

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

Police Service of Northern Ireland Account 2009-2010

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Foreword

Background Information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year 2009-2010 to which they relate as the Secretary of State may determine. This is to allow the Policing Board to meet its own specific requirements under Section 12(1) (a) of the Act.

Principal Activities

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

Accounts Direction

The Annual Report and Accounts for 2009-2010 have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12(3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003.

Devolution of Policing and Justice Functions

On 9 March 2010, the political parties in Northern Ireland agreed that policing and justice functions should devolve to the Northern Ireland Assembly on 12 April 2010. During the period up to the date of devolution, the PSNI complied with the corporate governance and accountability framework arrangements issued by the Northern Ireland Office and also the guidance issued by HM Treasury, including Managing Public Money.

The Annual Report and Accounts of the PSNI for the year ended 31 March 2010 relate entirely to the period before devolution and will be laid in Parliament. References continue to be made in this report to the Northern Ireland Office as the parent Department during the reporting period. Further details are contained in Note 28 in the notes to the accounts.

When policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly on 12 April 2010, the Department of Justice was established as a new Northern Ireland Department by the Department of Justice Act (Northern Ireland) 2010.

From this date, the PSNI became an executive Non-Departmental Public Body (NDPB) of the Department of Justice. As such, it now complies with the corporate governance and accountability framework arrangements issued by the Department of Justice and also the guidance issued by the Department of Finance and Personnel, including Managing Public Money Northern Ireland. The Annual Report and Accounts for years ended 31 March 2011 onwards will be laid in the Northern Ireland Assembly.

Chief Officers

The Chief Officers who served throughout the 2009-2010 year were as follows.

Former Chief Constable

Sir Hugh Orde (resigned 31 August 2009 – appointed to Association of Chief Police Officers (ACPO))

Chief Constable

Matt Baggott (appointed 21 September 2009)

Former Deputy Chief Constable

Deputy Chief Constable

Judith Gillespie (appointed 1 June 2009 and acted as Chief Constable from 1 September 2009 to 20 September 2009)

Assistant Chief Constable Operational Support

Roy Toner (seconded to National Police Improvement Agency (NPIA) 1 June 2009, retired 31 March 2010)

Assistant Chief Constable Crime Operations

Drew Harris

Assistant Chief Constable Operational Support

Duncan McCausland

Assistant Chief Constable Criminal Justice

Will Kerr (appointed 16 November 2009)

Assistant Chief Constable Rural Region & Crime Support

Dave Jones

Assistant Chief Constable Urban Region

Alistair Finlay

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart

Further details are provided in the Remuneration Report section on page 11.

Corporate governance

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

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

The key sub committees supporting the CCF during the year were

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

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

Company directorships

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

Non current assets

Details of the movement in non current assets are set out in notes 10 and 11 to the Accounts. There are no significant differences between the market values and book values of land and buildings to be disclosed.

Research and development

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

Interest rate and currency risk

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

Future developments

The Northern Ireland Policing Board, in conjunction with the PSNI, published a Policing Plan covering the period 2010-2013 on 30 March 2010. The Policing Plan sets out performance indicators and targets by which the organisation will be held to account.

The Plan was developed in consultation with the community. It places an emphasis on addressing the concerns of the public, increasing their confidence in us and improving the service we deliver. The plan provides a framework through which a personal, professional and protective policing service will be delivered.

A copy of the Policing Plan 2010-2013 can be viewed on the Policing Board's website.
<http://www.nipolicingboard.org.uk/index/publications/policing-plans.htm>

or the PSNI website.
www.psni.police.uk.

The PSNI will continue to work to reduce crime; especially those areas of most concern to the communities we serve including anti-social behaviour, violent crime and burglary. We are committed to playing our part in reducing the amount of people killed or seriously injured on the roads and contributing to improving the effectiveness and fairness of the criminal justice system.

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

In the uncertain economic climate, it is more important than ever that we challenge everything we do, making sure that we are as effective and efficient as possible with taxpayer's money. In the Policing Plan, we outline a number of vitally important improvement programmes that will improve our call handling, promise keeping, and remove delay and waste in the criminal justice system. These improvements will enable us to provide both a better response to peoples' needs, and speedier and proportionate justice. We will relentlessly pursue value for money whilst doing so.

Charitable donations

PSNI made no charitable or political donations during the year.

Disabled persons

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

Employee involvement

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

Health and safety

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

Payment of suppliers

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

PSNI paid 99 per cent of all invoices within 30 days (95 per cent in 2009-2010). In November 2008, under the Prompt Payment Initiative, former Prime Minister Gordon Brown announced that all Government Bodies would pay all external suppliers who provided a correctly rendered invoice to the correct location within 10 working days. Performance in this area has been steadily improving over the last year and in March 2010 PSNI paid 90 per cent of eligible invoices within 10 days with the average for 2009-2010 at 83 per cent, a significant improvement in performance in this area over the previous year average (66 per cent 2008-2009). The 10 day Prompt Payment target is now attracting much scrutiny by DOJ and is regarded as the principal performance indicator in this area. PSNI will continue to refine processes to maintain and improve this performance.

Pension liabilities

The pension liabilities of Police Officers are accounted for separately in the PSNI Police Pension Accounts. Pension benefits and liabilities for Police Staff are provided through the Principal Civil Service Pension Scheme (NI). (See further details in the Remuneration Report on page 15 and note 4 to the Accounts.)

Audit services

The Accounts of the PSNI for 2009-2010 are required to be audited by the Comptroller and Auditor General who is responsible for laying the accounts before both Houses of Parliament at Westminster.

The audit fees for this year are £91,000 (2008-2009 £88,000, which included the IFRS audit of balances at 1 April 2008). This includes the audit fees in respect of the Main Police Account (£50,000), the Police Pension Scheme Accounts (£18,000) the Police Fund (£3,000) the Police Property Fund (£3,000) and the audit of IFRS Shadow accounts (£17,000).

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

and Auditor General is aware of any relevant audit information and to confirm that he is aware of that information.

Chief Constable's Annual Report

A full certified copy of the Annual Report and Accounts will be available on the PSNI's website (www.psni.police.uk) together with the Chief Constable's general report 2009-2010 due to be published in July 2010. The Chief Constable's report is posted to every household in Northern Ireland.

Police Pension Scheme Accounts, Police Fund and Police Property Fund

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

Management Commentary

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

The Management Commentary discusses the following main areas.

Nature of the business

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

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

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

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

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

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

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

Review of performance and future development

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

After the end of the financial year 2009-2010, the Chief Constable submits an annual report to the Policing Board. This report is published by the Chief Constable and sent to the Secretary of State who lays it before Parliament. A copy of this report for 2009-2010 is available on the PSNI website www.psni.police.uk, as well as being available in a number of other formats.

The Policing Board must also produce a report on the extent to which the targets set in the annual Policing Plan have been met and this information is set out in the Board's Annual Report and Statement of Accounts 2009-2010, available online at www.nipolicingboard.org.uk.

During 2009-2010, the overall level of recorded crime fell by 955 (0.9 per cent) to 109,139, the second lowest recorded in Northern Ireland since the Home Office Counting Rules were introduced in April 1998. This was achieved despite an increased terrorist threat and a very difficult security environment.

The detection rate for recorded crimes was 25.8 per cent, an increase of 2.8 percentage points on the previous year. This continued the steady increase in detection rates since 2001/02 when the detection rate stood at 11.3 per cent. In a number of categories there were substantial decreases in the number of crimes being committed. For example, recorded offences of Criminal Damage fell by 1,971 offences (6.9 per cent), and Fraud and Forgery offences fell by 237 offences (6.6 per cent). There were also increases in the detection rate for both of these crime categories.

With regard to Violent Crime, the overall level rose by 412 (1.4 per cent) although the detection rate also rose from 31.3 per cent to 35.4 per cent. Within this category, there were 18 murders during 2009-2010, the lowest number in any 12 month period since 1970. 18 murders were also detected during the same period, giving a detection rate of 100 per cent.

Sexual offences increased by 1 (0.1 per cent) from 1,943 to 1,944. The detection rate increased by 1.0 percentage point. Rape offences (including attempts) rose by 57 (14.1 per cent) from 404 to 461, while offences of sexual assault/sexual activity fell by 160 (14.1 per cent) from 1,134 to 974.

Overall, the total burglary offences increased by 110 (0.9 per cent). The main ones were domestic burglary which fell by 81 (1.1 per cent) and non-domestic burglary which increased by 210 (4.2 per cent). The remainder of the total burglary offences were aggravated burglary and preventative burglary. The detection rate for domestic burglary increased slightly from 9.9 per cent to 10.0 per cent, while the detection rate for non-domestic burglary fell from 13.6 per cent to 12.1 per cent.

A total of 3,319 drug seizure incidents were recorded in 2009-2010, an increase of 3.8 per cent on 2008-2009. As in previous years cannabis was the drug most commonly seized. The number of persons arrested for drug related offences increased by 11.7 per cent from 2,014 in 2008-2009 to 2,250 in 2009-2010.

There were 101 fatalities on Northern Ireland's roads during 2009-2010, including 3 children aged under 16. This continued the year on year reduction in fatalities since 2000/01 when 163 people, including 12 children were killed on the roads. There were however, slight increases in the number of collisions where injury was caused and the number of people injured as a result of those collisions.

The PSNI continued to proactively deal with antisocial behaviour, a major concern to local communities. There were 5,080 fewer incidents of antisocial behaviour recorded during 2009-2010 continuing the downward trend since 2007-2008.

In the year ahead, PSNI will continue to deal with those issues which cause most concern to people, tackle serious harm and strive towards the provision of an excellent policing service. A number of strategic priorities have been identified in partnership with the Northern Ireland Policing Board, including organised crime, violent crime, burglary and antisocial behaviour. Through investment in new technology, reducing the bureaucratic burden on officers and increasing the visible presence of police officers in the community, the PSNI will deliver a personal, protective and professional policing service to all our communities. Our efforts will be focused on listening to communities, identifying local issues of concern and working together to solve them. We will continue our efforts to prevent people becoming victims of crime and where crimes occur bringing those responsible to justice.

Risks and uncertainties

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

The key risk priorities detailed in the Corporate Risk Register, which is currently facing the organisation were in the areas of funding, Equal Pay/Compensation/Legal claims, Legacy issues (i.e. Policing the Past), the ongoing dissident threat and operational policing issues.

Review of financial position and resources

Results for the year

The Net Expenditure Account is set out on page 24 and shows a deficit for the year of £898.6m (£844.1m in 2008-2009 restated).

An amount of £889.6m was transferred from reserves after crediting £2.3m in respect of the notional cost of capital and accounting for actuarial losses £7.1m and a transfer to Revaluation reserve of £0.5m.

The total cost of policing

The total Resource DEL budget allocation (excluding costs of the Police Pension Scheme and AME impairments) available for 2009-2010 was £920.3m. The expenditure against budget during the year was £893.3m, resulting in an overall surplus of £27.0m. This planned surplus was required to fund some non-budget pressures in 2009-2010 and to fund anticipated pressures in 2010-2011.

The Resource DEL budget allocation (which is ringfenced) for the Police Pension Scheme was £75.1m and a surplus of £35.0m was reported, largely due to changes in actuarial assumptions.

The Capital budget was £38.5m and a small surplus of £1.7m was reported. This surplus is to be carried forward into 2010-2011 and largely relates to the delayed Training College.

The Resource AME budget allocation for pensions and impairments was £288.6m. A surplus of £11.9m was reported, largely relating to easements in projected property impairments.

The overall performance in 2009-2010 reflects the continued success of the devolved budgeting/financial management framework within the organisation and local empowerment of Districts and Headquarter Departments.

Value For Money Efficiency (VFM) Initiative

In 2008-2009, the three year governmental target efficiency was introduced to achieve further efficiencies and 'Value For Money' (VFM) within the Public Sector. In the second year of reporting, the organisation agreed a VFM efficiency target of £56.3m. The PSNI reported and achieved a range of efficiencies totalling £68.4m, exceeding the target by £12.1m.

Environmental matters

PSNI has developed a corporate Sustainability Strategy focussing on the legislative requirements applicable to a public body. This Sustainability Strategy encompasses Governance and Monitoring arrangements and reflects the individual requirements associated with Transportation, Estates management, I.T. development and General operations. The Estate's element has established key targets for 2010-2011 with the emphasis on carbon emission reductions, waste management and recycling, use of sustainable energy resources and overall management of utilities.

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

Employees

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

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

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

Social and community issues

Over the years the PSNI has encouraged officers and staff to give something back to their local community. Many hundreds of fundraising and support activities have been carried out at both local and corporate level during the 2009-2010 financial year.

Going concern

The Statement of Financial Position at 31 March 2010 shows Taxpayer's Equity of £6,376,000. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by the Northern Ireland Assembly, to meet the net cash requirement of the Department of Justice of which the PSNI is part. Under the Government Resources Act 2000, no money may be drawn from the Fund by the Northern Ireland Office other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the PSNI's liabilities is accordingly to be met by future grants of Supply to the Northern Ireland Office and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the PSNI's financial statements for 2009-2010.

Sickness absence data

The reported average number of working days lost due to sickness for 2009-2010 were

	Average Working Days Lost 2009-2010
Police Officers	8.20
Police Staff	9.17

Personal data related incidents

During the financial year 2009-2010, the PSNI reported no significant incidents of personal data related incidents.

PSNI did not suffer any breach of personal or sensitive data during the 2009-2010 period that required referral to the Information Commissioner.

Remuneration Report

Remuneration policy

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

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

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

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

Service contracts

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

Chief Constable & Deputy Chief Constable

The former Chief Constable departed from the organisation on the 31 August 2009 to take up an appointment with the Association of Chief Police Officers.

The new Chief Constable took up his appointment with the PSNI on 21 September 2009.

The former Deputy Chief Constable left the organisation on 31 May 2009. The new Deputy Chief Constable was appointed by the Policing Board on the 1 June 2009. The new Deputy acted up into the post of Chief Constable from 1 September 2009 – 20 September 2009, when the new Chief Constable took up his post.

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

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

Assistant Chief Constables

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

The appointment dates for current Assistant Chief Constables are as follows

Duncan McCausland	1 September 2002
Roy Toner	1 September 2002 Seconded to NPIA 01 June 2009 Retired 31 March 2010
Drew Harris	13 March 2006
Alistair Finlay	28 August 2006
David Jones	8 September 2008
William Kerr	16 August 2009

Civilian Chief Officers

The appointment dates for current Civilian Chief Officers are as follows

David Best	1 October 1999
Joe Stewart	3 September 2001

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

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

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

Salary and pension entitlement

Remuneration and pension information for the year ended 31 March 2010 is provided for Chief Officers of the PSNI as follows.

Audited Information	Benefits In Kind 2009-2010 £'000s	Salary 2009-2010 £'000s	Salary 2008-2009 £'000s
Former Chief Constable <i>Sir Hugh Orde (moved to ACPO on 31 August 2009)</i> Full Year Equivalent	nil	80-85 (190-195)	200-205
Chief Constable <i>Matt Baggott (appointed 21 September 2009)</i> Full Year Equivalent	nil	100-105 (190-195)	
Former Deputy Chief Constable <i>Paul Leighton (retired 31 May 2009)</i> Full Year Equivalent	nil	30-35 (160-165)	170-175
Deputy Chief Constable <i>Judith Gillespie (Acted Up 1 September –20 September 2009)</i> Full Year Equivalent	nil	160-165 (165-170)	110-115
Assistant Chief Constable Operational Support <i>Duncan McCausland</i>	nil	125-130	115-120
Former Assistant Chief Constable Operational Support <i>Roy Toner (seconded to National Police Improvement Agency (NPIA) 1 June 2009)</i> (Retired 31 March 2010) Full Year Equivalent	nil	20-25 (115-120)	115-120
Assistant Chief Constable Criminal Justice <i>Will Kerr (Appointed 16 November 2009)</i> Full Year Equivalent	nil	40-45 (105-110)	
Assistant Chief Constable Crime Operations <i>Drew Harris</i>	nil	110-115	105-110
Assistant Chief Constable (Urban Region) <i>Alistair Finlay</i>	nil	110-115	105-110
Assistant Chief Constable (Rural Region and Crime Support) <i>Dave Jones</i> Full Year Equivalent	nil	115-120	65-70 (105-110)
Director of Finance and Support Services <i>David Best</i>	nil	115-120	110-115
Director of Human Resources <i>Joe Stewart</i>	nil	115-120	110-115

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

Chief Officer Pension Benefits

Audited Information	Accrued pension as at 31/03/10 or Date of Leaving and related lump sum £000's	Real increase in pension and related lump sum at 31/3/10 or Date of Leaving £000's	CETV at 31/03/10 or Date of Leaving £000's	CETV at 31/03/09 recalculated² £000's	Real increase in CETV £000's
Matt Baggott ¹	105-110	20-22.5	2,750	2,187	515
Sir Hugh Orde ¹ (DOL 31 August 09)	65-70	(52.5-55)	1,678	3,043	(1,392)
Judith Gillespie ¹	85-90	32.5-35	2,125	1,260	780
Paul Leighton ¹ (DOL 31 May 09)	95-100	5-7.5	2,475	2,291	166
Duncan McCausland ¹	55-60	5-7.5	1,510	1,300	160
Roy Toner ¹ (DOL 31 March 10)	85-90	27.5-30	2,264	1,387	713
Drew Harris ¹	50-55	5-7.5	1,156	971	120
Alistair Finlay ¹	55-60	5-7.5	1,411	1,195	142
David Jones ¹	35-40	5-7.5	521	394	92
Will Kerr ¹	35-40	5-7.5	468	380	55
David Best	40-45	2.5-5	977	829	60
	plus lump sum of 125-130	plus lump sum of 7.5-10			
Joe Stewart	15-20	0-2.5	414	340	34
	plus lump sum of 55-60	plus lump sum of 2.5-5			

Notes

- 1 PSNI Police Officers have the option of electing for a lump sum paid on retirement (up to 25% of their total accrued pension benefits). The figures shown are the gross pension figures assuming no lump sum payment.
- 2 In 2009-2010 there was a change in the calculation of date of liability of pension due. The calculation of benefit is now based upon retirement at age 50 or 30 years service whichever is the later.

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

Principal Civil Service Pension Scheme (NI)

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

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

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

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

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

PSNI Police Pension Scheme

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

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

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCS(S)(NI) or PSNI Police Pension Scheme arrangements and for which a transfer payment has been received, commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. The factors for calculating CETVs changed from 1 October 2008 under advice from the Government Actuaries Department. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

Statement of Responsibilities of the Chief Constable

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

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

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

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

Statement on Internal Control

Scope of responsibility

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

In respect of the reporting period, I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury and the Framework Document for Governance of PSNI issued by virtue of Section 27 of the Police (NI) Act 2000.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

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

The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document is reviewed annually to ensure that the risk management process is continuously refined and improved. The review conducted in the first quarter of 2009-2010 established an inspection regime which involves the Corporate Risk Manager attending Senior Management Meetings in each District and Department to observe and advise on risk management practice. The Corporate Risk Manager then provides an assessment, with recommendations for improvement if necessary, on the effectiveness of the risk management process.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2009-2010. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but will continue to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2009-2010. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2009-2010 were in relation to the threat of terrorist attack, recruitment and retention of key investigative staff, funding, legacy investigations and public confidence. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains

the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. Further steps have been taken throughout 2009-2010 to incorporate the risks identified through the operation of the National Intelligence Model (NIM) at the strategic and tactical levels. This has been accomplished through a close examination of the strategic priorities identified through NIM and consideration of the risks posed. Key risks identified through this process can then be escalated to Local or Corporate Risk Registers. The NIM control strategies for each priority have been aligned with the actions necessary to manage any identified risk.

The remit of the Organisational Development Committee (ODC) has been expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

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

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' database to assign, track and manage the timely implementation of recommendations arising from third party reports. The ODC was provided with a satisfactory level of assurance in relation to the effectiveness of this system during 2009-2010 following review by Internal Audit.

Revised arrangements for PSNI's governance committee structure and Assurance Framework, approved in January 2009 were progressed during 2009-2010. Each Governance Committee now has a dedicated Committee Manager who has received training in their role and functions. In addition an operational assurance inspection programme was implemented. The purpose of which is to ensure ongoing compliance against operational service instructions. The ODC monitors these compliance inspections and through the use of Overview, tracks the implementation of recommendations arising.

As a result of an internal Strategic Review conducted during 2009-2010, the Governance Committee structure was further reviewed. This will result in a new governance committee structure that was implemented on the 1 April 2010.

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

PSNI has made sound progress in the implementation of its Information Assurance Strategy throughout 2009-2010. The strategy sets out a framework for Information Assurance governance which in turn delivers information risk management. The primary aim of the strategy is to protect all of PSNI's information assets so as to provide sustained delivery of operational policing services and generate public confidence that information is protected securely in line with the appropriate standards. The strategy is owned by the Senior Information Risk Owner (SIRO) – ACC Operational Support and implementation progress is monitored by the Information Management Committee chaired by the SIRO. The Strategy will be reviewed and updated during 2010 to reflect the changing business requirements and the latest Governmental policy on Information Assurance.

An information governance structure has been established with a hierarchy of Strategic and Operational Business Owners taking responsibility for effectively managing information risk for their respective systems. The Information Risk Register is maintained by a dedicated Information Assurance Unit and reviewed by the Information Management Committee. During 2009-2010 PSNI complied with National Policing Standards in respect of meeting its targets for conformity with all mandatory requirements.

Furthermore, PSNI did not suffer any breach of personal or sensitive data during the period that required referral to the Information Commissioner.

An Information Assurance Policy, supported by twenty-seven detailed information security standards, is aligned with the Her Majesty's Government Security Policy Framework and provides the control structure for all of our information systems. At 31 March 2010 twenty four major information systems were accredited, twelve were in the accreditation process and a further twenty nine are to be progressed during 2010-2011. A programme of education, awareness and training is on-going and will continue to be an effective means of embedding a culture of information assurance at all levels throughout the organisation.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports (and any other external stakeholders including Her Majesty's Inspectorate of Constabulary's (HMIC) and Criminal Justice Inspectorate for Northern Ireland (CJINI) etc). The Chief Officers and the Audit and Risk Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control. Based upon the work Internal Audit have undertaken during the year, they have provided the Chief Constable with a 'Satisfactory' assurance level in respect of risk management, internal control and governance. Firm action has been taken by PSNI to address issues where 'Limited' assurance levels on individual Reviews were identified.

The key risks identified on the PSNI Corporate Risk Register include.

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

- PSNI faces significant challenges in the future to remain within spending targets, primarily due to the costs of legacy issues (historical enquires, equal pay claims and compensation claims) and the current level of Dissident Republican threat. The high volume of historical/legacy issues, together with new and emerging past issues (including recent disclosures regarding abuse cases), impact upon expertise available within the PSNI, and its ability to deliver on the objectives of the Policing Plan. These factors together will result in a reduction in the level of resources available to other core areas of policing. Discussions continue with the Northern Ireland Fire and Rescue Service and PSNI with regard to the provision of a new Training College at Desertcreat, including the provision of adequate funding. Following the General Election in May 2010, the Government has indicated that there will be a reduction in funding availability to the Public Sector. Whilst the extent and timing of the reduction is yet to be announced, there is the potential that it could impact directly upon policing services to the communities they serve. The potential effect of these competing demands for future finances is a significant risk to PSNI.
- PSNI have concerns regarding the potential level of bureaucracy within the financial control framework which will operate in the new environment of devolved Policing and Justice. This is of particular relevance with regard to the potential for the duplication of oversight and regulation. For example, the process for approval of business cases. This has the potential to impair the organisation's ability to manage emerging risks, move expeditiously in reacting to rapidly changing operational and security circumstances, develop long term capability and address the human rights obligations placed upon the PSNI.
- There are significant human resource challenges facing the PSNI during 2010-2011, with approximately 800 Police Officers leaving the service, and the delivery of the Resource to Risk Project. This will require the redeployment of 600 officers from back office duties to frontline service delivery with the community, and the engagement of Police Staff to meet the needs of supporting their operational frontline colleagues.
- The Criminal Justice System as currently constructed, lacks sufficient flexibility to deliver the type of speedy, proportionate and visible justice that communities are rightly demanding. Consequently, there is a growing appetite for a more streamlined Criminal Justice System, which delivers both consistent justice outcomes and public confidence in the system as a whole, with a growing range of community focused and discretionary based justice disposals. Resolution of this issue is critical for the future effectiveness and efficiency of policing in Northern Ireland.

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

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

I certify that I have audited the financial statements of the Police Service of Northern Ireland for the year ended 31 March 2010 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Constable and Auditor

As explained more fully in the Statement of responsibilities of the Chief Constable, the Police Service of Northern Ireland and Chief Constable are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police Service of Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Police Service of Northern Ireland; and the overall presentation of the financial statements.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion

- the financial statements give a true and fair view, of the state of the Police Service of Northern Ireland's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions issued thereunder by the Secretary of State for Northern Ireland.

Opinion on other matters

In my opinion

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions issued thereunder by the Secretary of State for Northern Ireland; and
- the information given in the Foreword and Management Commentary, included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

14 July 2010

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Net Expenditure Account for the year to 31 March 2010

	Notes	Year Ended 31 March 2010 £000	Restated Year Ended 31 March 2009 £000
Administration costs			
Staff Costs	4	517,049	516,422
Depreciation	5	32,590	34,975
Other Expenditures	6	338,839	276,296
Gross administration costs		888,478	827,693
Income			
Income from activities	7	(9,445)	(8,342)
Net expenditure		879,033	819,351
Cost of Capital	8	2,279	6,368
Interest payable/receivable	9	17,311	18,401
Net expenditure after cost of capital and interest		898,623	844,120

Figures have been re-stated in line with International Financial Reporting Standards.

The notes on pages 28 to 50 form part of this account.

Statement of Financial Position as at 31 March 2010

	Notes	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000	Restated at 1 April 2008 £000
Non-current assets				
Property, plant and equipment	10	559,438	641,643	669,245
Intangible assets	11	3,327	3,259	3,517
Total non-current assets		562,765	644,902	672,762
Current assets				
Assets classified as held for sale	13	3,821	920	2,497
Inventories	14	4,635	4,715	4,604
Trade and other receivables	15	35,422	21,602	17,178
Cash and cash equivalents	16	19,570	15,448	16,082
Total current assets		63,448	42,685	40,361
Total assets		626,213	687,587	713,123
Current liabilities				
Trade payables and other current liabilities	17	(94,016)	(74,222)	(66,079)
Total current liabilities		(94,016)	(74,222)	(66,079)
Total assets less total current liabilities		532,197	613,365	647,044
Non-current liabilities				
Provision for liabilities and charges	18	(525,821)	(454,485)	(410,556)
Total of non-current liabilities		(525,821)	(454,485)	(410,556)
Assets less liabilities		6,376	158,880	236,488
Taxpayers' equity				
General Reserve		(140,798)	(64,136)	(17,516)
Revaluation Reserve		147,174	223,016	254,004
Total		6,376	158,880	236,488

The financial statements on pages 24 to 50 were approved and authorised by the PSNI on 16 June 2010 and were signed on its behalf by

Matt Baggott
Chief Constable

The notes on pages 28 to 50 form part of this account.

Statement of Cash Flows for the year to 31 March 2010

	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000	Restated at 1 April 2008 £000
Cash flows from operating activities			
Net cost after cost of capital and interest	(898,623)	(844,120)	(870,755)
Adjustments for non cash transactions (Increase)/decrease in trade and other receivables	(notes 5,6,8 & 9) 208,269	161,621	157,354
Increase in trade payables	(13,820)	(4,409)	2,694
(Increase)/decrease in inventories	18,788	5,532	21,240
Use of Provisions	(note 18) 80	(111)	2,106
Notional proceeds taken through reserves	(87,223)	(89,489)	(71,605)
Gain on disposal taken through reserves	0	900	0
Reclassification of capital expenditure	(note 10 & 11) 0	(342)	0
Net cash outflow from operating activities	118	1,126	171
	(772,411)	(769,292)	(758,795)
Cash flows from investing activities			
Purchase of property, plant and equipment	(34,115)	(34,622)	(46,502)
Purchase of intangibles	(2,976)	(2,802)	(1,621)
Proceeds on disposal of plant, property and equipment	624	1,482	9,875
Net cash flow from investing activities	(36,467)	(35,942)	(38,248)
Cash flows from financing activities			
Grant-in-aid	813,000	804,600	799,260
Net financing	813,000	804,600	799,260
Net increase/(decrease) in cash and cash equivalents in the period	4,122	(634)	2,217
Cash and cash equivalents at the beginning of the period	15,448	16,082	13,865
Cash and cash equivalents at the end of period	19,570	15,448	16,082

The notes on pages 28 to 50 form part of this account.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Notes	General Reserve £000	Revaluation Reserve £000	Total Reserves £000
Balance as at 31 March 2008		(5,704)	254,004	248,300
Changes in accounting policy	2	(11,812)	0	(11,812)
Restated Balance as at 1 April 2008		(17,516)	254,004	236,488
Changes in taxpayers' equity 2008-2009				
Net loss on revaluation of property, plant and equipment		0	(30,646)	(30,646)
Non-cash charges – cost of capital		6,368	0	6,368
Transfer between reserves		342	(342)	0
Actuarial Loss		(13,810)	0	(13,810)
Net operating cost		(844,120)	0	(844,120)
Total recognised income and expense for 2008-2009		(851,220)	(30,988)	(882,208)
Grant in aid		804,600	0	804,600
Balance at 31 March 2009		(64,136)	223,016	158,880
Changes in taxpayers' equity 2009-2010				
Net loss on revaluation of property, plant and equipment		0	(76,300)	(76,300)
Non-cash charges – cost of capital		2,279	0	2,279
Transfer between reserves		(458)	458	0
Actuarial Loss		7,140	0	7,140
Net operating cost		(898,623)	0	(898,623)
Total recognised income and expense for 2009-2010		(889,662)	(75,842)	(965,504)
Grant in aid		813,000	0	813,000
Balance at 31 March 2010		(140,798)	147,174	6,376

The notes on pages 28 to 50 form part of this account.

Notes to the Annual Financial Statements for year ended 31 March 2010

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-2010 HM Treasury Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or Interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy considered most appropriate for the PSNI and giving a true and fair view has been selected. The particular policies adopted by the PSNI are summarised below. They have been applied consistently when dealing with items that are considered material to the accounts.

1.1 First time adoption

The PSNI implemented IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) with the date of transition to IFRS being 1 April 2008 for the purposes of preparing the opening IFRS Statement of Financial Position.

In compliance with IFRS1, a reconciliation summarises the principal adjustments flowing from implementation of IFRS and notes impact on the organisation in moving from UK GAAP to IFRS.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. The main accounting policies adopted by the PSNI are summarised below.

1.3 Property, plant and equipment

Expenditure is capitalised on property, plant and equipment that exceeds £5,000 for an individual asset, or £1,000 for an asset forming part of a significant asset group. The majority of firearms are not capitalised as they fall outside these threshold limits.

On initial recognition assets are measured at cost including any costs required to bring them into working condition. All property, plant and equipment are reviewed annually for impairment and are carried at fair value.

All Land and Buildings are valued based on a professional and independent valuation, carried out by Land & Property Services (LPS) annually at the end of each financial year. A complete valuation of the Police Estate is carried out by LPS every 5 years, and commenced in April 2010.

In accordance with IFRS, PSNI has secured an independent and professional valuation from Land & Property Services. They summarised each Land and Buildings asset into its constituent parts or components and they outlined their respective remaining lives. From this information, the PSNI calculated component depreciation in accordance with the requirements of IFRS. In compliance with new IFRS disclosure requirements, separate disclosure is attributed to Dwellings (under Land & Buildings).

1.4 Depreciation

Property, plant and equipment are depreciated at cost or re-valued amount at fixed rates on a straight line basis over the estimated useful lives of the assets. Depreciation rates are as follows.

Buildings	up to 50 years
Plant and Equipment	5 to 40 years
Vehicles and Aircraft	4 to 10 years
IT and Communications	3 to 10 years

Buildings are depreciated using the componentisation method. Componentisation is the breakdown of buildings into the constituent parts. The constituent parts are then depreciated based on their individual value and estimated useful life. Land is not depreciated.

1.5 Non-current assets held for sale

The PSNI has classified non-current assets, held for sale where their value is expected to be realised mainly through a sale transaction rather than through continuing use. In accordance with IFRS5, such assets must be immediately available for sale in its current condition and their sale is highly probable. Properties which are surplus to requirements are valued on the basis of open market value.

1.6 Financial instruments

In accordance with IAS 39 Financial Instruments, the PSNI has no financial instruments to report during the financial year 2009-2010. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public Body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. As such, it is exposed to little liquidity, currency or market risks. The PSNI does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

1.7 Cost of capital

The Net Expenditure Account includes a non-cash charge for interest relating to the use of capital. The basis of the charge is 3.5 per cent of the average capital employed during the year, defined as the total assets, excluding cash less total liabilities.

1.8 Pension costs

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

Police Staff are members of the Principal Civil Service Pension Scheme (NI), (PCSPS (NI)) which is an unfunded defined benefit scheme. The PCSPS (NI) produces its own resource accounts, but PSNI is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2010 and details of this valuation are available in the PCSPS (NI) Resource Accounts.

Police officers are members of the existing PSNI Police Pension Scheme or the New Police Pension Scheme, introduced from 6 April 2006.

PSNI contributes a percentage of pensionable earnings towards its employees superannuation, at the Accruing Superannuation Liability Charge (ASLC) rates, determined by the Government Actuary's Department and advised by HM Treasury.

1.9 Value added tax

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

1.10 Inventory

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

1.11 Provision for severance programmes

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

1.12 Provision for compensation claims

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

1.13 Provision for injury awards

Provision is made for the costs of providing injury awards to Police Officers based on the current number of injury awards, and also on estimated life expectancy of these pensioners. The liability is measured on an actuarial basis by the Government Actuary's Department.

1.14 Provision for early retirement costs

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

1.15 Provision for Uniform Contract

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

1.16 Leases

Rentals paid under operating leases are charged to the net expenditure account on a straight-line basis over the term of the lease. In compliance with IAS 17 Leases, operating leases have been split between Land and Buildings and Other with all future commitments reported.

1.17 Employee benefits and staff costs

In compliance with International Accounting Standard (IAS) 19 Employee Benefits, estimated costs have been accrued for any untaken leave for both Civilian & Police staff. The PSNI has recognised, recorded and expensed all relevant staff costs as soon as it is obligated to honour them.

1.18 Accounting estimates

Following a review of the Hearing Loss provision subsequent claims lodged in April and May identified an additional provision of 6.9m relating to the period prior to the 31 March 2010.

There were no other material changes to accounting estimates and methodology adopted by the PSNI in preparing these accounts.

1.19 Third party assets

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

1.20 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2010

The PSNI implemented IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) with the date of transition to IFRS being 1 April 2008 for the purposes of preparing the opening IFRS Statement of Financial Position.

The following standards had a material impact on the financial statements in the year to 31 March 2010 and were adopted by PSNI during this year.

- IAS 19 Employee Benefits; and
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Any adjustments arising from differing accounting policies resulting from the application of IFRS for the first time have been taken through the General Reserve. Accounting standards IAS7 (Cash-flow Statements), IAS 16 (Property, Plant & Equipment), IAS17 (Leases) and IFRS8 (Segmental Reporting) have been adopted by PSNI during the year to 31 March 2010.

The PSNI has reviewed the remaining standards, interpretations and amendments to published standards that became effective during 2009-2010 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the PSNI's financial position or results.

1.21 Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the PSNI's accounting periods beginning on or after 1 April 2010 or thereafter, but which the PSNI has adopted early.

Standard	Description of revision	Application date	Comments
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs	Beginning on or after 1 January 2010	Unlikely to have a significant impact. Adopted by PSNI during 2009-2010.
IFRS 8	Operating segments — Amendments resulting from April 2009 Annual Improvements to IFRSs	Beginning on or after 1 January 2010	Segmental assets not required to be disclosed unless regularly reported to the Chief Operating Decision Maker (CODM). Segmental assets not regularly reported to CODM and not applicable to PSNI. Adopted by PSNI during 2009-2010.
IAS 24	Related Party Disclosures — Revised definition of related parties	Annual periods beginning on or after 1 January 2011.	Inclusion of a partial exemption for government-related entities. Given the FReM interprets the related party requirements to significantly reduce the disclosure on transactions between public sector entities, unlikely to have a significant impact. Adopted by PSNI during 2009-2010.

In addition, the PSNI has considered the additional or revised accounting standards and new (or amendments to) interpretations contained within the Government Financial Reporting Manual (FReM) 2010-2011. Other than as outlined in the table below, the PSNI considers that these changes are not relevant to its operations.

Chapter in FReM 2010-2011	Area affected	Description of revision	Comments
8	Impairments	An adaptation of IAS 36 Impairment of Assets to allow the scoring of all impairments that are caused by a clear consumption of economic benefit to the Net expenditure Account.	Unlikely to have a significant impact.
11	Income and Expenditure	The removal of Cost of Capital charging from accounts.	Applies to all public sector bodies. Guidance issued by HM Treasury means that this change is budgetary neutral. No impact on the PSNI other than disclosure requirement.

The application date for these FReM changes is 1 April 2010.

2 First-time adoption of IFRS

	General Reserve £000	Revaluation Reserve £000
Taxpayers' equity at 31 March 2008 under UK GAAP	(5,704)	254,004
Adjustments for		
IAS 19 – Employee Benefits	(11,459)	0
IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations	(353)	0
Taxpayers' equity at 1 April 2008 under IFRS	<u>(17,516)</u>	<u>254,004</u>
Taxpayers' equity at 31 March 2009 under UK GAAP	(52,825)	223,016
Adjustments for		
IAS 19 – Employee Benefits	(11,232)	0
IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations	(385)	0
IAS 16 – Property Plant and Equipment	306	0
Taxpayers' equity at 1 April 2009 under IFRS	<u>(64,136)</u>	<u>223,016</u>
		£000
Net expenditure for 2008-2009 under UK GAAP		845,027
Adjustments for		
Reversal of 2007-2008 adjustment for IAS19		(11,459)
IAS19 Employee Benefits – Accrued untaken leave 2008-2009		11,232
Reversal of 2007-2008 adjustment for IFRS 5		(353)
IFRS 5 Non Current Assets held for Sale 2008-2009		385
Adjustment for Componentisation of Fixed Assets		(306)
Adjustment to Cost of Capital		(406)
Net expenditure for 2008-2009 under IFRS		<u>844,120</u>

3 Analysis of net expenditure by segment for the year ended 31 March 2010

	Territorial Policing	Other Frontline Policing	Infrastructure Support Costs	Other Costs	Total
	£000	£000	£000	£000	£000
Operating segments 2009-2010					
Gross expenditure	292,498	192,566	215,064	207,940	908,068
Income	(1,436)	(1,293)	(6,716)		(9,445)
Net expenditure	291,062	191,273	208,348	207,940	898,623

	Territorial Policing	Other Frontline Policing	Infrastructure Support Costs	Other Costs	Total
	£000	£000	£000	£000	£000
Operating segments 2008-2009					
Gross expenditure	353,979	143,031	192,975	162,477	852,462
Income	(1,759)	(2,675)	(3,908)		(8,342)
Net expenditure	352,220	140,356	189,067	162,477	844,120

In compliance with IFRS8, a segmental report has been included, outlining the following segments.

Territorial policing

This segment combines the directly attributable costs of both Urban and Rural Regions. It delivers a significant portion of operational policing services within Northern Ireland and is comprised of the geographically diverse eight District Command Units.

Other front-line policing

It represents the directly attributable costs for both Crime Operations and Operational Support departments. Crime Operations includes Organised Crime, Intelligence Branch, Special Operations, Serious Crime Review Team, Scientific Support, E-Crime and support to operational policing. Operational support department provides a wide range of support to the PSNI in the delivery front-line policing services and includes Central Statistics, Change Management, Information and Communications and Corporate/Operations branch.

Infrastructure support costs

This segment combines the costs of the main departments and branches which support Front-line and Operational/Territorial Policing services. They include Finance and Support/Corporate Services, Human Resources, Legal and Criminal Justice, Crime Support, Command Secretariat, Police Senior Management, Professional Standards, Outsourced Contacts and Patten Non Severance.

Other costs

It also includes Non-Cash costs, including Depreciation and Permanent Diminution, Cost of Capital and Movement in Provisions. (Net pension costs are excluded as they are reported under separate cover).

4 Staff costs

	2009-2010		2009-2010	Restated
	Staff Costs Total £000	Permanently Employed Staff £000	Others £000	2008-2009 £000
Wages and salaries	423,553	410,711	12,842	421,564
Social security costs	32,964	32,964	0	33,204
Pension Costs	62,211	62,211	0	62,882
Total staff costs	518,728	505,886	12,842	517,650
Less recoveries in respect of outward secondments	(1,679)	(1,679)	0	(1,228)
Total net costs	517,049	504,207	12,842	516,422

Average numbers of persons employed

The average number of whole-time persons employed during the year was as follows

	2009-2010		2009-2010	2008-2009	1 April 2008
	Total	Permanent Staff	Others	Total Staff	Total Staff
Directly Employed	11,565	10,949	616	12,021	12,485

Principal civil service pension scheme (NI)

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

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (Classic, Premium, and Classic Plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the Nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3 per cent. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase.

For 2009-2010, employers' contributions of £9,396,382 were paid to the PCSPS (NI) (2008-2009: £9,956,070) at one of four rates in the range 16.5 per cent to 23.5 per cent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

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

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

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

PSNI Police pension schemes

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

Police pension scheme (PPS)

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

For the year to 31 March 2010, employer's contributions of £46,402,807 have been paid at the rate of 20.25 per cent of pensionable pay. For 2008-2009, Employers' contributions of £48,419,983 were paid to the PSNI PPS. To qualify for an ordinary retirement pension, an officer has to complete 25 years service and attain 50 years of age. Benefits accrue at the rate of 1/60th of APP for each year of service up to 20 years, and 2/60th for each year thereafter, up to a maximum of 40/60th of APP. There is an option for a lump sum to be paid on retirement, if the officer elects to give up (commute) up to 25 per cent of the pension. Actuarial tables are used to calculate the lump sum. Members pay contributions of 11 per cent of basic pay. Pensions increase in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse or children, subject to provisions within the scheme. On death in service, that is not as a result of an injury on duty (IOD), the scheme pays a lump sum benefit of twice pensionable pay, and there are also pension benefits for the spouse and/or children of the deceased. On death as a result of IOD, or death within 12 months of retiring as a result of an injury, a lump sum benefit of five times pensionable pay is payable, subject to scheme conditions. Medical retirement is possible in the event of serious ill health. Officers with less than 2 years service receive a lump sum benefit (gratuity), and those with more than two years service receive an ill-health pension, depending on the number of years of actual pensionable service.

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

New police pension scheme (NPPS)

For the period to 31 March 2010, employer's contributions of £6,845,585 have been paid at the rate of 20.25 per cent of pensionable pay. For 2008-2009, employers' contributions of £4,508,076 were paid to the PSNI NPPS.

To qualify for an ordinary retirement pension, an officer must serve to age 55. Benefits accrue at the rate of 1/70th of APP for each year of service up to a maximum of 35/70th of APP.

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

Employer Pension Costs

Employer pension costs disclosed on page 34 (note 4) of £62,211,144 are reported on an accrual basis. The actual payments made by PSNI in respect of employer pension costs totalled £62,644,774.

The difference is due to the timing of when payments are collected and then paid to the pension schemes.

Severance Payments

Severance Payments have been made from 1 January 2001 to officers leaving the PSNI under the Voluntary Severance or Full Time Reserve programmes for the PSNI. The Schemes were developed in line with the recommendations of the Independent Commission on Policing (Patten) and it was necessary to fulfil Government commitments, to permit officers to leave from the planned date of 1 January 2001.

5 Depreciation and amortisation (notes 10-11)

	Restated
Year Ended	Year Ended
31 March	31 March
2010	2009
£000	£000
<u>32,590</u>	<u>34,975</u>

6 Other expenditures

	Year Ended	Restated
	31 March	Year Ended
	2010	31 March
	£000	2009
		£000
Transport	13,066	12,312
IT and communications	41,256	40,462
Accommodation services	45,462	42,960
General expenses	71,605	66,789
Travel, subsistence and relocation	10,116	10,426
Audit fees	91	88
Hospitality	172	165
Reclassification of capital expenditure	118	51
Charges for operating leases: photocopiers	130	254
property	734	912
Non cash items		
Profit on Disposal of non-current assets	0	(123)
Downward revaluation in non-current assets	6,635	761
Residual costs of assets held for sale	1,066	32
Net increase in provisions (see note 18)	148,388	101,207
Total	338,839	276,296

During the year, PSNI did not purchase any non-audit services from the external auditor, the Comptroller and Auditor General.

7 Income from activities

	Year Ended	Restated
	31 March	Year Ended
	2010	31 March
	£000	2009
		£000
Fees for firearms certificates, permits and accident reports	1,009	855
Police Transport	134	162
Profit on Disposal of non-current assets	216	123
Other	8,086	7,202
Total	9,445	8,342

8 Cost of capital charges

	Year Ended 31 March 2010 £000	Restated Year Ended 31 March 2009 £000
Cost of capital (3.5% of average of total assets excluding cash less total liabilities see note 8a)	<u>2,279</u>	<u>6,368</u>

8a Analysis of cost of capital charge

	2009-2010 £000	Restated 2008-2009 £000	Restated 2007-2008 £000
Total Assets	626,213	687,587	713,123
Less Cash	(19,570)	(15,448)	(16,082)
	<u>606,643</u>	<u>672,139</u>	<u>697,041</u>
Less Total Liabilities	(619,837)	(528,707)	(476,635)
	<u>(13,194)</u>	<u>143,432</u>	<u>220,406</u>
Average Capital Employed in Year	<u>65,119</u>	<u>181,919</u>	<u>252,483</u>
Cost of Capital	<u>2,279</u>	<u>6,368</u>	<u>8,837</u>

9 Interest payable/receivable

Unwind of discount on provisions (see note 18)	<u>17,311</u>	<u>18,401</u>
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10 Property, plant and equipment

(2008-2009)	Land £000	Buildings £000	IT and Comms. £000	Plant and Equip £000	Vehicles and Aircraft £000	AICC £000	Total £000
Cost or valuation							
At 1 April 2008 (restated)	210,107	450,867	89,781	11,029	63,215	30,804	855,803
Additions	0	8,122	130	334	1,678	26,628	36,892
Disposals	(218)	(332)	(2,836)	(57)	(3,541)	0	(6,984)
Revaluation on Disposal	0	1,584	0	0	0	0	1,584
Surplus assets held for sale	0	(1,305)	0	0	0	0	(1,305)
Transfers	0	12,524	9,793	0	81	(22,398)	0
Reclassification	0	0	0	0	0	(1,075)	(1,075)
Revaluation below HC	0	0	(1,183)	(4)	0	0	(1,187)
Revaluation	(34,083)	(13,948)	2,848	755	5,304	0	(39,124)
At 31 March 2009	175,806	457,512	98,533	12,057	66,737	33,959	844,604
Depreciation							
At 1 April 2008 (restated)	0	88,755	48,901	6,802	42,100	0	186,558
Charged in Year	0	11,991	11,331	571	7,516	0	31,409
Disposals	0	(162)	(2,836)	(46)	(3,289)	0	(6,333)
Revaluation below HC	0	0	(540)	0	0	0	(540)
Revaluation	0	(14,060)	1,871	469	3,587	0	(8,133)
At 31 March 2009	0	86,524	58,727	7,796	49,914	0	202,961
Net book value (NBV)							
At 31 March 2009	175,806	370,988	39,806	4,261	16,823	33,959	641,643
At 31 March 2008 (restated)	210,107	362,112	40,880	4,227	21,115	30,804	669,245
Asset financing							
Owned (NBV at 31 March 2009)	175,806	370,988	39,806	4,261	16,823	33,959	641,643

Note: AICC refers to assets in course of construction.

The above fixed assets note includes the following figures for dwellings.

Dwellings 2008-2009

Net book value	£000
At 1 April 2008 (restated)	1,425
Depreciation	(13)
Revaluation	(117)
At 31 March 2009	1,295

(2009-2010)	Land	Buildings	IT and Communi- cations	Plant and Equip- ment	Vehicles and Aircraft	AICC	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation:							
At 1 April 2009 (restated)	175,806	457,512	98,533	12,057	66,737	33,959	844,604
Additions	0	5,678	(219)	16	1,258	27,872	34,605
Disposals	0	(410)	(9,239)	(1,385)	(2,242)	0	(13,276)
Surplus assets held for sale	(3,968)	0	0	0	0	0	(3,968)
Transfers	0	15,689	4,691	0	0	(20,380)	0
Transfers from IT to Software	0	0	(221)	0	0	0	(221)
Revaluation below Historical Cost	0	0	(25)	(1)	0	0	(26)
Revaluation	(27,770)	(72,268)	9,372	335	1,408	0	(88,923)
At 31 March 2010	144,068	406,201	102,892	11,022	67,161	41,451	772,795
Depreciation							
At 1 April 2009 (restated)	0	86,524	58,727	7,796	49,914	0	202,961
Charged in Year	0	11,246	10,794	619	6,213	0	28,872
Disposals	0	(238)	(9,239)	(1,277)	(2,114)	0	(12,868)
Revaluation below Historical Cost	0	0	(19)	0	0	0	(19)
Revaluation	0	(13,148)	6004	210	1,345	0	(5,589)
Depreciation w/o	0	0	0	0	0	0	0
At 31 March 2010	0	84,384	66,267	7,348	55,358	0	213,357
Net book value							
At 31 March 2010	144,068	321,817	36,625	3,674	11,803	41,451	559,438
At 31 March 2009 (restated)	175,806	370,988	39,806	4,261	16,823	33,959	641,643
Asset financing							
Owned (NBV at 31 March 2010)	144,068	321,817	36,625	3,674	11,803	41,451	559,438

Note: AICC refers to assets in course of construction. The above fixed assets note includes the following figures for dwellings

Dwellings 2009-2010	£000
Net book value	
At 1 April 2009 (restated)	1,295
Disposals	(575)
Depreciation	(12)
Revaluation	(58)
At 31 March 2010	650

11 Intangible assets

	£000
Cost or valuation	
At 1 April 2009 (restated)	10,194
Additions	3,279
Disposals	(2,124)
Revaluation	1,787
Revaluation below Historical Cost	0
Transfers	221
Reclassification	(118)
At 31 March 2010	<u>13,239</u>
Amortisation	
At 1 April 2009 (restated)	6,935
Charged in year	3,718
Disposals	(2,124)
Revaluation below Historical Cost	1,383
At 31 March 2010	<u>9,912</u>
Net book value at 31 March 2010	<u>3,327</u>
Net book value at 31 March 2009 (restated)	<u>3,259</u>
Cost or valuation	
At 1 April 2008 (restated)	7,009
Additions	3,261
Disposals	0
Revaluation	4
Revaluation below Historical Cost	(237)
Transfers	39
Reclassification	118
At 31 March 2009	<u>10,194</u>
Amortisation	
At 1 April 2008 (restated)	3,492
Charged in year	3,566
Disposals	0
Revaluation below Historical Cost	(123)
At 31 March 2009	<u>6,935</u>
Net book value at 31 March 2009	<u>3,259</u>
Net book value at 31 March 2008 (restated)	3,517

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

12 Impairments

The PSNI annually assesses whether a financial asset or group of assets are impaired. Where there is independent evidence that an impairment loss below historical cost has occurred, the carrying amount is reduced with the loss being recognised in the Net Expenditure Account.

13 Assets held for sale

As at 31 March 2010

	£000		£000
Keady	50	Fivemiletown	88
Forkhill	87	Greencastle	106
Gilford	74	Greyabbey	68
Middleton	85	Kilrea	153
Plumbridge	(63)	Loughgall	81
Ballymoney (Market Street)	748	Markethill	(2)
Omagh (Old)	599	Newtownbutler	348
Belcoo	28	Newtwonstewart	178
Bellaghy	333	Pomeroy	(152)
Belleek	88	Portstewart	88
Claudy	158	Stewartstown	78
Coagh	98	Templepatrick	118
Donemana	88	Toomebridge	188
Dromara	108		
		Total	3,821

	Year Ended 31 March 2009 £000		Year Ended 31 March 2008 £000
Keady	68	Coalisland	196
Forkhill	163	Kinawley	374
Middleton	18	Rosslea	641
Gilford	178	Creggan Rd. Londonderry	474
Coalisland	66	Draperstown	534
Plumbridge	2	Sion Mills	278
Whitehead	135		
Rosslea	290		
Total	920	Total	2,497

14 Inventories

	Year ended	Restated Year ended	Restated at
	31 March	31 March	1 April
	2010	2009	2008
	£000	£000	£000
General stores	2,122	2,330	2,391
Transport services stores	1,306	1,303	712
Information and communication services stores	0	16	54
Heating oil	574	426	672
Petrol and diesel	633	640	775
Total	4,635	4,715	4,604

15 Trade receivables and other current assets

	Year ended	Restated Year ended	Restated at
	31 March	31 March	1 April
	2010	2009	2008
	£000	£000	£000
Trade receivables	2,331	3,200	2,744
Other receivables	30,830	16,024	11,060
Prepayments and accrued income	2,261	2,378	3,374
Total	35,422	21,602	17,178

15b Intra government receivable balances

	£000	£000	£000
Amounts falling due within one year			
Balances with NIO core, its agencies and NDPBs	21,461	7,364	5,798
Balances with other central government bodies	10,521	7,823	7,115
Balances with local authorities	213	146	109
Balances with NHS trusts	0	289	93
Balances with bodies external to government	3,227	5,980	4,063
Total	35,422	21,602	17,178

16 Cash and cash equivalents

	Year ended	Restated Year ended	Restated at
	31 March	31 March	1 April
	2010	2009	2008
	£000	£000	£000
Cash in bank at 1 April	15,448	16,082	13,865
Net cash inflow/(outflow)	4,122	(634)	2,217
Cash in bank at 31 March	19,570	15,448	16,082

All cash held in commercial bank accounts.

17 Trade payables and other current liabilities

	Year ended	Restated	Restated
	31 March	Year ended	at
	2010	31 March	1 April
	£000	2009	2008
		£000	£000
Trade payables	14,258	14,893	9,983
Trade accruals	35,072	19,143	17,868
Taxation and social security	13,434	11,964	12,537
Payroll accrual	13,162	11,055	10,659
Other payables	18,090	17,167	15,032
Total	94,016	74,222	66,079

17b Intra government creditor balances

	£000	£000	£000
Amounts falling due within one year			
Balances with NIO core, its Agencies and NDPBs	2,922	520	679
Balances with other central government bodies	18,558	14,704	14,670
Balances with local authorities	854	214	125
Balances with public corporations and trading funds	0	1,672	1,262
Balances with bodies external to government	71,682	57,112	49,343
Total	94,016	74,222	66,079

18a Provisions for liabilities and charges 2009-2010

	Voluntary and FTR Severance	Compensation/ Hearing Loss	Injury Awards	Uniform Contract	Equal Pay	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2009	92,619	63,639	297,930	297	0	454,485
Utilised in year	(58,909)	(11,834)	(16,473)	(7)	0	(87,223)
Provision not utilised	0	0	0	0	0	0
Discount unwind	0	1,358	14,770	0	1,183	17,311
Actuarial loss/gain	0	0	(7,140)	0	0	(7,140)
Increase in provision	50,420	51,808	11,160	0	35,000	148,388
At 31 March 2010	84,130	104,971	300,247	290	36,183	525,821

Provisions for liabilities and charges 2008-2009

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

18b. Analysis of expected timing of discounted flows

	Voluntary and FTR Severance	Compensation/ Hearing Loss	Injury Awards	Uniform Contract	Equal Pay	Total
	£000	£000	£000	£000	£000	£000
In the remainder of the Spending Review period (to 2011)	84,130	20,069	14,000	290	36,183	154,672
Between 2012 and 2016	0	77,183	64,000	0	0	141,183
Between 2016 and 2020	0	7,719	45,000	0	0	52,719
Beyond 2020	0	0	177,247	0	0	177,247
	84,130	104,971	300,247	290	36,183	525,821

The above provisions will be profiled to show the spend for remaining years at the end of this financial year.

The Severance provision relates to both the Voluntary and Full Time Reserve (FTR) Severance programmes.

Voluntary severance programme

The Secretary of State for Northern Ireland established a Voluntary Severance Scheme for PSNI Regular and FTR Officers in July 2000. During the current year, 331 officers left the Service. The provision relates to 350 officers expected to leave during 2010-2011. This provision is subject to uncertainty and is based on estimates of numbers, ranks and profiles of officers.

Full time reserve (FTR) severance programme

The position on the FTR was highlighted by Patten Recommendation 103, which stated that the future PSNI should not include a Full Time Reserve. The Chief Constable has recently carried out security reviews and has announced his decision that the FTR officers are to be phased out.

The above provision relates to 390 FTR officers.

Equal pay

The former Minister for Finance and Personnel announced measures in May 2008 to address equal pay issues in the Northern Ireland Civil Service. The PSNI are inextricably linked to this announcement, having significant numbers of seconded civil servants at these grades up to and including the 30 September 2008 and all staff administered in line with the NICS pay agreement. This continues to be the case.

The Department of Finance and Personnel (DFP) and PSNI have assessed the potential impact of these equal pay claims and the wider equal pay issue against relevant accounting standards, in particular IAS 37. The ministerial statements have created an obligation on the part of the NICS and PSNI to comply with equal pay legislation and to address any anomalies that may exist in its present pay and grading structures. Legal opinion has advised that PSNI have an obligation to pay their staff on the same basis as NICS, consequently the PSNI have included a provision in respect of this liability.

Compensation claims

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

	Injury Claims	Damage Claims	Legal	Hearing Loss – Injury	Hearing Loss – Legal	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2009	9,004	154	7,477	25,687	21,317	63,639
Utilised in Year	(932)	(84)	(790)	(5,822)	(4,206)	(11,834)
Provision not utilised	0	0	0	0	0	0
Discount unwind	315	5	262	431	345	1,358
Increase in Provision	3,283	209	2,387	26,193	19,736	51,808
At 31 March 2010	11,670	284	9,336	46,489	37,192	104,971

At 31 March 2010, there were 3,296 'live' injury or wrongful acts claims and 498 'live' damage to property claims. Associated legal fees are also provided for.

Claims have varying life spans with claims involving personal injury mostly concluded within six years of receipt and claims for damage to property usually being concluded within one or two years of receipt. In deriving the above figures, assumptions have been made relating to the number of outstanding claims likely to attract compensation, the average claim value for the different claim types and likely timing of settlement. The data assumes that past trends will persist with only marginal fluctuations and any deviations from this pattern may have a material impact on actual claims settled. The provision for years 1-6 have been discounted at the HM Treasury rate of 3.5 per cent. See also note 1.17 in relation to Hearing Loss.

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

Injury awards

Following a change to the tax regime, from April 2006 injury awards are no longer permitted to be part of pension schemes and the relevant costs are now recognised in the organisation's main financial statements. The pension liability relating to injury awards has been valued by the GAD. The valuation was provided to PSNI by GAD for the 12 months to 31 March 2010, and the current Injury on Duty (IOD) provision reflects this position.

Uniform contract

PSNI entered into a managed service contract for the ordering, supply, handling and accounting of uniform related items. The contractor purchased the total amount of uniforms held by PSNI during the financial year. However as part of the contract, PSNI has agreed to purchase any uniforms in possession of the contractor at the end of the contract. It has been estimated, based on usage levels of the uniforms transferred, that £290k of uniforms initially transferred may not be issued by the end of the contract, and therefore this amount has been provided for in full.

19 Capital commitments

	Year ended	Year ended	
	31 March	31 March	1 April
	2010	2009	2008
	£000	£000	£000
Property Plant and Equipment	21,281	90,028	138,262
Intangible assets	2,205	0	0
Total	23,486	90,028	138,262

20 Commitments under leases

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

Obligations under operating leases	2009-2010	2008-2009	2007-2008
	£000	£000	£000
Land			
Not later than one year	725	714	648
Later than one year and not later than five	1,682	1,872	1,859
Later than five years	1,214	1,445	1,937
Total	3,621	4,031	4,444
Buildings			
Not later than one year	222	238	232
Later than one year and not later than five	643	697	743
Later than five years	634	790	947
Total	1,499	1,725	1,922
Other			
Not later than one year	252	366	483
Later than one year and not later than five	924	957	1,086
Later than five years	738	943	1,149
Total	1,914	2,266	2,718

21 Commitments under private financing initiatives (PFI) contracts

The PSNI has no commitments to report under PFI contracts for the financial year 2009-2010.

22 Other financial commitments

The PSNI has no other material financial commitments to report for financial year 2009-2010. The main financial commitments currently facing the organisation is summarised above.

23 Financial instruments

In accordance with IAS 39 Financial Instruments, the PSNI has no financial instruments to report during the twelve months to 31 March 2010. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year-end flexibility. As such, it is exposed to little liquidity, currency or market risks.

The PSNI does not hold any complex financial instruments and there is no impact on the financial risk of the organisation.

24 Contingent liabilities (IAS 37)

Hearing loss cases

The PSNI is named Defendant in a number of claims from current and ex-police officers for occupational hearing loss. The number of claims likely to be received in the future is uncertain and cannot be reliably estimated, although in total an excess of 20,000 members received firearms training. Each case will be considered on its merits and any settlement based on the severity of hearing loss. See also note 1.17.

Due to the unusual nature of the claims outlined above, it is still not possible to identify from previous statistics, a scientific assessment of likely future settlement rates or an average figure for settlement of each case.

Post traumatic stress disorder class action

The PSNI and the Northern Ireland Policing Board are named defendants in a class action by 5,585 former and serving police officers. The hearing for this case began in November 2005 and concluded in June 2006. A judgement was delivered in June 2007 which found in favour of the PSNI under four of the five headings. The judge specifically referred to the formidable tasks individual plaintiffs may have in pursuing claims. This was confirmed by the successful defence by the PSNI in respect of the 10 lead cases. An appeal by 5 lead plaintiffs and a cross appeal by the defendants on the issue that went against them, were lodged in October 2007. The appeal has now been delivered and the Chief Constable was largely successful in his defence of the generic issues in the 5 lead cases which were subject to appeal. The Chief Constable is seeking leave to appeal the Supreme Court regarding the decision of the Court of Appeal in relation to the issue of these costs. A number of claimants have indicated their intention to pursue their claims further as personal litigants within the relatively narrow restrictions imposed by the Court. The number of potential claimants is unclear at this time.

DNA ruling

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

The Home Office has committed to a consultation on DNA and fingerprint retention powers and the existing law will remain in place while the judgement is considered. The PSNI is awaiting guidance from the Home Secretary before any decision can be made regarding the destruction of any material held that would be in breach of this ruling.

The estimated costs of complying with this ruling cannot be reliably estimated at this time.

Claims resulting from security breaches

The Chief Constable is a named Defendant in cases from current and ex-police officers, members of his police staff and family members and members of the public, arising out of alleged breaches of security. These actions are ongoing and it is not possible at this time to provide any further indication as to the number of claims likely to be lodged.

Claims arising from warren-point fatal road traffic collision

The PSNI has received claims from the families of two of the officers who were passengers in the vehicle. These High Court claims are of significant potential as they involve claims for dependency and the PSNI is currently awaiting advice from the Crown Solicitors Office in relation the issue of quantum. At this stage it is not possible to accurately estimate any potential liability.

Working time regulations

Police Officers Part Time (POPT) and full time reserves challenging the PSNI Working Regulations with the Working Time Regulations (Northern Ireland) 1998 and less favourable treatment either on grounds of part time status or as a result of fixed term contracts

The PSNI are named defendants in claims from POPT and FTR with regard to the right to paid annual leave in accordance with the Working Time Regulations (Northern Ireland) 1998 (for POPT) and less favourable treatment. At this stage it is not possible to identify the potential extent of liability with regard to the numbers of officers affected or potential cost.

25 Losses and special payments

Losses	Description	No of Cases	£'000
Type			
Losses	Cash	7	4
Overpayments		12	17
Stores		1,029	88
Claims waived or Abandoned		584	382
Special payments	Compensation	891	7,048
Ex gratia payments		1	10
Fruitless payments and constructive losses		106	15
		2,630	7,564

26 Related-party transactions

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

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

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

27 Third-party transactions

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

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

Year ended 31 March 2009	Gross Inflows	Gross Outflows	Year ended 31 March 2010
£000	£000	£000	£000
3,493	126	(230)	3,389

28 Events occurring after the reporting period

On 12 April 2010, policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a new Northern Ireland Department. From this date, the lead policy responsibility for the PSNI transferred from the Northern Ireland Office to the Department of Justice.

The 2009-2010 financial statements have been prepared on the basis that the PSNI was an executive NDPB of the Northern Ireland Office for the entire financial year and these will be laid in Parliament. There is no impact on the 2009-2010 financial statements arising from the transfer of functions to the Northern Ireland Assembly on 12 April 2010.

Following a review of the Hearing Loss provision subsequent claims lodged in April and May identified an additional provision of £6.9m relating to the period prior to the 31 March 2010.

The annual report and accounts were authorised by the Chief Constable to be issued on the same day as they were certified by the Comptroller and Auditor General.

Foreword – Police Property Fund

Background information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year 2009-2010 to which they relate as the Secretary of State may determine. This is to allow the Policing Board to meet its own specific requirements under Section 12(1) (a) of the Act.

Principal activities

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

The Police Property Fund is a separate fund, administered by the PSNI and established by regulations under Section 2 of the Police (Property) Act 1987, which comprises unclaimed receipts arising from criminal investigations by the PSNI, which the Policing Board donate to charities.

Accounts direction

The Annual Report and Accounts for 2009-2010 have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12(3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003. A new Accounts direction will be issued by NIO, following the devolution of Policing & Justice Powers on 12 April, 2010.

Devolution of policing and justice functions

On 9 March 2010, the political parties in Northern Ireland agreed that policing and justice functions should devolve to the Northern Ireland Assembly on 12 April 2010. During the period up to the date of devolution, the PSNI complied with the corporate governance and accountability framework arrangements issued by the Northern Ireland Office and also the guidance issued by HM Treasury, including Managing Public Money.

The Annual Report and Accounts of the PSNI for the year ended 31 March 2010 relate entirely to the period before devolution and will be laid in Parliament. References continue to be made in this report to the Northern Ireland Office as the parent Department during the reporting period.

When policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly on 12 April 2010, the Department of Justice was established as a new Northern Ireland Department by the Department of Justice Act (Northern Ireland) 2010.

From this date, the PSNI became an executive NDPB of the Department of Justice. As such, it now complies with the corporate governance and accountability framework arrangements issued by the Department of Justice and also the guidance issued by the Department of Finance and Personnel, including Managing Public Money Northern Ireland. The Annual Report and Accounts for years ended 31 March 2011 onwards will be laid in the Northern Ireland Assembly.

Chief Officers

The Chief Officers who served throughout the 2009-2010 year were as follows.

Former Chief Constable

Sir Hugh Orde (resigned 31 August 2009 – appointed to Association of Chief Police Officers (ACPO))

Chief Constable

Matt Baggott (appointed 21 September 2009)

Former Deputy Chief Constable

Paul Leighton (retired 31 May 2009)

Deputy Chief Constable

Judith Gillespie (appointed 1 June 2009 and acted as Chief Constable from 1 September 2009 to 20 September 2009)

Assistant Chief Constable Operational Support

Roy Toner (retired 31 March 2010)

Assistant Chief Constable Crime Operations

Drew Harris

Assistant Chief Constable Operational Support

Duncan McCausland

Assistant Chief Constable Criminal Justice

Will Kerr (appointed 16 November 2009)

Assistant Chief Constable Rural Region & Crime Support

Dave Jones

Assistant Chief Constable Urban Region

Alistair Finlay

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart

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

Corporate governance

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

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

The key sub committees supporting the CCF during the year were

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

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

Company directorships

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

Fixed assets

The Police Property Fund has no fixed assets.

Research and development

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

Interest rate and currency risk

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

Future developments

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

Charitable donations

No political donations were made during the year. On the direction of the Northern Ireland Policing Board, £26,128 Charitable donations were made during the Year (2008-2009: £0, 2007-2008: £15,233), all items are detailed in Note 3 page 68.

Disabled persons

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

Employee involvement

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

Health and safety

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

Payment of suppliers

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

PSNI paid 99 per cent of all invoices within 30 days (95 per cent in 2009-2010). In November 2008, under the Prompt Payment Initiative, then Prime Minister Gordon Brown announced that all Government Bodies would pay all external suppliers who provided a correctly rendered invoice to the correct location within 10 working days. Performance in this area has been steadily improving over the last year and in March 2010 PSNI paid 89.8 per cent of eligible invoices within 10 days, a significant improvement in performance in this area over the last year. The 10 day Prompt Payment target is now attracting much scrutiny by DOJ and is regarded as the principal performance indicator in this area. PSNI will continue to refine processes to maintain and improve this performance.

Pension liabilities

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

Audit services

The National Audit Office is responsible for the audit of the Police Property Fund Annual Report and Accounts. Audit services are paid by the PSNI and therefore payment details are included in its Annual Report and Accounts. The fees for this year are £3,000 (2008-2009: £2,800) and the audit of the IFRS Shadow Accounts (£270).

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

Chief Constable's annual report

A full certified copy of the Annual Report and Accounts will be available on the PSNI's website (www.psni.police.uk) together with the Chief Constable's general report 2009-2010 due to be published in July 2010. The Chief Constable's report is posted to every household in Northern Ireland.

Management Commentary

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

Nature of the business

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

Review of performance and future development

The Net Expenditure Account is set out on page 63 and shows a deficit of £17,074 (2008-2009: surplus £9,021). £26,128 charitable donations were made during the year on the direction of the Northern Ireland Policing Board. The General Fund decreased from £48,249 (31 March 2009) to £31,175 (31 March 2010), which is shown on the Statement of Changes in Taxpayers' Equity on page 66.

Risks and uncertainties

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

Remuneration Report

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

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

Statement of Responsibilities of the Chief Constable

Under Part 2, Sections 12(1), 12(2) and 12(3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, the Chief Constable of the PSNI required to prepare a statement of accounts on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Secretary of State. The annual financial statements are prepared on an accruals basis and must give a true and fair view of the net expenditure, financial position and changes in taxpayers' equity for the financial year and the balances held at the year end.

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

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

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

Statement on Internal Control

Scope of responsibility

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

In respect of the reporting period, I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury and the Framework Document for Governance of PSNI issued by virtue of Section 27 of the Police (NI) Act 2000.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

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

The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document is reviewed annually to ensure that the risk management process is continuously refined and improved. The review conducted in the first quarter of 2009-2010 established an inspection regime which involves the Corporate Risk Manager attending Senior Management Meetings in each District and Department to observe and advise on risk management practice. The Corporate Risk Manager then provides an assessment, with recommendations for improvement if necessary, on the effectiveness of the risk management process.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2009-2010. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but will continue to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2009-2010. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2009-2010 were in relation to the threat of terrorist attack, recruitment and retention of key investigative staff, funding, legacy investigations and public confidence. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains

the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. Further steps have been taken throughout 2009-2010 to incorporate the risks identified through the operation of the National Intelligence Model (NIM) at the strategic and tactical levels. This has been accomplished through a close examination of the strategic priorities identified through NIM and consideration of the risks posed. Key risks identified through this process can then be escalated to Local or Corporate Risk Registers. The NIM control strategies for each priority have been aligned with the actions necessary to manage any identified risk.

The remit of the Organisational Development Committee (ODC) has been expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

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

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' database to assign, track and manage the timely implementation of external recommendations arising from third party reports. The Organisational Development Committee (ODC) was provided with a satisfactory level of assurance in relation to the effectiveness of this system during 2009-2010 following review by Internal Audit.

Revised arrangements for PSNI's governance committee structure and Assurance Framework, approved in January 2009 were progressed during 2009-2010. Each Governance Committee now has a dedicated Committee Manager who has received training in their role and functions. In addition an operational Assurance inspection programme was implemented. The purpose of which is to ensure ongoing compliance against operational service instructions. The ODC monitors these compliance inspections and through the use of Overview, tracks the implementation of recommendations arising.

As a result of an internal Strategic Review conducted during 2009-2010, the Governance Committee structure was further reviewed. This will result in a new governance committee structure that was implemented with effect from the 1 April 2010.

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

PSNI has made sound progress in the implementation of its Information Assurance Strategy throughout 2009-2010. The strategy sets out a framework for Information Assurance governance which in turn delivers information risk management. The primary aim of the strategy is to protect all of PSNI's information assets so as to provide sustained delivery of operational policing services and generate public confidence that information is protected securely in line with the appropriate standards. The strategy is owned by the Senior Information Risk Owner (SIRO) – ACC Operational Support and implementation progress is monitored by the Information Management Committee chaired by the SIRO. The Strategy will be reviewed and updated during 2010 to reflect the changing business requirements and the latest Governmental policy on Information Assurance.

An information governance structure has been established with a hierarchy of Strategic and Operational Business Owners taking responsibility for effectively managing information risk for their respective systems. The Information Risk Register is maintained by a dedicated Information Assurance Unit and reviewed by the Information Management Committee. During 2009-2010 PSNI complied with National Policing Standards in respect of meeting its targets for conformity with all mandatory requirements.

Furthermore, PSNI did not suffer any breach of personal or sensitive data during the period that required referral to the Information Commissioner.

An Information Assurance Policy, supported by twenty-seven detailed information security standards, is aligned with the Her Majesty's Government Security Policy Framework and provides the control structure for all of our information systems. There are currently thirty six major information systems accredited. A programme of education, awareness and training is on-going and will continue to be an effective means of embedding a culture of information assurance at all levels throughout the organisation.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports (and any other external stakeholders including Her Majesty's Inspectorate of Constabulary's (HMIC) and Criminal Justice Inspectorate for Northern Ireland (CJINI) etc). The Chief Officers and the Audit and Risk Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control. Based upon the work Internal Audit have undertaken during the year, they have provided the Chief Constable with a 'Satisfactory' assurance level in respect of risk management, internal control and governance. Firm action has been taken by PSNI to address issues where 'Limited' assurance levels on individual Reviews were identified.

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

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

I certify that I have audited the financial statements of the Police Property Fund of the Police Service of Northern Ireland for the year ended 31 March 2010 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

As explained more fully in the Statement of responsibilities of the Chief Constable, the Police Service of Northern Ireland and the Chief Constable are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police Property Fund of the Police Service of Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Police Service of Northern Ireland; and the overall presentation of the financial statements.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion

- the financial statements give a true and fair view, of the state of the Police Property Fund of the Police Service of Northern Ireland's affairs as at 31 March 2010 and of its net deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions issued thereunder by the Secretary of State for Northern Ireland.

Opinion on other matters

In my opinion

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

14 July 2010

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Net Expenditure Account for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £	Restated 31 March 2009 £
Expenditure			
Other expenditure	3	(26,521)	(37)
Income			
Income from activities	4	9,447	9,058
Net (deficit)/income		<u>(17,074)</u>	<u>9,021</u>

All amounts above relate to continuing activities.

The notes on pages 67 to 69 form part of this account.

Statement of Financial Position as at 31 March 2010

		Year ended	Restated	Restated
	Notes	31 March	31 March	1 April
		2010	2009	2008
		£	£	£
Current assets				
Trade and other receivables	6	34,675	48,249	43,171
Current liabilities				
Trade and other payables	7	(3,500)	0	(3,943)
Assets less liabilities		<u>31,175</u>	<u>48,249</u>	<u>39,228</u>
Taxpayers' equity				
General reserve		<u>31,175</u>	<u>48,249</u>	<u>39,228</u>

The financial statements on pages 63 to 69 were approved and authorised by the PSNI on 16 June 2010 and were signed on its behalf by.

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

The notes on pages 67 to 69 form part of this account.

Statement of Cash Flows for the year ended 31 March 2010

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
Notes	£	£	£
Cash flow from operating activities			
Operating (deficit)/surplus	(17,074)	9,021	22,468
Decrease/(increase) in trade and other receivables	13,574	(5,078)	(25,608)
(Decrease)/increase in trade payables	3,500	(3,943)	3,140
	<u>0</u>	<u>0</u>	<u>0</u>
Cash and cash equivalents at the end of the period	0	0	0

The notes on pages 67 to 69 form part of this account.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Total £
Balance as 1 April 2008	39,228
Changes in taxpayers' equity 2008-2009	
Surplus for year	<u>9,021</u>
Balance at 31 March 2009	<u>48,249</u>
Changes in taxpayers' equity 2009-2010	
Deficit for year	<u>(17,074)</u>
Balance at 31 March 2010	<u>31,175</u>

The notes on pages 67 to 69 form part of this account.

Notes to the Annual Financial Statements

1 Statement of principal accounting policies

These financial statements have been prepared in accordance with the 2009-2010 HM Treasury's Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the PSNI for the purpose of giving a true and fair view has been selected. The particular policies adopted by the PSNI (for the reportable activity) are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 First time adoption

The PSNI has applied the first time adoption of IFRS. For all periods up to and including the year ended 31 March 2009, the organisation has prepared its annual report and accounts in accordance with UK GAAP. For the year ended 31 March 2010, the annual report and accounts have been prepared for the first time in accordance with IFRS.

1.2 Accounting convention

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

1.3 Value added tax

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

1.4 Bank

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

1.5 Accounting standards, interpretations and amendments to published standards adopted to the year ended 31 March 2010

The PSNI has reviewed the standards, interpretations and amendments to published standards that became effective during 2009-2010 and which are relevant to its operations. The PSNI anticipates that the adoption of these standards will have no material impact on the PSNI's financial position or results of operations

1.6 Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the PSNI's accounting periods beginning on or after 1 April 2010 or later periods, but which the PSNI has not adopted early. The PSNI does not anticipate that the adoption of these standards will have a material impact on the PSNI's accounts in the period of initial application.

2 First-time adoption of IFRS

The adoption of IFRS has no impact on the Net Expenditure or Taxpayers' Equity of the Police Fund as stated in the 2008-2009 Audited Financial Statements. Therefore a reconciliation is not required to show the impact on the organisation in moving from UK GAAP to IFRS.

3 Other expenditure

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Charitable Donations			
Age Concern			280
Foyle and District Road Safety Committee			500
Older People North West/Age Concern			500
Children In Crossfire			500
Derry Children's Commission			500
Cookstown and District Disability Forum			760
RAYS			1,000
Focus on Family			1,163
999 Charity 2008			1,500
Cheers Youth Centre			1,500
Magnet TALK Programme			1,500
React and Breakthru			1,500
Childline			1,500
Morph			2,500
Benevolent Fund			30
St John Vianney Youth Club	2,400		
The First Step Centre	5,100		
New Life Counselling	3,618		
The Way Youth Club	1,320		
Cookstown and Dungannon Women's Aid	1,200		
Road Safety Council NI	950		
Craigavon Intercultural Programme	680		
Clonard Conservation Group	960		
Threshold	1,800		
Moyle Gateway Club	1,000		
Foyle Search and Rescue	1,800		
Belfast Health and Social Care Trust	1,800		
	22,628		
Accrued Charitable Donations			
PSNI Community Safety	2,000		
Autism	1,000		
PSNI Community South Belfast	500		
	3,500		
Total Donations	26,128	0	15,233
Sundry Expenses	393	37	2,153
Total	26,521	37	17,386

There have been no other disbursements under this category in 2009-2010 or 2008-2009. The nature of the Police Property Fund can not be divided for the use of segmental reporting.

4 Income from activities

	Year ended 31 March 2010	Restated 31 March 2009
	£	£
Proceeds from sale of seized and lost property	<u>9,447</u>	<u>9,058</u>

5 Financial instruments

In accordance with IAS 39 Financial Instruments, the PSNI has no financial Instruments to report during the financial year 2009-2010. This is due to the organisation being essentially a non-trading entity and financed as a Non-Departmental Public body. The PSNI is not exposed to the same degree of financial risk faced by business entities. It has no powers to borrow or invest in surplus funds and has limited year end flexibility. As such, it is exposed to little liquidity, currency or market risks.

6 Trade and other receivables

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Money due from the PSNI	<u>34,675</u>	<u>48,249</u>	<u>43,171</u>

7 Trade and other payables

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Money due to the PSNI	<u>3,500</u>	<u>0</u>	<u>3,943</u>

8 Related party transactions

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

The NIO and NIPB are regarded as related parties.

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

9 Events occurring after the reporting period

On 12 April 2010, policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a new Northern Ireland Department. From this date, the lead policy responsibility for the PSNI transferred from the Northern Ireland Office to the Department of Justice.

The 2009-2010 financial statements have been prepared on the basis that the PSNI was an executive NDPB of the Northern Ireland Office for the entire financial year and these will be laid in Parliament. There is no impact on the 2009-2010 financial statements arising from the transfer of functions to the Northern Ireland Assembly on 12 April 2010.

The annual report and accounts were authorised by the Chief Constable to be issued on the same day as they were certified by the Comptroller and Auditor General.

Foreword – Police Fund

Background information

The Police (Northern Ireland) Act 2000 and subsequent amendments in the Police (Northern Ireland) Act 2003, made specific provision about policing in Northern Ireland. Section 12(4) of the Act, as amended by Section 7 of the 2003 Act, refers specifically to the requirement for the Chief Constable to submit the statement of accounts to the Northern Ireland Policing Board (in regard to amounts put at disposal of the Chief Constable by the Policing Board) within such period after the end of the financial year 2009-2010 to which they relate as the Secretary of State may determine. This is to allow the Policing Board to meet its own specific requirements under Section 12(1) (a) of the Act.

Principal activities

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

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

Accounts direction

The Annual Report and Accounts for 2009-2010 have been prepared in a form directed by the Northern Ireland Office on behalf of the Secretary of State for Northern Ireland, and are in accordance with Section 12(3) of Part 2 to the Police (Northern Ireland) Act 2000 and subsequent amendments made by the Police (Northern Ireland) Act 2003. A new Accounts direction will be issued by NIO, following the devolution of Policing & Justice Powers on 12 April, 2010.

Devolution of policing and justice functions

On 9 March 2010, the political parties in Northern Ireland agreed that policing and justice functions should devolve to the Northern Ireland Assembly on 12 April 2010. During the period up to the date of devolution, the PSNI complied with the corporate governance and accountability framework arrangements issued by the Northern Ireland Office and also the guidance issued by HM Treasury, including Managing Public Money.

The Annual Report and Accounts of the PSNI for the year ended 31 March 2010 relate entirely to the period before devolution and will be laid in Parliament. References continue to be made in this report to the Northern Ireland Office as the parent Department during the reporting period.

Policing and Justice functions in Northern Ireland were devolved to the Northern Ireland Assembly on 12 April 2010, the Department of Justice (DOJ) was established as a new Northern Ireland Department by the Department of Justice Act (Northern Ireland) 2010.

From this date, the PSNI became an executive Non-Departmental Public Body (NDPB) of the Department of Justice. As such, it now complies with the corporate governance and accountability framework arrangements issued by the Department of Justice and also the guidance issued by the Department of Finance and Personnel, including Managing Public Money Northern Ireland. The Annual Report and Accounts for years ended 31 March 2011 onwards will be laid in the Northern Ireland Assembly.

Chief Officers

The Chief Officers who served throughout the 2009-2010 year were as follows.

Former Chief Constable

Sir Hugh Orde (resigned 31 August 2009 – appointed by Association of Chief Police Officers (ACPO))

Chief Constable

Matt Baggott (appointed 21 September 2009)

Former Deputy Chief Constable

Paul Leighton (retired 31 May 2009)

Deputy Chief Constable

Judith Gillespie (appointed 1 June 2009 and acted as Chief Constable from 1 September 2009 to 20 September 2009)

Assistant Chief Constable Operational Support

Roy Toner (retired 31 March 2010)

Assistant Chief Constable Crime Operations

Drew Harris

Assistant Chief Constable Operational Support

Duncan McCausland

Assistant Chief Constable Criminal Justice

Will Kerr (appointed 16 November 2009)

Assistant Chief Constable Rural Region & Crime Support

Dave Jones

Assistant Chief Constable Urban Region

Alistair Finlay

Director of Finance & Support Services

David Best

Director of Human Resources

Joe Stewart

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

Corporate Governance

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

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

The key sub committees supporting the CCF during the year were

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

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

Company directorships

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

Fixed assets

The Police Fund only has Fixed Asset investments.

Research and development

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

Interest rate and currency risk

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

Future developments

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

Charitable donations

The Police Fund made £1,200 charitable donations during the year. Note 3 page 87.

Disabled persons

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

Employee involvement

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

Health and safety

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

Payment of suppliers

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

PSNI paid 99 per cent of all invoices within 30 days (95 per cent in 2009-2010). In November 2008, under the Prompt Payment Initiative, then Prime Minister Gordon Brown announced that all Government Bodies would pay all external suppliers who provided a correctly rendered invoice to the correct location within 10 working days. Performance in this area has been steadily improving over the last year and in March 2010 PSNI paid 89.8 per cent of eligible invoices within 10 days, a significant improvement in performance in this area over the last year. The 10 day Prompt Payment target is now attracting much scrutiny by DOJ and is regarded as the principal performance indicator in this area. PSNI will continue to refine processes to maintain and improve this performance.

Pension liabilities

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

Audit services

The National Audit Office is responsible for the audit of the Police Fund Annual Report and Accounts. Audit services are paid by the PSNI and therefore payment details are included in its Annual Report and Accounts. The fees for this year (2009-2010) are £3,000 (2008-2009: £2,800) and the audit of IFRS Shadow accounts (£270).

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

Chief constable's annual report

A full certified copy of the Annual Report and Accounts will be available on the PSNI's website (www.psni.police.uk) together with the Chief Constable's general report 2009-2010 due to be published in July 2010. The Chief Constable's report is posted to every household in Northern Ireland.

Management Commentary

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

Nature of the business

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

Review of performance and future development

The Net Expenditure Account is set out on page 82 and shows a surplus of £10,545 (2008-2009: surplus £6,996). £1,200 charitable donations were made during the year and the General Fund increased from £132,075 (31 March 2009) to £142,620 (31 March 2010), which can be seen in the Statement of Changes in Taxpayers' Equity on page 85.

Risks and uncertainties

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

Remuneration report

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

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

Statement of Responsibilities of the Chief Constable

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

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

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

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

Statement on Internal Control

Scope of responsibility

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

In respect of the reporting period, I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury and the Framework Document for Governance of PSNI issued by virtue of Section 27 of the Police (NI) Act 2000.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

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

The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document is reviewed annually to ensure that the risk management process is continuously refined and improved. The review conducted in the first quarter of 2009-2010 established an inspection regime which involves the Corporate Risk Manager attending Senior Management Meetings in each District and Department to observe and advise on risk management practice. The Corporate Risk Manager then provides an assessment, with recommendations for improvement if necessary, on the effectiveness of the risk management process.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2009-2010. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but will continue to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2009-2010. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2009-2010 were in relation to the threat of terrorist attack, recruitment and retention of key investigative staff, funding, legacy investigations and public confidence. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. Further steps have been taken throughout 2009-2010 to incorporate the risks identified through the operation of the National Intelligence Model (NIM) at the strategic and tactical levels. This has been accomplished through a close examination of the strategic priorities identified through NIM and consideration of the risks posed. Key risks identified through this process can then be escalated to Local or Corporate Risk Registers. The NIM control strategies for each priority have been aligned with the actions necessary to manage any identified risk.

The remit of the Organisational Development Committee (ODC) has been expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

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

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' database to assign, track and manage the timely implementation of external recommendations arising from third party reports. The Organisational Development Committee (ODC) was provided with a satisfactory level of assurance in relation to the effectiveness of this system during 2009-2010 following review by Internal Audit.

Revised arrangements for PSNI's governance committee structure and Assurance Framework, approved in January 2009 were progressed during 2009-2010. Each Governance Committee now has a dedicated Committee Manager who has received training in their role and functions. In addition an operational assurance inspection programme was implemented. The purpose of which is to ensure ongoing compliance against operational service instructions. The ODC monitors these compliance inspections and through the use of Overview, tracks the implementation of recommendations arising.

As a result of an internal Strategic Review conducted during 2009-2010, the Governance Committee structure was further reviewed. This will result in a new governance committee structure that was implemented with effect from the 1 April 2010.

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

PSNI has made sound progress in the implementation of its Information Assurance Strategy throughout 2009-2010. The strategy sets out a framework for Information Assurance governance which in turn delivers information risk management. The primary aim of the strategy is to protect all of PSNI's information assets so as to provide sustained delivery of operational policing services and generate public confidence that information is protected securely in line with the appropriate standards. The strategy is owned by the Senior Information Risk Owner (SIRO) – ACC Operational Support and implementation progress is monitored by the Information Management Committee chaired by the SIRO. The Strategy will be reviewed and updated during 2010 to reflect the changing business requirements and the latest Governmental policy on Information Assurance.

An information governance structure has been established with a hierarchy of Strategic and Operational Business Owners taking responsibility for effectively managing information risk for their respective systems. The Information Risk Register is maintained by a dedicated Information Assurance Unit and reviewed by the Information Management Committee. During 2009-2010 PSNI complied with National Policing Standards in respect of meeting its targets for conformity with all mandatory requirements.

Furthermore, PSNI did not suffer any breach of personal or sensitive data during the period that required referral to the Information Commissioner.

An Information Assurance Policy, supported by twenty-seven detailed information security standards, is aligned with the Her Majesty's Government Security Policy Framework and provides the control structure for all of our information systems. There are currently thirty six major information systems accredited with a further twenty nine to be considered during 2010-2011. A programme of education, awareness and training is on-going and will continue to be an effective means of embedding a culture of information assurance at all levels throughout the organisation.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Chief Officers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports (and any other external stakeholders including Her Majesty's Inspectorate of Constabulary's (HMIC) and Criminal Justice Inspectorate for Northern Ireland (CJINI) etc). The Chief Officers and the Audit and Risk Committee have advised me on the implications of the result of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control. Based upon the work Internal Audit have undertaken during the year, they have provided the Chief Constable with a 'Satisfactory' assurance level in respect of risk management, internal control and governance. Firm action has been taken by PSNI to address issues where 'Limited' assurance levels on individual Reviews were identified.

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

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

I certify that I have audited the financial statements of the Police Fund of the Police Service of Northern Ireland for the year ended 31 March 2010 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

As explained more fully in the Statement of responsibilities of the Chief Constable, the Police Service of Northern Ireland and Chief Constable are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police Fund of the Police Service of Northern Ireland's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Police Service of Northern Ireland; and the overall presentation of the financial statements.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion

- the financial statements give a true and fair view, of the state of the Police Fund of the Police Service of Northern Ireland's affairs as at 31 March 2010 and of its net income, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions issued thereunder by the Secretary of State for Northern Ireland.

Opinion on other matters

In my opinion

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

14 July 2010

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Net Expenditure Account for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £	Restated 31 March 2009 £
Expenditure			
Other expenditure	3	15,693	29,260
Income			
Income from activities	4	16,618	12,062
Other income		9,786	24,931
		26,404	36,993
Net Income before taxation		10,711	7,733
Tax		166	737
Net Income after taxation		10,545	6,996

All amounts above relate to continuing activities.

The notes on pages 86 to 89 form part of this account.

Statement of Financial Position as at 31 March 2010

	Notes	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
Non current assets				
Financial assets	5	96,004	97,093	63,787
Current Assets				
Trade and other receivables	7	13,759	6,447	40,263
Cash and cash equivalents	8	33,910	33,222	48,296
Total current assets		47,669	39,669	88,559
Total assets		143,673	136,762	152,346
Current liabilities				
Trade payables and other current liabilities	9	(65)	(2,610)	(25,496)
Assets less liabilities		143,608	134,152	126,850
Taxpayers' equity:				
General reserve		142,620	132,075	125,079
Revaluation reserve		988	2,077	1,771
Total		143,608	134,152	126,850

The financial statements on pages 82 to 89 were approved and authorised by the PSNI on 16 June 2010 and were signed on its behalf by

Matt Baggett
Chief Constable

16 June 2010

The notes on pages 86 to 89 form part of this account.

Statement of Cash Flows for the year ended 31 March 2010

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
Notes	£	£	£
Cash flows from operating activities			
Net Surplus after taxation	10,545	6,996	13,071
(Increase)/decrease in trade and other receivables	7 (7,312)	33,816	(10,839)
(Decrease)/increase in trade payables	9 (2,545)	(22,886)	1,129
	688	17,926	3,361
Cash flows from investing activities			
Payments to NI consolidated fund	0	(33,000)	0
Net financing			
	688	(15,074)	3,361
Net (decrease)/increase in cash and cash equivalents	688	(15,074)	3,361
Cash and cash equivalents at the beginning of the period	8 33,222	48,296	44,935
Cash and cash equivalents at the end of the period	8 33,910	33,222	48,296

The notes on pages 86 to 89 form part of this account.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

Notes	General Reserve £	Revaluation Reserve £	Total Reserve £
Balance at 31 March 2008	125,079	1,771	126,850
Changes in taxpayers' equity 2008-2009			
Surplus on revaluation of investments	0	306	306
Net operating surplus	6,996	0	6,996
Balance at 31 March 2009	<u>132,075</u>	<u>2,077</u>	<u>134,152</u>
Changes in taxpayers' equity 2009-2010			
Deficit on revaluation of investments	0	(1,089)	(1,089)
Net operating surplus	10,545	0	10,545
Balance at 31 March 2010	<u>142,620</u>	<u>988</u>	<u>143,608</u>

The notes on pages 86 to 89 form part of this account.

Notes to the Annual Financial Statements

1 Statement of Principal Accounting Policies

These financial statements have been prepared in accordance with the 2009-2010 HM Treasury's Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the PSNI Police Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted by the PSNI Police Fund are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 *First time adoption*

The PSNI has applied the first time adoption of IFRS. For all periods up to and including the year ended 31 March 2009, the organisation has prepared its annual report and accounts in accordance with UK GAAP. For the year ended 31 March 2010 the accounts have been prepared for the first time in accordance with IFRS.

1.2 *Accounting convention*

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

1.3 *Value added tax*

Income is exempt of Value Added Tax. Irrecoverable VAT is charged to the relevant expenditure category.

1.4 *Corporation tax*

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

1.5 *Financial instruments*

The Police Fund does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables, cash and cash equivalents, and 4 per cent consolidated stock. (Notes 5 – 9)

1.6 *Accounting standards, interpretations and amendments to published standards adopted to the year ended 31 March 2010*

The PSNI has reviewed the standards, interpretations and amendments to published standards that became effective during 2009-2010 and which are relevant to its operations. The PSNI anticipates that the adoption of these standards will have no material impact on the PSNI's financial position or results of operations.

1.7 *Accounting standards, interpretations and amendments to published standards not yet effective*

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the PSNI's accounting periods beginning on or after 1 April 2010 or later periods, but which the PSNI has not adopted early. The PSNI does not anticipate that the adoption of these standards will have a material impact on the PSNI's accounts in the period of initial application.

2 First-time adoption of IFRS

The adoption of IFRS has no impact on the Net Expenditure or Taxpayers' Equity of the Police Fund as stated in the 2008-2009 Audited Financial Statements. Therefore a reconciliation is not required to show the impact on the organisation in moving from UK GAAP to IFRS.

3 Other expenditure

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Disbursements for convalescent travel of members of PSNI and their dependants	11,781	24,360	24,520
Disbursements for fuel welfare payments	2,700	4,900	500
Charitable donation (Simon Community)	1,200	0	0
Administrative costs	12	0	6
	<u>15,693</u>	<u>29,260</u>	<u>25,026</u>

4 Income from activities

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Fines on members of PSNI	15,825	9,094	10,675
Dividends and Interest	793	2,968	3,486
	<u>16,618</u>	<u>12,062</u>	<u>14,161</u>

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

5 Financial assets

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
14,200 4% consolidated stock at market value (Cost £10,016)	11,004	12,093	11,787
Advances to the consolidated fund of Northern Ireland	85,000	85,000	52,000
	<u>96,004</u>	<u>97,093</u>	<u>63,787</u>

6 Financial instruments

The cash requirements of the Police Fund are met though fines on members of the PSNI, interest on an investment and the balance is transferred from the Policing Board. Therefore financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. As the financial instruments relate to receivables and payables, and a long term investment on which interest is paid, the Police Fund is exposed to little credit, liquidity or market risk.

7 Trade receivables and other current assets

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Money due from PSNI	13,608	6,288	40,130
Accrued Income	18	26	0
Other debtors	133	133	133
	<u>13,759</u>	<u>6,447</u>	<u>40,263</u>

8 Cash and cash equivalents

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Opening balance 1 April	33,222	48,296	44,935
Net change in cash and cash equivalent balances	688	(15,074)	3,361
Closing balance 31 March	<u>33,910</u>	<u>33,222</u>	<u>48,296</u>

The balance at 31 March was held in commercial banks.

9 Trade payables and other current liabilities

	Year ended 31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£	£	£
Amounts falling within one year			
Money due to PSNI	0	0	500
Disbursements due	0	2,100	24,520
Administrative expenses	12	0	6
HM Revenue and Customs	53	510	470
	<u>65</u>	<u>2,610</u>	<u>25,496</u>

10 Related party transactions

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

The NIO and NIPB are regarded as related parties.

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

11 Events occurring after the reporting period

On 12 April 2010, policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a new Northern Ireland Department. From this date, the lead policy responsibility for the PSNI transferred from the Northern Ireland Office to the Department of Justice.

The 2009-2010 financial statements have been prepared on the basis that the PSNI was an executive NDPB of the Northern Ireland Office for the entire financial year and these will be laid in Parliament. There is no impact on the 2009-2010 financial statements arising from the transfer of functions to the Northern Ireland Assembly on 12 April 2010.

The annual report and accounts were authorised by the Chief Constable to be issued on the same day as they were certified by the Comptroller and Auditor General.

Report of the Managers

Introduction

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

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

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

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

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

The rationale of preparing separate Pension Accounts is to avoid the detail required by IAS 19 and IAS 26 (Retirement Benefits) from overshadowing and drawing attention away from the record of the PSNI's core financial performance. Prior to separate Pension Accounts being prepared, Revenue Account and IAS 19 and IAS 26 information was disclosed as part of the PSNI Annual Financial Statements.

Both the Closed Police Pension Scheme and the New Police Pension Scheme are administered by the PSNI.

Accounts direction

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

Devolution of policing and justice functions

On 9 March 2010, the political parties in Northern Ireland agreed that policing and justice functions should devolve to the Northern Ireland Assembly on 12 April 2010. During the period up to the date of devolution, the PSNI complied with the corporate governance and accountability framework arrangements issued by the Northern Ireland Office and also the guidance issued by HM Treasury, including Managing Public Money.

The Annual Report and Accounts of the Police Pension Accounts for the year ended 31 March 2010 relate entirely to the period before devolution and will be laid in Parliament. References continue to be made in this report to the Northern Ireland Office as the parent Department during the reporting period.

Policing and Justice functions in Northern Ireland were devolved to the Northern Ireland Assembly on 12 April 2010, the Department of Justice (DOJ) was established as a new Northern Ireland Department by the Department of Justice Act (Northern Ireland) 2010.

From this date, the PSNI became an executive NDPB of the Department of Justice. As such, both it and by extension the PSNI Police Pension Account now complies with the corporate governance and accountability framework arrangements issued by the Department of Justice and also the guidance issued by the Department of Finance and Personnel, including Managing Public Money Northern Ireland. The Annual Report and Accounts for years ended 31 March 2011 onwards will be laid in the Northern Ireland Assembly.

The Managers, advisers and employers for both Schemes were as follows

Managers

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

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

Advisers

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

Government Department
Northern Ireland Office
Castle Buildings
Belfast
BT4 3SG

Auditor
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Bankers
Northern Bank
Donegall Square West
Belfast
The Scheme has no separate bank account. It utilises the banking arrangements of the PSNI.

Employers

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

Changes to the Schemes

During the year pensions were increased by a 5 per cent pay award with effect from April 2009.

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

Membership Statistics

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

Active members

At 1 April 2009	6,758
New entrants – transfers in	17
Retirements in the year	(558)
Deaths	(5)
Other leavers	(85)
At 31 March 2010	6,127

Deferred members

At 1 April 2009	1,120
Members leaving who have deferred pension rights	78
Members taking up deferred pension rights	(73)
At 31 March 2010	1,125

	Members	Dependents	Total
Pensioners in payment			
At 1 April 2009	10,309	1,493	11,802
Members retiring in year at normal retirement age	28	0	28
Other retirements	596	0	596
New dependents	0	75	75
Cessations	(128)	(59)	(187)
At 31 March 2010	10,805	1,509	12,314
	Members	Dependents	Total
Compensation payments			
At 1 April 2009	143	0	143
Members leaving under early retirement	11	0	11
Members reaching normal retirement age during the year	(43)	0	(43)
At 31 March 2010	111	0	111

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

Active members

At 1 April 2009	1,028
New entrants	527
Retirements in the year	0
Deaths	0
Other leavers	(79)
At 31 March 2010	1,476

Deferred members

At 1 April 2009	2
Members leaving who have deferred pension rights	7
Members taking up deferred pension rights	0
At 31 March 2010	9

	Members	Dependents	Total
Pensions in payment			
At 1 April 2009	0	1	1
Members retiring in year at normal retirement age	0	0	0
Other retirements	0	0	0
New dependents	0	0	0
Cessations	0	0	0
At 31 March 2010	0	1	1

Additional Voluntary Contributions and Stakeholder Pensions

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

£32,032 of contributions have been made by members of PSNI to the scheme during the year (2008-2009: £33,644) (see note 10).

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

Going concern

The Combined Statement of Financial Position (which includes liabilities belonging to both the closed and the new pension schemes) at 31 March 2010 shows net liabilities of £6.049bn. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the PSNI's other sources of income, may only be met by future grants or grants-in-aid from the PSNI's sponsoring Department (NIO/ DOJ). This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grants for 2010-2011 have already been included in the NIO's and DOJ's Estimates for the that year, taking into account the amounts required to meet the PSNI's liabilities falling due. These have been approved by Parliament and there is no reason to believe that the NIO's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these pension scheme accounts.

Events after the reporting period

Policing and Justice functions in Northern Ireland were devolved to the Northern Ireland Assembly on 12 April 2010, the DOJ was established as a new Northern Ireland Department by the Department of Justice Act (Northern Ireland) 2010. Page 90 Refers.

There are no other events occurring after the reporting period to be noted.

Audit services

The National Audit Office is responsible for the audit of the 2009-2010 Police Pension Accounts. Audit services are paid by the PSNI and therefore payments details are included in its Annual Financial Statements. The fees for this year are £18,000 (2008-2009: £18,000) and the fees for the audit for audit of the IFRS Shadow Accounts are £3,160 (2008-2009: Nil).

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

Further information

A full certified copy of the Police Pension Annual Report and Accounts will be available on the PSNI's website (www.psni.police.uk), together with the Chief Constable's general report of 2009-2010 published in July 2010. The Chief Constable's report is posted to every household in Northern Ireland.

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

Report of the Actuary

a Liabilities

The capitalised value as at 31 March 2010 of expected future benefit payments under the Police Pension Schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2010, has been assessed using the methodology and assumptions set out in Sections C and D below. The results are broken down, between the various categories of members, as follows

	£million Closed Scheme	£million New Scheme
Actives (past service)	2,561.73	55.56
Deferred Pensioners	164.34	0.26
Current Pensioners (excluding injury)	3,267.20	0.04
Total	5,993.27	55.86

b Accruing costs

The cost of benefits accruing for each year is met partly by contributions by members, with the employer meeting the balance of the cost. The cost of benefits accruing in the year 2009-2010 has been assessed as follows

	% of pensionable pay	
	Closed Scheme	New Scheme
Current Service Cost	43.11%	33.21%

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

	Closed Scheme £million	New Scheme £million
Current Service Cost	98.89	11.18

c Methodology

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

d Assumptions

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

A rate of earnings increase of 4.3 per cent pa excluding promotional and performance increments.

- A long term nominal discount rate of 4.6 per cent pa
- A rate of long-term inflation and pensions increases of 2.75 per cent pa

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

e Notes

- 1 We understand that some benefits payable under the PSNI Severance Schemes will be accounted for outside the PSNI Police Pension Accounts. PSNI have instructed us as to which benefits should be included in these statements.
- 2 The data for this assessment was provided by the PSNI. Full data was provided in respect of the current and former members of the pension scheme as at 31 December 2009, together with summary data as at 31 March 2010.

Ian Boonin
Fellow of the Institute of Actuaries
Government Actuary's Department
London

23 April 2010

Statement of Responsibilities of the Chief Constable

Under Part 2, Sections 12(1), 12(2) and 12(3) of the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, the Chief Constable of the PSNI is required to prepare a statement of accounts for pensions purposes on behalf of the Northern Ireland Policing Board, in the form and on the basis directed by the Secretary of State.

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

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

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

The Accounting Officer for the NIO has appointed the Chief Constable of the PSNI as Accounting Officer for the PSNI for the 2009-2010 reporting period. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the PSNI, are set out in Managing Public Money published by HM Treasury.

Statement on Internal Control

Scope of responsibility

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

In respect of the reporting period, I am directly accountable to the Accounting Officer of the Northern Ireland Office and may be called upon to appear before the Public Accounts Committee. My responsibilities as Chief Constable and Accounting Officer are set out in the Police (Northern Ireland) Act 2000 and in Managing Public Money published by HM Treasury and the Framework Document for Governance of PSNI issued by virtue of Section 27 of the Police (NI) Act 2000.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PSNI for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

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

The risk and control framework

A Risk Management Policy document is published to the organisation explaining the underlying approach to risk management and documenting the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it also includes details of the monitoring and reporting of risk management arrangements. The Risk Policy document is reviewed annually to ensure that the risk management process is continuously refined and improved. The review conducted in the first quarter of 2009-2010 established an inspection regime which involves the Corporate Risk Manager attending Senior Management Meetings in each District and Department to observe and advise on risk management practice. The Corporate Risk Manager then provides an assessment, with recommendations for improvement if necessary, on the effectiveness of the risk management process.

With the publication of the Policing Plan and as part of the development of a fully integrated planning process, all Departments and Districts reviewed their risk registers in light of priorities selected for 2009-2010. The basic methodology for assessing both the likelihood and impact of risk is now firmly embedded within the organisation but will continue to be refined to make it more objective.

A Corporate Risk Register has been in place to highlight the most significant strategic risks facing the organisation for 2009-2010. Chief Officers also consider the Corporate Risk Register on a monthly basis at the Chief Constable's Forum (CCF). The key risk priorities facing the organisation during 2009-2010 were in relation to the threat of terrorist attack, recruitment and retention of key investigative staff, funding, legacy investigations and public confidence. The Corporate Risk Manager provides written reports to CCF to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the CCF on emerging risks and significant risks arising from Districts and/or Departments.

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

Risk management has been incorporated more fully into the corporate planning and decision-making processes of the organisation and provides increased assurance that significant risks will be identified, evaluated and appropriately controlled within the organisation. Further steps have been taken throughout 2009-2010 to incorporate the risks identified through the operation of the National Intelligence Model (NIM) at the strategic and tactical levels. This has been accomplished through a close examination of the strategic priorities identified through NIM and consideration of the risks posed. Key risks identified through this process can then be escalated to Local or Corporate Risk Registers. The NIM control strategies for each priority have been aligned with the actions necessary to manage any identified risk.

The remit of the Organisational Development Committee (ODC) has been expanded to include a strategic management oversight role in relation to the management of risk registers at District/Departmental level. Trained and qualified staff from within the Policy, Planning and Performance Unit provide ongoing advice and guidance at all levels of the organisation on risk management techniques.

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

Further progress has been made in the overall governance arrangements within the organisation including the implementation of the 'Overview' database to assign, track and manage the timely implementation of external recommendations arising from third party reports. The Organisational ODC was provided with a satisfactory level of assurance in relation to the effectiveness of this system during 2009-2010 following review by Internal Audit.

Revised arrangements for PSNI's governance committee structure and Assurance Framework, approved in January 2009 were progressed during 2009-2010. Each Governance Committee now has a dedicated Committee Manager who has received training in their role and functions. In addition an operational Assurance inspection programme was implemented. The purpose of which is to ensure ongoing compliance against operational service instructions. The ODC monitors these compliance inspections and through the use of Overview, tracks the implementation of recommendations arising.

As a result of an internal Strategic Review conducted during 2009-2010, the Governance Committee structure was further reviewed. It is anticipated that this will result in a new governance committee structure that will be implemented with effect from the 1st April 2010.

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

PSNI has made sound progress in the implementation of its Information Assurance Strategy throughout 2009-2010. The strategy sets out a framework for Information Assurance governance which in turn delivers information risk management. The primary aim of the strategy is to protect all of PSNI's information assets so as to provide sustained delivery of operational policing services and generate public confidence that information is protected securely in line with the appropriate standards. The strategy is owned by the Senior Information Risk Owner (SIRO) – ACC Operational Support and implementation progress is monitored by the Information Management Committee chaired by the SIRO. The Strategy will be reviewed and updated during 2010 to reflect the changing business requirements and the latest Governmental policy on Information Assurance.

An information governance structure has been established with a hierarchy of Strategic and Operational Business Owners taking responsibility for effectively managing information risk for their respective systems. The Information Risk Register is maintained by a dedicated Information Assurance Unit and reviewed by the Information Management Committee. During 2009-2010 PSNI complied with National Policing Standards in respect of meeting its targets for conformity with all mandatory requirements.

Furthermore, PSNI did not suffer any breach of personal or sensitive data during the period that required referral to the Information Commissioner.

An Information Assurance Policy, supported by twenty-seven detailed information security standards, is aligned with the Her Majesty's Government Security Policy Framework and provides the control structure for all of our information systems. There are currently thirty six major information systems accredited with a further twenty nine to be considered during 2010-2011. A programme of education, awareness and training is on-going and will continue to be an effective means of embedding a culture of information Assurance at all levels throughout the organisation.

Review of effectiveness

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

As Accounting Officer I have received reports from the Chair of the Audit and Risk Committee concerning internal control, governance and risk. During the year Deloitte LLP provided an Internal Audit Service in accordance with the standards defined in the Government Internal Audit Manual. They submitted regular reports together with recommendations for improvement. In addition, the Head of Internal Audit has issued an independent opinion on the adequacy and effectiveness of the organisation's system of internal control. Based upon the work Internal Audit have undertaken during the year, they have provided the Chief Constable with a 'Satisfactory' assurance level in respect of risk management, internal control and governance. Firm action has been taken by PSNI to address issues where 'Limited' assurance levels on individual Reviews were identified.

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

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

I certify that I have audited the financial statements of the Police Service of Northern Ireland Pension Accounts for the year ended 31 March 2010 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003. These comprise the Combined Revenue Account, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

As explained more fully in the Statement of Responsibilities of the Chief Constable, the Police Service of Northern Ireland and the Chief Constable are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Police Service of Northern Ireland Pension Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Police Service of Northern Ireland Pension Account; and the overall presentation of the financial statements.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion

- the financial statements give a true and fair view, of the state of the Police Service of Northern Ireland Pension Account's affairs as at 31 March 2010 and of its combined net outgoings, recognised gains and losses and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and directions issued thereunder by the Secretary of State for Northern Ireland.

Opinion on other matters

In my opinion

- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

14 July 2010

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Combined revenue account for the year ended 31 March 2010

	Notes	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
Income			
Contributions receivable	3	81,680	82,140
Transfers in	4	1,670	1,220
		<u>83,350</u>	<u>83,360</u>
Outgoings			
Current service costs	5	(110,070)	(136,190)
Enhancements	6	(11,720)	(29,290)
Transfers in	4	(1,670)	(1,220)
Interest on scheme liabilities	8	(270,080)	(258,600)
		<u>(393,540)</u>	<u>(425,300)</u>
Net outgoings for the year		<u>(310,190)</u>	<u>(341,940)</u>

The notes on pages 107 to 122 form part of these accounts.

Consolidated Statement of Recognised Gains and Losses for the year ended 31 March 2010

		Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
Actuarial loss	Notes	(1,341,020)	599,450
Recognised (loss)/gains for the financial year		<u>(1,341,210)</u>	<u>599,450</u>

The notes on pages 107 to 122 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2010

	Notes	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000	Restated 1 April 2008 £000
Non-current assets				
Receivables		131	155	107
Total	11	131	155	107
Current assets				
Receivables	11	10,863	7,005	4,265
Total assets		10,994	7,160	4,372
Current liabilities				
Payables	12	(10,863)	(7,005)	(4,265)
Total assets less current liabilities		131	155	107
Non-current liabilities				
Payables	12	(131)	(155)	(107)
<i>Pension liability</i>				
Closed Scheme	13.1	(5,993,270)	(4,511,880)	(4,869,560)
New Scheme	13.2	(55,860)	(18,460)	(10,150)
Total non-current Liabilities		(6,049,261)	(4,530,495)	(4,879,817)
Total assets less total liabilities		(6,049,130)	(4,530,340)	(4,879,710)
Taxpayers' equity				
General fund	14	(6,049,130)	(4,530,340)	(4,879,710)

The financial statements on pages 103 to 122 were approved and authorised by the PSNI on 16 June 2010 and were signed on its behalf by.

Matt Baggott
Chief Constable
Police Service of Northern Ireland

16 June 2010

The notes on pages 107 to 122 form part of these accounts.

Consolidated Statement of Cash Flows for the year ended 31 March 2010

		Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
	Notes		
Cash flows from operating activities			
Combined Net outgoings for the year less movement and payables relating to items not passing through the revenue account		(310,190)	(341,940)
Increase in pension provision:			
Closed Scheme	13.1	367,470	384,250
New Scheme	13.2	12,680	10,540
Increase in pension provision – enhancements and transfers in			
Closed Scheme	13.1	11,720	29,290
New Scheme	13.2	1,670	1,220
Use of provision			
Closed Scheme	13.3		
– Pension payments		(138,680)	(124,490)
– Gratuities/commutations		(61,140)	(50,350)
– Payments to and on account of leavers		(900)	(240)
New Scheme	13.3		
– Pension Payments		0	(10)
– Gratuities/commutations		0	(80)
– Payments to and on account of leavers		(50)	(50)
Net cash outflow from operating activities		(117,420)	(91,860)
Cash flows from financing activities			
Financing	14	117,420	91,860
Increase/(decrease) in cash and cash equivalents in the period		0	0

The notes on pages 107 to 122 form part of these accounts.

Notes to the Annual Financial Statements

1 Basis of preparation of the Pension Accounts

The PSNI Pension Accounts have been prepared in accordance with the relevant provisions of the 2009-2010 HM Treasury Financial Reporting Manual (FRM), which reflects the requirements of International Accounting Standard (IAS) 19 Employee Benefits and IAS 26 Accounting and Reporting by Retirement Benefit Plans. These accounts show the unfunded pension liabilities and movements in those liabilities during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes to the extent that these are appropriate, together with Section 12 (3) of the Police (Northern Ireland) Act 2000 as amended by Section 7 (4) of the Police (Northern Ireland) Act 2003 and the Accounts Direction from the Northern Ireland Office.

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

2 Statement of accounting policies

The accounting policies contained in the FRM follow international generally accepted accounting practice for companies (International GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FRM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the accounts.

2.1 First time adoption of IFRS

The adoption of IFRS has had no impact on the Net Outgoings or Taxpayers' Equity of the Police Pension Accounts as stated in the 2008-2009 audited Accounts.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

The Statement of Financial Position at the 31 March 2010 shows a liability of £6.049bn. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the Consolidated Fund. Such drawings will be from grants of Supply approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the DOJ which the PSNI is a part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by the Northern Ireland Office other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of the PSNI's liabilities is accordingly met by future grants of Supply to the Northern Ireland and the application of future income, both to be approved annually by Parliament. There is no reason to believe that the future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the PSNI's financial statements for 2009-2010.

2.3 Contributions receivable

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

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

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

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

2.4 Transfers in and out

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

2.5 Other income

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

2.6 Current service cost

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

2.7 Past service costs

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

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

2.8 Enhancements

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

2.9 Interest on scheme liabilities

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

2.10 Other payments

Other payments are accounted for on an accruals basis.

2.11 Scheme liabilities

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

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

2.12 Pension benefits payable

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

2.13 Pension payments to those retiring at their normal retirement age

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

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

2.14 Pension payments to and on account of leavers before their normal retirement age

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

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

2.15 Injury benefits

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

2.16 Lump sums payable on death in service

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

2.17 Actuarial gains/losses

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

2.18 Additional voluntary contributions

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

2.19 Administration Expenses

Administration expenses are borne by the PSNI main accounts and are excluded from these statements.

2.20 Receivables and Payables

Total Receivables and Payables have been reanalysed into two additional categories to add clarity. The additional categories are Non-Current Assets and Non-Current Liabilities

2.21 Accounting standards, interpretations and amendments to published standards adopted during the year ended 31 March 2010

The PSNI considered IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) with the date of transition to IFRS being 1 April 2008 for the purposes of preparing the opening IFRS Statement of Financial Position. No impact is noted for the PSNI Police Pension Scheme's financial position for the year ended 31 March 2010.

Accounting standard IAS7 (Cash-flow Statements) was adopted by PSNI during the year to 31 March 2010.

The PSNI has reviewed the remaining standards, interpretations and amendments to published standards that became effective during 2009-2010 and which are relevant to its operations. The adoption of these standards had no significant impact on the PSNI Police Pension Scheme's financial position or results.

2.22 Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the PSNI Police Pension Scheme accounting periods beginning on or after 1 April 2010 or thereafter. The PSNI has considered and noted no significant impact to its financial position or results – see below.

Standard	Description of revision	Application date	Comments
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual Improvements to IFRSs	Beginning on or after 1 January 2010	Unlikely to have a significant impact. Not applicable.
IFRS 8	Operating segments – Amendments resulting from April 2009 Annual Improvements to IFRSs	Beginning on or after 1 January 2010	Segmental assets not required to be disclosed unless regularly reported to the Chief Operating Decision Maker (CODM). Segmental assets not regularly reported to CODM and not applicable to PSNI. Not applicable.
IAS 24	Related Party Disclosures – Revised definition of related parties	Annual periods beginning on or after 1 January 2011.	Inclusion of a partial exemption for government-related entities. Given the FReM interprets the related party requirements to significantly reduce the disclosure on transactions between public sector entities, unlikely to have a significant impact. Not applicable.

In addition, the PSNI has considered the additional or revised accounting standards and new (or amendments to) interpretations contained within the Government Financial Reporting Manual (FReM) 2010-2011. The application date for these FReM changes is 1 April 2010.

The PSNI considers these changes are not relevant to its Pension Scheme operations.

3 Contributions receivable

	Notes	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
Employers' contributions:			
Closed Scheme		46,403	48,929
New Scheme		6,846	4,508
Employees' contributions			
Closed Scheme			
Normal		25,207	26,581
Purchased of added years		25	23
New Scheme			
Normal		3,194	2,098
Purchase of added years		5	1
		81,680	82,140

4 Transfers in (see also Note 7)

	Notes	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
Individual transfers in from other schemes			
Closed Scheme	13.1	0	0
New Scheme	13.2	1,670	1,220
		1,670	1,220

5 Current service cost

	Notes	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
Closed Scheme	13.1	98,890	126,470
New Scheme	13.2	11,180	9,720
		110,070	136,190

6 Enhancements

		Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
	Notes		
Employers			
Closed Scheme			
Enhancement to pensions on retirement	13.1	11,720	29,290
New Scheme			
Enhancement to pensions on retirement	13.2	0	0
		11,720	29,290

7 Transfers in (see also Note 4)

		Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
	Notes		
Individual transfers in from other schemes			
Closed Scheme	13.1	0	0
New Scheme	13.2	1,670	1,220
		1,670	1,220

8 Interest on Scheme liabilities

		Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
	Notes		
Interest charge for the year:			
Closed Scheme	13.1	268,580	257,780
New Scheme	13.2	1,500	820
		270,080	258,600

9 Administration fees and expenses

All costs of administering the PSNI Pension Schemes are borne by the PSNI, and included within the PSNI Main Financial Statements.

10 Additional Voluntary Contributions

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

The aggregate amounts of AVC investments are as follows.

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Movements in the year		
Balance at 1 April	793	941
New Investments	32	34
Sale of investments to provide pension benefits	(137)	(85)
Changes in market value of investments	161	(97)
Balance at 31 March	849	793
Contributions received to provide life cover	0	0
Benefits paid on death	0	0
	0	0

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

11 Receivables – contributions due in respect of pensions*11a Analysis by type*

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Amounts falling due within one year			
Pension contribution due from employer	9,475	6,340	4,034
Pension overpayments less than one year	7	10	103
Amounts due from PSNI main accounts	1,373	649	124
Other receivables	8	6	4
	10,863	7,005	4,265
Amounts falling due after one year			
Pension overpayments more than one year	203	225	182
Provision for doubtful debts	(72)	(70)	(75)
At 31 March 2010	10,994	7,160	4,372

11b Intra-government balances

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Amounts falling due within one year			
Balances with other central government bodies	10,848	6,989	4,158
Balances with bodies external to government	15	16	107
	10,863	7,005	4,265
Amounts falling due after one year			
Balances with bodies external to government	131	155	107
At 31 March 2010	10,994	7,160	4,372

12 Payables in respect of pensions*12a Analysis by type*

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Amounts falling due within one year			
Amount due to PSNI main accounts	9,490	6,356	4,141
Unpaid pensions	55	68	123
HM Revenue and Customs	1,318	581	1
	10,863	7,005	4,265
Amounts falling due after one year			
Amount due to PSNI main accounts	131	155	107
At March 2010	10,994	7,160	4,372

12b Intra-Government Balances

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Amounts falling due within one year			
Balances with other central government bodies	10,808	6,937	4,142
Balances with bodies external to government	55	68	123
	10,863	7,005	4,265
Amounts falling due after one year			
Balances with other central government bodies	131	155	107
At 31 March	10,994	7,160	4,372

13 Provision for pension liabilities

Assumptions underpinning the provision for pension liability.

Both the PSNI Police Pension Schemes are unfunded defined benefit schemes. An actuarial valuation of each scheme was carried out as at 31 March 2010 by the Government Actuary's Department.

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

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

The major assumptions used by the Actuary were.

	At 31 March 2010	At 31 March 2009	At 31 March 2008	At 31 March 2007	At 31 March 2006
Rate of increase in salaries	4.3%	4.3%	4.3%	4.3%	4.0%
Rate of increase in pensions	2.75%	2.75%	2.75%	2.75%	2.5%
Rate of inflation	2.75%	2.75%	2.75%	2.75%	2.5%

Mortality rate

Expectation of life in years of current pensioners

At 31 March	2010	2009	2008	2007	2006
Males (Age 60)	29.1	28.5	28.4	25.5	25.4
Males (Age 65)	23.9	23.4	23.3	20.6	20.5
Females (Age 60)	32.3	31.7	31.6	28.5	28.4
Females (Age 65)	27.1	26.6	26.4	23.6	23.5

Expectation of life in years of current active/deferred members on retirement at age stated

At 31 March	2010	2009	2008	2007	2006
Males (Age 60)	30.6	30.2	30.1	27.5	27.4
Males (Age 65)	26.0	25.6	25.5	22.7	22.6
Females (Age 60)	33.8	33.3	33.2	30.5	30.4
Females (Age 65)	29.1	28.6	28.6	25.6	25.6

Notes

For 2005 as 82 per cent of the scheme membership was male, all benefits were valued using the male demographic assumptions. This is regarded as simplifying the assessment, whilst not having a material impact on the results.

	At 31 March 2010	At 31 March 2009	At 31 March 2008	At 31 March 2007	At 31 March 2006
Rate for discounting scheme liabilities	4.6%	6.04%	5.3%	4.6%	5.4%

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the scheme managers/trustees acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate. As set out in the FReM, and as required by IAS 19, the scheme managers/trustees use the AA corporate bond rate to discount liabilities. From 2005-06, the Government Actuary has calculated the rate annually on behalf of HM Treasury, who then advise the scheme managers of the rate for the year. The rates are set out in the above table. Any decrease in the rate leads to a significant increase in the reported liability.

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The scheme managers/trustees do not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the scheme managers/trustees, the actuary has used key assumptions that are the most appropriate for the scheme in the light of current knowledge.

Analysis of the provision for pension liability

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

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

Scheme Membership date for the previous five years.

	2009-2010	2008-2009	2007-2008	2006/07	2005/06
Closed Police Pension Scheme					
Active Members	6,127	6,758	7,327	7,920	8,558
Deferred Members	1,125	1,120	922	864	742
Pensioners in Payment Members	10,805	10,309	9,732	9,162	8,679
Pensioners in Payment Dependents	1,509	1,493	1,444	1,429	1,412
Compensation Payments	111	143	162	208	212
New Police Pension Scheme					
Active Members	1,476	1,028	668	358	N/A
Deferred Members	9	2	0	0	N/A
Pensioners in Payment Members	0	0	0	0	N/A
Pensioners in Payment Dependents	1	1	0	0	N/A
Compensation Payments	0	0	0	0	N/A

13.1 Analysis of Movement in the Closed Pension Scheme Liability

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Scheme liability at 1 April	(4,511,880)	(4,869,560)	(5,127,000)
Current service cost	(98,890)	(126,470)	(151,740)
Interest on pension scheme liability	(268,580)	(257,780)	(235,750)
	(367,470)	(384,250)	(387,490)
Enhancements	(11,720)	(29,290)	(8,980)
Transfers in	(0)	(0)	(200)
	(11,720)	(29,290)	(9,180)
Discharge of Commutation Judicial Review 2008-2009	15,000	0	0
Pension payments (see note 13.3)	200,720	175,080	156,030
Actuarial gain (see note 13.5)	(1,317,920)	596,140	498,080
Scheme liability at 31 March	(5,993,270)	(4,511,880)	(4,869,560)

During the year ended 31 March 2010 employee contributions represented an average of 11.0 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay and are proposed to be set at 24.2 per cent for 2010-2011 to standardise with other UK Police Services. In 2009-2010 there was a change in the calculation of date of liability of pension due. The calculation of benefit is now based upon retirement at age 50 or 30 years service whichever is the later.

Discharge of commutation from the Judicial Review is the discharge of the provision recognised in 2008-2009 annual accounts and relates to officers being entitled to a higher commutation enhancement for the period April 2006 to December 2006, back dating the previous implementation date.

13.2 Analysis of Movement in the New Pension Scheme Liability

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Scheme liability at 1 April	(18,460)	(10,150)	(2,570)
Current service cost	(11,180)	(9,720)	(7,000)
Interest on pension scheme liability	(1,500)	(820)	(310)
	(12,680)	(10,540)	(7,310)
Transfers in	(1,670)	(1,220)	(1,490)
Enhancements	0	0	0
Pension payments (see note 13.3)	50	140	20
Actuarial gain (see note 13.5)	(23,100)	3,310	1,200
Scheme liability at 31 March	(55,860)	(18,460)	(10,150)

During the year ended 31 March 2010, employee contributions represented an average of 9.5 per cent of pensionable pay. Employer contributions represented an average of 20.25 per cent of pensionable pay and are proposed to be maintained at this level for 2010-2011.

13.3 Analysis of benefits paid

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Closed Scheme			
Pension payments	138,680	124,490	112,331
Gratuities/Commutations	61,140	50,350	42,759
Payments to and on account of leavers (see note 13.4)	900	240	940
	200,720	175,080	156,030
New Scheme			
Pension payments	0	10	0
Gratuities/Commutations	0	80	0
Payments to and on account of leavers (see note 13.4)	50	50	20
	50	140	20

13.4 Analysis of payments to and on account of leavers

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Closed Scheme			
Refunds to members leaving service	26	15	16
Individual transfers to other schemes	874	225	925
	900	240	941
New Scheme			
Refunds to members leaving service	50	50	25
Individual transfers to other schemes	0	0	0
	50	50	25

13.5 Analysis of Actuarial Gain/Loss

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Closed Scheme			
Experience gains and (losses) arising on pension liabilities	159,830	(54,470)	22,340
Changes in assumptions underlying the present value of the pension liabilities	(1,477,750)	650,610	475,740
	(1,317,920)	596,140	498,080
New Scheme			
Experience losses arising on pension liabilities	(660)	(2,050)	(1,120)
Changes in assumptions underlying the present value of the pension liabilities	(22,440)	5,360	2,320
	(23,100)	3,310	1,200
Per consolidated statement of recognised gains and (losses)	(1,341,020)	599,450	499,280

13.6 History of Experience Gain/Loss

Year ended 31 March	2010	2009	2008	2007	2006
Closed Scheme					
Experience loss on scheme liabilities					
Amount (£m)	(159.83)	(54.47)	(22.34)	(15.24)	(6.35)
Percentage of liability at the year end	2.7%	-1.2%	0.5%	-0.3%	-0.2%
Total actuarial loss					
Amount (£m)	(1,317.92)	596.14	498.08	(947.81)	(15.79)
Percentage of liability at the year end	-22%	13.3%	10.2%	-18.5%	-0.4%
New Scheme					
Experience loss on scheme liabilities					
Amount (£m)	(0.66)	(2.05)	(1.12)	(0.03)	0
Percentage of liability at the year end	-1.2%	-11.1%	-11.0%	-1.2%	0
Total actuarial (loss)/ gain					
Amount (£m)	(23.1)	3.31	1.20	(0.82)	0
Percentage of the present value of the scheme liabilities	-41.4%	17.9%	11.8%	-31.9%	0

14 General Fund

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Balance at 1 April	(4,530,340)	(4,879,710)	(5,129,570)
Net Transfer from Operating Activities			
Combined Net Outgoings	(310,190)	(341,940)	(322,184)
Grant-in-Aid from the Northern Ireland Office	117,420	91,860	72,764
Discharge of Commutation Judicial Review 2008-2009	15,000	0	0
Actuarial (losses)/gains and as per consolidated statement of recognised gains and (losses)	(1,341,020)	599,450	499,280
Balance at 31 March	(6,049,130)	(4,530,340)	(4,879,710)

The General Fund represents the total assets less liabilities of the pension scheme.

15 Financial Instruments

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

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

16 Losses and special payments

During the year there were £16,937 (12 cases) of Losses or Special Payments recorded (2008-2009 £0).

17 Related party transactions

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

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

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

18 Events occurring after the reporting period

On 12 April 2010, policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a new Northern Ireland Department. From this date, the lead policy responsibility for the PSNI transferred from the Northern Ireland Office to the Department of Justice.

The 2009-2010 financial statements have been prepared on the basis that the PSNI was an executive NDPB of the Northern Ireland Office for the entire financial year and these will be laid in Parliament. There is no impact on the 2009-2010 financial statements arising from the transfer of functions to the Northern Ireland Assembly on 12 April 2010.

The annual report and accounts were authorised by the Chief Constable to be issued on the same day as they were certified by the Comptroller and Auditor General.

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