Practice standards.

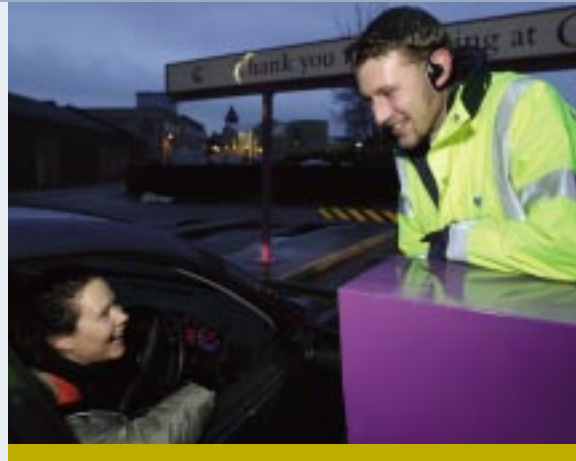
Aim:

Creating a security industry centre of knowledge and expertise, which enables and encourages effective industry development and investment.

CSFs:

- A flourishing and dynamic PSI consolidating existing and expanding new markets.
- An industry where financial investment is more easily obtainable to drive growth and opportunities.
- An industry in which well-qualified people wish to participate at all levels.

Increasing public trust and confidence in the private security industry by setting and maintaining standards of probity and improving the professionalism and opportunities of all who work in the industry.



- Improving performance by businesses in the industry.
- A nationally and internationally recognised centre of knowledge and expertise.

Aim:

Strengthening the extended police family by encouraging and supporting further engagement of the private security industry.

CSFs:

- The police service recognises the PSI as an indispensable partner in helping to tackle crime and disorder; and reduce the fear of crime.
- The PSI fully exploits the opportunities for accredited community safety scheme under the Police Reform Act 2002.
- A PSI recognised by communities is a major contributor to the extended police family.

■ Benefits and Support

A root and branch overhaul of the private security industry – addressing standards, markets, performance and competitiveness. The benefits and consequent support of all key stakeholder groups is clear:

- Government are totally supportive – a major contributor to the reduction of crime and the fear of crime.
- The private security industry – the vast majority have long advocated thorough changes. The introduction of the Private Security Industry Act 2001 and the establishment of the SIA are seen as the catalyst for this change.
- The Trade Unions – it is essential that employment practices and conditions be radically improved.
- The Police – a major police partner as part of the Police Reform Act and the creation of a wider policing family.

The SIA has been established as a modern regulator. The importance of balancing our public remit with the commercial considerations facing the private security industry is critical. All SIA policy and strategic decision will be underpinned by this approach.

From Development to 2004/05 and Delivery and Development

Since the establishment of the Home Office programme team in late 2001, through the building of the SIA team and organisation, the work programme has involved strategy development, capability building and the design and development of business processes and systems. 2004/05 sees an organisational shift and re-focus from being a solely development organisation to one focussed on delivery – but still managing a considerable portfolio of development projects.

This transition of management roles and competencies is well understood and planned for.

The SIA programme of work, leading from the original strategic assessment of the development project right through to the commencement of operations and subsequent realisation of the benefits, as with all significant initiatives in central government, is subject to regular and strict reviews.

Such reviews are conducted by independent experts under the direction of the Office of Government Commerce (OGC) to provide assurance that the project can progress to the next stage.

The OGC process helps project management to achieve the business aims by ensuring that:

- The best available skills are deployed on the project.
- The stakeholders are engaged and understand the issues.
- The project time and cost targets remain realistic and achievable.



Ministerial Targets for 2003/04

- The controls and risk management are effective.
- The success criteria clearly links objectives to outcomes.

The SIA has successfully achieved five Gateway Reviews together with a Healthcheck undertaken by the Home Office:

April 2002	Approval of the Strategic Business Plan
July 2002	Approval of the Business Justification
Jan 2003	Approval of the Procurement Strategy
May 2003	Approval of the Investment Decision
Dec 2003	Home Office Approval of SIA strategy
Feb 2004	Confirmation of Readiness for Service

In approximately December 2004 the SIA will be required to give evidence that the investment in the SIA is delivering the benefits envisaged.

- By the end of May 2003 appoint a Managed Service Provider to support the SIA in delivery of an efficient and effective licensing operation.
- Following wide consultation with the private security industry, the public service and other stakeholders, and with the approval of the Home Secretary, by end October 2003 publish clear and concise licensing criteria for door supervisors and wheel clampers which support the delivery of the SIA's aims to remove criminality from the industry and raise professional standards.
- Ensure that all necessary internal systems and processes are in place and fully tested and external training provision is available to enable the pilot licensing of door supervisors to commence by the end of March 2004.

Achievements to Date

May 2001

- The PSI Act 2001 receives Royal Assent. A core project team is established in the Home Office to address implementation.

April 2002

- The Chair and Chief Executive of the “shadow” SIA are appointed.
- The SIA underwent a successful OGC Gateway 1 which approved the business case.

“There is a very high level of risk involved and the Strategic Business Case provides many uncertain financial projections. The Gateway Report contains a number of fundamental and challenging recommendations for improvement.”

Extract from Gateway 1 Report

May 2002

- The initial messages of the SIA Strategic Analysis and consequent Strategic Direction announced at the National JSIC Conference.
- The decision was made to contract out the licensing to a Managed Service Provider.

July 2002

- First version of the Business Process design and Statement of Service Requirements completed.
- Procurement strategy for the Managed Service Provider agreed.
- Recruitment of approximately 30 permanent head office staff under way.
- The SIA underwent a successful OGC Gateway 2 which approved the business justification for the procurement strategy.

“Excellent progress has been made since the last Gateway Review. The project is well managed and resourced with highly motivated and capable staff.”

Extract from Gateway 2 Report

November 2002

- Refined version of Business Process Design delivered allowing for indicative pricing from selected Managed Service Supplier candidates.

December 2002

- SIA established in its Central London headquarters IT/IS infrastructure in place.
- The start of permanent head office staff joining.

January 2003

- The SIA underwent a successful OGC Gateway 2A which approved the procurement strategy.

“We found the programme to be in good state. The processes have been properly evaluated for suitability and are being developed in a disciplined manner. The timetable is realistic; effective use is made of external skills and appropriate attention is being paid in terms of expertise and numbers. Two things struck us as very positive indicators of the underlying health of the project. Firstly there is a very clear top down view of what is important. Secondly these views were consistently held and expressed by all members of the team.”

Extract from Gateway 2A Report

February 2003

- Successful launch of the SIA website.

April 2003

- The SIA is legally established as a Non Departmental Public Body and a Board is appointed to oversee the organisation.
- On 2 April the SIA launch conference attracts over 800 delegates from both industry and beyond.

“The 2 April will stand as a real red letter day for the industry. It was, at one and the same time, impressive, visionary, galvanising and informing.”

David Dickinson, British Security Industry Association

“I cannot recall another security industry event that so galvanised its audience and the many attendees I spoke with agreed that we have an Authority whose senior executives are perceptive, receptive, interactive, articulate and robust.”

Christopher Beese MBE, Armor Group

“I thought your message was clear and robust, exactly what was needed.”

Chris Smith, HSBC plc

- The formal operating contract between the SIA and the Home Office, the Management and Financial Statement, is signed by both parties.
- As part of good corporate practice the SIA programme plan update, risk register and financial reports are imbedded into the monthly board meetings as standing items.
- Development is completed on an intelligence led enforcement and compliance strategy using the well established National Intelligence Model.
- The SIA appoints its internal auditors and the Audit Committee is established.

May 2003

- The SIA underwent a successful OGC Gateway 3 review of its managed service provider procurement process.

“The review team finds that the project is in very good shape and the project team shall be congratulated on its achievements to date. Both the work and the audit trails are one of the best seen across many Gateway Reviews. The sense of vision and leadership is

outstanding. The depth of attention given to stakeholders for both outbound and inbound communications is excellent. The approach to formal linkages of issues through to decisions through to policies gives a clear picture of the status and interdependences of these.”

Extract from Gateway 3 Report

- Work was completed on the core competency, training, and qualifications for door supervisors.
- The SIA set up a series of national consultation forums with local authorities and the police to inform on the SIA approach and allow good practice to be disseminated.
- Working with the Qualification Curriculum Authority the SIA successfully endorsed a number of awarding bodies to provide door supervisor qualifications.

June 2003

- After an eight month process the SIA Managed Service Provider contract was awarded to BT Syntegra.
- Work on the criminality criteria for door supervisors and vehicle immobilisers were successfully completed.
- The SIA 2003/04 Corporate Plan was formally published which outlined the SIA’s critical success factors and agreed milestones and Ministerial targets.

July 2003

- In line with good governance the SIA set up a HR Committee and a Diversity Committee.
- The SIA increased the pace in the process of stakeholder consultation and general awareness of the organisation and the need for licensing.

September 2003

- Processes and procedures for dealing with reviews and appeals were completed.
- The SIA successfully recruited the first wave of regionally based compliance and investigation team members.
- A working relationship with the Criminal Records Bureau was established to enable them to carry our criminality checks of SIA licence applicants.
- The SIA approved contractors scheme strategy work was completed and received Board endorsement.
- Work was completed on the core competency and training and qualifications for vehicle immobilisers.

October 2003

- BT Syntegra call centre opens to take enquiries from individuals and companies interested in the SIA and its activities.

December 2003

- The SIA successfully underwent a OGC Health Check, focusing on corporate structure, prior to its Gateway 4 review.

“It is concluded that a high quality, well motivated organised structure has been established with appropriate skills. The schedule to launch in March is tight. The project to implement the MSP arrangements appears well organised and managed with appropriate contracts and skills, however, there is no slack in the timetable. The delivery programme is under severe pressure but adequate contingencies are in place. The probability of success is very high. The

leadership and style has created an environment for a common vision for the industry based on setting high standards and improving performance. The inclusive approach to stakeholders has resulted in effective partnership and shared success. A high quality MSP management programme has been established and is in operation and is focused on the right priorities.”

Extract from OGC Health Check

- Arrangements were established to enable applicants relying on international record checks to comply with the SIA licensing requirements and processes.

January 2004

- An anti-corruption strategy for the SIA was completed.

February 2004

- The SIA underwent an OGC Gateway 4 review with very positive feedback.

“The Review Team considers this project to be one of the best seen in its extensive experience of IT-enabled change initiatives. The achievements are considerable and the project is well placed for progressing through piloting to implementation. The scope of objectives of the project are clearly defined and under effective management control. Forethought and preparation for the pilot approval has been extremely thorough. A strong, clear and comprehensive approach has been taken with respect to the governance of the project. The development of the Pilot Service Roadmap, the Pilot scoping study and Stakeholder Management have all demonstrated careful and considered planning; internal and external stakeholders are strongly supportive of the Strategic

Direction and the vision of the SIA. The Contingency Plan is a valuable addition to the process of the management of risk. Other government departments might learn from the SIA.”

Extract from Gateway 4 Report

- Work was completed on the core competency and training and qualifications for security guarding.

March 2004

- The pilot roll-out of door supervisor licensing across Hampshire and Isle of Wight commenced.
- Work on the performance management and remuneration strategy was completed.

■ SIA impact on Insurance

In 2003 the SIA entered into dialogue with insurance underwriters via the Association of British Insurers (ABI) and Lloyds of London. The ABI represents 80% of the insurance underwriting the security industry, Lloyds the remainder:

The SIA's aim is to persuade underwriters of the risk reduction (and resulting claims reduction) brought about by SIA licensing of the security industry and as a result the benefit to underwriters of making SIA licensing a condition of issuing an insurance policy to a security company.

In addition the Approved Contractors Scheme will be seeking to provide an insurance incentive for companies successful in joining the scheme.

Measurement of Performance

The work programme of the SIA, from its birth as a project in April 2002 through to commencement of operations in March 2004, has focused on the development of strategies and the design and development of our services and our organisation. By definition the measurement of success is largely by adherence to a sensible timetable and the achievement of milestones along the route.

We have achieved all these milestones culminating in the commencement of pilot licensing on 1 March 2004 in Hampshire and the Isle of Wight. The three month pilot led us to full national roll out from June 2004.

As we move forward into 2004/05 and beyond our key performance indicators adapt to reflect an organisation that is now delivering services but equally has a significant portfolio of development projects.

Operational/delivery targets will focus on the effectiveness and efficiency of our licensing process, our effectiveness in ensuring compliance with the regulated regime and how well we are communicating with and responding to our market. Specific measurements and performance criteria are published in our 2004/05 Business Plan.

Our continued development work will be managed within a strict programme/project management framework using best practice such as PRINCE2 (project/programme implementation methodology); Microsoft Project, Risk Management and dependencies and contingencies.

We equally recognise that we must measure and evidence the impact of regulation on the private security industry and through supply chains. Work is underway to determine appropriate impact measures such as:

- Reduced staff turnover in the industry.
- Collaboration between the industry and the police.
- Improved business performance and margins.
- New markets and market growth.
- Increased investment.

Challenges for 2004/05 and Beyond

Licensing of Individuals

Licensing is being introduced by sector against the following outline timetable:

Industry Sector	Timetable
Door Supervisors	2004/05
Vehicle Immobilisers	2004/05
Security Officers	2005
Key Holders	2005
Security Consultants	2006
Private Investigators	2006
Extension of SIA Licence in Scotland	2006/07
Extension of SIA Licence to Court Officers/Bailiffs	2008/09

Business in the Industry

For businesses operating in most sectors of the private security industry it is imperative that performance and competitiveness is improved. The SIA will be introducing an Approved Contractor Scheme (Accreditation) – a framework for developing, promoting, spreading and enforcing high standards and best practice.

Accreditation will be based on a composite approach – focussing on a combination of internal management processes and external quality delivery.

Compliance and Investigation

Compliance with the Private Security Industry Act 2001 is essential to drive the market transformation that the SIA, Government, purchasers, and the industry itself desires. The SIA has a compliance and investigation strategy built around key strands of work.

- The NDPB status of the SIA and direct communication links with the Home Office can be used to coordinate legislation. For example The Licensing Bill, covering liquor and public entertainment, currently going through Parliament, will now make it a requirement that any door supervisors must be SIA licensed. This means that non-compliance jeopardises a venue's liquor and/or entertainment licence.
- We will encourage and enable industry involvement – whistle blowing will be strongly encouraged.
- There are overlaps in the objectives of the SIA and other enforcement agencies. The nature of these overlaps will vary and will be dependent on the agency, the sector of the security industry concerned and the degree of overlap identified. We will work collaboratively and share intelligence with other agencies, for example; the

Police, Local Authorities, Customs and Excise, Inland Revenue and the Health and Safety Executive and with the private sector – insurance companies and trade associations.

- An SIA intelligence cell will facilitate strategic and tactical assessments, which will inform targeted enforcement activity and identification of potential criminality. Using the National Intelligence Model provides a common platform for sharing intelligence with Police and other partnership agencies.
- Our compliance resources will be deployed geographically working closely with local contacts in partner agencies.

Non compliance and thus the committing of criminal offences by individuals or businesses can lead to, six months imprisonment and/or a £5,000 fine and for serious offences five years imprisonment and unlimited fines.

Wider Police Family

It has been widely recognised that responsibility for preventing and detecting crime and anti-social behaviour, and combating the fear of crime cannot be left to the Police alone. Local Authorities, crime and disorder reduction partnerships (CDRPs), education and health services, local businesses, voluntary organisations, faith communities and increasingly the private security industry all have a role to play. This inclusive approach is represented by the term the 'wider police family'.

Even before licensing was contemplated, the private security industry had a significant number of personnel employed in and

around communities and was increasingly undertaking low level enforcement work, providing a visible presence and providing reassurance. Following licensing and with the introduction of The Police Reform Act 2002, the opportunity will be created to further develop the work of industry and so complement or where appropriate supplement or replace the police in less controversial areas of activity.



The Police Reform Act 2002 gives powers to chief constables to accredit suitably qualified security company staff to undertake an increasingly wide range of duties that have traditionally only been done by police staff. The Home Office White Paper "Respect and Responsibility – Taking a Stand against Anti-Social Behaviour" published in March 2003 proposed that these powers be extended to include those issuing fixed penalty tickets for certain offences. It is anticipated that chief constables will want to see a personal

SIA licence or company approval as part of their comprehensive requirements for accreditation.

The Police Service is eager to involve others in the fight against crime and disorder and, with a significantly sized, regulated industry it will be increasingly keen to engage with it. The SIA has a role in encouraging that.

The SIA is working with police at various levels and the critical success factors are clear:

- The Police recognising the security industry as an indispensable partner.
- The security industry exploiting opportunities for participation in accredited community safety schemes.
- The security industry recognised by communities as an extension to the police family.

PSI Licensing for Scotland

“There is a clear need for regulation in the private security industry in Scotland. That is the message I have received from the Police, from Local Government, from the industry itself and from individual members of the Scottish Parliament and indeed, members of the public.”

Jim Wallace, Deputy First Minister and Minister for Justice

As with England and Wales there are currently no reliable statistics on the number of security operatives in Scotland. There is a lack of over-arching regulatory provision and this allows unscrupulous operators to exploit potential for profit without regard to quality of service. While some parts of the industry have introduced forms of self-regulation, too many others are not covered in this way. Some Local Authorities have introduced arrangements covering door supervision but again there are gaps with no overall consistency.

The Scottish Executive, following discussions with representatives from industry have decided to introduce measures to regulate the private security industry in Scotland.

Deputy First Minister, Jim Wallace, announced in Edinburgh on 25 March 2003 that the Scottish Executive has approved proposals to regulate the private security industry in Scotland and to invite the Security Industry Authority to extend its remit to cover Scotland. An amendment to the Private Security Industry Act 2001 will be required and consequential amendments to reflect the Scottish legal system before the SIA can implement licensing in Scotland.

In House Guarding & Exemptions

The present licensing regime means that individuals employed 'in-house' (i.e. personnel employed to provide security services to the same company that employs them) do not require an SIA licence (except for door supervisors and wheel clampers who need a licence regardless of their contractual status). The SIA is aware that there are public interest concerns that centre on the confusion that may arise from having two classes of guard, one licensed and one not, possibly operating side by side, who may have different criminality backgrounds and competencies, but who are not easily distinguishable by the public. In addition, whilst some buyers of security are eager to maintain the 'in-house' option as they see this as potentially more cost effective, the security industry are concerned that the additional costs of licensing may prompt some purchasers to withdraw from contracts and provide their own 'in-house' operation. These possibilities present challenges to the intention behind licensing - of eradicating criminality and raising standards.

The role of the Security Industry Authority includes making recommendations and proposals to Ministers for the improvements of standards within the industry. As part of its strategic development programme, the SIA has commissioned work aimed at reviewing whether the licensing of security guards should be extended to include 'in-house' guards at some time in the future, and if so, how that should be managed. A consultation programme is underway to inform the way forward.

We are also examining the key area of whom, if anyone should be exempt from licensing. The Act allows exemptions from the requirement for a licence for persons for whom suitable alternative arrangements apply and where the Secretary of State is satisfied that licensing is therefore unnecessary.

During the next few months, detailed work will be carried out to ensure a consistent structured approach to this issue. The final outcome has yet to be determined, however we are seeking to establish a generic approach, which clarifies the SIA's position and at the same time provides the foundations to inform and guide the industry. This process will also include a wide-ranging consultation exercise involving key players and practitioners, academics and legal advisers.

Sector Skills Strategy

In 2002 the SIA recognised that licensing would raise the standard of the individuals working with the private security industry. However this alone is not a sustainable solution or strategy for meeting the future skills needs of a transformed industry. The SIA therefore commissioned the production of an Outline Security Industry Skills Strategy (June 2003).

The SIA is now exploring, by way of a collaborative project, the most effective approach to implementing a skills strategy across the industry. This may result in the establishment of a Sector Skills Council as part of the Skills for Business Network. The SIA is in dialogue with industry representatives and the Sector Skills Development Agency.



SIA exhibition stand

Knowledge Management

At the outset (2002) the SIA recognised that the private security industry (and Government) were not effective or sophisticated in harnessing and using intelligence, data, information, knowledge etc; or, in seeking out and building upon good practice. This position was clear from the famine of reliable data on which the SIA was established.

The SIA also recognised that as an organisation we must build our knowledge base, in order to undertake our remit, and that as time passed we would become overwhelmed with data, information etc. Our knowledge will be acquired from numerous internal and external sources and a strategy and process for effectively managing our knowledge is essential. Commissioned research contributes to the organisation's knowledge but it is only a source and not a solution.

The use of knowledge in the SIA is twofold; a) to enable us to do our job in the most effective and efficient way and, b) to provide knowledge to the industry in order to encourage better practice and improved standards. Our third stated aim is to create a centre of knowledge and expertise, which enables and encourages effective industry development and investment.

In the spring of 2003 we laid the foundations for a knowledge management (KM) strategy by putting some flesh on our aspiration (i.e. what does KM actually mean and involve) and by considering, albeit very shallowly, some examples of successful practice.

Stakeholders

From the outset the SIA has recognised the importance of working collaboratively with the large numbers of various stakeholders with interest in the private security industry. These include the private security industry, the Police, Trade Unions, Government and Local Government. Many of the benefits derived from the achievements of the SIA will accrue equally to SIA stakeholders.

Stakeholders contribute at three levels:

- In the delivering of services/investigation at operational levels – working in partnership ‘on the ground’.
- In the design and structure of services – e.g. skills needs for various licences; the criteria for business standards in the industry.
- In the development of high level policies and strategies.

The SIA is introducing a Stakeholder Management Strategy, which provides a framework for effective stakeholder engagement.

Benefit Evaluation

OGC Gateway 5 focuses on ensuring that the project delivers the benefits and value for money identified in the project’s business case. It takes place as part of the series of Gateway Reviews and will be conducted after the Managed Service Provider (MSP) Project post implementation review (expected to be six – twelve months after the completion of the project).

The Gateway 5 Benefits Evaluation Review will assess a number of things, most notably:

- Assess whether the anticipated benefits are actually being delivered.
- Confirm that both parties (SIA and BT Syntegra) have necessary and continuity of resources.
- That changes that have been agreed do not compromise the original procurement.
- Assess the ongoing requirement for the contract to meet business need.
- Confirm plans to manage the contract to its conclusion.
- Where applicable, confirm the validity of exit strategy arrangements and re-competition.
- Confirm effective working relationships with key partners, e.g. the Criminal Records Bureau (CRB).

Resource Management

The SIA approach to Resource Management is based upon sound business principles. Underpinning all investment and expenditure are the principles of cost vs. benefit. Resources are only acquired and applied where there is clear justification. Resource levels are determined within the Business Planning Process. People resources are underpinned by business unit plans, which show outputs to be delivered and the resources required. These are kept under continuous review and are supplemented by short-term use of specialist resources.

Given the previous, current and future development portfolio of the SIA it is necessary to utilise the expertise of external specialist contractors and consultants. The selection of consultants is normally via the S-CAT catalogue following mini-tender. There are limited exceptions to this rule where justified.

The provision of the Licensing Application process including call/information centre, application processing, database management and physical licence issuing are under a Managed Service Contract with BT/Syntegra. This contract commenced in June 2003 and is scheduled for review in May 2007.

Risk Strategy

The management of risk is a core feature of SIA activities. Risks are identified at the most detailed working level, whether that is as part of the initiation of a project (where a project based risk register is kept up to date), or as an accountable and on-going function for a Directorate (say, financial sensitivity analysis).

Risks are categorised by impact and probability of occurrence in line with Home Office guidelines and established project management standards and ultimately receive a BRAG (black, red, amber, green) status.

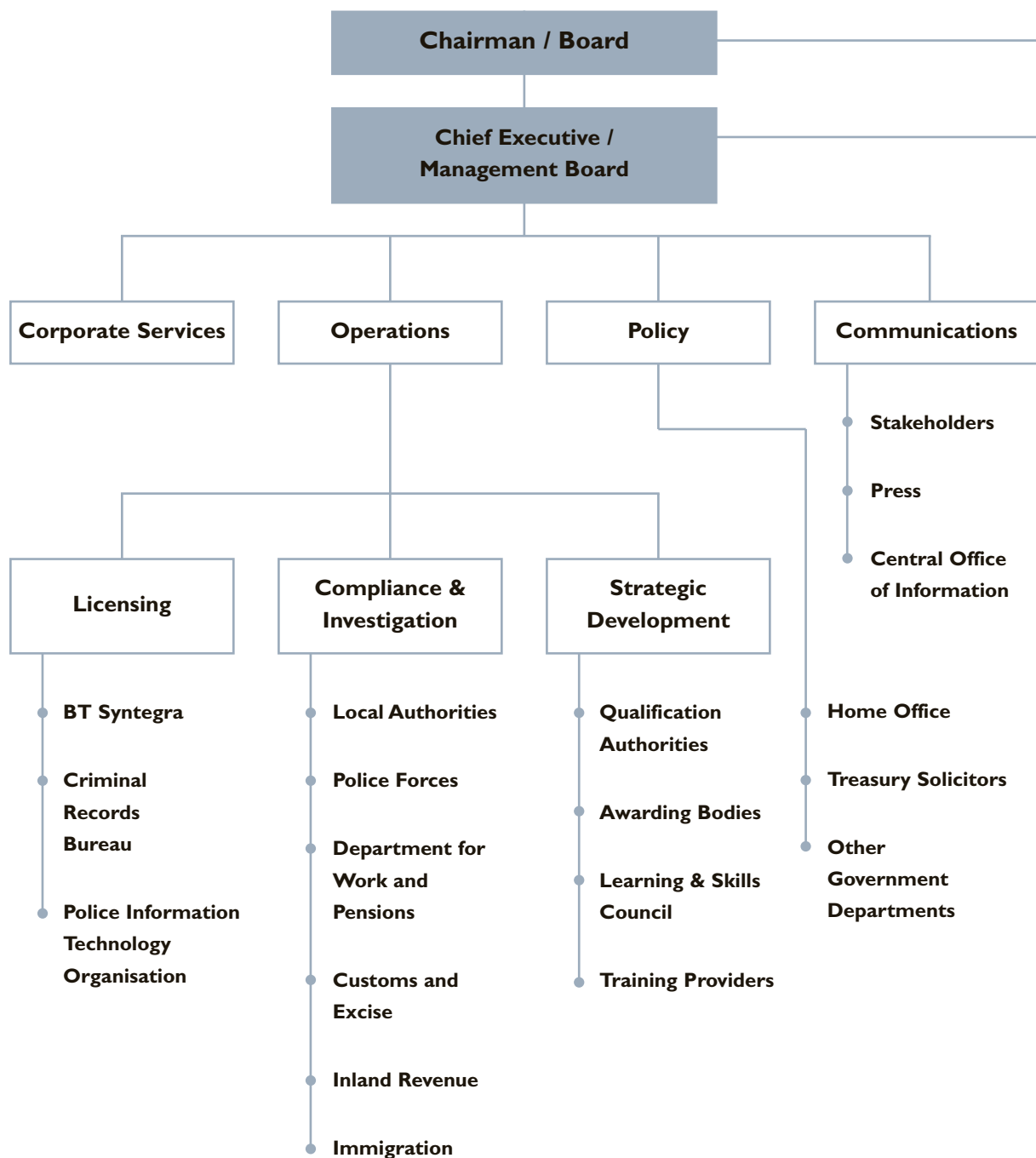
Active monitoring and management of risks and mitigating actions is conducted at a Directorate or formal Project Board level.

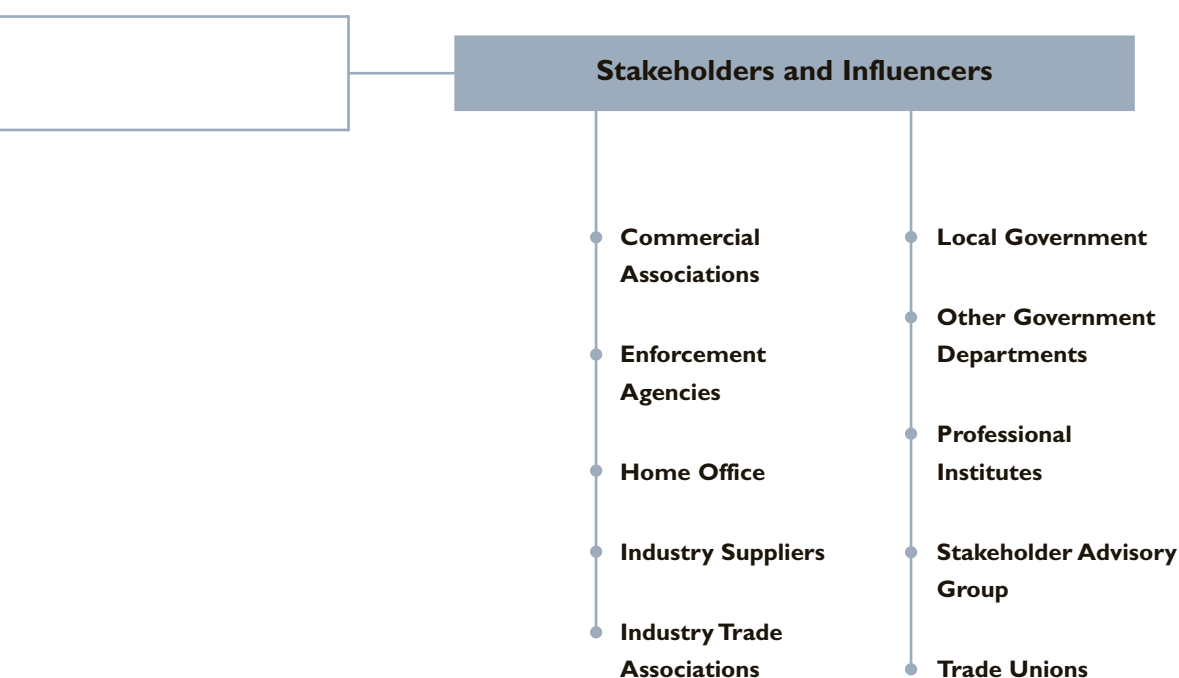
All risks are compiled into a monthly business risk register and are monitored at Management and SIA Board level. The Boards endorse mitigating actions.

The SIA recognises the potential operational and business difficulties associated with an untoward incident affecting its infrastructure. Therefore a business recovery plan has been developed and is reviewed quarterly. Our Managed Service Provider also has fully worked business recovery plans and fallback sites.

It is within the SIA Audit Committee remit to review any of the processes of risk management on behalf of the SIA Board.

Organisational Structure





For reasons of operational effectiveness and efficiency the SIA management, licensing, development and support functions are located at a central unit. The continuous dialogue and working arrangements with key stakeholders, including Government and Police, require this central unit to be London based.

SIA launch 2 April, 2003. Panel members, John Saunders, David Dickinson, Chris Smith, Geoff Capes and Angela Rippon (facilitator)



SECURITY INDUSTRY AUTHORITY

Statement of Accounts for the period
ended 31 March 2004

Statement of accounts

Foreword

1 Introduction

This statement of accounts reports the results of the Security Industry Authority (The Authority) for its inaugural year 1 April 2003 to 31 March 2004. It has been prepared in accordance with the Accounts Direction given by the Secretary of State for the Home Office, with the consent of the Treasury in accordance with Schedule 1 paragraph 16 (2) of the Private Security Industry Act 2001 (the Act).

2 History

The Authority was established on 1 April 2003 as a body corporate by authority of the Act. The Act established the Authority to make provision for the regulation of the private security industry. A pilot of the door supervisors licensing scheme commenced in March 2004 with the roll-out scheduled to commence in June.

The Authority has the status of an Executive Non-Departmental Public Body established by statute. It is currently financed by Grant in Aid through the Home Office Main Estimate (Resource 1, subhead A1). The Secretary of State for the Home Office is answerable to Parliament for the Authority and is responsible for making financial provision to meet its needs.

The Act provides that the Authority shall consist of such number of members as the Secretary of State may determine. As at 31 March there are four members, including the Chairman. A vacancy currently exists for a representative from the Association of Chief Police Officers (ACPO) following the retirement of Richard Childs, who will be co-opted on to the Board. S/he receives no fees for attending Board meetings but has full voting rights. The Authority operates from premises in central London.

3 Principal Activities

The Authority carries out the statutory functions set out in the Act:

- (a) to carry out the functions relating to licensing and approvals that are conferred on it by this Act;
- (b) to keep under review generally the provision of security industry services and other services involving the activities of security operatives;
- (c) for the purpose of protecting the public, to monitor the activities and effectiveness of persons carrying on businesses providing any such services as are mentioned in paragraph (b) above;
- (d) to ensure the carrying out of such inspections as it considers necessary of the activities and businesses of -
 - (i) persons engaged in licensable conduct; and
 - (ii) persons registered under section 14 as approved providers of security industry services;

- (e) to set or approve standards of conduct, training and levels of supervision for adoption by -
 - (i) those who carry on businesses providing security industry services or other services involving the activities of security operatives; and
 - (ii) those who are employed for the purposes of such businesses;
- (f) to make recommendations and proposals for the maintenance and improvement of standards in the provision of security industry services and other services involving the activities of security operatives;
- (g) to keep under review the operation of this Act.

4 Board Members and Directors

Members are appointed under the Act for four years. During the year ended 31 March 2004 the members were:

Mrs Molly Meacher (Chairman) resigned December 2003

Richard Childs (ACPO representative) until 31 August 2003

Robin Dahlberg

Peter Hermitage (Acting Chairman from December 2003)

Brendan O'Friel

Bruce Warman

Board members were provided with a copy of the revised **Code of Best Practice for Members** on appointment which they are required to follow.

A register of Board members' interests is kept by the Security Industry Authority and can be inspected by prior arrangement with the Director of Corporate Services.

Directors

Chief Executive	John Saunders OBE
Deputy Chief Executive	Andy Drane
Director of Communications	Steve Sidaway
Director of Policy	Graham Titcombe
Director of Corporate Services (Interim)	Nick Lewis

5 Board Responsibilities

The Chairman and other members of the SIA Board have corporate responsibility for ensuring that the SIA properly discharges its statutory functions and complies with any statutory or administrative requirements for the use of public funds. In particular, the Chairman and Board members are collectively responsible for:

- (a) establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the Secretary of State;
- (b) ensuring that the SIA discharges its functions as laid out in the Act, and achieves its objectives;
- (c) monitoring the delivery of planned results and reporting to the Secretary of State on these in the Annual Report at the end of each financial year;
- (d) ensuring that high standards of corporate governance are observed at all times;
- (e) ensuring that the SIA operates within the limits of its statutory authority and any delegated authority agreed with the Home Office, and in accordance with any other conditions relating to the use of public funds;
- (f) ensuring that in reaching decisions, the SIA has complied with any directions given by the Secretary of State and has acted in accordance with any guidance given by him;
- (g) appointing, subject to the Secretary of State's approval, a Chief Executive to the SIA; and
- (h) members of the SIA Board must not give the Chief Executive instructions which conflict with the latter's duties as the SIA's Accounting Officer. Board members may from time to time be required to be members of the SIA Audit Committee.

6 Corporate Governance

This statement of accounts includes on page 40 a Statement on Internal Control. During the year ended 31 March 2004 the Authority has further developed its risk assessment and risk management processes in accordance with the Government's decision that public bodies implement the Combined Code and the Turnbull Report.

The Authority's systems of internal control have been designed to manage the risks the Authority faces, to safeguard its assets against unauthorised use or disposition, to maintain proper accounting records and to communicate reliable information for internal use or publication. While no system of internal control can provide absolute assurance against material mis-statement or loss, the Authority's systems are designed to provide the Authority with reasonable assurance that suitable procedures are in place and are operating effectively. These systems have been in place and have continued to be developed during the year ended 31 March 2004.

The Authority appointed Bentley Jennison to provide internal audit services during the year ended 31 March 2004. Arrangements for external audit are provided under Schedule 1, paragraph 16 (4) of the Act which require the Comptroller and Auditor General to examine, certify and report on

the statement of accounts, and to lay copies of it together with his report before each House of Parliament.

The Audit Committee meets three times a year and comprises Bruce Warman (Chairman), Robin Dahlberg, and Brendan O'Friel. The Audit Committee monitors audit activity and the Authority's process for assessing and managing risk.

7 Results for the Year

In accordance with Schedule 1, paragraph 16 (1) the Authority's statement of accounts covers the year ending 31 March 2004. The Authority's statement of accounts is prepared on an accruals basis in accordance with the Accounts Direction issued to the Authority by the Secretary of State for the Home Office with the consent of the Treasury. The Accounts Direction issued to the Authority is the model Accounts Direction published by the Treasury in **Executive Non-Departmental Public Bodies - Annual Reports and Accounts Guidance**.

The accounts for the year ending 31 March 2004 are set out on pages 42 to 44. The Notes on pages 45 to 55 form part of the accounts.

The Authority received £13,250,000 in Grant in Aid in the year ending 31 March 2004 consisting of £7,113,279 for the operation activities of employment and running costs and £6,136,721 for capital expenditure.

Prior to the SIA being established on 1 April 2003 a shadow unit was run as part of the Home Office. During this time fixed assets to the value of £846,781 were purchased on behalf of the SIA and transferred as at 1 April 2003.

Fixed assets during the year increased by £6,165,093. Of this amount £5,975,817 has been spent on developing the software system to enable the licensing of the private security industry.

Bank interest receivable in the year to 31 March 2004 was £22,406 and at 31 March 2004 the Authority had a cash balance of £824,000. Neither income nor expenditure is sensitive to subjective judgement to a material extent in any one year.

8 Auditors

The Comptroller and Auditor General was appointed as the external auditor to the Security Industry Authority by the Private Security Industry Act 2001, Schedule 16 (4). Fees of £26,000 are due to the Comptroller and Auditor General for his work on the 2003-4 accounts.

9 Research and Development

During the year the SIA has worked with BT Syntegra to develop a system to process licence applications. The system is currently operational although there is further continuing development.

10 Charitable Donations

No charitable donations were made in the period ending 31 March 2004.

11 Post Balance Sheet Events

There are no post-balance sheet events to report for the year ended 31 March 2004.

12 Compliance with Public Sector Payment Policy

The Authority follows the principles of the Better Payment Practice Code. The Authority aims to pay suppliers in accordance with either the payment terms negotiated with them or with suppliers' standard terms, (if specific terms have not been negotiated), provided that the relevant invoice is properly presented and is not subject to dispute.

	£	Number
Total invoices paid in year	9,124,422	1273
Total invoices paid within target	8,852,248	1232
Percentage of invoices paid within target	97%	

No interest was paid in respect of the Late Payment of Commercial Debts (Interest) Act 1998.

13 Environmental Policy

The Authority seeks to minimise the impact of its activities on the environment. It has adopted the Home Office Environmental Policy in as far as it applies to the Security Industry Authority. The Security Industry Authority benefits from energy-saving lighting in its office premises and seeks to use recycled materials where such alternatives are available and provide value for money. It is seeking to reduce the use of paper by maximising the use of the intranet and website for the dissemination of information.

14 Employment Policies

The employment policies adopted by the Authority seek to create an environment in which all employees can give of their best, and can contribute to the Authority's and to their own success.

15 Equal Opportunities

The Authority is committed to equality of opportunity for all employees and potential employees.

In accordance with the **Code of Practice on the Duty to Promote Race Equality** published by the Commission for Racial Equality, the Authority monitors compliance of its employment duty. In addition to monitoring quantitative data - which is unlikely to provide significant information given the Authority's staff numbers and their distribution across a range of roles - the Authority closely observes recruitment, training, job satisfaction and staff turnover and intends to supplement these with a comprehensive and independently conducted staff survey.

16 Staff Involvement and Development

The Authority is committed to keeping its staff informed of performance, development and progress. It makes every effort to ensure that all staff are kept informed of the Authority's plans. The main channels of communication include the intranet and regular presentations to all staff.

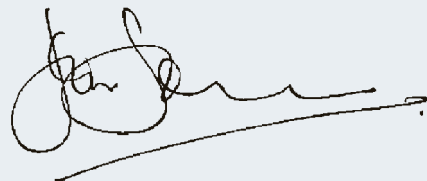
17 Employees with Disabilities

The Authority gives full and fair consideration to applications for employment from people with disabilities, having regard to the nature of their employment. Similarly the Authority intends to seek to enable members of staff who become disabled to continue their employment.

18 Future Developments

The SIA will be rolling out the licensing of door supervisors from 4 June 2004 until April 2005 on a geographical basis starting with Hampshire and the Isle of Wight and finishing in London. The licensing of wheel clamping and security guards will be introduced during the latter part of 2004/05.

The SIA will operate an Approved Contractor Scheme. This will allow businesses within the relevant industry sectors to be assessed by us against certain quality criteria. If we are satisfied that these criteria have been met then the business will be awarded "approved contractor" status. This will allow them to use an SIA logo on promotional and corporate activities. A list of approved companies will be available to the general public.



John Saunders OBE

Chief Executive

12 July 2004

Statement of the Authority's and the Accounting Officer's Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Under the Cabinet Office's Guidance on Codes of Best Practice for Board Members of Public Bodies, the Authority is responsible for ensuring propriety in its use of public funds and for the proper accounting of their use. Under Schedule 1, paragraph 16 (2) of the Private Security Industry Act 2001, the Authority is required to prepare a statement of accounts in respect of each financial year in the form and on the basis directed by the Secretary of State for the Home Office, with the consent of the Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the Authority's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

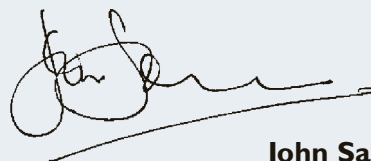
In preparing the accounts the Authority is required to:

- observe the accounts direction issued by the Secretary of State, with the consent of the Treasury, 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 statements on the going concern basis unless it is inappropriate to presume that the Security Industry Authority will continue in operation.

The Accounting Officer's Responsibilities

The Accounting Officer for the Home Office has appointed the Chief Executive of the Security Industry Authority as the Authority's Accounting Officer. His relevant responsibilities as the Accounting Officer, including his responsibility under the Authority 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 Officers' Memorandum issued by the Treasury and published in Government Accounting.

Signed on behalf of the Security Industry Authority



John Saunders OBE

Accounting Officer

12 July 2004

Statement on Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's objectives and goals and safeguards the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

In the first year since the establishment of the Authority on 1 April 2003, I have met regularly with representatives of our sponsor unit in the Home Office, Criminal Records and Information Unit to discuss matters of interest, including, if appropriate, any issues from the Risk Register. The Home Office provides our annual budget, until the Authority is self-financing from licence income and sets targets for the Authority's performance. The Authority reports cash expenditure monthly and annually to the Home Office.

The Authority's system of internal control is designed to manage, rather than eliminate, the risks it faces; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process that seeks to identify the principal risks to the achievement of the Authority's objectives and goals, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. The process, which accords with Treasury Guidance, has been in place during the year ended 31 March 2004 and up to the date of approval of the Annual Report and Accounts.

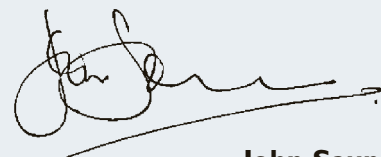
As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implication of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Authority has established the following processes:

- a Board, comprising of non-executive members, one of whom is the Chairman, which meets monthly to consider the plans and strategic direction of the Authority, review the monthly management accounts and consider the red risks identified in the risk register;
- a meeting of the senior management team on a monthly basis to review the finance reports, risk register and current progress against targets;
- a Project Board which meets on a monthly basis to monitor the progress of BT Syntegra, the Managed Service Provider (MSP) and to review the risk register associated with the project;
- periodic reports from the Chairman of the Audit Committee, to the Board, concerning internal control and its further scrutiny of the whole risk register;
- regular reports by internal audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Authority's risk management, control and governance processes to manage the achievement of the Authority's objectives together with recommendations for improvement;
- monthly reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;
- a programme of risk awareness training; and
- maintenance of an organisation-wide risk register.

In addition to the actions mentioned above the Authority plans to develop further a formal risk management strategy and to undertake further training throughout the organisation.

Directors have taken responsibility during the year to further develop staff awareness of the risk register and to report to them new risks or changes to the status of current risks.



John Saunders OBE

12 July 2004

Security Industry Authority

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 42 to 55 under the Private Security Industry Act 2001. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 45 to 47.

Respective Responsibilities of the Authority, Accounting Officer and Auditor

As described on page 38, the Authority and Accounting Officer are responsible for the preparation of the financial statements in accordance with the Private Security Industry Act 2001 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Authority and the Accounting Officer are also responsible for the preparation of the other contents of the Annual Report. 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 Private Security Industry Act 2001 and Treasury directions made thereunder; and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. I review whether the statement on pages 38 to 39 reflects the Security Industry Authority's compliance with the Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Security Industry Authority'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 Authority and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Security Industry Authority's circumstances, consistently applied and adequately disclosed.

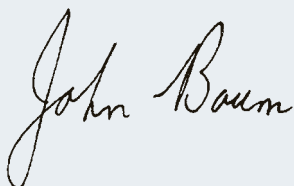
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Security Industry Authority at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Private Security Industry Act 2001 and directions made thereunder by the Secretary of State, with consent of the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Date: 14/07/04

Income and expenditure account for the period 1 April 2003 to 31 March 2004

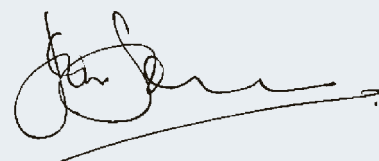
	Note	2003/04 £
Grant in Aid	3	7,113,279
Employment costs	5	3,714,478
Running costs	6	3,104,300
Depreciation	7/8	390,161
Total operating costs		7,208,939
Operating deficit		(95,660)
Other income	4	1,102
Interest receivable	4	22,406
Less: notional cost of capital	1	(132,246)
Loss on disposal of fixed assets	7/8	(30,676)
Retained Deficit		(235,074)
Notional cost of capital reversal		132,246
Amounts repaid to the Consolidated Fund via the Home Office		(23,508)
Transfers from reserves	12	420,837
Retained surplus for the financial year		294,501

Statement of total recognised gains and losses

There are no recognised gains or losses other than the retained surplus for the period.

Balance sheet as at 31 March 2004

	Note	2004	
		£	£
Fixed Assets			
Intangible assets	7	5,890,589	
Tangible assets	8	700,448	
			6,591,037
Current Assets			
Debtors and prepayments	9	266,619	
Bank	11	824,000	
			1,090,619
Current Liabilities			
Creditors (Amounts due within 1 year)	10	(796,118)	(796,118)
Net current assets			294,501
Total assets less current liabilities			6,885,538
Capital and Reserves			
Income and expenditure reserve			294,501
Other reserves	12		6,591,037
			6,885,538


John Saunders OBE

Chief Executive
12 July 2004

Cash flow statement

	Note	2003/04 £
Operating activities		
Net cash inflow from operating activities	13	815,244
Returns on investments and servicing of finance		
Interest received		20,765
Capital expenditure		
Cash outflow to acquire fixed assets		(6,136,721)
Net cash outflow before financing		(5,300,712)
Add financing		
Grant in Aid for capital expenditure		6,136,721
Less amounts repaid to Home Office		(12,009)
Increase in cash		824,000

NOTE I

Accounting policies

Basis of Accounts

The Statement of Accounts set out on pages 30 to 46 together with the Notes on pages 47 to 57 have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State with the consent of Treasury in accordance with Schedule 1 paragraph 16 (2) of the Private Security Industry Act 2001. The Accounts Direction issued to the Authority is the model Accounts Direction published by the Treasury in Executive Non-Departmental Public Bodies - Annual Reports and Accounts Guidance.

Accounting Conventions

The accounts meet:

- the disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to the SIA;
- accounting standards issued by the Accounting Standards Board;
- disclosure and accounting requirements of HM Treasury; and
- the requirements of the Accounts Direction and the Financial Memorandum issued to the SIA by the Secretary of State for the Home Department.

Grant in Aid

Grant in Aid received is credited to income for the period, except that a proportion of the Grant in Aid received, equal to expenditure on fixed assets acquisitions, is transferred to the Deferred Government Grant Reserve at the end of the financial year. The amount deferred is released back to the Income and Expenditure Account in line with depreciation charged.

Fixed Assets

Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their original purchase cost, on an individual item is £1,000 or more or on a grouped basis, is £5,000 or more. Fixed assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics, except in their year of disposal and acquisition when their current and historical costs are not materially different. There was no revaluation of assets for 2003-04 as this was immaterial.

Depreciation

Depreciation is provided on all fixed assets on a straight-line basis to write off the cost or valuation evenly over the asset's anticipated life as follows:

Leasehold improvements	over the remaining term of the lease
IT, Servers (hardware and software)	five years
IT, PCs (hardware and software)	three years
Fittings	five years
Furniture and office equipment	seven years
Telephone equipment	seven years
Photocopiers	five years
Other equipment	five years
Managed Service Provider Database	over the remaining life of the contract.

Fee Income

Fee receipts are recognised in the profit and loss account as and when the work on an application is completed.

Where monies have been received and the work on the application has not been completed by the year-end, receipts are treated as deferred income. The amount deferred is calculated by reference to the proportion of work undertaken at the end of the year relative to the target timescale for processing the application and is released back to the Income and Expenditure Account as the work is completed.

Notional Charges

In accordance with the Treasury publication "Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance", a notional charge for the cost of capital employed in the period is included in the Income and Expenditure Account, along with an equivalent reversing notional income to finance the charge.

The charge for the period is calculated using the Treasury's discount rate of 3.5 per cent applied to the mean value of capital employed during the period.

Operating Leases

Payments made under operating leases on equipment are charged to expenditure on a straight line basis.

Pension Costs

Pension contributions are accounted for on an accruals basis.

Value Added Tax

The SIA is not eligible to register for VAT and all costs are shown inclusive of VAT.

Comparatives

Comparatives for the prior year are not disclosed since 2003/04 is the first year of accounts. The SIA benefitted from the transfer of fixed assets at their depreciated value when it moved away from the Home Office on 1 April 2003.

NOTE 2

Financial targets

The Authority has no formal agreed financial targets for 2003/04.

NOTE 3

Grant in aid

The SIA received a payment of Grant in Aid from the Home Office (Request for Resources 1, Subhead AI) amounting to £13,250,000

	2003/04 £
Revenue Grant received from the Home Office (Subhead AI)	7,113,279
Capital Grant received from the Home Office	6,136,721
	13,250,000

NOTE 4

Income

	2003/04 £
Licensing	1,102
Interest receivable	22,406
	23,508

NOTE 5**Employment costs**

2003/04

	Board Members	Staff	Seconded Staff	Agency	Consultants	Total
	£	£	£	£	£	£
Non-Executive Fees	103,415					103,415
Salaries and Emoluments		1,180,483	449,585	331,459	1,257,259	3,218,786
Social security contributions	11,347	104,962	41,403			157,712
Pension contributions		164,285	70,280			234,565
	114,762	1,449,730	561,268	331,459	1,257,259	3,714,478

In addition £962,262 of consultancy expenditure has been capitalised as part of the MSP Project.

In the period ending 31 March 2004 the salaries and emoluments of the Board appointed for four years from 1 April 2003 were:

	Age	2003/04 Fees	Travel	Total
		£	£	£
Board				
Molly Meacher (Chairman)	63	57,050	Nil	57,050
Richard Childs	N/A			
Robin Dahlberg*	51	8,400	Nil	8,400
Peter Hermitage (Acting Chairman)*	55	22,500	3,179	25,679
Brendan O'Friel*	63	10,375	5,827	16,202
Bruce Warman*	55	7,625	308	7,933

Senior Staff

John Saunders (Chief Executive) Consent to disclosure withheld.

Andy Drane (Deputy Chief Executive) Consent to disclosure withheld.

*Audit Committee Members

Richard Childs was co-opted on to the Board as the representative from the Association of Chief Police Officers. He retired on 31 August 2003. He was not entitled to any fees for attendance.

Molly Meacher resigned on 4 December 2003. The emoluments figure above includes £13,650 paid in

lieu of notice. Peter Hermitage was appointed Acting Chairman with effect from 9 December 2003. He resigned from the Audit Committee appointing Robin Dahlberg in his place.

At 31 March 2004 the SIA employed 70 staff including four Board Members.

The average number of employees during the period ending 31 March 2004 was:

	Employed	Seconded	Agency	Contract
Executive	1	3		1
Enforcement	11	1		
Licensing	5	2	0.5	
Development	4			10
Admin/support staff	12	6	5.5	
Total	33	12	6	11

Audit Committee

Three members of the Board have been appointed to sit on the Audit Committee. They are paid £250 per day plus travel costs for attendance at these meetings up to three times a year.

Pension

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they

do make contributions, the employer will match these up to a limit of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Principal Civil Service Pension Scheme arrangements can be found at the website: www.civilservice-pensions.gov.uk

Salary and pension entitlements

Consent to the publication of salary and pension entitlements of the Chief Executive and Deputy Chief Executive were withheld. Board members fees are not pensionable.

NOTE 6

Running costs

	2003/04 £
Accommodation costs	596,502
Advertising and publicity	1,098,652
Audit fee - external	26,000
Audit fee - internal	18,160
Legal costs	49,924
Recruitment	334,837
Training	103,701
Information technology	255,956
Licensing costs	275,487
Office supplies and services	149,532
Operating lease payments	5,380
Financial costs	755
Travel and subsistence	171,232
Hospitality	18,182
	3,104,300

NOTE 7

Intangible fixed assets

	Software Licences £	Development Expenditure £	Total £
Cost at 1 April 2003 (unaudited)	57,263		57,263
Additions	52,580	5,975,817	6,028,397
Disposals	(29,205)		(29,205)
Cost at 31 March 2004	80,638	5,975,817	6,056,455
Depreciation provided during the year	12,640	153,226	165,866
Depreciation at 31 March 2004	12,640	153,226	165,866
Net Book Value at 31 March 2004	67,998	5,822,591	5,890,589

NOTE 8

Tangible fixed assets

	Leasehold improvements £	Furniture and office equipment £	Computer equipment £	Total £
Cost at 1 April 2003 (unaudited)	381,316	181,147	227,055	789,518
Additions			136,696	136,696
Disposals			(1,471)	(1,471)
Cost at 31 March 2004	381,316	181,147	362,280	924,743
Depreciation provided during the year	103,995	25,382	94,918	224,295
Depreciation at 31 March 2004	103,995	25,382	94,918	224,295
Net Book Value at 31 March 2004	277,321	155,765	267,362	700,448

NOTE 9

Debtors

	2003/04 £
Trade debtors	8,290
Season ticket loans to staff	6,214
Prepayments	252,115
	266,619

NOTE 10

Creditors due within one year

	2003/04 £
Trade creditors	1,187
Other creditors	27,684
Sundry creditors	11,499
Accruals	676,328
Inland Revenue	73,872
Deferred income	5,548
	796,118

NOTE 11

Analysis of changes in cash

	2003/04 £
Balance at 1 April 2003 (unaudited)	0
Increase in cash	824,000
Balance at 31 March 2004	824,000

The SIA 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 and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate or currency risk.

NOTE 12

Reserves

	Deferred Government Grant Reserve 2003/04 £
Balance at 1 April 2003 (unaudited)	846,780
Grant deferred for additions	6,136,721
Other additions	28,373
Transfer to profit and loss	
Disposed assets	(30,676)
Release for depreciation to Income and Expenditure Account	(390,161)
Balance at 31 March 2004	6,591,037

NOTE 13

Reconciliation of operating surplus to cash inflow from operating activities

	2003/04
	£
Operating deficit	(95,660)
Depreciation	390,161
Decrease in debtors relating to operating items	90,329
Increase in creditors relating to operating items	430,414
Net cash inflow from operating activities	815,244

NOTE 14

Capital commitments

At 31 March 2004 capital commitments contracted for were £2,729,200.

NOTE 15

Commitments under operating leases

Operating leases which expire:	Building	Equipment
	£	£
Within two-five years	406,344	5,965

NOTE 16

Contingent liabilities

The SIA appointed BT Syntegra as its managed service provider in June 2003. Concern was shown by BT Syntegra prior to the signing of the contract that local authorities may argue that the replacement of local authority licensing and registration schemes for door supervisors by the the SIA's national licensing scheme amounts to a transfer of undertaking, thereby bringing TUPE into play. The SIA does not share this view but acknowledges that someone might possibly bring a successful claim. A minute was tabled before Parliament on the 6 May 2003 placing a limit on the liability of £3,000,000.

NOTE 17

Post balance sheet events

There are no post balance sheet events to report.

NOTE 18

Related party transactions

The Home Office is regarded as a related party to the SIA. During the period ended 31 March 2004 the Home Office provided the SIA with Grant in Aid. A small number of transactions were made with other government departments and other central government bodies including the Inland Revenue and the Treasury Solicitor.

Richard Childs represented ACPO on the SIA Board until August 2003 when he retired as Chief Constable of Lincolnshire Police. Since that time Richard Childs' company "The Community Safety Consultancy Limited" has received payments of £25,754 for consultancy work.

None of the other board members, key managerial staff or other related parties has undertaken any material transactions with the SIA during the year.

NOTE 19

Losses and special payments

There were no losses or special payments in the year.

Accounts direction

Accounts direction given by the Secretary of State in accordance with paragraph 16 (2) of Schedule 1 to the Private Security Industry Act 2001.

The annual accounts will give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at year-end. Subject to this requirement the Security Industry Authority shall prepare accounts for the financial year ended 31 March 2004 and subsequent financial years in accordance with:

- a. Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance
- b. Other Guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view
- c. Any other specific disclosures required by the Secretary of State

Except where agreed with the Treasury, in which case the exception shall be described in notes to the accounts.



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