

**POLICE SERVICE OF
NORTHERN IRELAND**

**Accounts for the Police Fund
For the year ended 31 March 2012**



The Accounting Officer authorised these
financial statements on behalf of the
Northern Ireland Policing Board for issue

On

02 July 2012

Laid before the Northern Ireland Assembly under Section 12 (3) of Part 2 to the
Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003
and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010

On

06 July 2012

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ANNUAL REPORT

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 2011-12 to which they relate as the Department of Justice 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 work with communities and partners to make Northern Ireland safe, confident and peaceful. 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 2011-12 have been prepared in a form directed by the Department of Justice in accordance with Section 12 (3) of Part 2 to the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

On 12 April 2010, 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 PSNI became an executive non-departmental public body of the Department of Justice.

In accordance with the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Annual Report and Accounts of the PSNI for the year ended 31 March 2012 will be laid in the Northern Ireland Assembly.

ANNUAL REPORT (CONTINUED)

During the financial year 2011-12 the PSNI complied with the corporate governance and accountability framework arrangements (including *Managing Public Money Northern Ireland*) issued by the Department of Finance and Personnel and Department of Justice.

Chief Officers

The Chief Officers who served throughout the 2011-12 year were as follows:

Chief Constable
Matt Baggott

Deputy Chief Constable
Judith Gillespie

Assistant Chief Constable Crime Operations
Drew Harris

Assistant Chief Constable Operational Support*
Alistair Finlay

Assistant Chief Constable Operational Support
Gary White Acting (1 April – 2 October 2011)

Assistant Chief Constable Criminal Justice
George Hamilton (appointed 5 December 2011)

Assistant Chief Constable Rural Region
David Jones

Assistant Chief Constable Urban Region
William Kerr

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.

*During the period 1 April - 02 October 2011 Chief Superintendent Gary White Acted as Assistant Chief Constable Operational Support.

ANNUAL REPORT (CONTINUED)

Corporate Governance

Corporate Governance within PSNI operates through a formal structure of Corporate Governance Committees and Programme Boards. The PSNI has three Governance Committees:

- Service Executive Board
- Risk Demand & Resourcing Committee
- Audit and Risk Committee

The Service Executive Board (SEB) sets the tone and direction of the organisation. SEB, which is chaired by the Chief Constable and is attended by all Chief Officers and Directors, and is the final decision making forum for the organisation.

The Risk, Demand and Resourcing Committee (RDR) supports SEB by making strategic decision on resourcing the organisational priorities, in line with the tone and direction set by the Chief Constable.

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, the Policing Board and the Department of Justice are invited to attend.

Beneath this structure are five programme boards:

- Communications;
- Leadership and Training;
- Local Crime and Justice;
- Serious Harm;
- Service Excellence

The focus of the Programme Boards is to deliver long term transformational change, in line with the tone and direction set by SEB, through cross cutting programmes and projects, which are appropriately resourced, managed and then evaluated on completion.

Company directorships

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

Non Current Assets

The Police Fund has no non current assets.

ANNUAL REPORT (CONTINUED)

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 no charitable donations during the year (2011-12, nil).

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

Payments for the Police Fund are made through the PSNI. The PSNI's policy is to pay bills from all suppliers within 10 working days following receipt of a properly rendered invoice or in accordance with contractual conditions, whichever is the earlier.

During the 2011-12 financial year, average overall performance showed 89.1% (89.5% 2010-11) of all invoice were paid within 10 days.

ANNUAL REPORT (CONTINUED)

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

Prior to the devolution of policing and justice functions in Northern Ireland, the Financial Statements were audited by the Comptroller and Auditor General (who heads the National Audit Office) and reported to Parliament. Financial statements for 2010-11 onwards are audited by the Comptroller and Auditor General for Northern Ireland (C&AG), who heads the Northern Ireland Audit Office and is appointed by statute and reports to Northern Ireland Assembly. His certificate and report is produced at pages 15 to 16.

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The audit fee for the work performed by the staff of the C&AG during the reporting period, and which relates solely to the audit of these Financial Statements, was £2,500 (2010-11 £2,500). These costs are borne by the PSNI main account and are excluded from these statements.

The C&AG may also undertake other statutory activities that are not related to the audit of the body's Financial Statements such as Value for Money reports. No such activity took place during the year.

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).

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 and 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.

ANNUAL REPORT (CONTINUED)

Review of performance and future development:

The Statement of Comprehensive Net Expenditure is set out on page 17 and shows a surplus of £425 (2010-11: surplus £6,023). No charitable donations were made during the year on the direction of the Northern Ireland Policing Board. The General Fund increased from £148,643 (31 March 2011) to £149,068 (31 March 2012), which is shown on the Statement of Changes in Taxpayers' Equity on page 20.

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.

A handwritten signature in black ink that reads "Matt Baggott". The signature is written in a cursive, slightly slanted style.

**Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2012**

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 and Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, 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 Department of Justice. 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 Government Financial Reporting Manual, Managing Public Money (Northern Ireland) and in particular to:

- observe the Accounts Direction issued by Department of Justice, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and 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 Department of Justice 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 (Northern Ireland).

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 (NI).

In respect of the reporting period, I am directly accountable to the Accounting Officer of the Department of Justice 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 (NI) published by the Department of Finance and Personnel Northern Ireland (DFP) and the Framework Document for Governance of PSNI.

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 2012 and up to the date of approval of the annual report and accounts, and accords with DFP 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

The PSNI capacity to manage risk is established through the risk and control framework and the increasing experience of the Senior Executive Team and staff in risk management. To ensure that the risk management process is continuously refined and approved the PSNI has a Risk Management Policy that is kept under review. This document, which was published organisation wide explains the underlying approach to risk management and describes the roles and responsibilities of the Chief Constable, Chief Officers and other relevant parties including line management. In addition, it includes details of the monitoring and reporting of risk management arrangements.

Risk Management is fully embedded into the organisation with each Department and District actively managing their individual Risk Registers that are linked to the Policing Plan objectives. Most Branches also have Risk Registers. Each register is

STATEMENT ON INTERNAL CONTROL (CONTINUED)

monitored electronically on the PRiDE (Performance and Risk in Delivering Excellence) system. All control actions are time bound and the PRiDE system automatically generates reminders to risk action owners when an update is required. Further assurance was derived from the District and Department 'Control Risk Self Assessment' (CRSA) process that was conducted at the end of 2011, this process is endorsed by Internal Audit.

The Corporate Risk Manager monitors the effectiveness of the risk management processes and reports findings on a six monthly basis to the Risk Demand and Resourcing Committee (RDR) and to the Deputy Chief Constable to assist the Chief Officers' Annual Performance Appraisal process.

A Corporate Risk Register is actively managed by the Corporate Risk Manager that is designed to capture significant strategic risks facing the organisation during 2011/12. Chief Officers review the Corporate Risk Register on a bi monthly basis at the RDR Committee.

The key risks identified on the PSNI Corporate Risk Register at 31 March 2012 include:

1. Crime Investigations – recruitment and retention of staff
2. Terrorist Attack – unable to deliver a normal policing service
3. Four Year Efficiency Plan – if the targets are not met the funding provided to the PSNI over that period may not be sufficient
4. Legacy Issues – adverse affect on public confidence and strain on finances to resource enquiries
5. Confidence in Policing – maintaining public confidence through the role out of the four year efficiency plan
6. Procurement Approval – lengthy processes involved
7. Back Record Conversation – backlog of paper-based records to be back-recorded to core PSNI systems
8. Associate and Contract Staff – adverse affect on public confidence and operational capability

The Corporate Risk Manager provides written reports to RDR to inform decision-making and maintains the Corporate Risk Register on behalf of the Chief Constable. The Corporate Risk Manager also briefs the RDR on emerging risks and significant risks arising from Districts and/or Departments. The decision to add or remove a corporate risk is approved by the Service Executive Board (SEB).

Stewardship reporting is a key assurance control ensuring accountability, ownership and management of risks throughout the Service. All Chief Officers and Senior Managers sign a Stewardship Statement on a six monthly basis confirming that over the preceding six month period 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.

Processes to manage operational risks introduced during 2009/10 incorporate the risks identified through the operation of the National Intelligence Model (NIM). These risks are

STATEMENT ON INTERNAL CONTROL (CONTINUED)

at strategic and tactical levels and continue to provide assurance. NIM control strategies for each priority are aligned with the actions necessary to manage any identified risk.

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.

Overview

The Overview database is now firmly embedded into the organisation which further enhances the overall governance arrangements. The database is used to assign, track and manage the implementation of recommendations arising from third party reports. The SEB received reports on the quality and timeliness of the implementation of recommendations throughout the year. Audit and Risk Committee receive update reports on each priority one and two Internal Audit recommendations at each of its meetings and also receives an annual report on the overall governance of Overview.

Information Assurance

PSNI developed a new Information Assurance Strategy to define the direction for managing and further reducing its information risks until 2014. It was approved by the Information Management Committee in December 2011 and endorsed by the Risk, Demand and Resource Committee in January 2012. The Strategy is fully compliant with the Cabinet Office Security Policy Framework. It builds on the considerable achievements over the past number of years in facilitating safe and secure transformational services, information sharing in partnership with other bodies and recognising the increasing threat to our assets in an ever-changing technological environment.

The key tenets of the Strategy are:

- Effective and Secure Information Sharing
- Proportionate Risk Management and Accreditation
- Improved Risk Management Communications
- Enhanced Organisational Information Assurance Awareness
- Increased Innovation Empathy
- Alignment with National Obligations

These outcomes map directly to the Strategic Principles in the PSNI Policing Plan 2011-14.

The Information Assurance Strategy is owned by the Senior Information Risk Owner (SIRO) at Assistant Chief Constable rank and progress towards implementation is managed by a dedicated Information Assurance Unit within Operational Support Department.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

To support the Strategy PSNI continues to work towards implementing the controls detailed in the Cabinet Office Information Assurance Maturity Model. At 31 March 2012 PSNI can demonstrate 100% compliance at Level 1 in five of the six key risks areas with only one action outstanding to achieve full compliance in the remaining area. This demonstrates our proactive approach and represents a significant advance in evidencing our ability to manage information risk.

An information governance structure is well established with a hierarchy of Strategic and Operational Business Owners taking responsibility for effectively managing information risk for their respective lines of business. The Corporate Information Risk Register is maintained by the Information Assurance Unit and detailed Risk Treatment Plans are managed through the security accreditation process involving Operational Business Owners.

PSNI suffered no breaches of sensitive personal data during the period but one internal breach of procedure was reported to the Information Commissioner's Office and is subject to on-going independent investigation:

Internal breach of procedure - a file was sent to a number of officers containing personal details of other officers. At no time did the file leave the PSNI network nor was it accessed by anyone other than a PSNI officer/staff. It was reported to the ICO as one officer has made a formal complaint to the Police Federation. This breach did not relate to the Police Fund.

The PSNI Information Assurance Policy, supported by twenty-seven detailed information security standards, was revised and updated during 2011 to reflect changes in national policy and enhanced technological threats.

At 31 March 2012 forty-nine operational information systems were accredited and forty-four were in the accreditation process. Twelve major projects in development are subject to on-going information assurance support.

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. I am also informed by the work of an increasing range of external stakeholders including the Northern Ireland Policing Board, Department of Justice, Northern Ireland Office, Department of Finance & Personnel, Her Majesty's Treasury, Her Majesty's Inspectorate of Constabulary's and Criminal Justice Inspectorate for Northern Ireland etc, all of which provide an important challenge function. 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.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

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 level of assurance in relation to risk management, internal control and governance with the exception of a number of specific areas. Firm action has been taken by PSNI to address issues where 'Limited' assurance levels on individual reviews were identified.

A handwritten signature in blue ink that reads "Matt Baggott". The signature is written in a cursive style with a large, prominent letter 'B'.

**Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2012**

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

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 2012 under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 as amended by Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. These comprise the Statement of Comprehensive Net Expenditure, 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 Northern Ireland Policing Board, the
Chief Constable and auditor**

As explained more fully in the Statement of Responsibilities of the Chief Constable, the Northern Ireland Policing Board and the Chief Constable as Accounting Officer 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 examine, certify and report on the financial statements in accordance with the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 as amended by Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. I conducted my audit in accordance with 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 the Assembly 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 the Assembly and the financial transactions conform to the authorities which govern them.

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)**

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 2012 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 as amended by Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and directions issued thereunder by the Department of Justice.

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
- 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 Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.



Kieran J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
02 July 2012

**POLICE SERVICE OF NORTHERN IRELAND
POLICE FUND FOR YEAR ENDED 31 MARCH 2012**

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2012**

| | Notes | 2011-12 | 2010-11 |
|-----------------------------------|-------|-----------------|-----------------|
| | | £ | £ |
| EXPENDITURE | | | |
| Other Expenditure | 2 | 11,442 | 11,453 |
| INCOME | | | |
| Income from Activities | 3 | (6,689) | (9,884) |
| Other Income | | <u>(5,330)</u> | <u>(7,752)</u> |
| | | <u>(12,019)</u> | <u>(17,636)</u> |
| NET INCOME BEFORE TAXATION | | (577) | (6,183) |
| Tax | | <u>152</u> | <u>160</u> |
| NET INCOME AFTER TAXATION | | <u>(425)</u> | <u>(6,023)</u> |

The notes on pages 21 to 24 form part of this account.

**POLICE SERVICE OF NORTHERN IRELAND
POLICE FUND FOR YEAR ENDED 31 MARCH 2012**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

| | Notes | 2012 | 2011 |
|--------------------------------|-------|----------------|----------------|
| | | £ | £ |
| NON-CURRENT ASSETS | | | |
| Financial Assets | 4 | 99,032 | 96,290 |
| CURRENT ASSETS | | | |
| Trade and Other Receivables | 6 | 18,854 | 19,103 |
| Cash and Cash Equivalents | 7 | <u>35,243</u> | <u>34,577</u> |
| TOTAL CURRENT ASSETS | | <u>54,097</u> | <u>53,680</u> |
| TOTAL ASSETS | | <u>153,129</u> | <u>149,970</u> |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 8 | <u>(45)</u> | <u>(53)</u> |
| Current Liabilities | | | |
| ASSETS LESS LIABILITIES | | <u>153,084</u> | <u>149,917</u> |
| TAX PAYERS' EQUITY: | | | |
| General Reserve | | 149,068 | 148,643 |
| Revaluation Reserve | | <u>4,016</u> | <u>1,274</u> |
| TOTAL | | <u>153,084</u> | <u>149,917</u> |

The financial statements on pages 17 to 24 were approved and authorised by the PSNI on 22 June 2012 and were signed on its behalf by:



Matt Baggott
Chief Constable
Police Service of Northern Ireland
22 June 2012

The notes on pages 21 to 24 form part of this account.

**POLICE SERVICE OF NORTHERN IRELAND
POLICE FUND FOR YEAR ENDED 31 MARCH 2012**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

| <u>Notes</u> | 2011-12 | 2010-11 |
|---|-------------------|-------------------|
| | £ | £ |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Surplus after Taxation | 425 | 6,023 |
| (Increase)/Decrease in Trade and Other Receivables | 249 | (5,344) |
| Decrease in Trade Payables | <u>(8)</u> | <u>(12)</u> |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | <u>666</u> | <u>667</u> |
| NET FINANCING | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | <u>666</u> | <u>667</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>34,577</u> | <u>33,910</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>35,243</u> | <u>34,577</u> |

The notes on pages 21 to 24 form part of this account.

POLICE SERVICE OF NORTHERN IRELAND
POLICE FUND FOR YEAR ENDED 31 MARCH 2012

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2012**

| | Notes | General Reserve | Revaluation Reserve | Total Reserve |
|---|-------|--------------------|------------------------|------------------|
| | | £ | £ | £ |
| Balance as at 31 March 2010 | | <u>142,620</u> | <u>988</u> | <u>143,608</u> |
| Changes in Taxpayers' Equity 2010-11 | | | | |
| Surplus on revaluation of Investments | | - | 286 | 286 |
| Net Operating Surplus | | <u>6,023</u> | <u>-</u> | <u>6,023</u> |
| Balance as 31 March 2011 | | <u>148,643</u> | <u>1,274</u> | <u>149,917</u> |
| Changes in Taxpayers' Equity 2011-12 | | | | |
| Surplus on Revaluation of Investments | | - | 2,742 | 2,742 |
| Net Operating Surplus | | <u>425</u> | <u>-</u> | <u>425</u> |
| Balance at 31 March 2012 | | <u>149,068</u> | <u>4,016</u> | <u>153,084</u> |

The notes on pages 21 to 24 form part of this account.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2012**

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2011-12 Government's Financial Reporting Manual (FReM) issued by HM Treasury. 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 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 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.

1.2 VALUE ADDED TAX

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

1.3 CORPORATION TAX

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

1.4 FINANCIAL INSTRUMENT

The Police Fund does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables, and cash and cash equivalents (Notes 5 - 8).

**1.5 ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS
TO PUBLISHED STANDARDS NOT YET EFFECTIVE**

The PSNI has reviewed the additional or revised accounting standards and new (or amendments to) interpretations contained within the *Government Financial Reporting Manual* (FReM) 2011-12 and considers that these changes are not relevant to its operations.

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2012 or later periods, but which the PSNI has not adopted early. The PSNI considers that these standards are not relevant to its operations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2012 (CONTINUED)

| | 2011-12 | 2010-11 |
|--|---------------|---------------|
| | £ | £ |
| 2. OTHER EXPENDITURE | | |
| Disbursements for convalescent travel of members of PSNI and their dependants | 8,931 | 8,847 |
| Disbursements for fuel welfare payments | 2,500 | 2,600 |
| Administrative Costs | <u>11</u> | <u>6</u> |
| | <u>11,442</u> | <u>11,453</u> |
| 3. INCOME FROM ACTIVITIES | | |
| Donations | £ 5 | £ 10 |
| Fines on Members of PSNI | 5,903 | 9,093 |
| Dividends and Interest | <u>781</u> | <u>781</u> |
| | <u>6,689</u> | <u>9,884</u> |
| <p>As a tax efficiency measure Northern Ireland Policing Board agreed to meet expenses incurred by officers and their dependants visiting the Police Convalescent Homes from the Police Fund and to transfer a corresponding amount to the fund.</p> | | |
| 4. FINANCIAL ASSETS | | |
| 14,200 4% Consolidated Stock at Market Value (Cost £10,016) | 14,032 | 11,290 |
| Advances to the Consolidated Fund of Northern Ireland | <u>85,000</u> | <u>85,000</u> |
| | <u>99,032</u> | <u>96,290</u> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2012 (CONTINUED)

5. 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.

6. TRADE AND OTHER RECEIVABLES

| | 2011-2012 | 2010-2011 |
|-------------------------|---------------|---------------|
| | £ | £ |
| Money due from the PSNI | 18,836 | 19,085 |
| Accrued Income | 18 | 18 |
| Other Debtors | <u>-</u> | <u>-</u> |
| | <u>18,854</u> | <u>19,103</u> |

7. CASH AND CASH EQUIVALENTS

| | £ | £ |
|---|---------------|---------------|
| Opening Balance 1 April | 34,577 | 33,910 |
| Net change in cash and cash equivalent balances | <u>666</u> | <u>667</u> |
| Closing Balance 31 March | <u>35,243</u> | <u>34,577</u> |

The balance at 31 March was held in commercial banks.

8. TRADE AND OTHER PAYABLES

Amounts Falling Within one Year

| | £ | £ |
|-------------------------|-----------|-----------|
| Administrative Expenses | 6 | 6 |
| HM Revenue and Customs | <u>39</u> | <u>47</u> |
| | <u>45</u> | <u>53</u> |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2012 (CONTINUED)**

9. RELATED PARTY TRANSACTIONS

PSNI is a body of constables, funded through the NIPB which is a Non-Departmental Public Body of the Department of Justice (DOJ).

The DOJ and Northern Ireland Policing Board (NIPB) are regarded as related parties.

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

10. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no material events occurring after the reporting period

The Annual Report and Accounts were authorised by the Chief Constable to be issued on 02 July 2012.



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