



Northern Ireland Audit Office



2018-19

ANNUAL REPORT
AND ACCOUNTS

Northern Ireland Audit Office Annual Report and Accounts
For the year ended 31 March 2019

*Laid before the Northern Ireland Assembly by the
Department of Finance under
paragraph 4(2) of Schedule 2 to the
Audit (Northern Ireland) Order 1987*

28 June 2019



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Performance Report



OVERVIEW

The purpose of this overview is to provide a short summary of the Northern Ireland Audit Office's structure, purpose and performance during the year. It also sets out the key risks to the achievement of our objectives, providing sufficient information for users to form a high level understanding of our organisation and its performance.



Martin Pitt

Chairperson of NIAO Board

Chairperson's Statement

In December 2018 I was delighted to join the Northern Ireland Audit Office (NIAO) as the new Chairperson of the Advisory Board. With a long career in PwC, I came to the NIAO already with an appreciation of the work of the Office, having fulfilled a range of roles as external auditor, internal auditor, risk and governance advisor and also following many years of working in contractual partnership on the completion of public sector audits. The role of the Advisory Board is to provide objective and impartial

advice to the Comptroller and Auditor General (C&AG) and to assist him in the discharge of his functions. In my role as Chair, I intend to bring independence of thought, informed by the knowledge and experience I have gained outside the NIAO.

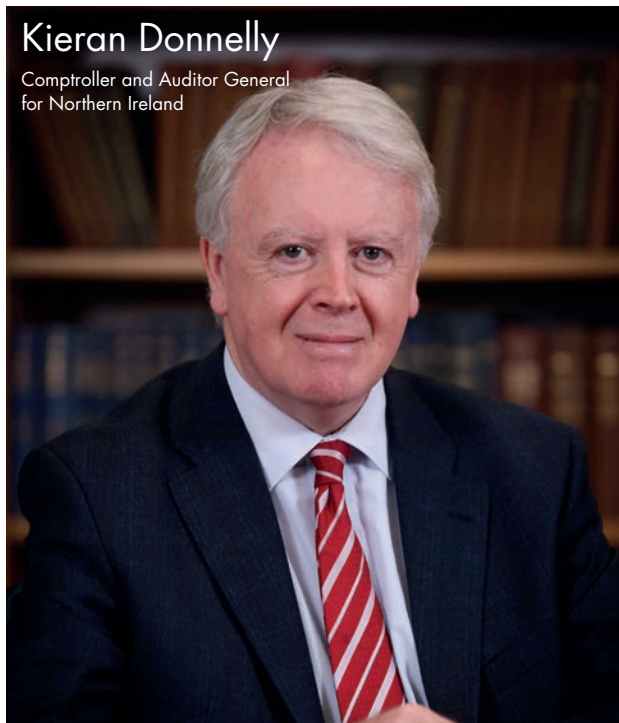
When appointed, I was very quickly struck by the vibrancy and appetite that exists within the NIAO to make an impact in the public sector, driven by the new Vision, Purpose and Values Statement. This is an exciting time for the NIAO with the recent launch of the Business Transformation Programme and the three year Strategic Corporate Framework underpinning the Office's longstanding desire to deliver for the taxpayer.

In my new role, I have an opportunity to share my experience and help harness this energy and fresh confidence in the Office. I am impressed with what I have seen to date – the values, which embrace partnership, curiosity, courage, and upholding the highest professional and ethical standards, promote the right message for an organisation to which I am proud to be appointed as its Chairperson. Recently I have been joined on the Board by three new non-executive members, Noel Hyndman, Marie Mallon and John Turkington. With their collective talents, I am confident we can support and advise the Comptroller and Auditor General and his staff as the Office progresses its three corporate strategic priorities and makes real collaborative impact to the benefit of citizens and public services in Northern Ireland.

A handwritten signature in blue ink that reads "Martin Pitt".

Martin Pitt
Chairman

26 June 2019



Comptroller and Auditor General's Statement

2018-19 has been a challenging, yet rewarding, year for the Northern Ireland Audit Office (NIAO). We have published reports which are topical, timely and provide added value to the wider public sector. For example, our report on the preparedness of Northern Ireland for exit from the EU, which was produced over a short number of weeks and was well received by our stakeholders. Our public reports have been delivered against a backdrop of political paralysis, as the NI Assembly has not sat since early 2017, a Parliament which has been dominated by Brexit, and the ongoing public inquiry into the Renewable Heat Incentive Scheme, which continues to loom large over the public sector, its culture, and how it will operate in the future.

We have a public service with unacceptably long waiting lists in health, schools under severe budgetary pressures and a public sector in need of radical transformation and reform. In this arena, we continue to play a pivotal role in helping to build a modern, high

performing public service that is accountable to taxpayers and citizens.

The accountancy and audit world is in a state of flux. Following the collapse of Carillion, and the Kingman Review, it has been recommended to government that the Financial Reporting Council should be replaced with a new independent regulator with clear statutory powers and objectives. In February, Sir Donald Brydon was appointed by the Secretary of State for Business, Energy and Industrial Strategy to review the quality and effectiveness of audit. I welcome these reviews and see them as opportunities to further strengthen public audit and the work of my Office over the next number of years.

My Office is transforming to meet emerging challenges. I have initiated a Business Transformation Programme to ensure that I continue to have a highly skilled and motivated workforce, that our working practices are modern and that we continue to operate in an innovative and vibrant working environment. I have also established a Future and Quality of Audit working group to address the recent reviews and their implications, and to ensure that we meet the quality requirements for our audits.

In financial audit, we have established new long-term contractual arrangements with our private sector partners.

We also need to ensure that, moving forward, digital technology is embedded into our working methods and systems. I am delighted we have been successful in securing funding from Govtech Catalyst, a fund launched by the Cabinet Office to help the public sector identify and work with cutting edge technology firms to find innovative solutions to operational service and policy delivery challenges.

Our achievements in 2018-19 have been wide-ranging. We have delivered the audit of 151 accounts from across the central and local government sectors and produced 27 public reports covering the findings of our financial audit work, value for money examinations in areas such as health, education, agriculture, social welfare and justice, a good practice guide on Performance Management for Outcomes, and Local Government Annual Improvement Reports for councils.

We have a responsibility to provide value for money on the services we deliver for our stakeholders, and a key measure we use is the savings to the public purse resulting from our work. Exceptional savings of £65.6 million were achieved in 2018-19. Our achievements have been secured against a backdrop of real cost reductions of 24.5 per cent over the past 5 years, and considerable change in our internal operations. Change has included the introduction of a new governance model to better meet the needs of the Office. I am grateful to the previous non-executive members for their service to public audit and contribution to the NIAO. I recently welcomed the new non-executives, led by our Board Chair, Martin Pitt. I am delighted with the considerable experience and foresight they bring to the table.

I wish to thank all my staff for their contribution to the successful outcomes in 2018-19. As I have stated previously, the skills and experience of our people underpin the provision of the professional cost-effective service that we provide. I am committed to ensuring that all my staff remain highly skilled, motivated and flexible to be well placed to handle the challenges ahead and ensure the NIAO remains a professional, effective public audit function, standing ready to fully deliver in a functioning political environment and

inspiring confidence in public services through impartial and innovative reporting.



Kieran Donnelly
Comptroller and Auditor General for
Northern Ireland

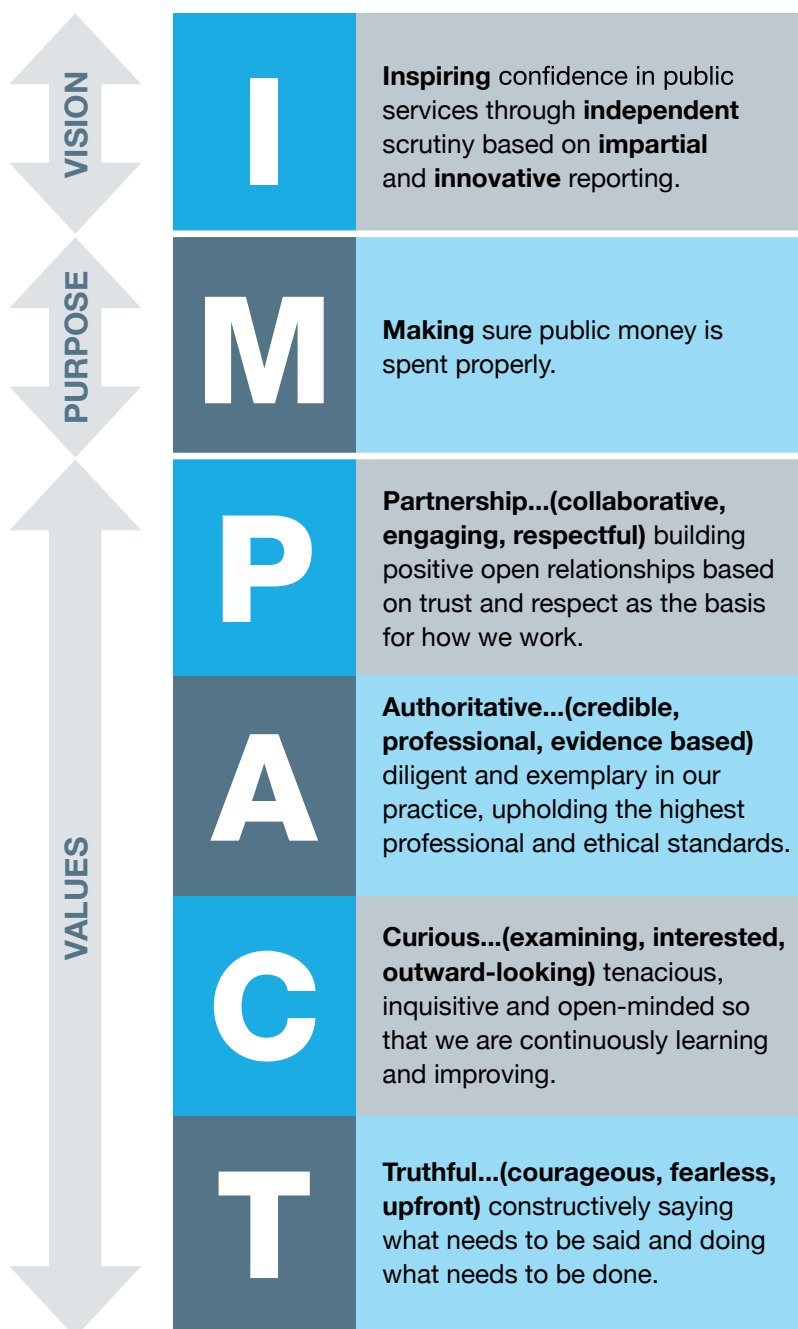
26 June 2019

Purpose and activities of the NIAO

Our role

The Northern Ireland Audit Office ("the NIAO" or "the Office"), established in 1987, has a pivotal role in helping to build a modern, high performing public service that is accountable to taxpayers and citizens. We do this by providing objective information, advice and assurance on how public funds have been used and accounted for, and encouraging best standards in financial management, good governance and propriety in the conduct of public business.

Our vision, purpose and values



Our strategic priorities



Further information is set out on page 26.

Our independence

The head of the NIAO, the Comptroller and Auditor General ("the C&AG"), is an Officer of the Northern Ireland Assembly ("the Assembly") and a Crown appointment made on the nomination of the Assembly. Under the Audit (Northern Ireland) Order 1987, the holder of the office is a corporation sole, and responsible for the appointment of NIAO staff who assist him in the delivery of his statutory functions. The C&AG and the NIAO are totally independent of government.

Our accountability

The NIAO and the Audit Committee of the Assembly, which oversees NIAO performance, have agreed a Memorandum of Understanding on the governance and accountability of the Office. The Memorandum (available at www.niassembly.gov.uk/) sets out:

- the values and standards of the NIAO in carrying out its work;
- the internal governance arrangements of the NIAO and, in doing so, provides confidence to the Assembly and wider public regarding the arrangements for the governance and accountability of the NIAO; and
- the commitments of the C&AG and the NIAO to the Assembly Audit Committee on the actions they will take to uphold transparency and manage public money effectively.

Our work



Financial Audit

Performing a detailed audit on annual financial statements relating to central and local government organisations. This involves carrying out sufficient detailed work to form an opinion on the accuracy of each set of financial statements and, for central government bodies, assessing whether expenditure has been properly spent, is regular, and in accordance with the intentions of the Assembly when it granted the money.



Public Reporting

Independently examining and reporting to the Northern Ireland Assembly on whether public bodies spend taxpayers' money economically, efficiently and effectively.

Auditing, assessing and reporting on district council performance improvement responsibilities.

Reporting promptly on new issues and emerging challenges.

Providing public bodies with constructive advice in the form of good practice reports across a range of areas.



Governance and Counter Fraud

Building better corporate governance, financial control

and risk management in the public sector and preventing and detecting fraud and corruption through data matching.



Support to the Northern Ireland Assembly, other public bodies and citizens

Working closely with the Public Accounts Committee (PAC) on evidence sessions based on our reports; providing support to departmental committees; and responding to enquiries from elected representatives and the public; and seconding staff to other public bodies

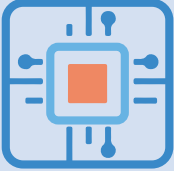






Comptroller function

Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

Key issues and risks

A number of challenges and developments in our operating environment are summarised as follows:

Digitalisation 	<p>The public sector has strengthened its digital delivery and access to on-line government services.</p> <p>We continue to develop our skills and capabilities to audit digital systems.</p> <p>In September 2018, we were successful in applying for £1.25m of funding from Gov Tech Catalyst for a data analytics project challenging private sector firms to develop a data enabled public sector audit approach.</p> <p>Audit in the digital era forms a key strand in our Digital Services Strategy.</p>
Budgetary Constraints 	<p>The public sector continues to face significant budgetary pressures.</p> <p>Our annual net resource outturn has decreased by 19.8%¹ (25.4% in real terms) in the last five years.</p> <p>Savings have been achieved primarily through natural wastage and the implementation of a staff Voluntary Exit Scheme (VES).</p>
Resourcing 	<p>Full Time Equivalent staff numbers have fallen by 3 (3%), from a total of 102 in 2017-18 to 99 in 2018-19.</p> <p>FTE numbers have fallen by 41 (29%) from 140 in 2011-12 to 99 at 31 March 2019.</p> <p>In the four years to 31 March 2019, voluntary exits resulted in the departure of 37 permanent members of staff (33.4 FTE).</p> <p>Our focus has been to rationalise management and bolster front-line resources.</p> <p>A loss of valuable experience has placed greater emphasis on training needs. Six additional graduate trainees have been recruited in-year.</p>
Governance Structure 	<p>A new governance structure has been introduced and new non-executive members appointed.</p> <p>An Advisory Board has been introduced to provide objective and impartial advice to the C&AG and to assist him in the discharge of his functions.</p> <p>To provide support in these functions, the Board has an Audit and Risk Assurance Committee to review the comprehensiveness of assurances on systems of internal control, risk management and corporate governance.</p>
Brexit 	<p>The implications of Brexit for the planning and delivery of services across the Northern Ireland public sector are unprecedented.</p> <p>Uncertainty remains around the outworking of the process and what its impact will be on government reform.</p>

¹ Excludes ring-fenced VES funding

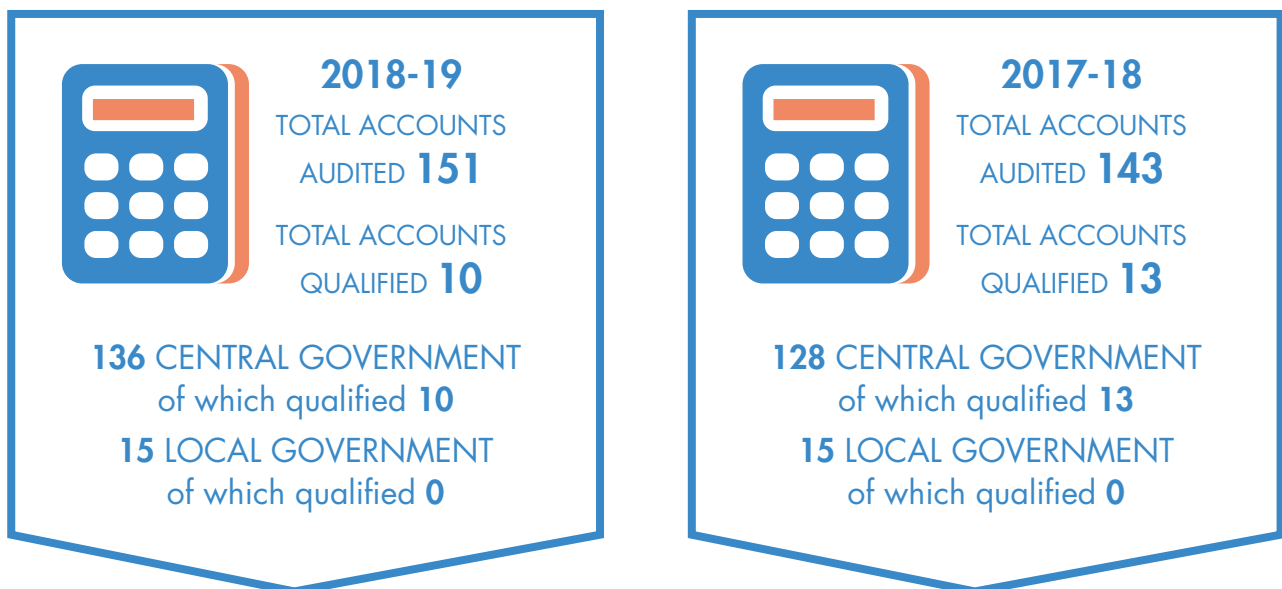
PERFORMANCE ANALYSIS

Our performance

The NIAO Strategic Corporate Framework 2018-21 (available at www.niauditoffice.gov.uk), sets out the Office's role, strategic priorities and impact indicators. It also examines the funding required to achieve these.

Financial audit

Financial audit work undertaken by the Office comprises the audit of central and local government accounts:



Central government

The C&AG has a statutory responsibility to audit the financial statements of all Northern Ireland departments, executive agencies and other central government bodies, including non-departmental public bodies, health and social care bodies and some public sector companies, and to report the results to the Assembly.

The purpose of our financial audit is to provide independent assurance that the accounts of an audited body give a true and fair view of its financial position, have been prepared in accordance with the relevant accounting requirements and that the transactions underlying the financial statements are in line with the intentions of the Assembly and other authorities.

In 2018-19, we certified 136 central government accounts (2017-18; 128). The increase in the number of accounts certified is as a result of the certification of a number of outstanding accounts from previous years (nine 2016-17 and one backlog) and a decrease in the number of accounts not yet certified at year end.

For the audit of central government bodies there is an explicit requirement for the auditor to provide an additional audit opinion on whether, in all material respects, expenditure and income

have been applied for the purposes intended by the Assembly and conform to the authorities which govern them; a regularity opinion.

If at the end of an audit we consider that the accounts do not present a true and fair view, that expenditure and income have not been incurred in line with Assembly intentions, nor conform to the authorities which govern them, then the C&AG will qualify his opinions on the accounts. Ten central government accounts were qualified in 2018-19 (2017-18; 13). Of the 10, seven were qualified solely on the basis of the regularity opinion. In these cases, and in other cases where there are significant issues arising, we make a report to the Assembly which may be considered by the PAC.

We inform the organisations we audit of the issues we find during our work, giving our independent view on areas where the audited body could improve its governance, controls and financial management. We liaise with management to obtain their response to the issues identified.

During 2018-19 we continued to work with the Office of the Comptroller and Auditor General in Dublin on the shared audit and certification of North South bodies. We also continued to have close working arrangements with the National Audit Office for the accounts we audit on its behalf. This is a significant workload and includes audits of the European Agricultural Funds, lottery and whole of government accounts.

Local Government

A senior member of NIAO staff is designated by the Department for Communities, with the consent of the C&AG, as the Local Government Auditor. This role is undertaken by the Office’s Chief Operating Officer, Pamela McCreedy. The Local Government Auditor, assisted by NIAO staff, is responsible for the audit of local government bodies. In 2018-19 we completed the audits of 15 local government accounts (2017-18; 15). None of the opinions on the local government accounts certified in 2018-19 were qualified (2017-18; nil).

Public Reporting

The Office produces a wide range of public reports each year, reflecting its broad audit remit.



The reports completed in 2018-19 are shown below. Copies of the full reports can be obtained from our website at www.niauditoffice.gov.uk.

Value for Money

Structural Maintenance of the Road Network
Welfare Reforms in Northern Ireland
The Social Investment Fund
The UK Border: how prepared is Northern Ireland for exiting the EU?
The Financial Health of Schools
Firearms Licensing in Northern Ireland
National Fraud Initiative 2016-17

Impacts Report

Eradicating Bovine Tuberculosis in Northern Ireland

General Report

General Report on the Health and Social Care Sector

Good Practice Guide

Performance Management for Outcomes

Local Government Reports

Local Government Auditor's Report 2018
11 Local Government Annual Improvement Reports 2019 (one per Council)

Other Reports

Agri-Food and Biosciences Institute 2016-17
Agri-Food and Biosciences Institute 2017-18
Legal Services Agency (NI) Account 2017-18
Department for the Economy Resource Account 2017-18
Education Authority Annual Report and Accounts 2016-17

Value for Money Reports

Our examinations into economy, efficiency and effectiveness (value for money) consider how public bodies use their resources. Our value for money work is informed by a careful analysis of the audit field. We select a balanced programme of studies which aims to:

- provide the Assembly with independent information and advice about how economically, efficiently and effectively departments, agencies and other public bodies have used their resources;
- encourage audited bodies to improve their performance in achieving value for money and implementing policy; and
- identify good practice and suggest ways in which public services could be improved.

Our value for money studies focus on specific areas of government expenditure and seek to make a judgement on how well resources have been managed and services delivered. In 2018-19, these covered a range of topics across the Northern Ireland public sector in areas such as health, education, agriculture, social welfare and justice. In these reports, we sought to measure performance; identify the factors underlying that performance; and offer practical recommendations aimed at adding value.

Examples of our value for money reports include the following:

The Social Investment Fund (SIF)

Background

At the time of our report, SIF had awarded funding of £79 million to 68 projects across Northern Ireland. This was initially intended to be spent in the three years to March 2015. However delivery of many of these projects has been delayed and the SIF delivery period was extended to 2019-20. The SIF budget was also increased by over £13 million.

Report Findings

The report identified a number of serious concerns, including: conflicts of interest which were not always appropriately dealt with; documentation around project selection and prioritisation was poor and the scheme did not operate transparently; governance arrangements were initially poor; and project delivery targets were overly ambitious.

The Financial Health of Schools

Background

This report examined the extent to which schools have been able to manage within their delegated budget for the period 2012-13 to 2016-17 and whether schools' surpluses or deficits are within the limits set by the Education Authority (EA).

Report Findings

The report found that there had been a 9.3 per cent reduction in the General Schools Budget between 2012-13 and 2016-17.

At 31 March 2017, almost 46 per cent of Controlled and Maintained schools had accumulated surpluses, whilst 16 per cent had accumulated deficits, which were in excess of EA's prescribed thresholds. Seven post-primary schools had a deficit in excess of £1 million at 31 March 2017. The report concluded that the system is coming close to a tipping point and action needs to be taken.

Welfare Reforms in Northern Ireland

Background

The Report examined the key changes to benefit rates and entitlements; looked at Personal Independence Payment and Universal Credit; highlighted the issues which emerged from our engagement with the Third Sector; and dealt with expenditure, outcomes measurement and the impact on social housing providers, particularly NIHE.

Report Findings

The report highlighted the decision by the Northern Ireland Executive to fund a mitigation package of £0.5 billion to "top-up" reductions in benefit payments for the four years ending March 2020 and noted that the uptake on mitigation payments was below estimates, with £136 million of available funding not utilised in the first two years.

The full impact of welfare reforms has not yet been felt in Northern Ireland, and some claimants may face significant hardships when current mitigation measures come to an end in March 2020.

Impact Reports

An impact report on Eradicating Bovine Tuberculosis in Northern Ireland was published in November 2018 which examined the escalating costs of the programme and the continued prevalence of the disease, and outlined the Department of Agriculture, Environment and Rural Affairs' proposals to adopt a new strategic approach to control, and ultimately eradicate, the disease.

General Reports

In December 2018, we published a General Report on the Health and Social Care sector. This report reviewed several key areas, including the financial performance of HSC Trusts; timely access to hospital care; the Business Services Transformation Programme (BSTP); and consultancy payments made on a waiting times initiative.

Good Practice Guides

A good practice guide on "Performance Management for Outcomes", was published in June 2018 to help public bodies implement the move to an outcomes based approach, as recommended by the Organisation for Economic Co-operation and Development (OECD) report, in its assessment of public sector reform agenda, published in 2016. This guide was launched at an event sponsored by the Chief Executives' Forum.

Local Government Reports

Under the Local Government Act (Northern Ireland) 2014, there is a statutory duty² to publish a Local Government Annual Improvement Report for each council. The purpose of these reports is to identify if councils have discharged their duties in relation to improvement planning and if they are likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of their respective duties.

The Local Government Auditor published an annual report on the exercise of her functions in September 2018 which commented on a range of topics arising from her audit work.

Other Reports

Six other reports were also published during the year that had arisen as a result of findings from financial auditing.

Governance and fraud prevention and detection

We work closely with audited bodies to promote good practice in governance arrangements and help combat fraud. Good governance structures which are well embedded in organisations are a key attribute to achieving corporate goals and are crucial, particularly in times of financial constraint. During this financial year we attended the audit committees of most of our audited bodies, providing support, advice and guidance to both non-executives and senior staff.

We continued to be involved in providing training to both staff and non-executives of audited bodies through programmes developed by the Chief Executives' Forum. These programmes

² Sections 93-95 of the Local Government Act (Northern Ireland) 2014

focussed on accountability and governance and were aimed at a number of different groups including Accounting Officers, senior managers, Board members and Audit Committee members.

We continue to support public sector bodies as they maintain their fight against fraud. Budgetary pressures remain a reality so it is essential that public bodies use all means at their disposal to prevent and detect misuse of public funds. Only in this way can frontline resources be maximised. We maintain a small counter fraud unit which provides support, advice and guidance on fraud related matters to public sector organisations.

A key focus continues to be the prevention and detection of fraud and error through data matching. Data matching involves comparing pieces of data or information held by one organisation against other records held by the same or another organisation, in order to highlight potentially fraudulent claims and payments.

Since 2008 we have co-ordinated the Northern Ireland public sector's participation in the National Fraud Initiative (NFI), a UK wide data matching initiative to combat fraud and error, which runs every two years. We reported on the fifth exercise on 19 June 2018. To date in Northern Ireland, almost £35 million of fraud and error has been identified. The next data matching exercise is ongoing and will be reported on in June 2020.

We continue to promote the use of real time data matching under the NFI in order to prevent fraud and error entering the system and a small number of organisations are exploring this option.

Support to the Northern Ireland Assembly and the public

We will provide a sitting Assembly with independent support to enable it to hold the Executive to account for its financial management and the value for money it provides to the taxpayer for the public funds it spends. Our main engagement is through the support we provide to the Public Accounts Committee (PAC). We present our reports to the Assembly and the majority of these are considered by the PAC at hearings in which it takes evidence from the senior departmental officials involved.

Following consideration of the evidence, the PAC publishes its own report and recommendations to the Assembly. The Executive is then required to respond to these recommendations, specifying the action the audited body intends to take. We monitor the action taken and may revisit an issue where we consider that insufficient progress has been made.

However, since January 2017 no Assembly has sat. As a direct result, there has been no PAC to consider our reports and make recommendations to the Assembly.

To address this loss of accountability, it was agreed with the Secretary of State for Northern Ireland that all NIAO reports produced should be shared with her Office upon publication. For each of these reports, she obtains a departmental response from the relevant Northern Ireland department, submitted via the Department of Finance, which is placed in the Libraries of both Houses of Parliament once the response is prepared. This process was applied to our value for money publications in 2018-19.

Responding to Citizens


We continue to receive enquiries from a wide range of people about the bodies we audit. Where appropriate, we may carry out further audit work in response.



Stakeholder Engagement

Under the NIAO stakeholder engagement framework, we are committed to open, two-way communication that involves us listening to our stakeholders; keeping them informed; and being clear about how their contributions are being used. Maintaining our independence and impartiality is important, so it is not about agreeing with stakeholders. However, it involves recognising and understanding stakeholders' individual values, beliefs, perceptions and ideas. We will continue to build on stakeholder relationships, resulting in real dialogue and interaction. The framework supports staff throughout our Office in planning, designing, undertaking and evaluating stakeholder engagement activities, and is linked to our key strategic priorities.

As part of the engagement process, we have conducted an influence/awareness exercise to determine our current awareness levels with our key stakeholders vis-à-vis where we aspire to be. The framework supports staff throughout our Office in planning, designing, undertaking and evaluating stakeholder engagement activities, and is linked to our key strategic priorities. As a result of this exercise, we have established and implemented a programme of engagement for each of them, which includes regular meetings with the Permanent Secretaries Group, meetings with departmental accounting officers, local council Chief Executives, departmental board and audit committee members, and annual meetings with local regulators and the community and voluntary sector.

The Office is active on Twitter  (@NIAuditOffice). Our tweets continue to cover new reports and miscellaneous NIAO talks and presentations. We are exploring opportunities to expand our use of social media.

Impacts

We have a responsibility to achieve value for money on the services we provide to our stakeholders. One way in which we measure our success is by identifying the quantifiable financial impact of our work. In doing so, we recognise that our measurement of impact will only present a partial picture, as it is hard to quantify the deterrent effect of public audit in contributing to improved public services.

During 2018-19, quantitative financial impacts of £65.6 million were achieved as a result of the work of the Office and the PAC (2017-18: £50 million). This figure has been independently validated by the Office's External Auditor and represents 9.5 times the net resource outturn of the Office (2017-18: 6.8 times).

The following examples demonstrate the main financial impacts achieved during 2018-19:

NIAO REPORT		IMPACT
	Renewable Heat Incentive (RHI) - Our work identified the fact that the single tariff being paid to applicants to the scheme before November 2015 was in excess of the marginal cost to produce the heat and that it therefore incentivised those applicants to unnecessarily burn more fuel. We had a direct impact in reducing tariffs and also in changing the behaviour of applicants once our report was published.	£30.8 million (cumulative impact of £63.7 million)
	Tackling Social Tenancy Fraud - Our 2013 report estimated that every social home recovered by local social housing providers through a proactive tenancy fraud detection programme would have the potential to save around £8,000 that would otherwise be paid out for private rented temporary accommodation. We agreed a proportionate share of the savings	£776,000
	General Report on Health & Social Care Sector 2012-13 and 2013-14 - As a result of our recommendations, a number of fraud investigations were undertaken, resulting in estimated annual savings of more than £3.5 million. We agreed a proportionate share of the savings.	£1.43m
	Primary Care Prescribing – Following our 2014 report the HSC Board developed a prescribing efficiency plan for the primary care drugs budget. The HSC Board reported efficiency savings of £12.4 million. We agreed a proportionate share of the savings.	£2.48m
	Collaborative Procurement Our 2012 report recognised that increasing collaborative procurement had the potential to generate financial savings without impacting on front line service delivery. As a result of improving procurement arrangements, total savings of almost £52 million were realised in 2018-19 following the award of the nine year Public Sector Network Contract. We agreed a proportionate share of the savings.	£27.6m
	Reform of Legal Aid Remuneration for Legal Aid Providers Savings arising from the introduction of Crown Court Rules 2016 are forecast to save £5 million per year. Our report and PAC's report contributed to this position and we have agreed a proportionate share of the savings.	£2.5m
TOTAL IMPACTS		£65.6m

The extent of savings achieved can fluctuate from year to year and is largely dependent on the nature of the studies undertaken in the value for money audit programme. Where our recommendations overlap with audited bodies' own performance improvement work, we will consider the percentage share of the quantified financial impact that can be attributed to our influence.

Qualitative impacts of the audit function

Our Good Practice Guide on "Performance Management for Outcomes", was published in June 2018 to help public bodies implement the move to an outcomes-based approach. Included with the guide was a "Performance Measurement Framework" and a "Good practice self-assessment toolkit" to facilitate this process.

We are members of a Review Group, led by the Department of Finance, which is examining the sponsorship arrangement for Arm's Length Bodies. This is changing the emphasis to partnership working and follows on from our participation in an Innovation Lab to examine the arrangements and ensure the effective delivery of public services and improved outcomes

We have collaborated and participated with the "Strictly Boardroom" apprenticeship scheme, a training programme for those who want to serve on a board in the public and third sector.

We continue to collaborate with the Chief Executives' Forum (CEF), an association of chief executive officers of civil and wider public service bodies in Northern Ireland, whose vision is to be recognised for the contribution it can make in building a better future for the people of Northern Ireland. Its strategic aims are to support the democratic process and the transformation of public services to better meet the needs of good government. As part of this collaboration, the Comptroller and Auditor General is a member and he has launched a number of his good practice guides at events sponsored by the Chief Executive's Forum.

Performance measurement

In addition to measuring the financial impact of our audit work, we have a number of key performance measures to assist in demonstrating our productivity, quality of work and achievements in reducing costs. Performance achieved in 2018-19 against these key measures is as follows:

Key performance measures



Target: To deliver a comprehensive programme of work with reduced resources, maintaining high standards.

We delivered a range of audit outputs with a net resource outturn (excluding VES) that was 5.2 per cent lower in 2018-19 compared with 2017-18.



Target: To certify 150 accounts; 80 per cent of audited bodies within seven months and 100 per cent within twelve months.

We achieved certification of 141 accounts. In addition, 10 prior year accounts were certified in 2018-19, to total 151. Of the 141 accounts certified, 78 per cent of audits were delivered within seven months and 93 per cent within 12 months.



Target: To produce 33 public reports in 2018-19.

We achieved 27 reports, including five which arose as a result of findings from the financial audit process. A number of publications were delayed due to legal action and the need for legal advice.



Target: Annual confirmation of compliance with the International Standard on Quality Control (ISQC 1), to ensure that our financial audit has complied with our audit methodology and professional auditing standards.

Eight accounts were reviewed by teams independent of the audit team. Five of the reviews were conducted by teams from the other UK public audit agencies.

Six of the eight audit opinions were found to be appropriate. Reviewers concluded that in two cases, there was insufficient evidence on file to support the audit opinion.



Target: We subject our value for money reports to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that our value for money reports maintain an average quality review score of at least three.

We achieved an average score of 3.4.

Resource Accounts 2018-19

Schedule 2 of the Audit (Northern Ireland) Order 1987 requires the NIAO to prepare resource accounts. Details of the Order can be found at www.legislation.gov.uk.

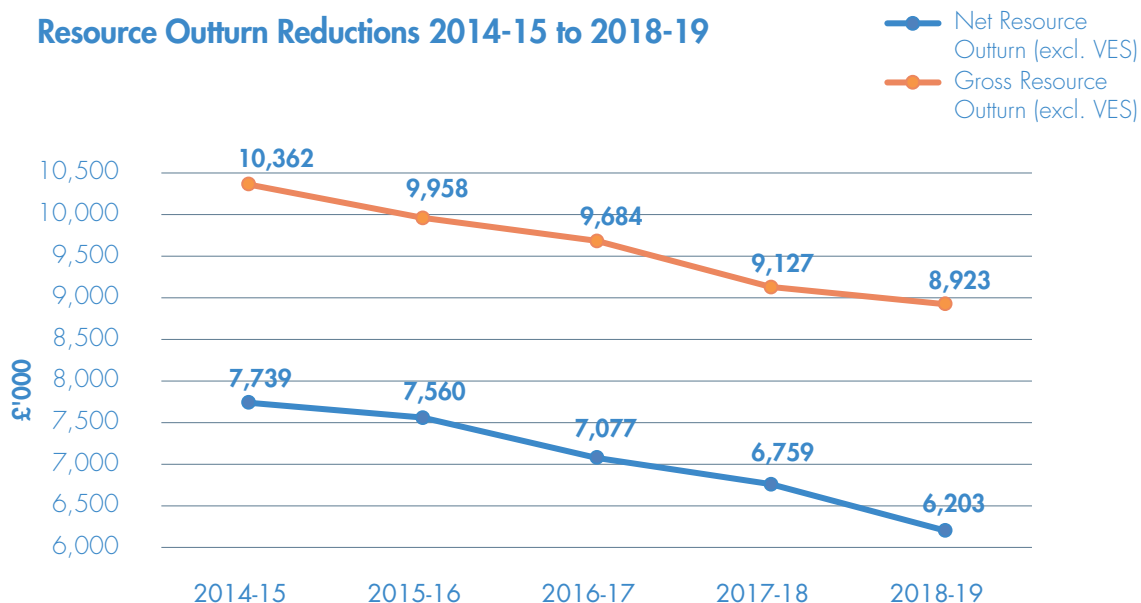
The financial statements on pages 71 to 89 have been prepared by us on a resource basis in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by the Department of Finance.

NIAO Estimate

The Audit (Northern Ireland) Order 1987 requires the C&AG to prepare a Supply Estimate each financial year. Ordinarily, we present a draft estimate to the Assembly Audit Committee, established under Section 66 of the Northern Ireland Act 1998. In the continuing absence of an Executive and a sitting Assembly, the Northern Ireland Budget Act 2018 was progressed through Westminster, receiving Royal Assent on 20th July 2018, followed by the Northern Ireland Budget (Anticipation and Adjustments) Act 2019 which received Royal Assent on 15th March 2019. The authorisations, appropriations and limits in these Acts provide the authority for the 2018-19 financial year and a vote on account for the early months of the 2019-20 financial year, as if they were Acts of the Northern Ireland Assembly.

Resources

We have reduced our annual net resource outturn (costs) by 19.8³ per cent (equating to 25.4 per cent in real terms) in the five years up to and including 2018-19, primarily through natural wastage and the implementation of a staff Voluntary Exit Scheme (VES).



3 Excludes ring-fenced VES funding

The resources used by the Office in 2018-19 are set out in the following table:

	Estimate £'000	Outturn £'000	Saving/(Excess) £'000 %	
Gross Resource Outturn	9,864	9,651	213	2.2
Income	2,720	2,720	-	-
Net Resource Outturn (NRO)	7,144	6,931	213	3.0
Voluntary Exit Scheme (VES)	730	728	2	0.3
NRO excluding VES	6,414	6,203	211	3.3
Capital	58	46	12	20.7

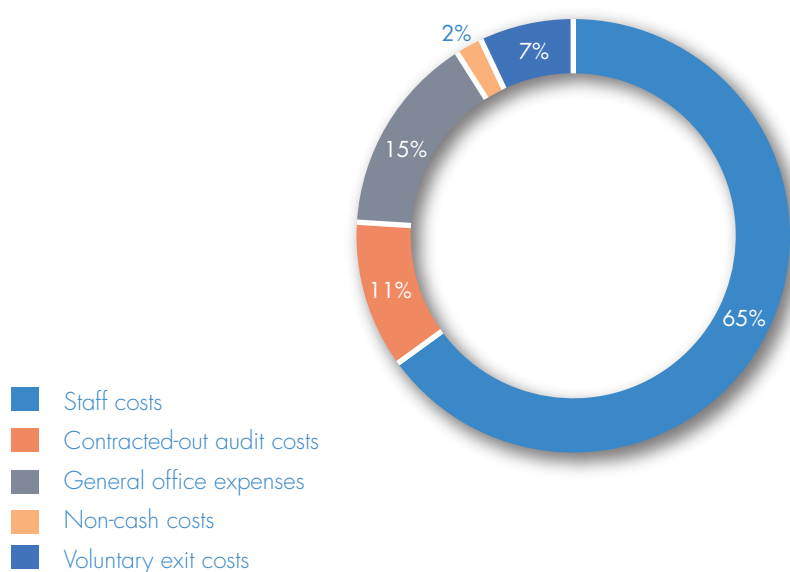
Savings arose from:

- a decrease to in-year salary costs arising from headcount reductions following a number of VES departures; and
- a reduction in the employee benefits liability.

These decreases were offset by an increase in contracted-out costs following a new five-year procurement exercise.

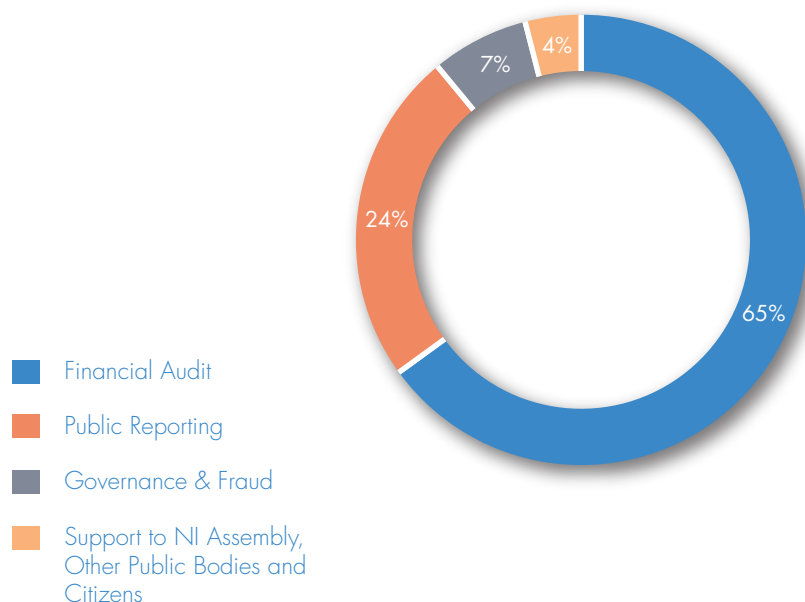
Staff costs continue to be the largest area of expenditure for the Office:

Staff costs continue to be the largest area of expenditure for the office



Resources were used as follows:

The vast majority of resources are used to complete financial audits and public reports



In addition to the above, the cost of administering the Comptroller Function was £14,000, as shown at Note 2 to the Financial Statements.

Income includes:

- fees received from:
 - some central government bodies and North South bodies in respect of the audit of their accounts;
 - the National Audit Office, for audits we carry out on its behalf;
 - local government bodies, for the audit of their accounts and performance improvement;
- recoupment of salary and associated costs for seconded staff; and
- rental income from subletting areas of our building.

Each element of income, and the direct costs associated with it, is shown in the Accountability Report, at page 63.

Any income in excess of the Estimate must be submitted as Consolidated Fund Extra Receipts. In 2018-19, excess income of £60,443 was earned as a result of earlier than anticipated completion of chargeable audit work and income greater than that initially forecast in respect of European Agricultural Funds work.

Resources required in the future

The 2019-20 Budget has been maintained at the 2018-19 level in cash terms. In the absence of a sitting Assembly, the budget was approved by Parliament at Westminster through the Budget Act 2019. Allocated resources are shown in the following table:

	2019-20 £'000
Gross Resource Requirement	9,995
Income	2,700
Net Resource Requirement (NRR)	7,295
GovTech Funding	250
NRR excluding VES and Small Business Research Initiative	7,045
Capital	490

GovTech funding

Data Analytics is a fast developing area which will have an impact on the audit process in the future. In view of this, we have secured funding of £250,000 for 2019-20 through the Department for Business, Energy and Industrial Strategy. This funding will be directly allocated as grants to successful applicant organisations to conduct research in this area and to help develop new techniques or systems.

Re-developing our Office Accommodation

Our premises are to be redeveloped as part of a project to better utilise the space that we currently occupy. Additional capital expenditure has been included in the budget for 2019-20 to cover potential costs in the first full year of this project.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

The Government Financial Reporting Manual requires a table showing a reconciliation, on an outturn basis, between the Net Resource Outturn, the Net Operating Cost and the Budget. This table is shown below:

	2018-19 £'000	2017-18 £'000
Net Resource Outturn	6,931	7,354
Consolidated Fund Extra Receipts	(61)	(30)
Non-supply expenditure	160	160
Net Operating Cost	7,030	7,484
Consolidated Fund Extra Receipts	-	-
Inter-departmental notional charge	-	-
Resource Budget Outturn of which:	7,030	7,484
Department Expenditure Limits (DEL)	7,045	7,503
Annually Managed Expenditure (AME)	(15)	(19)

Payment of Suppliers

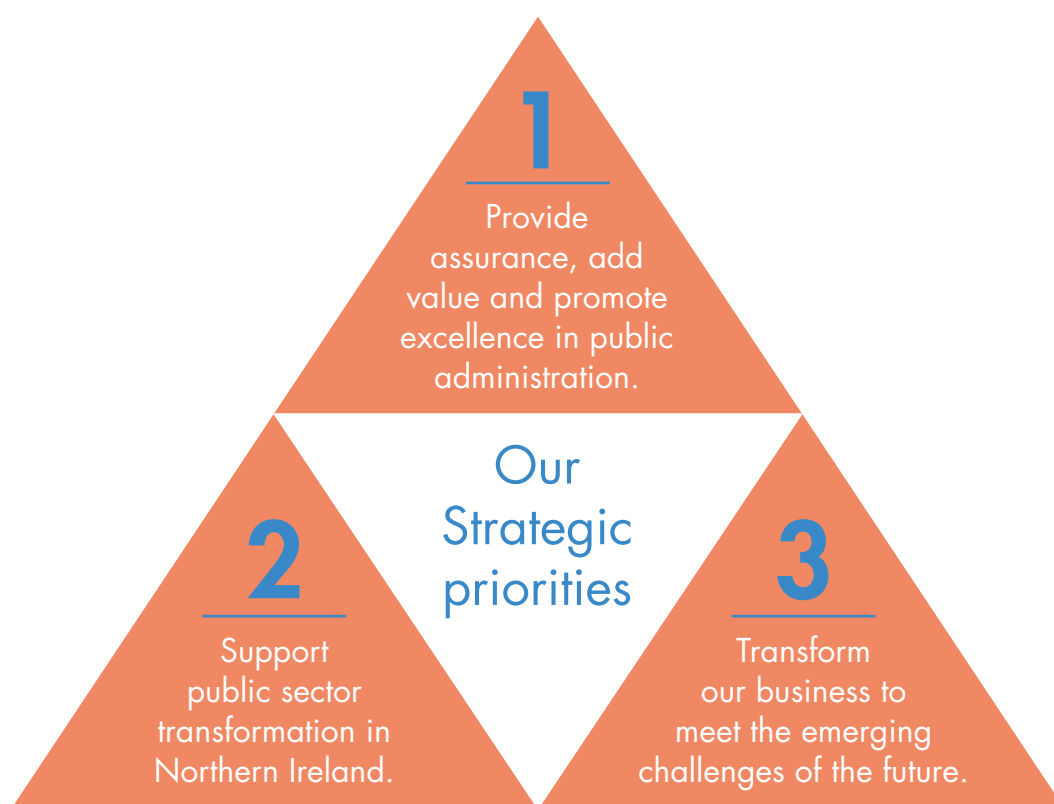
The Office is committed to the prompt payment of bills for goods and services received, in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days after delivery of the invoice or the goods and services, whichever is later.

During 2018-19, the Office paid 97.5 per cent of bills (2017-18; 98.7 per cent) within this standard.

In addition to this, the government has said that, wherever possible, public sector bodies should seek to pay suppliers within 10 working days of receipt of the invoice. In 2018-19, we met this standard for 84.9 per cent of invoices received (2017-18; 96.3 per cent).

Future development of the business

Our three strategic priorities for the period 2018-21 in our Corporate Strategic Framework are as follows:



1. In providing assurance, adding value and promoting excellence in public administration:

- We will continue to support effective democratic scrutiny by providing assurance to increase public confidence, especially during critical transitions in Northern Ireland government and public administration.
- We will promote and share good practice from the Northern Ireland public sector and elsewhere to stimulate improvement.
- Our audit work will help public sector leaders to gain assurance and improve economy, efficiency and effectiveness.
- We will expose corruption and malpractice that we identify and disseminate the lessons learned across our public services.

Why this is important: ...significant transformation is anticipated over the next few years. Sharing good practice is a catalyst for improvement. Our role is to enhance public confidence in how Northern Ireland is governed, at the same time being diligent and exemplary in our own practice.

2. In supporting transformation in the public sector:

- Our public reports will take account of single and cross-cutting themes.
- Our outputs will be relevant and proportionate in relation to Northern Ireland public sector priorities.
- We will respond rapidly to emerging issues in a changing environment and to concerns raised by elected representatives.
- We will use our influence and strategic view to help public sector leaders deliver effective joined up government.

Why this is important: ...we will focus on the issues that really matter to support clear accountability and value for money. Early intervention during the roll-out of government programmes will increase our relevance and impact, while minimising the negative impact of any poor practices before they have advanced too far. We will be proactive in supporting positive change and innovation across all parts of the public sector. Working across silos is a major barrier to the implementation of the Programme for Government so we will take a strategic view across departments to counteract this.

3. In **transforming** our business to meet the emerging challenges of the future:

- We will develop our internal capability through further investing in a highly skilled, motivated and versatile workforce.
- We will embed digital technology in working methods and systems across the NIAO.
- We will continue to modernise working practices to increase productivity.
- We will design and deliver an innovative and vibrant working environment, including modernising our accommodation.

Why this is important: *...successful organisations help staff balance the demands of their work and their other life responsibilities; to remain relevant and sustainable we will continuously maximise the use of all our resources and provide our staff with the best support.*

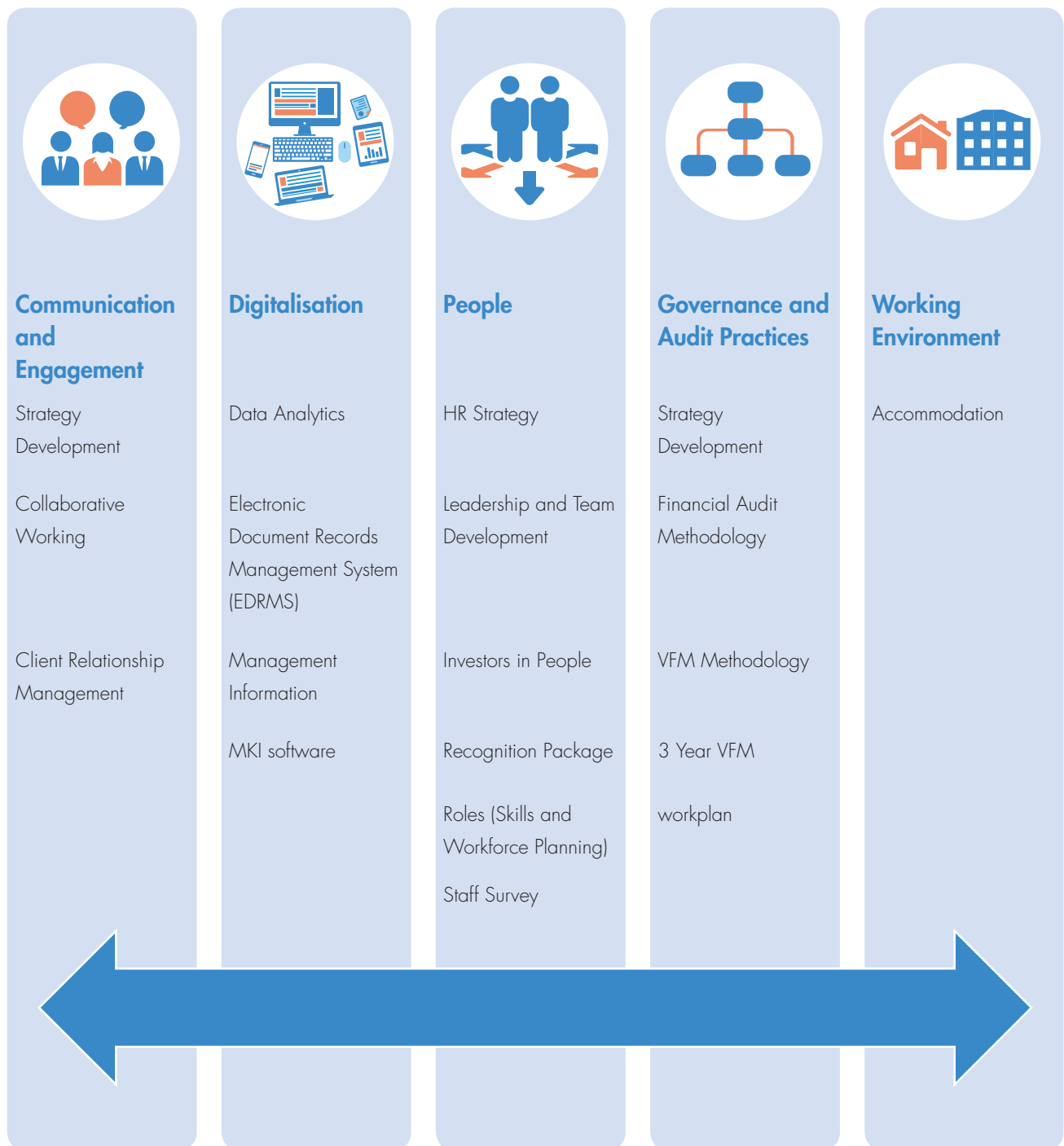
To deliver against each of our priorities, we have initiated a Business Transformation Programme. It will allow us to embed our VALUES and achieve an IMPACT in everything we do. It will ensure the delivery of high quality, efficient and effective services, internal and external, now and into the future.

NIAO transformation revolves around three key points of focus:

1. Strategy
2. People
3. Service Delivery

Five pillars of transformation, each with associated work streams, have been identified. These are:

1. Communication and Engagement
2. Digitalisation
3. People
4. Governance and Audit Practice
5. Working Environment



Progress with our Business Transformation Programme is being reported through Senior Management Team and Advisory Board.

Sustainability, environmental, social and community matters

We are committed to sustainable practice and minimising our impact on the environment. We meet these commitments by disposing of waste carefully, recycling appropriate materials, and by conserving the energy we consume. Locally, we have removed individual waste paper bins to encourage staff to think more carefully about personal recycling.

Redundant electronic and electrical equipment is passed to an external contractor who expunges all data to a standard set by government and then recycles the hardware; redundant furniture is disposed of by way of re-use or environmental destruction; and electricity consumption has been reduced by replacing halogen lighting with lower energy alternatives and air conditioning units with more energy efficient units. Our reprographic equipment will only print on the input of a personal code, with a default setting for two-sided printing in black and white, reducing the amount of unnecessary printing and thus paper consumption. In addition, we have reduced the number of printed copies of each public report, issuing reports electronically where appropriate.

The Office's procurement guidance requires procurement decisions to have regard to equality of opportunity and sustainable development. Much of what we procure, including services for the upkeep of our premises, is through Northern Ireland Civil Service (NICS) wide contracts. These contracts, established locally by the Department of Finance's Central Procurement Directorate, are committed to delivering on the NICS' sustainability, environmental, social and community objectives. For example, contractors are encouraged to work with small suppliers (i.e. fewer than 50 employees); micro suppliers (i.e. fewer than 10 employees) or Social Economy Enterprises throughout their supply chains. Payment to subcontractors should be made within 30 days of receipt of a valid invoice.

In seeking to reduce its environmental footprint, we have travel initiatives aimed at encouraging staff to avail of more sustainable modes of transport to travel to and from work:

- The NICS Cycle to Work scheme was implemented in 2013-14 and, to date, 21 NIAO staff have participated.
- A dual charging point for electric vehicles has been installed to encourage staff to switch to vehicles with cleaner fuels.

Our Accounts Payable Unit continues to issue electronic invoices and remittances to suppliers and staff, reducing paper and printing consumption and associated postal charges. The introduction of tablets has reduced consumption further, by replacing hard copy documents used at various internal and external meetings.

The Office continued its involvement with Business in the Community Northern Ireland (BITCNI), a membership organisation for companies that are committed to doing business responsibly and working together on societal issues where they can make a real difference. For the BITCNI "Be a Saint Day", the Office volunteered with the National Trust at Castle Ward, to relay a playground surface and plant more than 50 trees. Members of staff also participated in the Time to Read and Time to Count programmes at local schools.

In addition, various other fund-raising events were arranged to support a number of very worthwhile charities.

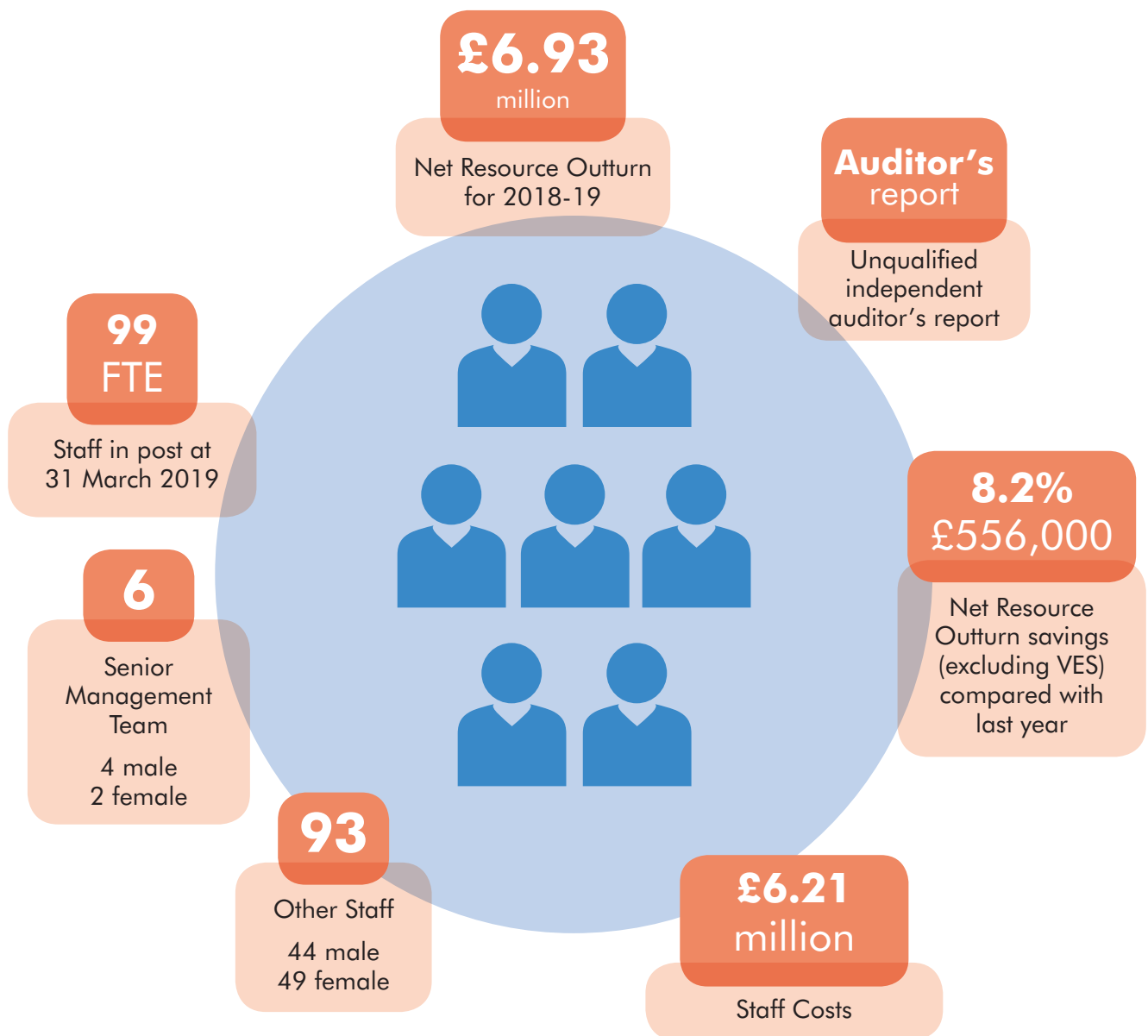


Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

26 June 2019



Accountability Report



CORPORATE GOVERNANCE REPORT

The purpose of the corporate governance report is to explain the composition and organisation of the NIAO’s governance structures and outline how they support the achievement of our objectives.

Directors’ Report

The directors of the NIAO comprise the senior managers and the non-executive members, whose details are set out below.

NIAO Senior Management Team

Subject to the C&AG’s statutory position as corporation sole and his primacy in setting strategy, policy and procedures, the Senior Management Team (SMT) is the principal mechanism for directing the business and decision making in the NIAO. This team is chaired by the C&AG and its membership over the reporting period was as follows:

Senior Management Team



Pamela McCreedy
Chief Operating Officer



Rodney Allen
Director



Neil Gray
Director



Colette Kane
Director



Denver Lynn
Director



Tomas Wilkinson
Director

C&AG’s Advisory Board

The Advisory Board is responsible for providing objective and impartial advice to the C&AG to assist him in the discharge of his functions, and works in partnership with the Comptroller

and Auditor General and the Senior Management Team. The Board scrutinises the work of the NIAO in the five areas of strategic clarity, commercial sense, talented people, results focus and management information. It also scrutinises and advises on Office finances on an ongoing basis.

The Advisory Board comprises both executive (C&AG and Chief Operating Officer (COO)) and non-executive members, the latter bringing an independent and external perspective to the work of the Board.

The Chairperson of the Advisory Board is appointed by the C&AG through open competition, based on merit, following endorsement by the Audit Committee of the Assembly. Non-executive members will be similarly engaged and will be members of the Advisory Board.

Each non-executive member is appointed for a three year period, which may be extended for a maximum of a further three years by the C&AG with the endorsement of the Audit Committee of the Assembly.

In 2018-19, the Advisory Board's membership was as follows:

Martin Pitt (Chair from December 2018)

In December 2018, the Office appointed Martin Pitt as the new Chairperson of the Advisory Board. He was previously a partner within PwC's Audit and Assurance Team and Head of Internal Audit, bringing with him over 30 years' experience working with public and private sector bodies across the UK. Throughout his career, he has advised organisations on issues relating to corporate governance and risk management.

Paul Douglas (until 17 November 2018)

Up until November 2018, Paul Douglas was the Chairperson of the Advisory Board. He had 28 years' experience in a large public sector organisation, the PSNI, with 15 years as a senior manager. Between 2008 and 2010, he was involved in the strategic change process as his area moved from four districts to one. He currently serves as a Lay Commissioner with the N.I. Judicial Appointments Commission.

Áine Gallagher (until 17 November 2018)

Áine Gallagher previously worked as the Director of Corporate and Business Services for the Northern Ireland Hospice; Director of Operations for Culture Company 2013 Ltd; as a member of the Corporate Finance Appraisal and Advisory Division in Invest NI; and with PwC, where she trained as a Chartered Accountant and worked for 10 years in both the audit and advisory departments.

Pat Cumiskey (until 6 November 2018)

Pat Cumiskey has over 40 years' experience in a number of audit and senior financial management positions in the public sector, including a five-year spell, initially as a CIPFA trainee, in the early years of the NIAO. He was Acting Chief Executive in 2014 in Banbridge District Council, leading the council through its final year. He currently serves as a Lay-member to the Northern Ireland Valuation Tribunal.

Pamela McCreedy

Chief Operating Officer

As Chief Operating Officer, Pamela McCreedy leads and manages the NIAO's operational business and supports the C&AG in the strategic leadership of the NIAO, including stakeholder management. She is responsible for cultural change within the NIAO, and for developing greater flexibility in management structures and service delivery. She has also been appointed Local Government Auditor from 1 February 2018, with responsibility for leading all local government audits across Northern Ireland.

Three further non-executive members were appointed to the Advisory Board, effective from 1 April 2019.

**Professor Noel
Hyndman**

Professor Noel Hyndman has been Professor of Accounting at Queen's University Belfast since 2002. Previously he was Professor of Accounting at the University of Ulster (until 2002) and has held Visiting Professorships at the University of Ottawa in Canada and the University of Sydney in Australia, as well as being an Erskine Fellow at the University of Canterbury in New Zealand. He is a Chartered Global Management Accountant and a Fellow of the Chartered Institute of Management Accountants. He is currently Chair of the British Accounting and Finance Association's (BAFA's) Public Services and Charities Special Interest Group, and a member of BAFA's Executive Committee. Professor Hyndman has been Academic Advisor to the Chartered Accountants Ireland Educational Trust since 2011.

**Marie Mallon
MBE**

Marie Mallon (MBE) is Chair of the Labour Relations Agency, a position she has held since 2014. Prior to that she was Director of HR and Deputy CEO of Belfast Health and Social Care Trust for seven years, having previously held the position of Director of HR with the Royal Hospitals Trust. Mrs Mallon is a Chartered Member of the Chartered Institute of Personnel and Development (CIPD) and obtained a distinction in her MSc in HR Leadership from University of Manchester. She is currently an associate of the Health and Social Care Leadership Centre and also undertakes independent HR consultancy. She has recently been appointed Chair of the Chairs' Forum and in 2015 she was awarded an MBE in the Queen's birthday honours list for services to health and social care.

**John Turkington**

John Turkington is Principal of Turkington Chartered Accountants and previously held senior roles as Director of Corporate Banking, Director of Property Banking and Regional Director of Commercial Banking with the Ulster Bank for 11 years. He has more recently held an all-island role in Specialised Relationship Management in the Ulster Bank, following a career in practice. He is a graduate in accounting and LLB Law, with a post-graduate Diploma in Accounting from Queen's University Belfast, and a Fellow of the Chartered Accountants of Ireland.

NIAO Audit and Risk Assurance Committee

The C&AG, as the Accounting Officer of the NIAO, is responsible for ensuring that there are effective arrangements for governance, risk management and internal control.

The Advisory Board supports the C&AG in this role by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.

To provide support in these functions, the Board appoints an Audit and Risk Assurance Committee to review the comprehensiveness of assurances on systems of internal control, risk management and corporate governance. The Audit and Risk Assurance Committee is independent of all NIAO operational activities and is composed solely of non-executives.

In 2018-19, its membership was as follows:

Non-Executives

Áine Gallagher (Chair) until 17 November 2018

Pat Cumiskey until 6 November 2018

Paul Douglas until 17 November 2018

Gillian Body until 7 September 2018

Gillian Body (until 7 September 2018)

Gillian Body retired from the Wales Audit Office in June 2017 with over 35 years' experience in public audit. She was previously Assistant Auditor General with the Wales Audit Office, where she was responsible for the full range of value for money work undertaken by that Office across the Welsh public sector. She is CIPFA qualified and spent her early career working for the National Audit Office. She also had secondments with the Office of the Comptroller and Auditor General in Dublin and with the Australian National Audit Office in Canberra.

From 1 April 2019, the membership of the Committee is:

Dr Noel Hyndman (Chairperson)

Marie Mallon MBE

John Turkington

Register of interests

None of the non-executive or executive members of the Office's governance structures in 2018-19 held company directorships or significant interests which might conflict with their responsibilities. Also, none had any other related party interests.

Auditor of the NIAO

The Department of Finance has re-appointed Baker Tilly Mooney Moore as the external auditor of the NIAO for a three-year term commencing with the audit of the 2018-19 accounts, with the option to extend for a further two years.

In addition to its work to form an opinion on the financial statements, Baker Tilly Mooney Moore reviews the NIAO's statement of financial impact which is reported on page 19. Details of the cost of the work done by the external auditor are disclosed in Note 4 to the Financial Statements.

Disclosure of relevant audit information

The C&AG 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 auditors are aware of that information. So far as the C&AG is aware, there is no relevant information of which the auditors are unaware. The C&AG has taken personal responsibility for the annual report and accounts and the judgments required for ensuring they are fair, balanced and understandable.

Personal data-related incidents

There were no protected personal data-related incidents which required reporting to the Information Commissioner's Office (ICO). However, the ICO was made aware of an incident concerning an internal data breach in our human resources system. An internal investigation was completed and we are content that settings are accurate and appropriate and any future software upgrades will prompt a control check on permissions. In addition the ICO has confirmed that no further action is required.

Complaints

We have a complaints process in place to ensure that complaints from both clients and the public are dealt with in a timely, open and fair way, in line with public sector good practice. The process has three stages, the details of which can be found on our website at www.niauditoffice.gov.uk/index/contact_us/complaints_page.htm. If a complainant remains dissatisfied following the outcome of these three stages, they may refer the matter to the Northern Ireland Public Services Ombudsman's Office, in accordance with the Northern Ireland Public Services Ombudsman Act (Northern Ireland) 2016.

During 2018-19, we received seven complaints. Four of these were reported to the NIAO, two were referred to the NI Public Services Ombudsman (NIPSO) and one was reported to the Information Commissioner's Office (ICO). Five cases are closed; two remain open, one under consideration with NIPSO and one being processed by the NIAO.

Further information on the monitoring of complaints can be requested from:

Information Manager
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
028 9025 1097

Health and Safety

Our health and safety policy is made available to all staff. Suitably trained staff perform health and safety responsibilities.

No incidents were recorded during 2018-19 and no report to the Health and Safety Executive for Northern Ireland under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations was required.

All staff have access to an independent and confidential counselling, support and advice service. This counselling support is free to staff at the point of use and is totally external to the Office.

Statement of Accounting Officer's Responsibilities

Under Article 6(3) of the Audit (Northern Ireland) Order 1987, the NIAO is required to prepare, for each financial year, resource accounts of the kind mentioned in Section 9 of the Government Resources and Accounts Act (Northern Ireland) 2001, detailing the resources acquired, held or disposed of during the year and the use of resources by the NIAO during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NIAO and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing these accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Under the Audit (Northern Ireland) Order 1987, the Department of Finance has appointed the C&AG for Northern Ireland as Accounting Officer for the Northern Ireland Audit Office.

The C&AG for Northern Ireland's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the NIAO's finances for which he is answerable, for the keeping of proper records and for safeguarding the NIAO's assets, are set out in Managing Public Money Northern Ireland, published by the Department of Finance.

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

Governance Statement

Introduction

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

Structure of governance

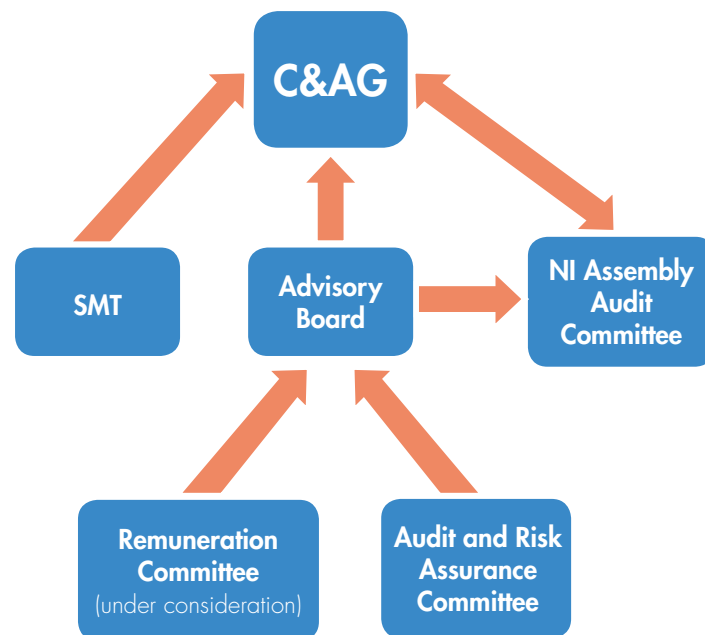
The NIAO's governance structure reflects the statutory position of the C&AG, as set out in two key pieces of legislation:

- The Audit (Northern Ireland) Order 1987 provided for the office of C&AG to be a corporation sole and established the NIAO to assist the C&AG in the discharge of his statutory functions.
- The Northern Ireland Act 1998 requires that, in exercising his functions, except for any function conferred on him of preparing accounts, the C&AG shall not be subject to the direction or control of any Minister or Northern Ireland department or the Assembly. Accordingly, the C&AG has complete discretion in the discharge of his statutory audit functions, with responsibility for the programme of audit work, all audit opinions and judgements resting with him alone.

As the holder of this office, I have primacy in determining the strategy, staffing and structure of the Office and am responsible for designing and implementing the internal governance arrangements to support the delivery of my statutory functions. In so doing, I seek to comply with the spirit of the 'Corporate governance in central government departments: Code of good Practice NI 2013' ("the Code") issued by the Department of Finance. I accept the tenets of the Code as constituting best practice, however the specific legal constitution of the office of C&AG as a corporation sole means that I cannot directly apply the 2013 Code arrangements to the NIAO. In particular there is no provision in legislation for the establishment of a board.

The internal governance arrangements of the NIAO that I have established are illustrated below. They are also set out in a 'Memorandum of Understanding on the Governance and Accountability Arrangements of the Northern Ireland Audit Office' (MoU) agreed with the Audit Committee of the Assembly, which oversees the performance of the NIAO (available on the [NI Assembly website](#)).

NIAO Governance Structure



In 2018-19 I re-examined the role, responsibilities and membership of both the Advisory Group (renamed the Advisory Board) and the Audit and Risk Assurance Committee. I also intend to agree a revised Memorandum of Understanding with the Audit Committee of the Assembly when it returns following its current impasse.

Overall I am content that the NIAO governance arrangements are compliant with the Code on an appropriate and proportionate basis.

Components of governance structure

NI Assembly Audit Committee

The NI Assembly did not sit during 2018-19, given the ongoing political impasse. However, on its return, I will be accountable to it via the Assembly Audit Committee, which has the role defined in section 66 of the Northern Ireland Act 1998. The Audit Committee's responsibilities include: examining the NIAO Estimate and laying it before the Assembly; considering the NIAO's Corporate Plan; examining the NIAO Annual Report and Accounts and reports received from the external auditor; providing advice to the Department of Finance on the appointment of the NIAO external auditor; and tabling a motion in the Assembly in respect of the salary of the C&AG.

The key elements of the internal governance arrangements of the Office are detailed below. Further information on these, including minutes of meetings, are available at: www.niauditoffice.gov.uk/governance-niao.

C&AG's Advisory Board

For the period up to 23 October 2018, the role of the Advisory Board (previously known as the Advisory Group) was to provide objective and impartial advice to assist me in the discharge of my functions. The group scrutinised the work of the NIAO in the five areas of strategic clarity, commercial sense, talented people, results focus and management information, as set out in the 2013 Code⁴.

The Advisory Board comprised both executives (the C&AG and the COO) and non-executives, the latter bringing an independent and external perspective to the work of the group.

In 2018-19, the Advisory Board met only once, focussing on the Office's Business Transformation Programme and its Three-Year Work Programme. The attendance at the meeting is recorded below:

Members present	C&AG's Advisory Group 19/06/2018
Kieran Donnelly (C&AG)	✓
Paul Douglas (Chair)	✓
Áine Gallagher	
Pat Cumiskey	✓
Pamela McCreedy (COO)	✓

In addition, other officials of the Office attended, as required, to assist with the discussion of agenda items. The Office's corporate secretariat provided it with an appropriate support service.

The Advisory Board stood down when the non-executive members' contracts came to an end in the period September to November 2018.

A new Advisory Board has since been formed and held its first meeting on 30 May 2019.

NIAO Audit and Risk Assurance Committee

For the period up to 23 October 2018, the NIAO Audit and Risk Assurance Committee's (ARAC) membership comprised non-executives only. One post was allocated to a representative from a public audit agency in the UK or Ireland. Other members were appointed by open competition, based on merit, and were members of the C&AG's Advisory Board.

Its role was to support me, as Accounting Officer, in my responsibility for issues of risk, control and governance, by reviewing the comprehensiveness, reliability and integrity of assurances. This included supporting and advising me on the planned activity and results of both internal audit⁵ and external audit (see page 37) and the adequacy of management's response to issues identified by audit activity, including external audit's management letter.

⁴ Corporate governance in central government departments: Code of good practice

⁵ Following open competition, Haines Watt was appointed as Internal Auditor with effect from 2016-17 for a three year period.

Attendance of members in 2018-19 was as follows:

Members present	NIAO Audit and Risk Assurance Committee		
	17/05/2018	19/06/2018	23/10/2018
Áine Gallagher (Chair)	✓	✓	✓
Paul Douglas		✓	
Gillian Body	✓	✓	
Pat Cumiskey	✓	✓	✓

Following the October 2018 meeting and subsequent to each of the non-executives completing their terms of appointment, governance arrangements were re-structured, as set out at page 41, which will impact on the role and reporting arrangements of ARAC.

Under the new structure, ARAC comprises three non-executive Board members of the NIAO, excluding the NIAO Board Chairperson, who may attend by invitation, if required. The Chairperson of the newly formed ARAC, appointed by the Board Chairperson, is Dr. Noel Hyndman.

Each member is appointed for a three-year period, which may be extended for a further three years by the C&AG with the endorsement of the Audit Committee of the Assembly.

ARAC remains independent of all NIAO operational activities; its terms of reference are available at <https://www.niauditoffice.gov.uk/audit-committee>. It will meet at least four times a year. The Chairperson of the Committee may convene additional meetings, as deemed necessary. It may request the attendance of officials of the Office to assist with its discussions on any particular matter.

Given that the ARAC Chairperson's term came to an end following the October 2018 meeting and the newly appointed Committee did not meet in the reporting period, it was not possible to complete an Annual Report summarising the Committee's work. However, in these unusual circumstances, I am satisfied that while the Committee was in place, it discharged its duties as guided by its Terms of Reference, and taking account of the work of internal and external audit and assurances provided to the Committee, every effort was made to review and oversee internal control and risk management arrangements and to provide assurances to me, as Accounting Officer, in the discharge of my accountability obligations.

The newly appointed ARAC met on 7 May 2019 and it has provided me with constructive feedback on its terms of reference and on the risks to the NIAO. It has also agreed a draft programme of work for 2019-20.

NIAO Senior Management Team

The Senior Management Team comprises myself, as Chair, the Chief Operating Officer and five Directors.

The Senior Management Team meets monthly and is responsible for the strategic and operational leadership of the Office. Subject to my statutory position as a corporation sole and head of the NIAO, the team is the principal mechanism for directing business and decision making in the Office. In alignment with the Code⁶, the business of the team covered the five key areas of strategic clarity, commercial sense, talented people, results focus and management information.

The Senior Management Team, which met 10 times during the year, covered normal scheduled business. There was over 90 per cent attendance of members at all meetings.

Relevant non-members are invited to attend these meetings. Over the course of the year, attendance took place in relation to items such as the contracting out of audit work, the implications of Brexit, office accommodation, provision of better performance information, the development of data analytics, continuous development in stakeholder engagement, the Voluntary Exit Scheme and the Business Transformation Programme.

During the year the Business Transformation Programme was progressed under the five key pillars of Communication and Engagement; Digitalisation; People; Governance and Audit Practice; and the Working Environment, under which 20 separate work streams have been identified, initiated, progressed and monitored.

As part of this process, our Digital Services Strategy has recognised that we have access to a wide range of data from financial management systems as well as open data, but we lack the technology to use this data to its full potential. In recognition of this we have gone through the Small Business Research Initiative (SBRI) and then the GovTech Catalyst processes, where we have sought assistance and obtained significant funding to address this issue. We have now appointed five separate suppliers to work up potential solutions, from which one (or possibly two) may be selected to progress to stage 2 development.

Risk management and control

Our approach to risk management is guided by professional best practice, and takes full cognisance of the context and environment in which we operate. Because of our public profile and the very nature of our work, we must uphold the highest standards in our own operations, and be able to stand the test of independent scrutiny and retain our credibility and reputation with the Assembly, audited bodies and other stakeholders. At the same time, we must ensure that we promote and secure value for money in our use of public funds.

We focus on proportionate risk management as an integral part of the way we undertake business activities. Risk is managed in a structured way, taking on board the combination of the likelihood of something happening and the impact which arises if it does actually happen, to assess the inherent risk. We then set out the actions, if any, we take to constrain the risk to an acceptable level in accordance with our risk appetite. I am responsible for determining the risk appetite of the Office, which I review on an ongoing basis. To this end, I have agreed a definition for the appetite of each risk in consultation with both the SMT and ARAC.

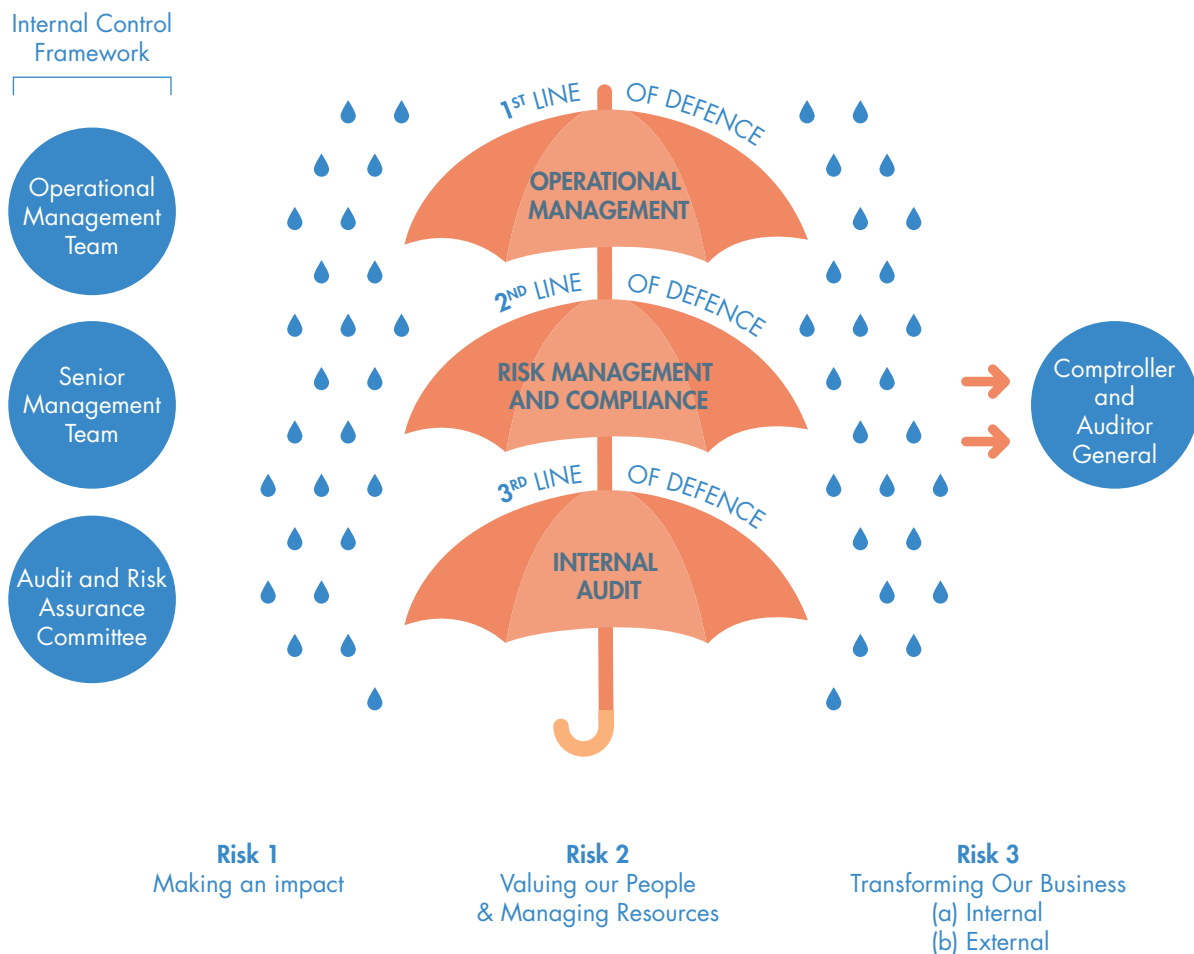
6 See footnote 4

The risk that remains, taking on board these actions, is our residual risk. In applying these principles, we are accurately assessing the relative significance and prioritisation of each risk. We have a comprehensive risk management strategy which sets out roles and responsibilities and determines procedures for risk identification, monitoring, reporting and escalation of issues.

During 2018-19, Risk Management was a regular item at the meetings of the SMT and ARAC. The Corporate Risk Register Working Group (the Working Group), which is responsible for directly briefing the SMT and, by extension, ARAC on risk management developments, meets at least four times per year. In 2018-19 it met seven times to address various risk-related issues. The timing of its meetings and subsequent outputs dovetail with SMT and ARAC requirements.

As part of this process, the Working Group compiles a single corporate risk register which incorporates a risk assurance framework, with three lines of defence. This has been constructed in a structural and systematic way, as set out below, to facilitate the identification, assessment and ongoing monitoring of risks significant to the NIAO. It is reviewed on a regular basis.

Risk Management in the NIAO



Following the completion of the new Strategic Corporate Framework for 2018-21, we have set three key priorities:

- provide assurance, add value and promote excellence in public administration;
- support public sector transformation in Northern Ireland; and
- transform our business to meet the emerging challenges of the future.

As a result we have revised our corporate risk register to ensure that the risks identified align with our priorities, and identified three key areas of risk: making an impact; valuing our people and managing resources; and transforming our business (external and internal).

During the reporting period, a number of additional assessments were completed on the risks associated with fraud, bribery and corruption and cyber security. These were completed following the Office's own "Managing Fraud Risk" and "Managing the Risk of Bribery and Corruption: A Good Practice Guide for the Northern Ireland Public Sector" good practice guides and the National Audit Office's good practice guide "Cyber Security and Information Risk Guidance for Audit Committees". Any issues arising from these assessments were discussed by the SMT and action plans were devised to address the issues arising as appropriate. The action plans were also presented to ARAC.

Quality

We apply the International Standard on Quality Control (ISQC 1), incorporating monitoring arrangements to ensure that our financial audit has complied with our audit methodology and underlying professional auditing standards. We require annual confirmation of compliance. During the reporting period, eight accounts were reviewed by teams independent of the audit team. Five of the reviews were conducted by teams from the other UK public audit agencies.

Six of the eight audit opinions were found to be appropriate, with no significant compliance issues identified. Reviewers concluded that in two cases, there was insufficient evidence on file to support the audit opinion. We have recently established a Future and Quality of Audit Working Group. This will consider how we can ensure that we meet the quality requirements for our audits and also the implications for us of the recent Kingman and Competition and Markets Authority reviews (relating to regulation of audits and improving audit quality), and subsequently the outcomes of the Brydon review currently underway (which will consider standards being delivered by UK auditors).

We also subject our value for money reports to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that our value for money reports maintain an average quality review score of at least three. The reports reviewed in 2018-19 achieved an average score of 3.4.

Other areas of focus

Statement of information risk

We have privileged and wide-ranging access to data and information to support the discharge of my statutory audit functions and ensure my reports to the Assembly are factual, accurate and

complete. We have a duty to respect this privileged access and to ensure that the personal information entrusted to us is safeguarded properly.

We have policies and controls in place to ensure that access to information is correctly managed and safeguarded throughout its life cycle, including creation, storage, transmission and destruction. Staff are made aware of these policies and controls, and awareness is reinforced through information security training.

With the introduction of the General Data Protection Regulation (GDPR) on the 25th May 2018, my Office has developed an implementation plan to provide a basis upon which to build an effective GDPR compliance framework. As a result, I have:

- introduced staff training through e-learning;
- conducted a major review of all personal data retained within the Office;
- developed an information assets register; and
- produced a new Data Protection Policy.

Information risk is covered by the normal risk management arrangements. I am responsible for ensuring information risks are assessed and mitigated to an acceptable level and am supported in this role by the Senior Information Risk Owner, a member of the SMT, and a network of staff with security responsibilities.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by the work of the Internal Auditor and the executives within the NIAO who have responsibility for the development and maintenance of the internal control framework, comments made by the External Auditors in their management letter and other reports, and issues raised by the NIAO ARAC.

Key risks which could affect the achievement of the Office's objectives are managed actively under the risk management arrangements described above, with progress reported regularly to the NIAO ARAC.

Internal Audit provides an independent opinion on the adequacy and effectiveness of the Office's system of internal control, corporate governance and risk management. It reviewed a number of areas during 2018-19 including:

- Budgetary Control
- Payroll and Finances
- NI Consolidated Fund
- Business Continuity Plan and
- Performance Management.

All areas received a satisfactory rating, and all recommendations for improvement have been accepted by management and implemented, or are in the process of being implemented.

Based upon the reviews performed during the year, Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow it to draw a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Office's risk management, control and governance processes. In its opinion, the NIAO has adequate and effective risk management, governance and control processes.

Significant internal control weaknesses

I am able to report that there were no significant weaknesses in the NIAO's system of internal controls in 2018-19 which affected the achievement of the Office's key policies, aims and objectives.

REMUNERATION AND STAFF REPORT

Remuneration Report

Remuneration Policy

Comptroller and Auditor General

Under the provisions of the Northern Ireland Act 1998, the office of the C&AG for Northern Ireland is a Crown appointment made on the nomination of the Northern Ireland Assembly. The C&AG for Northern Ireland retains office unless removed by a resolution of the Northern Ireland Assembly supported by at least two thirds of members. The Audit (Northern Ireland) Order 1987 provides for the remuneration of the C&AG for Northern Ireland to be met from the Consolidated Fund for Northern Ireland, rather than the NIAO's Estimate. The remuneration and associated pension and national insurance contributions are disclosed in Note 4 to the Accounts on page 81 as Consolidated Fund Standing Services.

Senior Management

The Audit (Northern Ireland) Order 1987 provides that the C&AG shall appoint such staff as he considers necessary for assisting him in the discharge of his functions and for the purpose of Article 4 of the Local Government (Northern Ireland) Order 2005 as amended (designation of a member of staff as the Local Government Auditor).

The Audit (Northern Ireland) Order 1987 further provides that these staff shall be appointed at such remuneration and on such other terms and conditions as the C&AG shall determine, subject to him having regard to the desirability of keeping the remuneration and terms and conditions broadly in line with those applying to the persons employed in the National Audit Office and in the Northern Ireland Civil Service.

Staff appointments are normally open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme (Northern Ireland).

Appointments to senior management are made by the C&AG on the basis of fair and open competition. When holding competitions and making appointments, the C&AG takes into account the Northern Ireland Civil Service policies and procedures in this area.

Pay progression for all staff, including senior management, solely relates to an incremental pay scale step, where appropriate. The pay award involves a minimum percentage uplift in gross terms which is awarded to staff.

Remuneration and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the C&AG and members of the NIAO Senior Management Team. The information on pages 50 to 55 is covered by the audit opinion.

Remuneration (including salary) and pension entitlements (Audited)

	2018-19					2017-18				
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Pension Benefits*	Total	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Pension Benefits*	Total
	£'000	£'000	£100)	£'000	£'000	£'000	£'000	£100)	£'000	£'000
Kieran Donnelly C&AG	140-145	-	-	-	140-145	140-145	-	-	-	140-145
Pamela McCreedy Chief Operating Officer	110-115	-	-	44	155-160	60-65 (105-110 full time equivalent) (from 4 September 2017)	-	-	25	85-90
Rodney Allen Director	85-90	-	-	34	115-120	80-85	-	-	37	115-120
Neil Gray Director	85-90	-	-	33	115-120	80-85	-	-	34	110-115
Colette Kane Director	80-85 (85-90 full time equivalent)	-	-	(18)	60-65	70-75 (80-85 full time equivalent)	-	-	23	90-95
Denver Lynn Director	85-90	-	-	11	95-100	80-85	-	-	2	80-85
Tomas Wilkinson Director	80-85	-	-	44	125-130	75-80	-	-	32	105-110

* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

Fair Pay Disclosure (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid earner in their organisation and the median remuneration of the organisation's workforce.

	2018-19	2017-18
Band of Highest Earner's Total Remuneration (£'000) *	140-145	140-145
Median Total Remuneration	37,283	45,753
Ratio	3.8	3.1

* Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind and pension benefits. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The C&AG was the highest paid individual in the NIAO in 2018-19. His salary was in the range of £140,000 to £145,000 (2017-18; £140,000 to £145,000). This was 3.8 times (2017-18; 3.1) the median remuneration of the workforce, which was £37,283 (2017-18; £45,753).

In 2018-19, remuneration ranged from £4,000 to £141,322 (2017-18; £3,000 to £141,322).

Salary

'Salary' includes gross salary and any allowance to the extent that it is subject to UK taxation.

Bonus payments

'Bonus payments' are not made to our staff.

Benefits in kind

The monetary value of 'benefits in kind' cover any benefits provided by the Office and treated by HM Revenue and Customs as a taxable emolument. No such benefits were provided during 2018-19.

Non-Executive Members

During 2018-19, the following remuneration was payable to non-executives in undertaking their NIAO Advisory Group and NIAO Audit Committee duties:

	Date of contract	Length of contract (yrs)	2018-19 Salary £'000	2017-18 Salary £'000
Aine Gallagher	17-11-14	3+1	2.5-5	2.5-5
Paul Douglas	17-11-14	3+1	0-2.5	7.5-10
Pat Cumiskey	06-11-15	3	2.5-5	2.5-5
Gillian Body	07-09-15	3	2.5-5	2.5-5
Martin Pitt	01-12-18	3	2.5-5	-

Pension entitlements (Audited)

The pension entitlements of the C&AG and members of the NIAO Senior Management Team were as follows:

Name and Title	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV* at 31 March 2019	CETV* at 31 March 2018 (or date of joining)	Real increase in CETV*
	£'000	£'000	£'000	£'000	£'000
Kieran Donnelly** C&AG	-	-	-	-	-
Pamela McCreedy Chief Operating Officer	0.5 plus lump sum of 0	2.5-5 plus lump sum of 0	46	15	21
Rodney Allen Director	35-40 plus lump sum of 90-95	0-2.5 plus lump sum of 0-2.5	695	604	18
Neil Gray Director	15-20 plus lump sum of 0	0-2.5 plus lump sum of 0	292	242	21
Colette Kane Director	25-30 plus lump sum of 65-70	0 plus lump sum of 0	513	475	(16)
Denver Lynn Director	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 2.5-5	946	858	11
Tomas Wilkinson Director	20-25 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	348	283	25

* CETV = cash equivalent transfer values

** The C&AG has chosen to no longer be covered by the Northern Ireland Civil Service pension scheme.

Pension Arrangements

The Audit (Northern Ireland) Order 1987 provides for pensionable service by the C&AG for Northern Ireland to be covered by the Northern Ireland Principal Civil Service Pension Scheme (PCSPS (NI)) which is non-contributory and unfunded. The Order also provides for defined pension benefits to be met from the Consolidated Fund for Northern Ireland and no liability rests with the NIAO.

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP). The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal

pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32 per cent.

New entrants joining can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE 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.

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). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2018 was 2.4 per cent and HM Treasury has announced that public service pensions will be increased accordingly from April 2019.

Employee contribution rates for all members for the period covering 1 April 2019 – 31 March 2020 are as follows:

Scheme Year 1 April 2019 to 31 March 2020

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – All members
From	To	From 01 April 2019 to 31 March 2020
£0	£23,500.99	4.6%
£23,501.00	£54,500.99	5.45%
£54,501.00	£150,000.99	7.35%
£150,001.00 and above		8.05%

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 8 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

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 NICS pension arrangements. 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. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or 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. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for loss of office (Audited)

No members of senior management lost office in 2018-19.

Staff Report

The 99 permanent full time equivalent staff at 31 March 2019 (2017-18: 102) comprised:

	Male	Female
Senior Management Team	4	2
Other Staff	44	49
Total	48	51

The reduction in the number of permanent staff reflects the outcome of the Office's latest Voluntary Exit Scheme (see page 10 for further comment) and in year staff resignations, offset by the recruitment of eleven additional staff, including six graduate trainees.

Staff Costs (Audited)

Staff costs comprise:

	2018-19 £'000			2017-18 £'000
	Permanently employed staff	Others	Total	Total
Wages and Salaries	4,575	43	4,618	4,985
Social Security Costs	500	-	500	528
Other Pension Costs	1,088	-	1,088	1,153
Total net costs	6,163	43	6,206	6,666

The salary and other costs of the C&AG are not included within the above costs as his remuneration is met directly from the Consolidated Fund for Northern Ireland. He is also therefore not included in the above staff number full-time equivalent analysis.

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the NIAO is unable to identify its share of the underlying assets and liabilities. The Government's Actuary Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2015 to 31 March 2019.

For 2018-19, employers' contributions of £1,088,264.73 were payable to the NICS pension arrangements (2017-18; £1,153,251.61) at one of three rates in the range 20.8 per cent to 26.3 per cent of pensionable pay, based on salary bands. Work was completed on the 2016 valuation, based on the position as at 31 March 2016. The outcome of this scheme valuation

informed employer contribution rates for 2019-20. Employer contribution rates payable will range from 28.7 per cent to 34.2 per cent of pensionable pay, based on salary bands. This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4 per cent per annum above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2018-19, employer contributions of £nil (2017-18: £nil) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8 per cent to 14.75 per cent (2017-18: 8 per cent to 14.75 per cent) of pensionable pay. The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3 per cent of pensionable earnings.

Employer contributions of £nil, 0.5 per cent (2017-18: £nil, 0.5 per cent) of pensionable pay were payable to the NICS Pension Arrangements to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil. No persons (2017-18; 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2017-18; £nil).

Average number of persons employed (Audited)

The average number of full-time equivalent persons employed during the year was as follows.

2018-19			2017-18
Permanent Staff	Others	Total	Total
104	1	105	107

Reporting of Civil Service and other compensation schemes - exit packages (Audited)

There were no compulsory redundancies in 2018-19 (2017-18; nil). Other departures relate to the Voluntary Exit Scheme and the number and overall costs are disclosed in the table below. The associated costs are included in Note 4 to the Accounts – Other Administration Costs.

Exit package cost band	Number of compulsory redundancies	Number of other departures	Total number of exit packages by cost band
< £10,000	0 (2017-18; 0)	0 (2017-18; 0)	0 (2017-18; 0)
£10,000 - £25,000	0 (2017-18; 0)	0 (2017-18; 0)	0 (2017-18; 0)
£25,001 - £50,000	0 (2017-18; 0)	1 (2017-18; 1)	1 (2017-18; 0)
£50,001 - £100,000	0 (2017-18; 0)	5 (2017-18; 5)	5 (2017-18; 5)
£100,001 - £150,000	0 (2017-18; 0)	3 (2017-18; 0)	3 (2017-18; 0)
£150,001 - £200,000	0 (2017-18; 0)	0 (2017-18; 2)	0 (2017-18; 2)
Total number of exit packages	0 (2017-18; 0)	9 (2017-18; 8)	9 (2017-18; 8)
Total cost	0 (2017-18; 0)	*£728,000 (2017-18; £766,000)	£728,000 (2017-18; £766,000)

*This was the cost to fund the departure of 9 members of staff (Full Time Equivalent 7.9) who left on voluntary exit terms, departing in the latter part of the year.

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972. Exit costs are accounted for in full in the year of departure. Where the NIAO has agreed early retirements and voluntary exits, the additional costs are met by the NIAO and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table above.

Sickness Absence

We have a comprehensive attendance management policy, providing advice and information to staff on matters relating to sickness absence, and setting out the procedures to be followed in reporting and monitoring attendance in the Office.

In 2016-17, our sickness absence levels were particularly high. We have been closely monitoring sickness absence figures, and it has been a standing item on the SMT agenda. The figures for the past three years are:

Year	Average days' sickness absence per employee	% Absence
2016-17	14.2	5.53
2017-18	5.9	2.32
2018-19	7.9	3.07

The target of six days for 2018-19 was not met; however there has been an increase in the number of staff with no absence to 70 in 2018-19, compared with 55 in 2017-18.

Unavoidable absences due to sickness and injury will, of course, occur and we are committed to supporting the health of our staff. We provide a range of positive healthcare and fitness initiatives. In dealing with individual absences, we act reasonably and fairly at all times, taking account of all the circumstances.

We have an attendance management policy, providing advice and information to staff on matters relating to sickness absence, and setting out the procedures to be followed in reporting and monitoring attendance. A revised policy will be issued in 2019-20, on which training will be provided.

Staff Engagement

We conducted an Employee Survey during 2018-19. This comprised 135 questions, with the majority of these mirroring the Northern Ireland Civil Service survey to allow for benchmarking with comparable organisations. Additional questions were added to gain an understanding of our employees' Engagement, results of which can be benchmarked using the Utrecht Workplace Engagement Score, and our employees' Wellbeing using the Short Warwick Edinburgh Mental Wellbeing Scale.

The survey was completed by 91 per cent of our staff. The survey found that the NIAO compares favourably when examined against the Northern Ireland Civil Service Employee Engagement Index. Within the results, areas of strength and areas for focus and action planning have been identified. These will be addressed through a strategy and an action plan collaboratively developed with our staff and Trade Union side, and implemented in 2019-20.

As part of the Office's Review of Accommodation, in July 2018 a survey was issued to staff to gain an understanding of staff opinions on the existing office, how they currently work, and how they want to work in the future. Arising from the outcome of this survey will be the establishment of staff user groups to review key elements of the design both before and during the design period.

Staff Equality Policies

We are fully committed to the effective promotion of equality of opportunity in all our employment policies and procedures. This includes ensuring that all applications for employment are considered fairly and consistently, on the basis of merit. We strive to create an environment where all our staff are valued and encouraged to develop to their full potential. We recognise that the provision of equality of opportunity in the workplace is not only good management practice, it also makes sound business sense. Our policies will help all employees to develop their full potential, and the talents and resources of the workforce will be fully utilised to maximise the efficiency of our Office.

We will continue to consult as widely as possible to ensure that any organisation or group which has a legitimate, particular interest in our work and/or our policies will be included in the process of engagement.

Consultancy

In 2018-19, we paid £67,000 (2017-18; £55,000) to external consultants. This amount is included in Professional Services Bought In which is disclosed in Note 4 to the Financial Statements.

Temporary staff

In 2018-19, we paid £42,517 (2017-18; £66,392) for temporary staff. This amount is included in Note 3 to the Financial Statements.

'Off-Payroll' Engagements

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. In line with HM Treasury requirements, the Department of Finance requires disclosure of such engagements which were in place during 2018-19 costing over £58,200 per annum. We had no off-payroll engagements commencing, ending or operating during 2018-19.

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

Statement of Assembly Supply (Audited)

In addition to the primary statements prepared under International Financial Reporting Standards (IFRSs), the Government Financial Reporting Manual (FReM) requires the NIAO to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show resource outturn against the Supply Estimate presented to the Assembly, in respect of each request for resources.

Summary of Resource Outturn 2018-19

	Note	ESTIMATE			OUTTURN			2018-19	2017-18
		Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net total outturn compared with Estimate: saving/(excess) £'000	OUTTURN Net Total £'000
Request for Resource A*	SOAS1	9,864	2,720	7,144	9,651	2,720	6,931	213	7,354
Total resources	SOAS2	9,864	2,720	7,144	9,651	2,720	6,931	213	7,354
Non-Operating cost Accruing Resources		-	-	-	-	-	-	-	-

* Request for Resource A: Providing audit and other assurance services and promoting economy, efficiency and effectiveness in the use of public funds and resources.

Net Cash Requirement 2018-19

	Note	2018-19 £'000			2017-18 £'000
		Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)	Outturn
Net Cash Requirement	SOAS3	6,769	6,568	201	7,492

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the NIAO and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	2018-19 £'000 Forecast		2018-19 £'000 Outturn	
		Income	Receipts	Income	Receipts
Total	SOAS4	-	-	61	24

Explanations of variances between the Estimate and Outturn figures are given in Note SOAS1 and the Performance Report.

SOAS1 Analysis of Net Resource Outturn by Function

	2018-19 £'000						2018-19 £'000		2017-18 £'000
	OUTTURN						ESTIMATE		
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net total outturn compared with Estimate	Prior Year Outturn
Request for Resources A									
Function A-1	-	9,651	-	9,651	2,720	6,931	7,144	213	7,354
	-	-	-	-	-	-			-
RESOURCE OUTTURN	-	9,651	-	9,651	2,720	6,931	7,144	213	7,354

Savings arose from:

- a decrease in salary costs arising from headcount reductions following a number of VES departures; and
- a reduction in the employee benefits liability.

These savings were offset by an increase in contracted out costs following a new five-year procurement exercise.

Key to Request for Resources and Functions

Request for Resources A: Providing audit and other assurance services and promoting economy, efficiency and effectiveness in the use of public funds and resources.

Function A-1: Audit and Assurance Services (Departmental Expenditure Limit)

SOAS2 Reconciliation of Net Resource Outturn to Net Operating Expenditure

	Note	2018-19 £'000			2017-18 £'000
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	SOAS1	6,931	7,144	213	7,354
Non-supply income (CFERs)	SOAS4	(61)	-	61	(30)
Non-supply expenditure	4	160	160	-	160
Net Operating Expenditure in Statement of Comprehensive Net Expenditure		7,030	7,304	274	7,484

SOAS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	Net Total Outturn compared with Estimate: Saving/(Excess) £'000
Net Resource Outturn	SOAS2	7,144	6,931	213
Capital				
Acquisition of non-current assets	6,7	58	45	13
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	4	(150)	(134)	(16)
Changes in working capital other than cash		(300)	(290)	(10)
Use of provision	13	17	16	1
Net Cash Requirement		6,769	6,568	201

SOAS4 Analysis of Income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Office and is payable to the Consolidated Fund (*cash receipts being shown in italics*).

	2018-19 Forecast £'000		2018-19 Outturn £'000	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts - excess Accruing Resources	-	-	60	23
Other operating income and receipts not classified as Accruing Resources	-	-	1	7
Total income payable to the Consolidated Fund	-	-	61	24

SOAS5 Reconciliation of Income recorded within the Statement of Comprehensive Net Expenditure to Operating Income payable to the Consolidated Fund

	Note	2018-19 £'000	2017-18 £'000
Operating Income	5	2,781	2,398
Income authorised to be used as Accruing Resources		2,720	2,368
Operating income payable to the Consolidated Fund	SOAS4	61	30

Other Assembly Accountability Disclosures (Audited)

Losses and Special Payments

No exceptional kinds of expenditure, such as losses and special payments that require separate disclosure because of their nature or amount, were incurred.

Fees and Charges

The Office has a target of recovering the full cost of undertaking fee paying work.

	2018-19 £'000			2017-18 £'000		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
Fee Income						
NAO Agency Fees	531	477	54	394	330	64
Other Financial Audit Fees	1,050	1,079	(29)	943	1,020	(77)
Local Government Audit Fees	854	911	(57)	875	880	(5)
NFI	154	154	-	-	-	-
	2,589	2,621	(32)	2,212	2,230	(18)
Other Income						
CFERs	1			7		
Income from secondments	143			179		
Rental Income	48					
	2,781			2,398		

The information here is provided solely to meet the requirements of the Department of Finance's "Fees and Charges" guide and is not disclosed for the purpose of IFRS 8. Variations in fee income and costs, when comparing one year with another, are primarily due to differences in the timing of when some audits are completed.

Remote Contingent Liabilities

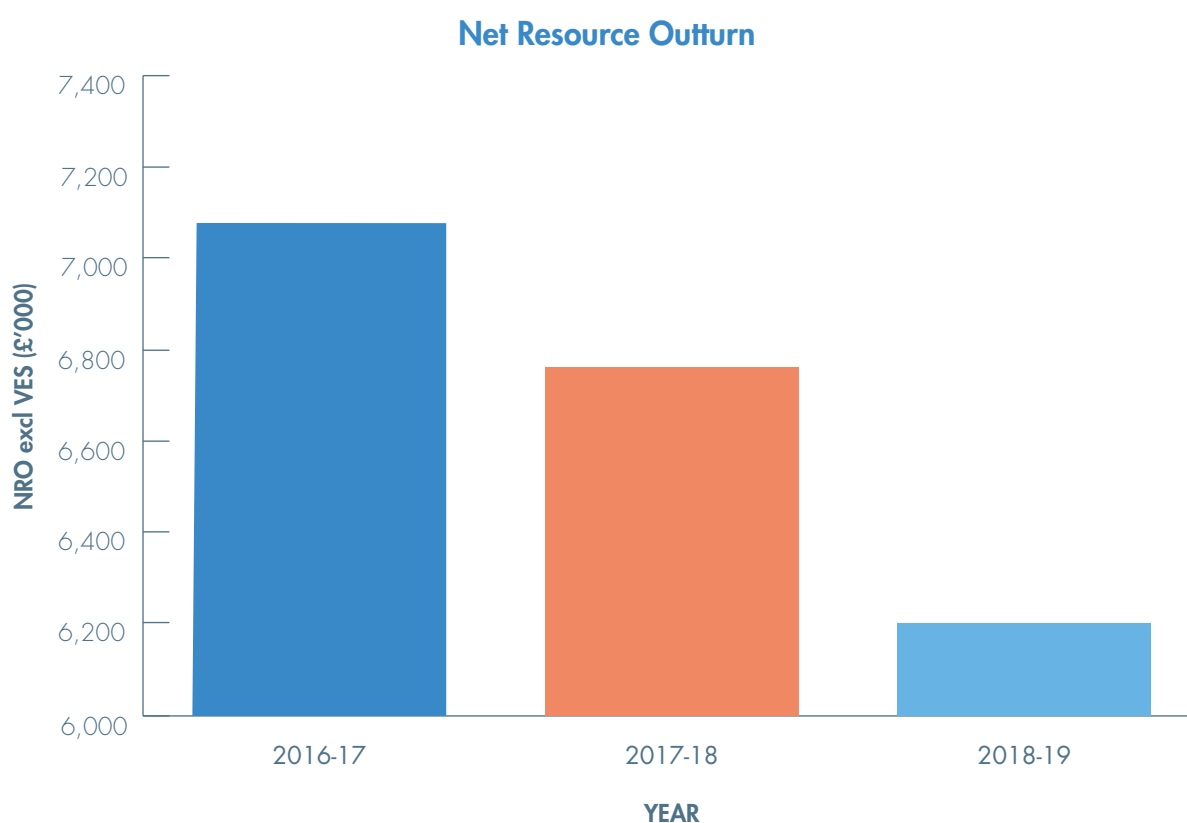
In addition to contingent liabilities reported within the meaning of International Accounting Standard (IAS) 37, the Office is required to report liabilities for which the likelihood of economic benefit in settlement is too remote to meet the definition of a contingent liability. The Office has no such liabilities.

Long-Term Expenditure Trends

The Office's outturn in Estimate and Budget terms for the period 2016-17 to 2018-19 is set out below.

Estimate

	2016-17 £'000	2017-18 £'000	2018-19 £'000
Net Resource Outturn (NRO)	7,641	7,354	6,931
Voluntary Exit Scheme (VES) Expenditure	564	595	728
NRO excluding VES	7,077	6,759	6,203

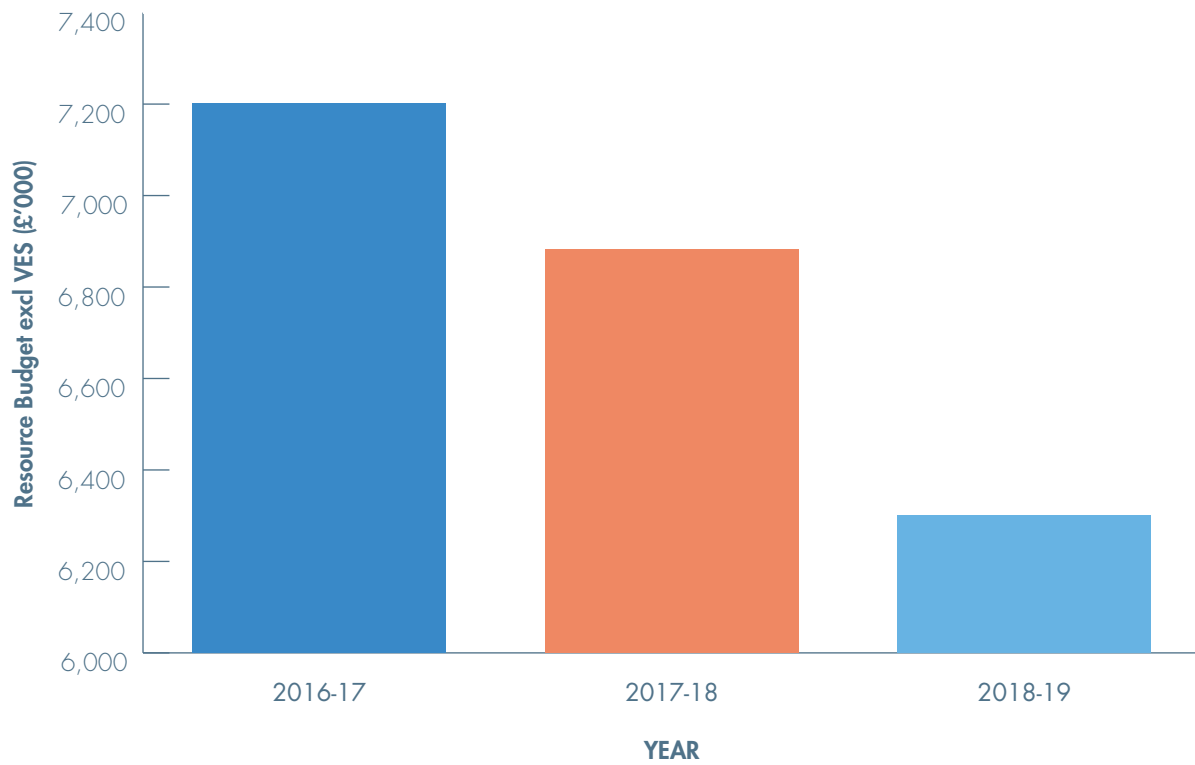


As indicated on page 23, staff costs account for approximately 65 per cent of the Office's outturn (2017-18; 69 per cent). The Statement of Comprehensive Net Expenditure on page 72 and its notes provide a breakdown of income and expenditure in 2017-18 and 2018-19.

Budget

	2016-17 £'000	2017-18 £'000	2018-19 £'000
Resource DEL	7,788	7,503	7,045
Resource AME	(19)	(19)	(15)
Resource Budget Outturn	7,769	7,484	7,030
VES Expenditure	564	595	728
Resource Budget Outturn excluding VES	7,205	6,889	6,302

Resource Budget



The Resource Budget Outturn differs from the Net Resource Outturn as it includes Consolidated Fund Standing Services but excludes Notional Charges. Resource AME (Annually Managed Expenditure) relates to the increase and spend of the Office's Early Retirement Cost provision.

Capital Outturn

	2016-17 £'000	2017-18 £'000	2018-19 £'000
Capital DEL	3	72	45

Capital DEL relates to ICT and accommodation requirements. ICT provision is outsourced to IT Assist (part of the Northern Ireland Civil Service's Shared Services Centre) but excludes specific line of business applications such as audit management software which the Office will continue to invest in. Expenditure on accommodation comprises standard asset replacement. In the current year professional fees were capitalised as part of a long term capital accommodation project. These costs are included as assets under construction in Note 6. Further information on the capital accommodation project is disclosed on page 25.

Kieran Donnelly

Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

26 June 2019

Independent Auditor's Report to the Northern Ireland Assembly

We certify that we have audited the financial statements of the Northern Ireland Audit Office for the year ended 31 March 2019 under the Audit (Northern Ireland) Order 1987. These financial statements 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM). We have also audited the information in the Remuneration and Staff Report that is described in the report as having been audited.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Audit Office's affairs as at 31 March 2019 and of its comprehensive net expenditure, cash flows and changes in taxpayers' equity for the year then ended;
- the financial statements have been properly prepared in accordance with the Audit (Northern Ireland) Order 1987 and the relevant Department of Finance guidance; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM.

Opinion on Regularity

In our opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the Northern Ireland Audit Office in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Basis for the regularity opinion on the financial statements

We are required to obtain evidence sufficient to give reasonable assurance that the expenditure to which the statement relates has been incurred lawfully and in accordance with the authority that governs it and that that money to which the statement relates, received by the Northern Ireland Audit Office for a particular purpose or particular purposes, has not been expended otherwise than for that purpose or purposes. We have conducted our work in accordance with the Statement of Recommended Practice, Practice Note 10 Audit of financial statements of public sector bodies in the United Kingdom in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the accounting officer's use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the accounting officer has not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the Northern Ireland Audit Office's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

Other information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and our audit certificate and report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters

In our opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the guidance issued by the Department of Finance; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Accounting Officer is responsible for assessing the Northern Ireland Audit Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Northern Ireland Audit Office plans to cease operations or has no realistic alternative to do so.

Matters on which we report by exception

We have nothing to report in respect of the following matters which we report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- we have not received all of the information and explanations we require for our audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit, certify and report on the financial statements in accordance with the Audit (Northern Ireland) Order 1987.

We are required to obtain 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our report.

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied for the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

This report is made solely to the Northern Ireland Assembly, as a body, in accordance with the Audit (Northern Ireland) Order 1987. Our audit work has been undertaken so that we might state to the Northern Ireland Assembly those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Northern Ireland Assembly as a body, for our audit work, for this report or for the opinions we have formed.

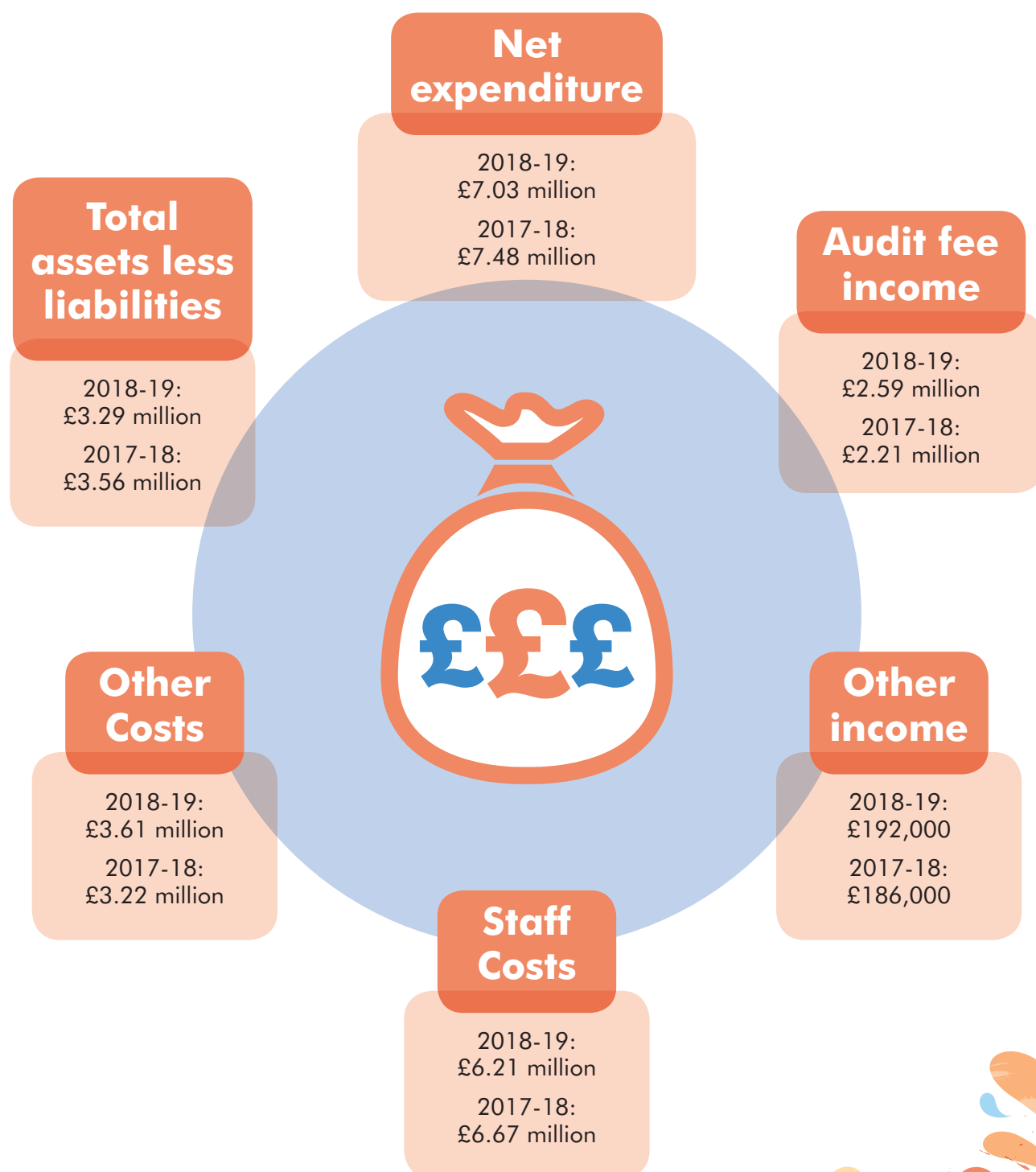
Baker Tilly Mooney Moore

Baker Tilly Mooney Moore
Chartered Certified Accountants and Registered Auditor
17 Clarendon Road
Clarendon Dock
Belfast
BT1 3BG

27 June 2019



Financial Statements



Statement of Comprehensive Net Expenditure

For the year ended 31 March 2019

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which includes changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2018-19		2017-18	
		£'000	£'000	£'000	£'000
Other Operating Income	5		(2,781)		(2,398)
Staff Costs	3	6,206		6,666	
Purchase of Goods and Services	4	3,467		3,057	
Depreciation	4	134		160	
Provision Expense	4	–		(1)	
Tax expense		4		–	
Total Operating Expenditure			9,811		9,882
Net Operating Expenditure	SOAS2		7,030		7,484
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
– Net (gain) on revaluation of Property, Plant and Equipment	6/7		(92)		(89)
Comprehensive Net Expenditure for the year			6,938		7,395

The notes on pages 76 to 89 form part of these accounts

Statement of Financial Position

as at 31 March 2019

This statement presents the financial position of the Office. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of equity.

	Note	31 March 2019		31 March 2018	
		£'000	£'000	£'000	£'000
Non-current Assets					
Property, plant and equipment	6	3,365		3,337	
Intangible Assets	7	30		55	
Total non-current assets			3,395		3,392
Current Assets					
Trade and other receivables	10	1,125		970	
Cash and cash equivalents	11	200		168	
Total current assets			1,325		1,138
Total Assets			4,720		4,530
Current liabilities					
Trade and other payables	12	(1,433)		(957)	
Provisions	13	–		(16)	
Total current liabilities			(1,433)		(973)
Total assets less current liabilities			3,287		3,557
Non-current liabilities					
Provisions	13	–		–	
Total non-current liabilities			–		–
Total assets less liabilities			3,287		3,557
Taxpayers' equity & other reserves:					
General Fund			2,258		2,528
Revaluation Reserve			1,029		1,029
Total equity			3,287		3,557



Kieran Donnelly

Comptroller and Auditor General for Northern Ireland

26 June 2019

The notes on pages 76 to 89 form part of these accounts

Statement of Cash Flows for the year ended 31 March 2019

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Office during the reporting period. The statement shows how the Office generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of services costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Office. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Office's future public service delivery.

	Note	2018-19 £'000	2017-18 £'000
Cash flows from operating activities			
Net operating expenditure		(7,030)	(7,484)
Adjustment for non-cash transactions	4	134	159
(Increase) / Decrease in trade and other receivables	10	(155)	(466)
Increase / (Decrease) in trade payables	12	476	331
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(74)	(60)
Use of provisions	13	(16)	(19)
Net cash outflow from operating activities		(6,664)	(7,539)
Cash flows from investing activities			
Purchase of property, plant and equipment	6,12	(35)	(18)
Purchase of intangible assets	7	(6)	(54)
Net cash outflow from investing activities		(41)	(72)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		6,608	7,561
From the Consolidated Fund (non-Supply)	4	160	160
Net financing		6,768	7,721
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		63	110
Payments of amounts due to the Consolidated Fund		(30)	(39)
Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		32	71
Cash and cash equivalents at the beginning of the period	11	168	97
Cash and cash equivalents at the end of the period	11	200	168

The notes on pages 76 to 89 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

This statement shows the movement in the year on the different reserves held by the Office analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of the Office, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' Equity £'000
Balance at 31 March 2017 (Restated)		2,301	1,029	3,330
Net Assembly Funding - drawn down		7,561	—	7,561
Net Assembly Funding - deemed		93	—	93
Consolidated Fund Standing Services	4	160	—	160
Supply payable adjustment	12	(161)	—	(161)
CFERs payable to the Consolidated Fund	SOAS4	(30)	—	(30)
Comprehensive Net Expenditure for the year		(7,484)	89	(7,395)
Other reserves movements including transfers (restated)		88	(89)	(1)
Balance at 31 March 2018 (Restated)		2,528	1,029	3,557
Net Assembly Funding - drawn down		6,608	—	6,608
Net Assembly Funding - deemed		161	—	161
Consolidated Fund Standing Services	4	160	—	160
Supply payable adjustment	12	(200)	—	(200)
CFERs payable to the Consolidated Fund	SOAS4	(61)	—	(61)
Comprehensive Net Expenditure for the year		(7,030)	92	(6,938)
Other reserves movements including transfers		92	(92)	—
Balance at 31 March 2019		2,258	1,029	3,287

The notes on pages 76 to 89 form part of these accounts

Notes to the Resource Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with Article 6 of the Audit (Northern Ireland) Order 1987, as amended by the Government Resources and Accounts Act (Northern Ireland) 2001, which requires the NIAO to prepare resource accounts.

In meeting this requirement, the financial statements have been prepared in accordance with the 2018-19 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in 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 the most appropriate to the particular circumstances of the NIAO for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NIAO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, FReM also requires the Office to prepare one additional primary statement. The *Statement of Assembly Supply* and supporting notes show outturn against the Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Property, plant and equipment

Land and buildings have been included on the basis of interim professional valuations performed by Land and Property Services (LPS). The interim valuations provided by LPS as at 31 October 2018 are open market value existing use, with the building valued on the basis of fitted out accommodation rather than solely as the shell of the building. Consequently, certain items previously included with furniture and fittings are now classified as buildings. A full professional valuation is required every five years. The date of the last full valuation by LPS was on 31 October 2014.

Information technology and furniture have been restated using valuation indices produced by the Office for National Statistics.

The minimum level for capitalisation of property, plant and equipment is £500. All non-property operational assets are stated at fair value on the basis of their existing use.

1.3 Intangible assets

Intangible assets comprise capitalised operational software licenses and the costs involved in implementing the software. The cost of licences and implementation costs are amortised over their expected useful lives of between three and seven years. The minimum level for capitalisation of an intangible asset is £500. These assets have also been restated using valuation indices produced by the Office for National Statistics.

1.4 Depreciation

Depreciation is provided at rates calculated to write off the valuation of property, plant and equipment by equal instalments over their estimated useful lives. Asset lives are normally in the following ranges:

Information Technology	3 to 7 years
Furniture	5 to 20 years

The building is depreciated over a 35 year estimated useful life. Land is not depreciated.

Where events have arisen which reduce the recoverable amount of any non-current asset below its carrying amount, an impairment loss is recognised.

1.5 Work in progress

Work in progress relates to a proportion of auditor fees that have been earned by the end of the financial year but where a fee has not yet been issued. The calculation is based on the amount of audit work completed by the end of the financial year as a proportion of the total expected amount of audit work, less any foreseen losses and payments received on account.

1.6 Income

Income principally comprises fees and charges for services provided by statute or by agreement with the National Audit Office (NAO) and client organisations. This income represents the amounts derived from the provision of completed work for clients during the year and includes an appropriate allowance for work in progress on assignments which will be completed in the following year. Further details of the NIAO's application of IFRS 15 to audit assignments are set out in Note 5.

Income not only includes accruing resources approved in the Estimate but also income due to the Consolidated Fund, which, in accordance with the FReM, is treated as operating income. Operating income is stated net of Value Added Tax.

1.7 Secondment income

The NIAO secondments staff to other organisations in the public sector. It will typically seek to recover the associated salary costs of the staff member on secondment. However, the NIAO may at times subsidise the cost of this secondment where it is in its strategic interests to do so and where the experience and skills gained through the secondment will bring future benefit to the NIAO.

1.8 Rental income

The NIAO has entered into agreements to sublet part of its property. Rental income is recognised within other operating income on a straight-line basis over the term of the lease. A separate service charge is levied to recover costs borne by the NIAO.

1.9 Corporation Tax

The NIAO is liable for Corporation Tax on its rental income. The tax expense is recognised in the Statement of Comprehensive Net Expenditure.

1.10 Pensions

Past and present employees of the NIAO are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)). The defined benefit scheme is unfunded. The Office recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from the employees' services by a payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of defined contribution schemes, the Office recognises the contribution payable for the year.

1.11 Early Departure Costs

The NIAO is required to meet the cost of paying the pensions of employees who retire early, from the date of retirement until they reach normal pensionable age. The Office provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes operating in the current or previous periods.

1.12 Other provisions

The NIAO provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation.

1.13 Value Added Tax

Income and expenditure in the account is stated exclusive of irrecoverable Value Added Tax (VAT). The Office can recover VAT at a partial exemption rate. For 2018-19 this was at a rate of 8 per cent (2017-18; 7 per cent), based on the percentage of business income over total income.

1.14 Staff costs

Under IAS 19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end.

1.15 Financial instruments

The NIAO does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables. Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Office will be unable to collect an amount due in accordance with agreed terms.

1.16 Impending application of newly issued accounting standards not yet effective

The Office has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. The Office considers that these are unlikely to have a significant impact on the accounts in the period of initial application.

2. Statement of Operating Costs by Operating Segment

NIAO's operating segments reflect the activities undertaken to achieve the business objectives.

	2018-19			2017-18		
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Gross Expenditure (Restated)* £'000	Income £'000	Net Expenditure (Restated)* £'000
Financial Audit	6,400	2,435	3,965	6,341	2,212	4,129
Public Reporting	2,338	–	2,338	2,391	–	2,391
Governance and Fraud Prevention and Detection	631	154	477	607	–	607
Support to the NI Assembly and the public	428	192	236	534	186	348
Comptroller Function	14	–	14	9	–	9
Total	9,811	2,781	7,030	9,882	2,398	7,484

*Following an exercise to restructure and reclassify time recording codes as part of a move to a new time recording system, the 2017-18 expenditure figures have been reclassified to ensure consistency with the 2018-19 figures. The overall total expenditure figure has not changed.

No reconciliation between operating segments and SCNE is required.

Financial Audit – Forming an opinion on financial statements; assessing whether expenditure is regular and in accordance with the intentions of the Assembly when it granted the money; and providing assurance on the Accounting Officers' Governance Statement.

Public Reporting – Independently examining and reporting to the Northern Ireland Assembly on whether public bodies spend taxpayers' money economically, efficiently and effectively; audit, assessment and reporting on local councils' performance improvement responsibilities; and providing public bodies with constructive advice in the form of good practice reports across a range of areas.

Governance and Fraud Prevention and Detection – Helping public bodies improve their corporate governance, financial control and risk management arrangements, and assisting in the prevention and detection of fraud by conducting and reporting on data matching exercises.

Support to the Northern Ireland Assembly, other public bodies and citizens – Working closely with the Public Accounts Committee on evidence sessions based on our reports; providing support to departmental committees; responding to enquiries from elected representatives as well as citizens; and seconding staff to other public bodies.

Comptroller Function – Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

3. Staff Costs

	2018-19 £'000	2017-18 £'000
Wages and Salaries	4,618	4,985
Social Security Costs	500	528
Other Pension Costs	1,088	1,153
Total net costs	6,206	6,666

A breakdown of the above costs into permanent staff and other can be found in the Staff Report within the Accountability Report.

4. Other Administration Costs

	Note	2018-19		2017-18	
		£'000	£'000	£'000	£'000
Contracted Out Audits		1,099		1,024	
Accommodation		365		383	
National Fraud Initiative Costs		141		-	
Recruitment and training		157		137	
Consolidated Fund Standing Services (C&AG's salary)		160		160	
Office Supplies/Equipment		47		46	
Computer Services		392		383	
Travel and Subsistence		96		85	
Professional Services Bought In		93		103	
Small Business Research Initiative		5		-	
Other Indirect Costs		59		51	
Legal Fees		60		48	
Internal Auditors' Fees		18		18	
External Auditors' Fees - Audit		19		18	
External Auditor's Fees - Other		25		4	
Hospitality		3		2	
			2,739		2,462
Voluntary Exit Costs			728		595
			3,467		3,057
Non- cash items					
Depreciation	6,7	134		160	
Provision provided for in-year	13	-		-	
Provision not required written back	13	-		(1)	
Notional Costs		-		-	
			134		159
Total			3,601		3,216

During the year the Office purchased the following non-audit services from its auditor, Baker Tilly Mooney Moore:

- Validation of Impacts of the NIAO, £5,000 (2017-18: £4,000).

This is included within the External Auditor's Fees – Other category. Also within the External Auditor's Fees – Other category is an amount of £20,000 for the production of a value for money report⁷ in 2018-19.

⁷ "VFM Review of NIAO Corporate Services"

5. Operating Income

	2018-19 £'000	2017-18 £'000
Income from NAO	531	394
Other Audit Fees	1,904	1,818
NFI Receipts	154	–
Rental Income	48	–
Other Income	144	186
Total	2,781	2,398

In line with its accounting policy, the NIAO has applied the requirements of IFRS 15 to income earned from fee-paying audits falling within the scope of IFRS 15.

Identification of a contract

The basis of the different streams of audit work are set out below.

Audit income stream	Basis for identifying a contract	Performance obligation
Statutory Audit	For these audits, we are appointed auditors under statute and we charge a fee directly to the body. For audits under the Government Resources and Accounts Act NI 2001, the client recognises a notional fee and no income is recognised in the NIAO accounts. There is no legal contract with fee-paying statutory audit clients but there is deemed to be a contract in accordance with the FReM adaptation of IFRS 15 that the definition of a contract is expanded to include legislation and regulations enabling an entity to receive income. The contract is deemed to be as set out in the Letter of Understanding between the NIAO and the audited body.	Issue a certificate and report of the C&AG to the Northern Ireland Assembly
Agreement Audit	For these audits, we are appointed auditors by the organisation's board under their own governance arrangements and have a contract with them in the form of a Letter of Engagement.	Issue a certificate and report of the C&AG to the Northern Ireland Assembly
Companies Act Audit	For these audits, we are appointed auditors under the Companies (Public Sector Audit) Order 2013 and therefore have a contract with them in the form of a Letter of Understanding.	Issue a certificate and report of the C&AG to the Northern Ireland Assembly
National Audit Office sub contract services	For these assignments we contract with the NAO to conduct audit and verification work on regional organisations for which the NAO is the appointed lead auditor.	Issue a report or advice as per the terms of the engagement

Identification of performance obligations

The NIAO has determined that there is a single performance obligation for each engagement which is identified as the objective of these assignments in the Letter of Understanding or Letter of Engagement, or contract for services provided to NAO. In the case of audits, other outputs, such as interim reports and reports to those charged with governance of the audited body, are produced during audit assignments, but these other outputs are integral to the audit opinion: they are highly interrelated with the delivery of the audit certificate or report, so do not qualify as distinct performance obligations.

Determination of when performance obligations are satisfied

The NIAO has determined that the performance obligations described above are satisfied over time rather than at a point in time. This is because the NIAO's performance of the engagement does not create an asset with an alternative use to the NIAO and the NIAO has an enforceable right to payment for performance completed to date.

The majority of the NIAO's financial audits are on an annual cycle. The fee (which is based on estimated costs to the NIAO) and invoicing schedule is agreed between the individual assignment teams and the client. The NIAO is entitled to recover costs in respect of work completed to date at any stage of the audit. Our typical schedule is to invoice audits with fees over £50,000 in two instalments and all other audits are invoiced when the audit is complete. Our payment terms are that audit fee invoices should be paid within 30 days. Contracts for audit services do not have a significant financing component and the consideration amount is not variable except in respect of fee increases where it has become necessary to perform additional work.

Allocation of transaction price to performance obligations

Income is recognised as the services are provided, determined by reference to the proportion of budgeted costs that have been spent to date for each engagement, less a provision for any unrecoverable amounts. This provides a faithful depiction of the transfer of services because staff costs incurred represent progress towards satisfaction of the performance obligation. There is a direct relationship between these inputs and the transfer of services to the audit client.

Recognition of contract assets and liabilities

The contract asset (work in progress) is recorded in Note 10. Payments received in advance of performance under the contract are recognised as a contract liability (payments on account). This is then recognised as revenue as we perform our work.

6. Property, plant and equipment

2018-19

	Land	Buildings	Information Technology	Furniture and Fittings	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 2018	350	2,950	37	142	–	3,479
Additions	–	–	–	8	31	39
Disposals	–	–	(3)	(53)	–	(56)
Revaluations	–	–	–	1	–	1
At 31 March 2019	350	2,950	34	98	31	3,463
Depreciation						
At 1 April 2018	–	–	29	113	–	142
Charged in year	–	91	5	7	–	103
Disposals	–	–	(3)	(53)	–	(56)
Revaluations	–	(91)	–	–	–	(91)
At 31 March 2019	–	–	31	67	–	98
Carrying amount at 31 March 2018	350	2,950	8	29	–	3,337
Carrying amount at 31 March 2019	350	2,950	3	31	31	3,365

All assets at 31 March 2019 are owned by the NIAO.

Details of the basis of valuation can be found in Note 1.2 to the Accounts.

6. Property, plant and equipment cont'd.

2017-18

	Land £'000	Buildings £'000	Information Technology £'000	Furniture and Fittings £'000	Total £'000
Cost or Valuation					
At 1 April 2017	350	2,950	58	131	3,489
Additions	–	–	8	10	18
Disposals	–	–	(29)	–	(29)
Revaluations	–	–	–	1	1
At 31 March 2018	350	2,950	37	142	3,479
Depreciation					
At 1 April 2017	–	–	52	105	157
Charged in year	–	88	6	7	101
Disposals	–	–	(29)	–	(29)
Revaluations	–	(88)	–	1	(87)
At 31 March 2018	–	–	29	113	142
Carrying amount at 31 March 2017	350	2,950	6	26	3,332
Carrying amount at 31 March 2018	350	2,950	8	29	3,337

All assets at 31 March 2018 are owned by the NIAO.

Details of the basis of valuation can be found in Note 1.2 to the Accounts.

7. Intangible Assets

2018-19

	Software Licences £'000
Cost or valuation	
At 1 April 2018	262
Additions	6
Disposals	(125)
Revaluations	1
At 31 March 2019	144
Depreciation	
At 1 April 2018	207
Charged in year	31
Disposals	(125)
Revaluations	1
At 31 March 2019	114
Carrying amount at 31 March 2018	55
Carrying amount at 31 March 2019	30

All assets at 31 March 2019 are owned by the NIAO.

Details of the basis of valuation can be found in Note 1.3 to the Accounts.

7. Intangible Assets cont'd.

2017-18

	Software Licences £'000
Cost or valuation	
At 1 April 2017	204
Additions	54
Disposals	-
Revaluations	4
At 31 March 2018	262
Depreciation	
At 1 April 2017	145
Charged in year	59
Disposals	-
Revaluations	3
At 31 March 2018	207
Carrying amount at 31 March 2017	59
Carrying amount at 31 March 2018	55

All assets at 31 March 2018 are owned by the NIAO.

Details of the basis of valuation can be found in Note 1.3 to the Accounts.

8. Capital and other commitments

8.1 Capital Commitments

At the reporting date the Office has no capital commitments.

8.2 Commitments under leases

The Office has no commitments under operating leases and holds no finance leases.

8.3 Other Financial Commitments

The Office has no other financial commitments as at 31 March 2019.

9. Financial Instruments

As the cash requirements of the Office are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items, in line with the Office's expected purchase and usage requirements, and the Office is therefore exposed to little credit, liquidity or market risk.

10. Trade and other receivables

	2018-19 £'000	2017-18 £'000
Amounts receivable within one year		
Trade receivables	615	487
Work in progress	443	395
Prepayments	67	88
Total	1,125	970

There are no amounts receivable after more than one year.

11. Cash and cash equivalents

	2018-19 £'000	2017-18 £'000
Balance at 1 April	168	97
Net change in cash and cash equivalent balances	32	71
Balance 31 March*	200	168

*The above balance is held at a commercial bank and fully represents amounts owing to supply.

12. Trade payables and other current liabilities

	2018-19 £'000	2017-18 £'000
Amounts falling due within one year		
VAT	104	93
Trade payables	320	160
Accruals	474	196
Employee benefits accrual	123	174
Payments on account	145	141
	1,166	764
Total excluding amounts due to the Consolidated Fund	1,166	764
Amounts issued from the Consolidated Fund for supply but not spent at year end	200	161
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	1	7
Receivable	60	23
Sub Total	1,427	955
Other payables: capital creditor	6	2
Total	1,433	957

There are no amounts falling due after more than one year.

13. Provisions for Liabilities and Charges

	2018-19			2017-18		
	Early departure costs £'000	Other £'000	Total £'000	Early departure costs £'000	Other £'000	Total £'000
Balance at 1 April	16	–	16	36	–	36
Provided in the year	–	–	–	–	–	–
Provisions not required and written back	–	–	–	(1)	–	(1)
Provision utilised in the year	(16)	–	(16)	(19)	–	(19)
Balance at 31 March	–	–	–	16	–	16

Early departure costs

The NIAO meets the additional pension costs of any employees who retire before they reach normal pensionable age. The total pension liability up to the normal retiring age in respect of such employees is charged to the account in the year in which the early retirement decision is made to establish a provision for the estimated payments discounted by the Treasury discount rate.

14. Contingent Liabilities

The Office has not entered into any guarantees or indemnities or provided any letters of comfort.

15. Related Party Transactions

None of the NIAO Audit and Risk Assurance Committee, Advisory Board, Senior Management Team members or other related parties has undertaken any material transactions with the NIAO during the year.

The NIAO has had a number of transactions with the Department of Finance.

16. Events after the reporting period

There were no reportable events between the end of the reporting period and the date the accounts were signed.

Date of authorisation for issue

The C&AG authorised the issue of these financial statements on 27 June 2019.





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