



Northern Ireland Audit Office

Our purpose ...

Promoting better use of public money, through independent professional scrutiny, underpinned by our commitment to:

- Integrity
- Equality
- Openness
- Innovation

To make a difference for the people of Northern Ireland.

The Comptroller and Auditor General, Mr Kieran Donnelly, is an Officer of the Northern Ireland Assembly. He is the Head of the Northern Ireland Audit Office, which employs some 150 staff. He, and the Northern Ireland Audit Office, are totally independent of Government. He certifies the accounts of all Government Departments and a wide range of other public sector bodies; and he has statutory authority to report to the Northern Ireland Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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Northern Ireland Policing Board AUDIT OF 2011-2012 FINANCIAL STATEMENTS

REPORT TO THOSE CHARGED WITH GOVERNANCE

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Executive Summary

Introduction

1. This report summarises the key matters arising from our audit of the 2011-12 financial statements for the benefit of those charged with governance¹. We would like to thank the Director of Support Services and his staff for their co-operation during the audit process.
2. The examination of the 2011-12 financial statements was undertaken in accordance with auditing standards issued by the Auditing Practice Board (APB), taking into account the UK Auditing Practice Board's Practice Note 10 (Revised); Audit of Financial statements in Public Sector Bodies in the United Kingdom. Our approach to the audit was planned and executed in accordance with the Audit Strategy presented to the Audit Committee in December 2011.
3. This report has been prepared for the sole use of Northern Ireland Policing Board (NIPB) although it will be shared with the sponsoring department. Our prior consent should be sought before any distribution (including web publication) either in full or in part is made. The Northern Ireland Audit Office (NIAO) does not accept responsibility to any third party for losses arising from reliance being placed on this report.

Actions for those charged with governance

4. Those charged with governance are invited to review the findings set out in this report.

Status of audit

5. Our audit is now complete and the C&AG provided an unqualified audit opinion. No report was necessary.
6. Overall, the results from our testing were satisfactory and sufficient, with evidence being obtained to support an unqualified audit opinion.
7. The Comptroller and Auditor General (C&AG) reported his opinion to the Assembly in the format set out in Annex B – Proposed Audit Certificate. The C&AG's certificate includes an opinion as to the truth and fairness of the financial statements, and that the expenditure and income have been applied to the purposes intended by the Assembly and that the transactions conform to the authorities which govern them ('regularity'). The C&AG's certificate also includes an opinion on the part of the Remuneration Report to be audited has been properly prepared and that certain information given in the Annual Report is consistent with the financial statements.

Audit judgements

8. No significant audit judgements were made in reaching our audit opinion.

Audit findings

9. In Section 2 we outline the quality, effectiveness and transparency of NIPB's financial reporting and its accounting policy selection, and our audit findings including any issues identified relating to regularity and the internal control environment.
10. No issues were noted regarding the quality, effectiveness and transparency of the financial reporting and accounting.
11. The accounting policies disclosed are considered to be appropriate and comply with the relevant standards. It has been noted that the capitalisation threshold increased from £500 to £1,000 in 2011/12 for Property, Plant and Equipment and Intangible Assets, this level is considered appropriate for the circumstances of NIPB.

¹ In accordance with ISA 260, those charged with governance are those individuals accountable for ensuring that the entity achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties.

Executive Summary

12. No significant issues identified regarding regularity.
13. No significant internal control weaknesses were identified during the audit².
14. Further issues of interest are set out in the Other Matters of Governance Interest section.

Identified misstatements

15. In the course of the audit no misstatements were identified which required adjustment in the financial statements, as detailed in Identified Misstatements in Section 3.
16. Unadjusted misstatements of £8k were identified during our audit, as detailed in Section 3. This is based upon an estimate and we do not consider this to be material.

² In accordance with ISA 265, it is the auditor's responsibility to communicate appropriately to those charged with governance and management, deficiencies in internal control identified in an audit of financial statements that, in the auditor's professional judgement, are of sufficient importance to merit their respective attentions.

Section 1 Audit Risks

Significant risks

- 1.1. In our Audit Strategy issued in December 2011, our assessment of NIPB's operations and control environment identified a number of significant risks. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration.
- 1.2. No new audit risks have been identified since we issued our Audit Strategy.
- 1.3. The table below describes how we addressed these matters through our audit process.

Significant risks of material misstatement

Risk 1: Procurement/Single Tender Actions
<p>The implementation of procurement procedures is often an area of weakness within public bodies.</p> <p>There is a risk that NIPB may not have applied the correct procurement procedures, including obtaining approvals for Single Tender Actions (STA's), (also known as Direct Award Contracts (DAC'S)) as required by the Department of Justice.</p>
Audit Response
<p>We focused our testing on payment authorisation, procurement procedures and contract variations to ensure they were in accordance with relevant guidance/current policy (for example the requirements relating to Single Tender Actions).</p> <p>We considered whether the sample selected complied with best practice, for example in considering Business Cases and whether Post Project Evaluations had been undertaken, where required.</p> <p>We also undertook a review of any disputed contracts and Freedom of Information (FOI) requests dealing with procurement issues.</p>
Outcome
<p>Details of audit findings are included in Section 2 Paragraph 2.14 which includes issues identified in relation to completion of the contracts register and reporting of STA's to the Audit Committee. No issues were identified in relation to disputed contracts or FOI requests.</p>

Risk 2: Funding Pressures
<p>Due to the current economic climate, public sector bodies are under increasing financial pressure to reduce costs and meet the constraints put on their budgets. As a result, NIPB's budget cover is likely to come under increasing pressure in delivering its strategic objectives. There is therefore a risk that accruals and provisions may be incomplete.</p>
Audit Response
<p>We reviewed Board minutes and considered key budgetary controls in place, especially as these controls operate across the organisation and are managed by different staff members.</p> <p>We also conducted direct substantive testing of a sample of transactions to check for cut-off and completeness. We also examined explanations for variances for consistency with NIPB's activities in the period.</p>
Outcome

Section 1 Audit Risks

We did not note any instances of incomplete or missing accruals or provisions during our audit work.

Risk 3: Reorganisation

Following the completion of an organisational review by KPMG, a reduction in staff numbers has been instigated by the body.

There is a risk that redundancy payments may be made without the necessary approval from DOJ and DFP. There is also a risk that the redundancies are not adequately disclosed in the financial statements.

The reorganisation within the body could also impact on the effective operations of key controls within NIPB which we would seek to place assurance on in our financial audit. With the change in staff responsibilities it may take some time for new arrangements to fully embed.

Audit Response

We requested sight of the approvals obtained for any redundancies/ Compulsory Early Retirements (CER) which have taken place. We also reviewed the financial statement disclosures and ensured that the staff changes have been adequately disclosed in line with the Government Financial Reporting Manual requirements.

Our work also involved a review of the design, effectiveness and operation of key controls which will provide us with the necessary assurance for our audit.

Outcome

We did not identify any issues regarding DOJ and DFP approval in relation to the CER.

We identified some errors in the disclosures made on an early retirement within the draft accounts presented for audit and NIPB has now made appropriate amendments in the certified accounts.

We were content that the operation and effectiveness of key controls upon which we have placed reliance has not been diminished by the reorganisation.

Section 2

Audit Findings

Financial Reporting and Accounting Policies

- 2.1 The Annual Report and Accounts are required to comply with the Government Financial Reporting Manual (FRM) in accordance with the Accounts Direction issued by Department of Justice (DOJ).
- 2.2 In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period. We also review the overall balance and clarity of information contained in the Annual Report.
- 2.3 From the audit work completed no issues have been noted regarding the quality, effectiveness and transparency of financial reporting
- 2.4 We note that the capitalisation threshold for Property, Plant and Equipment and Intangible Assets has increase in year from £500 to £1,000 and all other accounting policies have remained consistent with the prior year. We are content with the appropriateness of the accounting policies judged against the objectives of relevance, reliability, comparability and understandability.
- 2.5 No issues were identified regarding the timing of transactions and the period in which they are recorded.

Review of information in the Annual Report

- 2.6 We review information in the Annual Report only to the extent that we confirm it is consistent with the financial statements and our understanding of the business. Except as noted in the audit opinion, the Annual Report is not subject to our audit opinion.
- 2.7 The Annual Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

Regularity, propriety and losses

- 2.8 There were no significant regularity, propriety and losses issues identified during the audit.

Internal Control

- 2.9 We have reviewed the Statement on Internal Control (SIC) and in our opinion, it reflects fairly our understanding of the state of internal control systems within NIPB during the year and changes made to the SIC during the course of the audit.

Remuneration Report

- 2.10 The Remuneration Report has been properly prepared in accordance with Department of Justice directions issued under 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.

Observations & Recommendations

- 2.11 This section outlines the findings arising from our audit, as well as management's response and target date for implementation to these recommendations.
- 2.12 We have included the significant, important and best practice findings arising from our audit which are defined as:

Section 2

Audit Findings

- Priority 1 – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control.
- Priority 2 – important issues to be addressed by management in their areas of responsibility.
- Priority 3 – issues of a more minor nature which represent best practice.

Other issues of a more minor nature will be sent to the Director of Support Services.

- 2.13 As outlined in our Audit Strategy our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. Audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

Index of recommendations

Issues raised during Audit

No.	Description	Priority	Page
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2	Procurement	2	7
3	Related Party Declarations	3	8

2.14 Issues raised

1. Pay Remit Approval

Observation
During the audit we identified that no approval had been obtained from the Department of Finance and Personnel (DFP) for the the 2010-11 or 2011-12 pay remits for direct recruits before amounts were paid. The 2010-11 pay increase of £17.5k was paid in June 2011 and the 2011-12 pay increase of £12k was paid in Sept 2011. Retrospective approval was received from DFP on 2 April 2012.
Implication
Appropriate approvals were not obtained before payments were made. There was a risk of irregular expenditure if retrospective approval had not been obtained.
Priority Rating
2
Recommendation
NIPB should ensure that appropriate approvals are obtained for pay remits before payments are made in the future.
Management Response
Accepted Procedures have been developed and implemented within both NIPB and DoJ to ensure that pay awards to direct recruits cannot occur prior to pay remit approval being received.
Target for Implementation
Immediate

Section 2

Audit Findings

2. Procurement

Observation
<p>We are aware that improvements have been made by NIPB and the DOJ family in the area of procurement and this work is still ongoing. From the audit work completed the following points have been noted:</p> <ol style="list-style-type: none"> 1. From review of the contract register it was noted that various columns on the form were blank including date contract awarded, date of approval by NIPB, date of approval by DOJ and details of options to extend in some cases. 2. In the 2010-11 Report to Those Charged With Governance (RTTCWG) it was recommended that 'NIPB should report, at least annually STAs to the Audit and Risk Committee and report on how long the STA has been in place, its value and what progress has been made in undertaking competitive procurement processes to replace the STA.' <p>During audit testing it was noted that a report on STA's was presented to the Audit and Risk Management Committee in December 2011 which stated that the Board only had one STA in operation. However, from review of NIPB contract register we noted that one other STA had been in operation during the financial year but the contract had ended on 31 Oct 2011.</p> <ol style="list-style-type: none"> 3. On review of non current asset additions it was noted that five scanners were capitalised during the year as two grouped assets. The first two scanners were capitalised in July 2011 at a cost of £580 each. The remaining 3 scanners were capitalised in March 2012, two at a price of £657.50 each and one at a price of £530. <p>NIPB has advised that the scanners capitalised in July and March were purchased by different individuals due to the transfer of the responsibility for IT management during the year.</p> <p>The scanners capitalised in March were purchased in two separate procurement exercises each which requiring two written quotations. As noted above these scanners were purchased at two different amounts for the same scanner, two at £657.50 each and one at £530. If the need for three scanners had been identified and tendered together this would have required four selected tenders to be obtained in line with NIPB guidance. NIPB has advised that the need for the third scanner was not identified at the time of the first procurement exercise.</p>
Implication
<ul style="list-style-type: none"> • Information maintained on contract register is not yet complete. • STA information reported to the Audit and Risk Committee may not be complete. • Value for money may not be achieved.
Priority Rating
2
Recommendation
<p>Management should continue towards ensuring that all information required in the contract register is completed, or noted on the register if details are not applicable.</p> <p>All STAs that have been in operation throughout the financial year should be reported to the Audit and Risk Management Committee, including those which have ceased during the period</p>

Section 2 Audit Findings

Management Response	
2.1	Accepted
The revised contracts register remains a work in progress. Finance Branch staff will continue to work with contract owners to provide all required detail within the register.	
2.2	Accepted
Whilst implementing last year's recommendation officials started from point from where all DAC's would be reported to Audit and Risk Management Committee. All DAC's will be reported to Committee going forward.	
Target for Implementation	
2.1	March 2013
2.2	Immediate

3. Related Party Declarations

Observation	
We reviewed related party declarations for the two Board memberships during the year. Declarations were not available for eight members of the first Board in place 1 April -4 May 2011 and three members of the second Board in place 24 May 2011- 31 March 2012 at the time of our audit work.	
We acknowledge that improvement has been made. NIPB had issued reminders to complete these declarations and one of the declarations could not be completed due to serious illness. We would however encourage NIPB to continue to work towards obtaining a complete, timely set of declarations to help ensure compliance with best practice and the Nolan principles.	
Implication	
All Related party transactions may not be disclosed.	
Priority Rating	
3	
Recommendation	
NIPB should ensure that all related party declarations are completed and available for review in future years.	
Management Response	
Accepted	
Board Members will again be reminded of their obligation in relation to membership of the NIPB and in compliance with best practice and the Nolan principles.	
Target for Implementation	
Immediate	

Section 2

Audit Findings

- 2.15 In accordance with International Standards on Auditing we have to consider significant weaknesses identified in our prior year audit. We have therefore reviewed management's implementation of Priority 1 recommendations made in our prior year Report to those charged with Governance. Our findings are set out in Annex C – Implementation of Prior Year Recommendations. The Audit Committee should continue to track progress on all recommendations, including Priority 2 and Priority 3 points.

Section 3

Identified Misstatements

- 3.1 This section contains details of adjustments made to the financial statements during the course of the audit, as well as unadjusted misstatements which are not considered material in the context of the financial statements as a whole.
- 3.2 We do not consider that the adjusted or unadjusted misstatements indicate a significant weakness in accounting or control which needs to be reflected in the Statement on Internal Control.

Significant adjustments made to the financial statements

- 3.3 As a result of our audit, adjustments were made to the first draft financial statements presented for audit. The adjustments are summarised below. The presentation of this information enables those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process.
- 3.4 No financial audit adjustments were required to be made to the initial draft financial statements presented for audit.
- 3.5 However we did make a number of other suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the FReM and other relevant guidance. Examples include:
- Disclosures made in the Remuneration Report and Note 3 Staff numbers and related costs in relation to reporting of compensation schemes and exit packages.
 - In Note 11 Provisions for liabilities and charges an adjustment to appropriately reflect the full amount of early departure costs as provided and utilised in the year.

Unadjusted misstatements or uncertainties arising from the audit

- 3.6 We are obliged to bring to your attention the misstatements found during the course of the audit that have not been corrected, unless they are 'clearly trivial'. No unadjusted misstatements above the clearly trivial limit have been identified.

Description of adjustments	Account area	SoCNE		SoFP	
		Debit	Credit	Debit	Credit
		£'000	£'000	£'000	£'000
Estimate of overprovision in relation to Medical Appeals	Provisions		8	8	
Overall Total			8	8	
Net effect			8	8	

- 3.7 The unadjusted error above represents our estimate of the potential overstatement to provisions due to the average cost used to calculate the provision not being adjusted for cancelled cases. This is not considered material.

Section 4

Other Matters of Governance Interest

- 4.1 International Standard on Auditing 260 requires us to communicate with those charged with governance any other audit matters of governance interest. These include matters which have come to our attention which may present future risks, enhance overall governance or where those charged with governance might wish to seek assurance on controls and processes.

Fraud and Regularity

- 4.2 We are required by Auditing Standards to report to you if we identify a fraud or obtain information that indicates that a fraud may exist. We found no such instances during our testing.
- 4.3 In addition, we are not aware of material weaknesses in the design or implementation of internal controls to prevent and detect fraud.
- 4.4 In the course of our audit we have not identified any suspected or non-compliance with the laws and regulations.

Going concern

- 4.5 In the course of our audit, we have not identified any material uncertainties relating to events and conditions that may cast doubt on the entity's ability to continue as a going concern.

Management of information and personal data

- 4.6 DFP issued guidance in 2008 regarding the management of information and personal data, and government entities were required to review their compliance arrangements and to disclose any specific data incidents. Those charged with governance should ensure they have made sufficient enquiries of management to form a view on NIPB's progress in implementing DFP recommendations, and that the disclosures in the Statement on Internal Control reflect this. Additionally those charged with governance should seek assurance on any data related incidents which may require disclosure. We are unaware of any data handling incidents during the year. Confirmation of this was sought within the letter of representation (Annex A).

Statement on personal data

- 4.7 During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the Data Protection Act 1998.

Disagreements with management

- 4.8 There are no audit disagreements with management, about matters that individually or in aggregate could be significant to the financial statements to report.

Co-operation with other auditors

Internal Audit

- 4.9 We liaise closely with Internal Audit and place reliance on their work where their objectives cover areas of joint interest. While the work of internal audit has been used to inform our audit approach we have not placed reliance on the work of internal audit.

Independence, integrity & objectivity of auditors

- 4.10 The NIAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Strategy. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.

Section 4

Other Matters of Governance Interest

- 4.11 We have complied with APB Ethical Standards and, in our professional judgement, we are independent and our objectivity is not compromised. There are no relationships between NIAO and NIPB that we consider to bear on our objectivity and independence.

Complaints procedure

- 4.12 NIAO seeks to ensure that, when carrying out its audit work, it complies with the principles developed by the Public Audit Forum in its paper "What Public Sector Bodies can expect from their Auditors".

NIAO also wishes to gauge public sector bodies' perceptions of its audit processes in order to promote continuous improvement. In particular, it undertakes to act quickly on any complaint and ensure that the underlying causes of problems are addressed to prevent them recurring. In the first instance, complaints can be addressed to the member of the Directorate responsible for the audit within which the concern has been raised.

Failing resolution of the problem to the satisfaction of the complainant, the Accounting Officer of the audited body can then write directly to the Comptroller and Auditor General. He will ensure that a further review of the case will be undertaken.

[Client Letterhead]

The Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT 7 1EU

LETTER OF REPRESENTATION: Northern Ireland Policing Board 2011-12

I acknowledge as Chief Executive of the Northern Ireland Policing Board (NIPB) my responsibility for preparing accounts that give a true and fair view of the state of affairs, net expenditure and cash flows, changes in Taxpayers' Equity and associated notes of the NIPB for the year ended 31 March 2012.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department of Justice (DOJ), including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and prepare the accounts on a going concern basis on the presumption that the NIPB will continue in operation.

I confirm that for the financial year ended 31 March 2012:

- neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money Northern Ireland;
- having considered and enquired as to the NIPB compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the NIPB to conduct its business or on the results and financial position disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the NIPB have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- all Related Parties and Related Party Transactions involving Board Members and other senior staff of the NIPB have been properly disclosed.

All material accounting policies as adopted are detailed in note 1 to the accounts.

INTERNAL CONTROL

I acknowledge as Chief Executive my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with DFP guidance on the Statement on Internal Control.

Annex A – Letter of Representation

I confirm that I am not aware of any data handling incidents during the year.

FRAUD

I acknowledge as Chief Executive my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the NIPB and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS

General

All assets included in the Statement of Financial Position were in existence at the reporting period date and owned by the NIPB and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Statement of Financial Position includes all non-current assets owned by the NIPB.

Non Current Assets

All assets over £1000 are capitalised. They are revalued annually using historical cost convention modified to include the revaluation of non-current assets by reference to their current cost. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the NIPB's operations.

Other Current Assets

On realisation in the ordinary course of the NIPB's operations the other current assets in the Statement of Financial Position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to NIPB which are known, or may be expected, to be irrecoverable.

LIABILITIES

General

All liabilities have been recorded in the Statement of Financial Position. There were no significant losses in the year and no provisions for losses were required at the year end.

Provisions

Provision is made in the financial statements for:

- Early Departure Costs

The Board provides for the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of employees who retire early. The provision covers pension costs from the date of their retirement until they reach normal pensionable age. The former Deputy Chief Executive was the only early retirement in this financial year, however the provision relates to the full costs of the restructuring exercise. Pension costs will be released over the period to which they relate.

- Equal Pay

This provision represents the Board's obligations arising from the remaining settlement payment to be made to seconded NICS/PSNI staff at AA, AO, EOII and analogous grades as the result of an agreement with NIPSA in respect of Equal Pay.

Annex A – Letter of Representation

- **Medical Appeals**

This provision relates to outstanding appeals for the non-award of medical pensions and injury on duty pensions as a result of the percentage of disablement awarded, before and after review or due to the implementation date of the award for serving and ex-serving PSNI officers.

- **Injury on Duty (IOD) Cases**

This provision relates to outstanding cases where serving and ex-serving PSNI officers apply for medical retirement and/or injury on duty awards.

- **Legal Cases**

There are currently a number of outstanding legal cases in which the Board is named as defendant.

Contingent Liabilities

I am not aware of any pending litigation which may result in significant loss to NIPB, and I am not aware of any action which is or may be brought against NIPB] under the Insolvency (Northern Ireland) Order 1989 and the Insolvency (Northern Ireland) Order 2005.

OTHER DISCLOSURES

Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the NIPB, or circumstances of an exceptional or non-recurring nature.

Unadjusted errors

An estimated unadjusted error of £8k in relation to the overprovision of Medical Appeals has been brought to my attention.

I consider the effect of these unadjusted errors to be immaterial, both individually and in aggregate, to the financial statements taken as a whole.

Events after the Reporting Period

Except as disclosed in the accounts, there have been no material changes since the reporting period date affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

Edgar Jardine
Chief Executive
Date

NORTHERN IRELAND POLICING BOARD 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 Northern Ireland Policing Board 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 the 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Northern Ireland Policing Board, Chief Executive and auditor

As explained more fully in the Statement of the Northern Ireland Policing Board and Chief Executive's Responsibilities, the Northern Ireland Policing Board and Chief Executive 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 the 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 Northern Ireland Policing Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Policing Board; 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of Northern Ireland Policing Board's affairs as at 31 March 2012 and of its net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Justice directions issued under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and

Annex B – Audit Certificate

Justice Functions) Order 2010; and

- the information given in 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 and the part of the Remuneration Report to be audited 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.

*KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU*

20 June 2012

Annex C Implementation of Prior Year's Recommendations

We reviewed management's implementation of Priority 1 recommendations made in our prior year Report to those Charged with Governance. We have summarised the response and provided our evaluation, based on the audit work we have undertaken.

No.	Recommendation	Management Implementation
1.	<p><u>Human Rights Adviser</u></p> <ul style="list-style-type: none"> • NIPB should ensure that future use of STAs is restricted to those meeting the criteria within CPD Procurement Guidance Note 02/10, the Public Contracts Regulation 2006 and The Utilities Contracts Regulations 2006. Staff responsible for procurement should be made aware of these requirements and training should be provided where necessary. Staff should be reminded that procurement processes should commence in sufficient time before a contract ends to conduct a competitive procurement process. • NIPB and DOJ should consider clarifying and updating the Framework Document for the Governance of NIPB the revised procedures for sponsor department approval of STAs. • NIPB should report, at least annually, STAs to the Audit and Risk Committee and the report on how long the STA has been in place, its value and what progress has been made in undertaking competitive procurement processes to replace the STA. 	<p>NIPB Officials told us they continue to implement and adhere to CDP guidance 02/10.</p> <p>02/10 PGN was discussed by NIPB and training provided through DOJ procurement master classes.</p> <p>We are aware from our audit of DOJ that the Department has undertaken a considerable amount of work on procurement matters, including all of its Agencies and NDPB's. This work included identifying all STA's and obtaining CPD advice and Departmental Accounting Officer approval for STAs, creating a DOJ Procurement Board and Procurement Forum, establishing training, closer liaison with CPD and improvements to contract registers.</p> <p>The Framework Document for the Governance of NIPB was updated.</p> <p>STA's in operation at December 2011 were reported to Audit and Risk Management Committee and all subsequent STA's will be reported annually going forward.</p> <p>An issue was raised in Audit Findings paragraph 2.14 above.</p>

Annex C Implementation of Prior Year's Recommendations

2.	<p><u>Chief Executive Review</u></p> <ul style="list-style-type: none"> Guidance should be prepared for Members on the procedures to be followed if they need external assistance but cannot approach the NIPB Accounting Officer due to the nature of the work being undertaken. Clear Terms of Reference for all sub groups of the Board, including details of when they should report back to the main Board or Board Committee, should be agreed and documented. In the event that the issues being discussed are considered too sensitive for NIPB officials to minute the meetings, the sponsor Department should be approached for administrative support. 	<p>Board Members agreed to Standing Orders where if they believed they could not approach the NIPB Accounting Officer they would approach DOJ for assistance.</p> <p>Board Members agreed to change Standing Orders to clarify the term of reference for Sub-Groups.</p>
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The Audit Committee should ensure that it is content that other recommendations made in our prior year Report to those Charged with Governance have been actioned by management. The Audit Committee should also ensure that adequate arrangements are in place to track all recommendations