



Northern Ireland Audit Office

# 2017-18

ANNUAL REPORT AND ACCOUNTS

ANNUAL  
REPORT  
AND  
ACCOUNTS

# 2017-18



**Northern Ireland Audit Office Annual Report and Accounts**  
**For the year ended 31 March 2018**

*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*

29 June 2018



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Any enquiries regarding this document should be sent to us at Northern Ireland Audit Office,  
106 University Street, Belfast, BT7 1EU  
or e-mail: **[info@niauditoffice.gov.uk](mailto:info@niauditoffice.gov.uk)** or tel: (028) 9025 1000.

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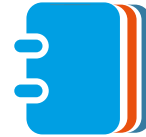


# Performance Report

**143**  
ACCOUNTS AUDITED



**128** CENTRAL  
GOVERNMENT  
**15** LOCAL GOVERNMENT



**24** PUBLIC REPORTS  
**10** VALUE FOR  
MONEY REPORTS  
**2** GENERAL REPORTS  
**1** GOOD PRACTICE GUIDE  
**11** LOCAL GOVERNMENT  
ANNUAL IMPROVEMENT  
REPORTS



**£50.2**  
MILLION  
IN SAVINGS  
FOR THE TAXPAYER



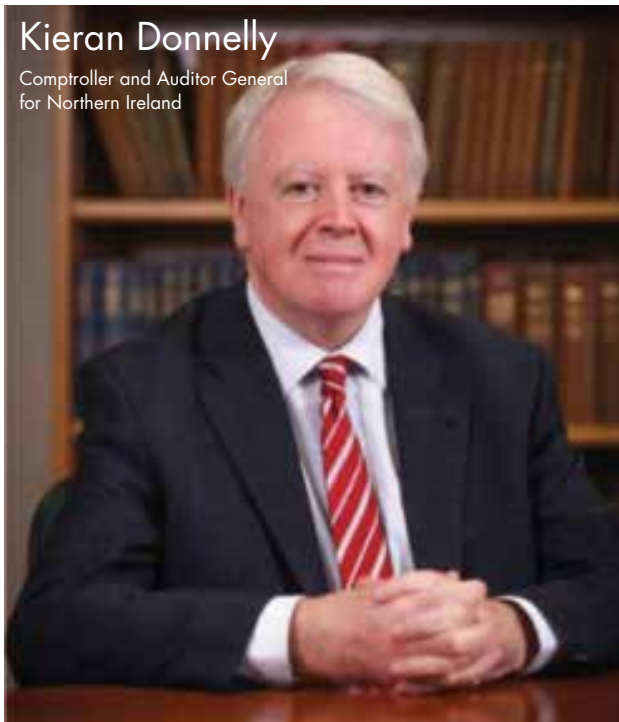
CO-ORDINATED THE  
**NATIONAL FRAUD**  
**INITIATIVE** IN  
NORTHERN IRELAND



PROMPT PAYMENT  
OF SUPPLIERS  
**98.7%** WITHIN 30 DAYS  
**96.3%** WITHIN 10 DAYS



DEALT WITH  
**16** MLA QUERIES AND  
**63** ISSUES RAISED  
BY WHISTLEBLOWERS



## 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.

### Comptroller and Auditor General's Statement

In 2017 we celebrated the thirtieth anniversary of the establishment of the Northern Ireland Audit Office. This provided not only an opportunity to look back and reflect on the achievements of the past but also to look forward to the future. Both the wider public sector and the independent audit function have evolved considerably over this period. Increased accountability, public scrutiny and austerity have presented

significant challenges in the delivery of public services and have not had a sitting Assembly since January 2017, leading to uncertainty in the operating environment. Against this backdrop, the NIAO has a pivotal role to play in helping to build a modern, high performing public service that is accountable to taxpayers and citizens. We firmly believe that meaningful public sector transformation is heavily dependent on effective joined up government and genuine partnership working across government departments, arm's-length bodies and local councils.

Public audit has an important role to play in providing independent assurance and advice on the use of public funds, holding government to account, and supporting and promoting the delivery of public services. With our "bird's eye" strategic perspective across the totality of the public sector in Northern Ireland we are uniquely placed to help public sector leaders deliver. To achieve this, my Office delivers an innovative programme of work using sustainable and future-proofed practices and governance arrangements. Recently we have been engaging more deeply with our stakeholders and continue to embed modern digital technology methods in our work.

Our achievements in 2017-18 have been wide-ranging. We have delivered the audit of 143 accounts from across the central and local government sectors and produced 24 public reports covering the findings of our financial audit work, value for money examinations in areas such as health, education, social welfare and justice, a good practice guide on Managing the Risk of Bribery and Corruption, and Local Government Annual Improvement Reports for councils.

In addition, we pursued some 79 concerns relating to the use of public money raised by



elected representatives and the wider public. This provides invaluable insight to inform us of the systemic issues that we should be focusing on.

We have a responsibility to provide value for money on the services we provide to stakeholders, and a key measure we use is the savings to the public purse resulting from our work and that of the Public Accounts Committee. Savings of £50 million were achieved in 2017-18, representing 6.8 times the net resource outturn of the Office excluding VES. This is our highest level of impact in seven years.

Our achievements have been secured against a backdrop of real cost reductions of 23 per cent over the past five years, and considerable change in our internal operations as we prepare to effectively meet our responsibilities in the medium to longer term. Change has included the restructuring of the business to improve our flexibility and agility to better balance work flow and meet peaks in activity, and the implementation of voluntary exit schemes to control costs and assist in moving to a more optimal grade structure. The past 12 months has seen a significant reduction in my Senior Management Team alongside the introduction of a new Chief Operating Officer, Pamela McCreedy. I am grateful to the outgoing Assistant Auditor Generals for their many years of dedicated service to public audit and contribution to the NIAO. We will continue to transform our business to meet the challenges of the future and enable the delivery of our corporate strategic framework in the three years ahead.

As Comptroller and Auditor General, I wish to thank all my staff for their contribution to the successful outcomes of the Office in 2017-18. The skills and experience of our people underpin the provision of the professional

cost-effective service that we provide. We will continue to invest in our people, balancing work and life responsibilities to ensure we have a highly skilled, motivated and versatile workforce that is well placed to handle the challenges ahead and ensure the NIAO remains a professional, effective public audit function.



**Kieran Donnelly**  
**Comptroller and Auditor General for**  
**Northern Ireland**

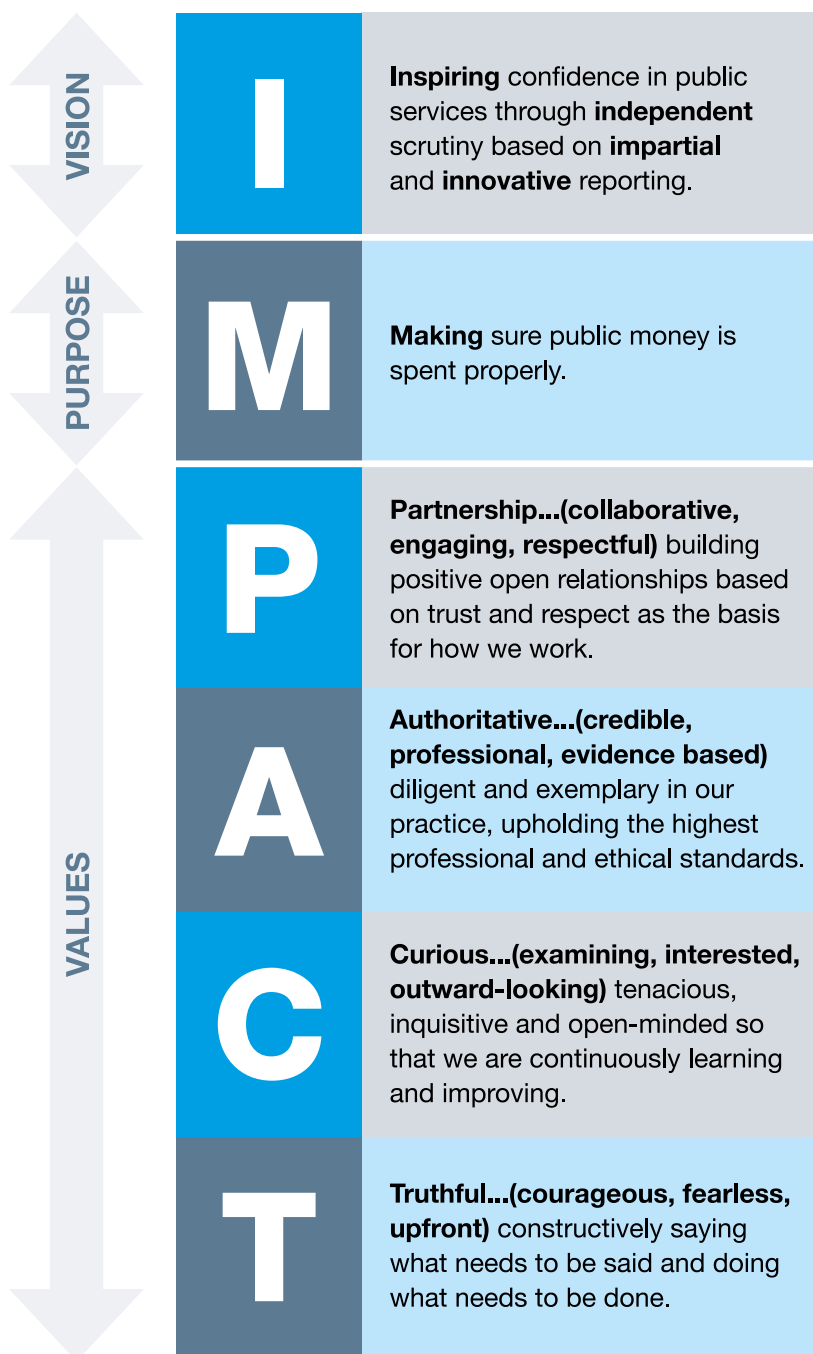
**25 June 2018**

## 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

1. Provide assurance, add value and promote excellence in public administration.
2. Support public sector transformation in Northern Ireland.
3. Transform our business to meet the emerging challenges of the future.

Further information is set out on page 28.

## 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/assembly-business/committees/2016-2017/audit/](http://www.niassembly.gov.uk/assembly-business/committees/2016-2017/audit/)) 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 149 annual financial statements relating to 108 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 and the public

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.



### Comptroller function

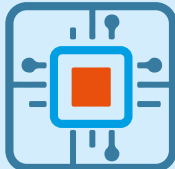


Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

The gross expenditure and any associated income of each of the above elements are shown in Note 2 to the Office's Financial Statements.



## Key issues and risks

This is a period of uncertainty across government, with the absence of a sitting Assembly, Brexit, and the Northern Ireland Public Sector continuing to face fiscal austerity. This presents a major challenge for public bodies as they assess and prioritise their services and the way in which they are delivered, to meet the needs and expectations of the public. In times of such significant uncertainty, public audit has a major role to play in providing independent assurance and advice on the use of public funds, holding government to account and supporting and promoting improvement in the delivery of public services.

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

<b>Digitalisation</b> 	<p>The public sector has strengthened its digital delivery and access to on-line government services.</p> <p>We will further develop our skills and capabilities to audit digital systems.</p> <p>Audit in the digital era forms a key strand in our Digital Services Strategy 2017-18 to 2019-20.</p>
<b>Budgetary Constraints</b> 	<p>The public sector continues to face significant budgetary pressures.</p> <p>Our annual net resource outturn has decreased by 17.3%<sup>1</sup> (23.3% 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>
<b>Resourcing</b> 	<p>Full Time Equivalent staff numbers have fallen by 34 (24%) from a total of 140 in 2011-12 to 106 in 2017-18.</p> <p>In the 3 years to 31 March 2018, voluntary exits resulted in the departure of 28 permanent members of staff (25.5 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.</p> <p>A further VES will take place in 2018-19.</p>

<sup>1</sup> Excludes ring-fenced VES funding

<b>Senior Management structure</b> 	A new Chief Operating Officer (COO) was appointed in September 2017.
	The Office's Assistant Auditor General grade has been removed.
	A new structure has helped improve the flexibility and agility of the organisation to react to ongoing demands, allowing more timely decision making.
<b>Brexit</b> 	The implications of Brexit for the planning and delivery of services across the Northern Ireland public sector is unprecedented.
	There is considerable uncertainty around the outworking of the process and what its impact will be on government reform.

# PERFORMANCE ANALYSIS

## Our performance

The NIAO Strategic Corporate Framework 2018-21 (available at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk)), covering the next three financial years, 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:

#### Number of Financial Audits



### 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 2017-18, we certified 128 central government accounts (2016-17; 138). The decrease in the number of accounts certified is as a result of the certification of a number of back log accounts in the prior year and a small increase in accounts not yet certified at the 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. Thirteen central government accounts were qualified in 2017-18 (2016-17; 12). Of the 13, 10 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 2017-18 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 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 was occupied by Louise Mason up to the 31 December 2017, with the designation then changing to the new COO, Pamela McCreedy, from this date. The Local Government Auditor, assisted by NIAO staff, is responsible for the audit of local government bodies. In 2017-18 we completed the audits of 15 local government accounts (2016-17; 20). The decrease in the number of audits relates to the establishment of the 11 councils and the cessation of a number of associated transition bodies that had been set up during this change. None of the opinions on the local government accounts certified in 2017-18 were qualified (2016-17; nil).

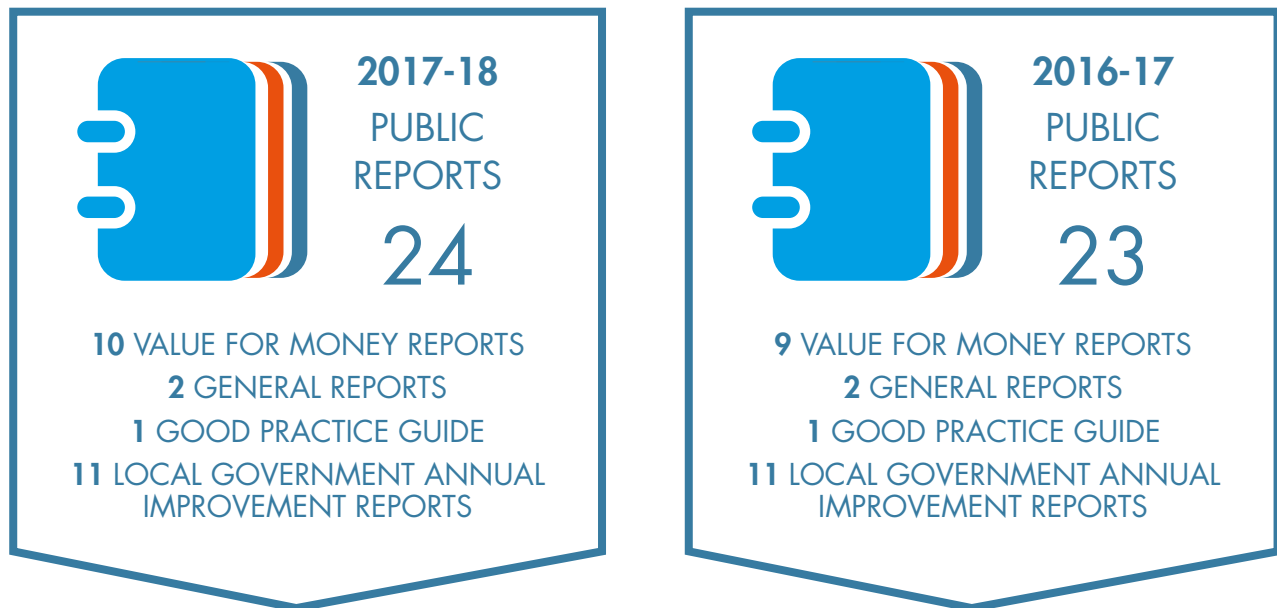
### Public reporting

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

The titles of the reports completed in 2017-18 are shown below. Copies of the full reports can be obtained from the website at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk).



## Number of Public Reports



### Value for Money

Special Educational Needs  
 Transforming Your Care  
 Managing Children who Offend  
 Access to Finance  
 Homelessness in Northern Ireland  
 Managing the Central Government Office Estate  
 Continuous Improvement Arrangements in Policing 2017  
 Continuous Improvement Arrangements in Policing 2018  
 Type 2 Diabetes Prevention and Care  
 Speeding up Justice: Avoidable Delay in the Criminal Justice System

### General

Local Government Auditor's Report 2017  
 Financial Auditing & Reporting 2017

### Good Practice

Managing the Risk of Bribery and Corruption

### Local Government Annual Improvement Reports

11 Local Government Annual Improvement Reports 2018 (one per Council)

*Value for Money Reports*

The main component of public reporting is our examinations into the economy, efficiency and effectiveness (value for money) with which 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 2017-18, these covered a range of topics across the Northern Ireland public sector in areas such as health, education, 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.

Specific examples of our value for money reports include the following:

**Type 2 Diabetes Prevention and Care**

This report examined progress by the Department of Health in developing and implementing strategies for Type 2 diabetes prevention and care in Northern Ireland. The number of people diagnosed with diabetes has increased by 71 per cent between 2004-05 and 2015-16, and almost 6 per cent of the adult population now have the condition (approximately 90 per cent of these are Type 2 cases). The local healthcare system spends an estimated £400 million annually on treating diabetes – this is 10 per cent of the total health budget and it is forecast that this will rise to 17 per cent by 2035.

This report highlighted a lack of progress in implementing a strategic policy framework for Type 2 diabetes, with very limited adoption of a 2003 review which had identified key aspects of best practice in prevention and care, such as early detection; increased availability of patient self-management education; stronger workforce planning; and the need for patient care databases linking primary and secondary care. A formal Diabetes Strategic Framework was only published 13 years later, in 2016, and the report concluded that the Department still faces challenges in implementing the current strategy, including: developing new prevention policies, planning and funding increased patient education places; providing the necessary specialist workforce, and introducing the integrated databases required to help enhance care standards.

### Special Education Needs

This report identified that in 2016-17 the number of children with special educational needs (SEN) was 76,300, which was 22 per cent of the school population and is higher than in England. The report further recognised that the costs of the provision for children with SEN is increasing. Our report looked specifically at the provision for children with SEN who are educated at mainstream schools.

The report highlighted that it is over 10 years since the Department of Education (DE) began a review to address a range of issues including the increase in the number of children with SEN needs and the inconsistencies and delays in assessment and provision. Whilst recognising that the educational achievements of children with SEN are improving, our report concluded that neither the DE nor the Education Authority can currently demonstrate value for money in terms of economy, efficiency or effectiveness in the provision of support to children with SEN in mainstream schools. We made a number of recommendations with the aim of improving the process and outcomes for children with SEN.

### Homelessness in Northern Ireland

This report examined the scale and nature of homelessness in Northern Ireland and the strategies and measures in place to address this issue. It highlighted that homelessness is not restricted to people who sleep rough and that the number of households designated as statutory homeless increased by 32 per cent over the past five years. Furthermore the statutory homeless rate per thousand households is disproportionately higher in Northern Ireland compared to other regions in the UK but the reasons for this are unclear. Costs to the public purse were around £300 million over the past five years. There are wider unquantified public sector costs with increased use of the health service and repeat interaction with the criminal justice system.

The Northern Ireland Housing Executive needs to be more innovative in its collection, analysis and interpretation of data to enable it to fully demonstrate the impact of its work in reducing homelessness. In addition, to improve accountability and transparency, the Department should expand the statistical datasets that it publishes. More needs to be done to break down silos across government to ensure tackling homelessness is a strategic priority for the NI Executive as a whole.

### Speeding up justice: Avoidable delay in the criminal justice system

This report examines the delivery of the criminal justice system by the four main justice organisations: the Police Service of Northern Ireland, the Public Prosecution Service, the Northern Ireland Courts and Tribunals Service and the Department of Justice. In 2016-17 these organisations incurred expenditure of over £800 million. The report found that criminal cases, which are heard in the Crown Court, take twice as long as Crown Court cases in England and Wales. The early stages of investigations are frequently affected by poor quality investigation files which impact upon the time taken to charge suspects with offences. Once cases reach court, a combination of issues resulting from failings in the early investigative and prosecutorial stages of cases, and ineffective case management at court, result in a culture of adjournment affecting the quality of service experienced by those involved in Crown Court cases.

The report highlights that key failings within the justice system have been apparent to all stakeholders for at least a decade and the Criminal Justice Inspection Northern Ireland (CJINI) has regularly reported on the issues and made recommendations as to how criminal justice can be improved. The report calls on the criminal justice organisations to build upon recent initiatives, such as the Indictable Cases Pilot in 2015, which demonstrated that enhanced cooperation between the police and prosecutors can deliver significant improvements in the time taken to get cases to court. The report noted that criminal justice organisations will only be able to effectively address the performance issues affecting the system when those organisations commit to a truly collaborative model of working.

### *General Reports*

Our general reports draw from financial audit work and we publish our overall findings in each of the sectors we audit. In 2017-18 we produced reports on central government and local government, enabling us to identify specific themes arising and lessons to be learnt from our annual audits, and importantly help promote accountability.

### *Good Practice Guides*

Our guide on “Managing the Risk of Bribery and Corruption” (November 2017) highlighted that, while the risk of bribery and corruption in the Northern Ireland public sector may be considered low, it does exist and should not be ignored. Organisations need to be aware of the risks they face and know how those risks can be minimised.

### *Local Government Annual Improvement Reports*

Under the Local Government Act (Northern Ireland) 2014 there is a statutory duty<sup>2</sup> to publish a Local Government Annual Improvement Report for each council. The purpose of these reports

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

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.

### Governance and fraud prevention and detection

The Office works closely with audited bodies to promote good practice in governance arrangements and help combat fraud. It is our view that 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 the majority of our audited bodies, providing support, advice and guidance to both non-executives and senior staff. We continue to work with bodies to further enhance their governance arrangements.

We also 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 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.

The Office continues 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. The Office maintains 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 participated 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.

We encourage public sector bodies to make the NFI a key part of their counter fraud strategies and we continue to explore ways of developing the NFI further through the inclusion of additional public sector bodies and new data matches. In addition, we continue to promote the use of real time data matching under the NFI in order to prevent fraud and error entering the system.

### Support to the Northern Ireland Assembly and the public

In a sitting Assembly, we provide 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 PAC. We

present our value for money 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, 2017-18 was an unusual year. Following the Deputy First Minister's resignation on 9 January 2017 and the failure to fill this post, the Secretary of State called a snap election on 2 March 2017. Since the election, the political parties have been unable to reach a coalition agreement and, as a result, no Assembly has sat in the reporting period. 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 has recently been 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 will seek a response from the relevant Northern Ireland department, submitted via the Department of Finance. The report and response will be placed in the Libraries of both Houses of Parliament.

## MLA queries

We also pursue concerns raised with us by elected representatives or members of the public. In 2017-18, Members of the Legislative Assembly (MLAs) raised 16 separate concerns, all of which we have followed up (2016-17; 10 cases). Some remain under investigation.

Category of Concern	2017-18	2016-17
Non-entitlement to/misuse of public funds	5	5
Procurement / contracts	4	3
Governance	3	1
Efficiencies	4	1
<b>Total Cases</b>	<b>16</b>	<b>10</b>

## Whistleblowing

The Comptroller and Auditor General and the Local Government Auditor are prescribed persons under public interest disclosure legislation. Part of the Office's counter fraud role is considering public interest concerns raised by, among others, public sector employees, contractors and the wider public (collectively referred to as whistleblowers).

In 2017-18, 63 disclosures about the use of public money were received from whistleblowers (2016-17: 58 cases). Disclosures from whistleblowers are encouraged, dealt with professionally and treated in confidence, as appropriate.

## Whistleblowing caseload


Nature of Concern	2017-18	2016-17
Grant Related	4	3
Benefit Fraud	0	1
Non-entitlement to/misuse of public funds	10	13
Procurement / Contracts	9	10
Conflict of interest	2	2
Failure to follow proper procedures	10	3
Planning issues	10	2
Governance issues	4	9
Other	11	13
No remit	3	2
<b>Total Cases</b>	<b>63</b>	<b>58</b>

Of the 63 disclosures, 23 related to our local government remit, six of which were received from Councillors. In 2016-17, 15 disclosures related to local government, three of which were received from Councillors.

## Stakeholder engagement

In maximising efficiencies and providing value for money, we engage with other audit agencies and key stakeholders, including the bodies we audit. It is important that we understand their issues and perspectives and recognise that insights come from time spent on site with our stakeholders.

From 2014-15, we have also taken part in an annual independent survey of MLAs to gauge their understanding and appreciation of the work of NIAO. However, as no Assembly has been sitting, this was not conducted during 2017-18. We have also previously been involved in training new MLAs and participated in induction training to raise the awareness of our Office; however, no training has taken place due to the current political impasse. Nevertheless we remain available as and when the Assembly returns.

The Office is active on Twitter  (@NIAuditOffice #publicscrutiny #audit). Our tweets continue to cover new reports, PAC activity 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 quantitative financial impact of our work. In doing so, we recognise that our measurement of impact will only present a partial picture, as it is difficult to quantify the qualitative impact of our reports and good practice guides as well as the deterrent effect of public audit in contributing to improved public services.

## Financial impacts



During 2017-18, quantitative financial impacts of £50.2 million were achieved as a result of the work of the Office and the PAC (2016-17; £26.0 million). This figure has been independently validated by the Office's External Auditor and represents 6.8 times the net resource outturn, excluding VES, of the Office (2016-17; 3.4 times).

The following examples demonstrate the main financial impacts achieved during 2017-18:

NIAO REPORT	IMPACT
<b>RHI</b> – The work of the Office has had a direct impact in both reducing tariffs from April 2017 and also in changing the behaviour of applicants once our report was published. We have agreed a share of the savings achieved. For further information see page 21.	£32.9 million
<b>Collaborative Procurement</b> – Our report and PAC's report recognised that increasing collaborative procurement has the potential to generate financial savings without impacting on frontline service delivery. For 2017-18, it has been agreed that £2.9 million savings can be estimated and that 50% of this can be claimed by NIAO.	£1.4 million
<b>Property Asset Management</b> – Our report identified that significant savings could be generated across the entire office estate if a more co-ordinated approach to property asset management was adopted. We identified the need for mandatory central property controls to be introduced to prevent the signing of new leases and lease extensions and to centralise disposals. Savings of £20.4 million have been generated, from which we have claimed £8.1m for 2017-18.	£8.1 million
<b>Tackling Social Tenancy Fraud</b> – Our 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.	£1.5 million
<b>National Fraud Initiative (NFI)</b> – Under powers to conduct data matching for the purposes of preventing and detecting fraud, the Comptroller and Auditor General required around 80 public bodies to take part in the fifth NFI exercise in Northern Ireland. For the period April 2016 to March 2018, the NFI identified fraud and error of £1.9 million. In total, the NFI has identified over £34 million of fraud and error in the Northern Ireland public sector since 2008. For further information see page 22.	£1.9 million
<b>Legal Services Agency</b> – 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 savings share.	£2.5 million
<b>General Report on Health &amp; Social Care Sector 2012-13 and 2013-14</b> – Savings arising from the fraud investigations conducted as a result of recommendations arising in the general report. We agreed a proportionate share of the savings.	£1.9 million
<b>TOTAL IMPACTS</b>	<b>£50.2 million</b>



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 NIAO recommendations overlap with audited bodies' own performance improvement work, the Office will consider the percentage share of the quantified financial impact that can be attributed to its influence.

### Examples of quantitative and qualitative impacts

Our audit of the Renewable Heat Incentive (RHI) scheme and subsequent work with the Public Accounts Committee has had both a quantitative and a qualitative impact:

#### **Renewable Heat Incentive (RHI) scheme - financial impact £32.9 million**

Our report on the RHI scheme in June 2016 was the first time that most of the significant issues arising from the RHI scheme were publicly reported. This report was considered by the Public Accounts Committee (PAC) over an unprecedented seven evidence sessions from September 2016, before being overtaken by events when the Assembly was suspended in January 2017.

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 therefore incentivised those applicants to unnecessarily burn more fuel; that returns on investment were being achieved that were much higher than intended; and that basic cost controls used in Great Britain, such as degression and tiering, had not been included in the scheme.

The then Accounting Officer acknowledged to the PAC that he first really understood the issue of the pre November 2015 tariff being too high when it was brought to his attention by our work, and it was only then that the Department began work on reducing the tariff to a much lower and fairer level. The revised tariffs were implemented from 1 April 2017. We had a direct impact both in reducing tariffs from April 2017 and in changing the behaviour of applicants once our report was published.

#### **Qualitative impact arising from Northern Ireland Civil Service (NICS) 'Lessons Learned' Review**

As an interim measure preceding the public RHI Inquiry, the Head of the Civil Service asked the Head of Strategic Policy and Reform Directorate in March 2017 to determine any systemic lessons arising which could be applied across the NICS. This led to considerable debate and review by all departments. Lessons learned were identified under three headings: governance, policy and delivery.

A subsequent paper (the final draft Action Plan) highlights useful wider systemic lessons for departments generally and promotes best practice. It was presented to the NICS Board and signed off by the Head of the Civil Service in July 2017. It was then sent to Permanent Secretaries to circulate to all appropriate staff to ensure awareness and implementation of the generic actions identified; letters were also issued to the various action owners to commence implementation of the specific activities. It was also agreed by the NICS Board that the Public Sector Reform Division within the Department of Finance (DoF) will lead on implementation and report progress to the NICS Board.

**National Fraud Initiative**

Under powers to conduct data matching for the purposes of preventing and detecting fraud, the Comptroller and Auditor General required around 80 public bodies to take part in the fifth National Fraud Initiative (NFI) exercise in Northern Ireland, commencing with submission of their data in October 2016.

For the two-year reporting period April 2016 to March 2018, the NFI identified fraud and error of £1.9 million. This figure includes late outcomes from the previous NFI exercise. In total, the NFI has identified over £34.5 million of fraud and error in the Northern Ireland public sector since 2008, predominantly in relation to housing benefit, domestic rates and pensions.

NIAO financial impact claimed in 2017-18: £1.9 million.

**Qualitative impacts of reports and good practice guides**

In recent years our reports and good practice publications have made an important qualitative impact and contribution to wider public sector practices:

NIAO's 'Managing the Risk of Bribery and Corruption' guide was formally brought to the attention of departments, agencies and arm's length bodies (ALBs) by a Dear Accounting Officer letter in November 2017. This was endorsed as a very helpful publication, supporting existing DoF anti-fraud guidance.

A Dear Accounting Officer letter (issued in November 2016) advised/reminded departments, agencies and ALBs of good practice when handling and managing fraud investigations. These points were taken from various NIAO and PAC reports in recent years (e.g. DRD: Review of an Investigation of a Whistleblower Complaint).

A Good Practice Guide on Whistleblowing in the public sector, published by the four supreme audit agencies of the UK including NIAO, was formally brought to the attention of departments by a Dear Accounting Officer letter in January 2015. DFP stated that it was of the view that it contained many good practice principles.

The key lessons learned from issues identified by the NIAO report on the 'Northern Ireland Events Company' in respect of ALB Boards were issued to departments, agencies and ALBs through a Dear Accounting Officer letter in December 2016.

As a result of an NIAO Memorandum on Procurement and Governance in NI Water, prepared for a PAC hearing, a Dear Accounting Officer letter was issued in October 2016 to advise departments, agencies and ALBs of additional guidance on the use and approval of confidentiality clauses/agreements in dispute settlements.

**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 2017-18 against these key measures is as follows:

### Key performance measures

**Target:** To deliver a comprehensive programme of work with reduced resources and maintain high standards.

We achieved the delivery of a range of audit outputs with a net resource outturn (excluding VES) that was 4.5 per cent lower in 2017-18 compared with 2016-17.

**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 143 accounts. There was an increase in the number of accounts not yet certified at the year-end, as there were governance and potential qualification issues to be considered. 79 per cent of audits were delivered within seven months and 92 per cent within 12 months.

**Target:** To produce around 25 public reports.

We achieved 24 reports (see page 13). A general report on audit findings in the Health sector was not produced in 2017-18. This report will be produced in 2018-19.

**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. All audit opinions were found to be appropriate, with no significant compliance issues identified.

**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 2017-18

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](http://www.legislation.gov.uk).

The financial statements on pages 71 to 88 have been prepared by the Office on a resource basis in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by the Department of Finance.

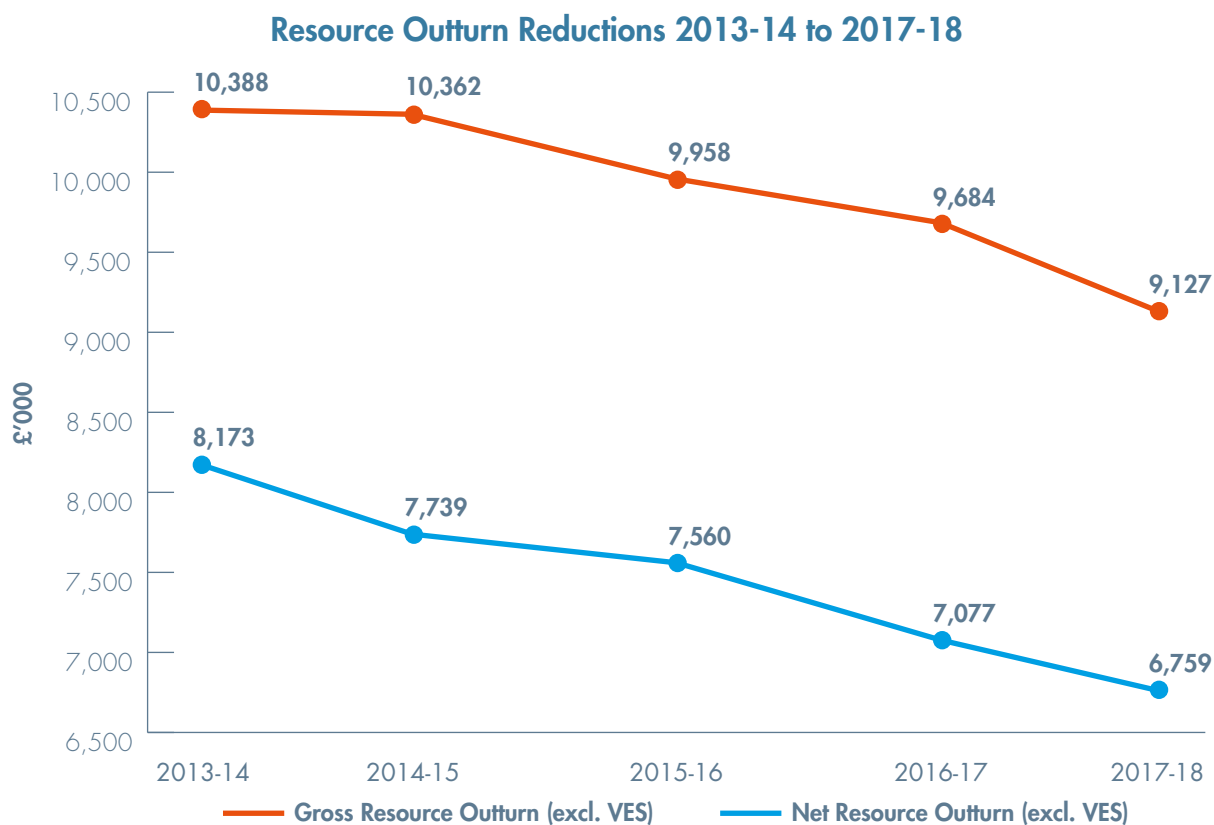
### NIAO Estimate

The Audit (Northern Ireland) Order 1987 requires the C&AG to prepare a Supply Estimate each financial year.

Ordinarily, the Office produces a draft estimate which is presented to the Assembly Audit Committee, established under Section 66 of the Northern Ireland Act 1998. Once the Assembly Audit Committee has examined the Corporate Plan and endorsed the resource bid, the Office prepares its Estimate. In the absence of a sitting Assembly, the Estimate was included, through the Department of Finance, in the Budget Act 2018 which was enacted by Parliament at Westminster in November 2017.

### Resources

We have reduced our annual net resource outturn (costs) by 17.3<sup>3</sup> per cent (equating to 23.3 per cent in real terms) in the five years up to and including 2017-18, 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 2017-18 are set out in the following table:

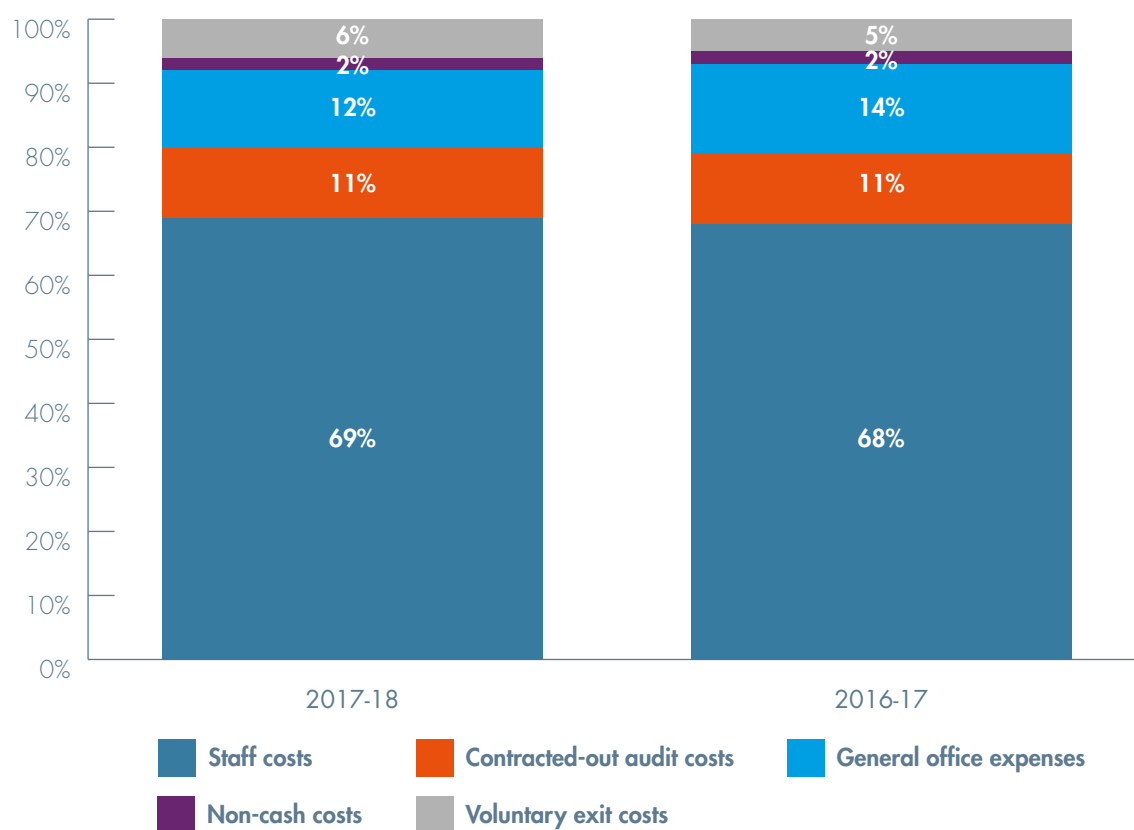
	Estimate £'000	Outturn £'000	Saving/(Excess) £'000 %	
Gross Resource Outturn	9,957	9,722	235	2.4
Income	2,368	2,368	-	-
<b>Net Resource Outturn (NRO)</b>	<b>7,589</b>	<b>7,354</b>	<b>235</b>	<b>3.1</b>
Voluntary Exit Scheme (VES)	595	595	-	-
<b>NRO excluding VES</b>	<b>6,994</b>	<b>6,759</b>	<b>235</b>	<b>3.4</b>
Capital	82	72	10	12.2

Savings arose from:

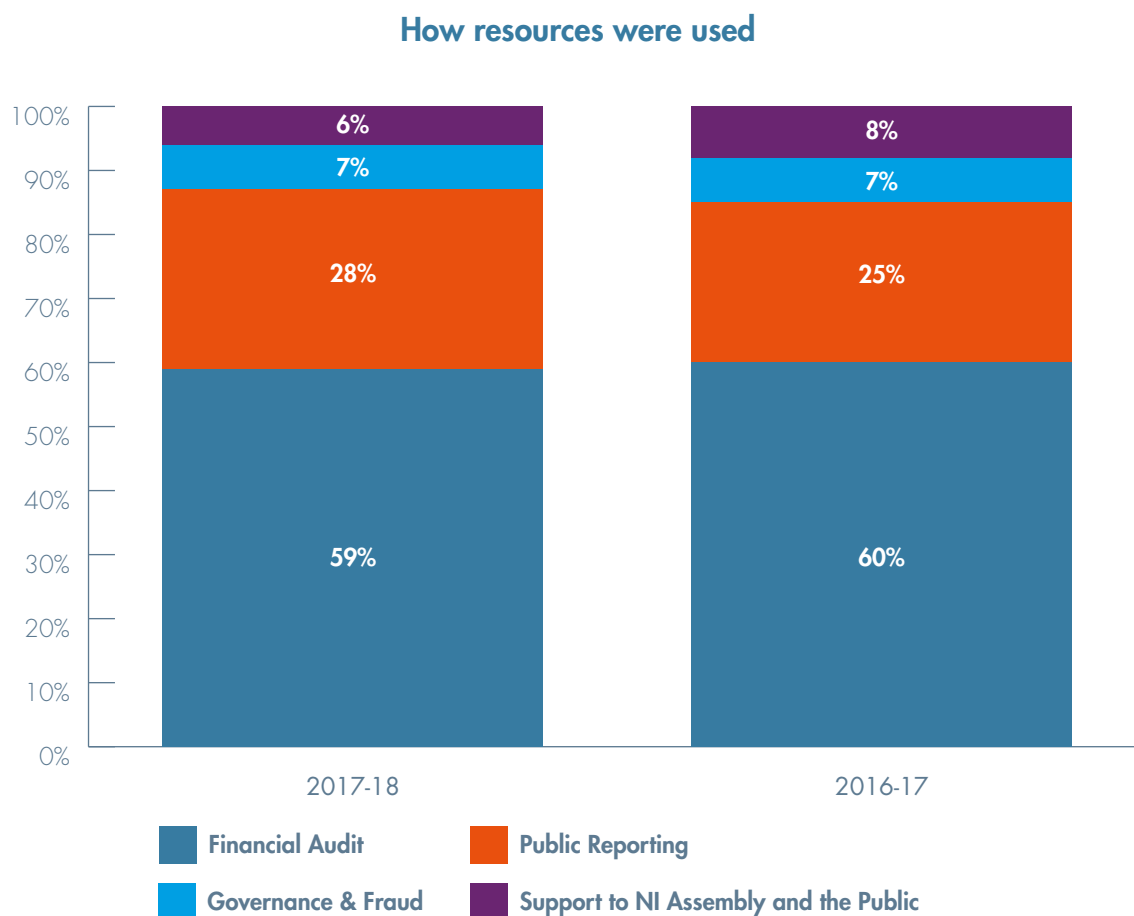
- a decrease in salary costs arising from headcount reductions following a number of VES departures; and
- a combination of other smaller decreases, including a net reduction in outsourcing (consultancy and contracted out work), training and depreciation.

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

#### Key areas of expenditure



Resources were used as follows:



In addition to the above, the cost of administering the Comptroller Function was £9,000, 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; and
- recoupment of salary and associated costs for seconded staff.

Each element of income, and the costs associated with it, is shown in the Accountability Report, at page 65.

Any income in excess of the Estimate must be surrendered as Consolidated Fund Extra Receipts. In 2017-18, excess income of £23,529 was earned as a result of earlier than anticipated completion of chargeable audit work and income greater than that forecast in respect of European Agricultural Funds work.

## Resources required in the future

The 2018-19 Budget has been maintained at the 2017-18 level in cash terms. In the absence of a sitting assembly, the budget was approved by Parliament at Westminster in March 2018 through the Budget Act 2018. Planned resources are shown in the table below:

	2018-19 £'000
Gross Resource Requirement	10,579
Income	2,427
<b>Net Resource Requirement (NRR)</b>	<b>8,152</b>
Voluntary Exit Scheme (VES)	800
Small Business Research Initiative (SBRI) Funding	150
<b>NRR excluding VES and SBRI</b>	<b>7,202</b>
Capital	40

The Net Resource Requirement provided in the 2017-18 Estimate included funding of £595,000 for a Voluntary Exit Scheme (VES) which was fully utilised. The Office has bid for and secured funding of £800,000 to run a further VES in 2018-19. 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 £150,000 in 2018-19 through the Department for the Economy's Small Business Research Initiative (SBRI) scheme, which will allow organisations to conduct research in this area on our behalf to help develop new techniques or systems.

## 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:

	2017-18 £'000	2016-17 £'000
<b>Net Resource Outturn</b>	<b>7,354</b>	<b>7,641</b>
Consolidated Fund Extra Receipts	(30)	(39)
Non-supply expenditure	160	163
<b>Net Operating Cost</b>	<b>7,484</b>	<b>7,765</b>
Consolidated Fund Extra Receipts	-	4
Inter-departmental notional charge	-	-
<b>Resource Budget Outturn of which:</b>	<b>7,484</b>	<b>7,769</b>
Department Expenditure Limits (DEL)	7,503	7,788
Annually Managed Expenditure (AME)	(19)	(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 2017-18, the Office paid 98.7 per cent of bills (2016-17; 98.1 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 2017-18, we met this standard for 96.3 per cent of invoices received (2016-17; 95.1 per cent).

### Future development of the business

The NIAO's Corporate Strategic Framework 2018-2021 was launched at our office conference in March 2018. This was attended by all staff and two members of the Office's Advisory Group.

Our three strategic priorities for the three years commencing 2018-19 are as follows:

1. **Provide assurance**, add value and promote excellence in public administration.
2. **Support** public sector transformation in Northern Ireland.
3. **Transform** our business to meet the emerging challenges of the future.

#### 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 help public confidence in how Northern Ireland is governed and 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 help us achieve these strategic priorities, we will introduce a Business Transformation Programme for our strategies, people and service delivery. This will have various work streams and associated action plans.

## 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, 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 Northern Ireland Civil Service's Cycle to Work scheme was implemented in 2013-14 and, to date, 21 NIAO staff have participated.
- A dual charging point for electric vehicles is being 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. In March 2018, 12 members of staff volunteered to clear overgrown areas and develop a path for residents and pupils for Camphill Communities Trust at Glencraig.

Other members of staff have participated in the Time to Read and Time to Count programmes at local schools and volunteered as business advisors as part of the eye4education programme.

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



**Kieran Donnelly**  
**Comptroller and Auditor General for Northern Ireland**

**25 June 2018**



# Accountability Report



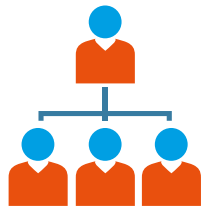
NET RESOURCE  
OUTTURN FOR 2017-18  
**£7.35 MILLION**



UNQUALIFIED  
INDEPENDENT  
AUDITOR'S REPORT



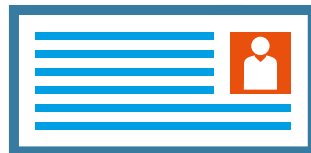
NET RESOURCE  
OUTTURN SAVINGS  
(EXCLUDING VES) COMPARED  
WITH LAST YEAR 4.5%  
**£318,000**



NEW SENIOR  
MANAGEMENT  
STRUCTURE



**£6.67**  
**MILLION**  
STAFF COSTS



STAFF IN POST AT  
**31 MARCH 2018: 102 FTE**  
SENIOR MANAGEMENT TEAM: **6**  
(4 MALE AND 2 FEMALE)  
OTHER STAFF: **96**  
(45 MALE AND 51 FEMALE)

# 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:

**Pamela McCreedy (from 4 September 2017)**  
Chief Operating Officer

**Janet Sides (until 31 January 2018)**  
Assistant Auditor General

**Louise Mason (until 31 January 2018)**  
Assistant Auditor General

**Neil Gray**  
Director

**Tomas Wilkinson**  
Director

**Colette Kane**  
Director

**Rodney Allen**  
Director

**Denver Lynn**  
Director

**Sean McKay (until 31 January 2018)**  
Director

### NIAO Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee supports the C&AG in his 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. The Audit and Risk Assurance Committee is independent of all NIAO operational activities.

It is composed solely of non-executives. In 2017-18, its membership was as follows:

#### Áine Gallagher

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

## Paul Douglas

Paul Douglas has 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.

## Gillian Body

Gillian Body retired 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.

## Pat Cumiskey

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 to lead the council through its final year. He currently serves as a Lay-member to the Northern Ireland Valuation Tribunal.

As set out in the Memorandum of Understanding agreed between the NIAO and the Audit Committee of the Assembly, each 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. See page 56 for details on dates of appointment. The same periods apply to membership of the Advisory Group.

## C&AG's Advisory Group

Providing objective and impartial advice to the C&AG, the Group's membership in 2017-18 was as follows:

Executives	Non-Executives
Kieran Donnelly	Paul Douglas (Chair) (from 28 November 2014)
Louise Mason (until 31 January 2018)	Pat Cumiskey (from 6 November 2015)
Janet Sides (until 31 January 2018)	Áine Gallagher (from 28 November 2014)
Pamela McCreedy (from 4 September 2017)	Gillian Body (from 21 September 2017)

**Pamela McCreedy (from 4 September 2017)***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, to develop greater flexibility in management structures and service delivery. She has also been appointed Local Government Auditor from 1 January 2018, with responsibility for leading all local government audits across Northern Ireland.

**Janet Sides (until 31 January 2018)***Assistant Auditor General*

Up until 31 January 2018, Janet Sides had responsibility for the central programme of work which included finance, human resources, premises, communications, compliance and ethics, and information and IT management. Together with Louise Mason, she also had responsibility for the oversight, quality and delivery of the C&AG's audit programme, and performed the role of Head of Public Reporting.

**Louise Mason (until 31 January 2018)***Assistant Auditor General and Local Government Auditor*

Up until 31 January 2018, Louise Mason, together with Janet Sides, had responsibility for the oversight, quality and delivery of the C&AG's audit programme. She performed the role of Head of Financial Audit and was designated by the Department for Communities, with the consent of the C&AG, as the Local Government Auditor until 31 December 2017.

**Register of interests**

None of the non-executive or executive members of the Office's governance structures in 2017-18 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 appointed Baker Tilly Mooney Moore as the external auditor of the NIAO for a three-year term commencing with the audit of the 2013-14 accounts, with the option to extend for a further two years. This extension has been applied.

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 20. Details of the cost of the work done by the external auditor are disclosed in Note 2 to the Financial Statements.

**Disclosure of relevant audit 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 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. 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.

### Complaints

The Office has 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](http://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.

Two complaints were received during 2017-18, one of which remains open. This case, which has been referred to the Northern Ireland Public Services Ombudsman's Office by the complainant, has identified some learning points for the Office. The remaining complaint was not upheld.

A further case, initiated in 2016-17, is under consideration with the Northern Ireland Public Services Ombudsman's Office.

### Health and Safety

The Office has a health and safety policy, which is made available to all staff. Suitably trained staff perform health and safety responsibilities.

No incidents were recorded during 2017-18 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; and
- prepare the accounts on a going concern basis.

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.

## 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:

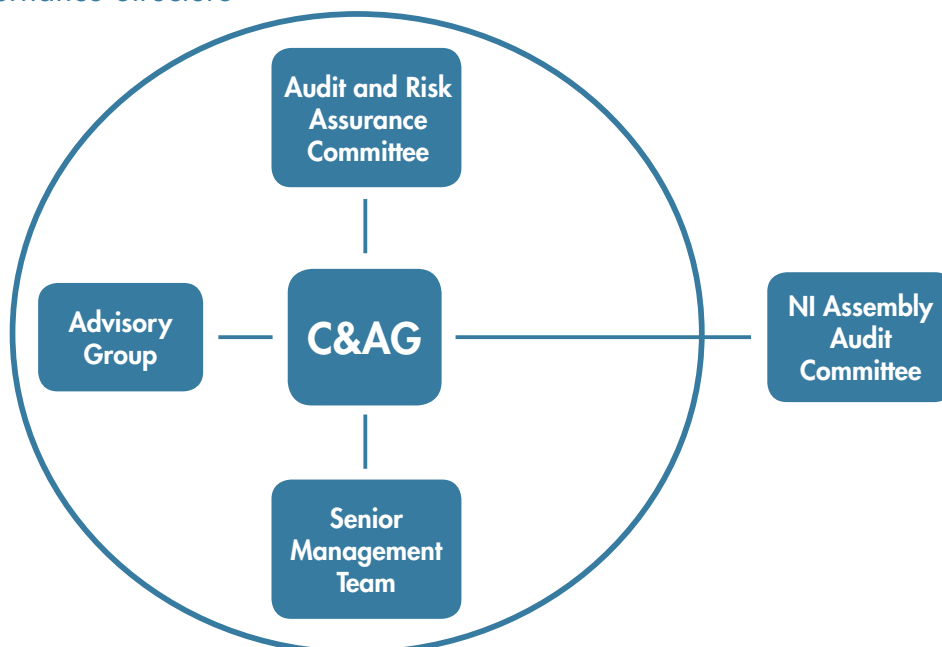
- The Audit (Northern Ireland) Order 1987 provided for the office of C&AG to be a corporation sole and established the NIAO to assist the C&AG in the discharge of his statutory functions.

- 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 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 at [www.niassembly.gov.uk/assembly-business/committees/2016-2017/audit/](http://www.niassembly.gov.uk/assembly-business/committees/2016-2017/audit/)).

### NIAO Governance Structure



Following on from the report I commissioned in 2016-17 to review the NIAO's top structure, I widened the membership of my leadership team to include NIAO Directors who have responsibility for operational performance. I have also implemented further change to internal governance arrangements, with the appointment of a Chief Operating Officer. In moving this process further forward, I also plan to examine the role, responsibilities and membership of

the Advisory Group, and will seek to agree a revised MoU with the Audit Committee of the Assembly when it returns.

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 2017-18, 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, is available at: <https://www.niauditoffice.gov.uk/governance-niao>.

#### **NIAO Senior Management Team**

The SMT comprised myself, as Chair, the Assistant Auditors General (until 31 January 2018), the Chief Operating Officer (from 4 September 2017) and six NIAO Directors (reduced to five from 1 February 2018).

The SMT meets six weekly 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 Code, the business of the team covered the five key areas of:

- strategic clarity;
- commercial sense;
- talented people;
- results-focus; and
- management information.

The SMT, 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 for areas under discussion over the course of the year. Non-members attended the meetings in relation to items such as the Office's Stakeholder Engagement Strategy, the Voluntary Exit Scheme and the provision of other information to the leadership team.

The Office continues to consider the quality of data presented to the SMT, to ensure clear, consistent and comparable information is available to support decision making and drive improvement. This work has enhanced transparency in the provision of performance information across all of the Office's functions. However, the Office recognises the need to further enhance the quality of the information provided to each meeting. As part of this process, the Digital Services Strategy 2017-18 to 2019-20 seeks to improve the extraction and reporting of management information from our systems, to increase transparency and better support decision making at all levels.

### **NIAO Audit and Risk Assurance Committee**

The NIAO Audit and Risk Assurance Committee's membership comprises non-executives only. One post may be allocated to a representative from a public audit agency in the UK or Ireland. Other members are appointed by open competition, based on merit, and are ex-officio members of the C&AG's Advisory Group. The appointment panel comprises three people, including myself and a member of the Audit Committee of the Assembly.

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. At least one member of the NIAO Audit and Risk Assurance Committee will have recent and relevant financial experience (see page 34 for commentary on members.)

The NIAO Audit and Risk Assurance Committee's role is one of supporting me, as Accounting Officer, in my responsibility for issues of risk, control and governance, by reviewing the comprehensiveness, reliability and integrity of assurances. This includes supporting and advising me on the planned activity and results of both internal audit<sup>4</sup> and external audit (see page 36) and the adequacy of management's response to issues identified by audit activity, including external audit's management letter. The NIAO Audit and Risk Assurance Committee's terms of reference are available at <https://www.niauditoffice.gov.uk/audit-committee>.

The NIAO Audit and Risk Assurance Committee normally meets at least four times a year. It may request the attendance of officials of the Office to assist with its discussions on any particular matter. Attendance of members in 2017-18 was as follows:

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

Members present	NIAO Audit and Risk Assurance Committee				
	02/05/2017	22/06/2017	21/09/2017	23/11/2017	27/02/2018
Áine Gallagher (Chair)		✓	✓	✓	✓
Paul Douglas	✓	✓	✓	✓	✓
Gillian Body	✓	✓	✓	✓	✓
Pat Cumiskey	✓	✓	✓	✓	✓

On behalf of the NIAO Audit and Risk Assurance Committee, the Chair provides me with an annual report summarising the Committee's work for the year. The 2017-18 report covered:

- committee members and attendees;
- meetings;
- risk management;
- use of resources;
- internal control assurances;
- internal audit;
- external audit and annual report;
- whistleblowing;
- committee matters;
- benchmarking;
- governance; and
- the future.

The NIAO Audit and Risk Assurance Committee is satisfied that it has fulfilled 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.

Based on its work for the year, the NIAO Audit and Risk Assurance Committee has provided me with constructive feedback on what it views to be the risks, challenges and opportunities for the NIAO, as well as an indication of its intended areas of focus in 2018-19.

### **C&AG's Advisory Group**

The role of the Advisory Group is to provide objective and impartial advice to assist me in the discharge of my functions. The group scrutinises 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 Code. It has no decision-making authority.

The Advisory Group comprises both executives (the C&AG, the Assistant Auditor General (until 31 January 2018) and Chief Operating Officer (from 4 September 2017)) and non-executives, the latter bringing an independent and external perspective to the work of the group.

In 2017-18, the Advisory Group's programme focused extensively on HR issues, including performance management and health and wellbeing. It also considered the Office's Digital Services Strategy.

Attendance at the three meetings of the Advisory Group in 2017-18 is shown below:

Members present	C&AG's Advisory Group		
	02/05/2017	22/06/2017	21/09/2017
Kieran Donnelly (C&AG)	✓	✓	✓
Paul Douglas (Chair)	✓	✓	✓
Áine Gallagher		✓	✓
Pat Cumiskey	✓	✓	✓
Gillian Body**			✓
Louise Mason	✓	✓	✓
Janet Sides	✓	✓	✓
Pamela McCreedy*			

\* appointed to Advisory Group from 4 September 2017

\*\* appointed to Advisory Group from 21 September 2017

In addition, other officials of the Office attended, as required, to assist with the discussion of agenda items.

On 24 January 2018 the Advisory Group held a workshop considering the new NIAO values and corporate strategic framework for the organisation.

### Corporate Secretariat

The Office's corporate secretariat function helps ensure that all elements of its governance structure are provided with an appropriate support service.

### Risk management and control

The Office's approach to risk management is guided by professional best practice and takes full cognisance of the context and environment in which it operates. Because of its public profile and the very nature of its work, the Office must uphold the highest standards in its own operations and be able to stand the test of independent scrutiny and retain its credibility and reputation with the Assembly, audited bodies and other stakeholders. At the same time, it must ensure that it promotes and secures value for money in its use of public funds.

The Office focuses on proportionate risk management as an integral part of the way it undertakes business activities. We assess how the achievement of our policies, aims and objectives might

be affected by the risks we face, and a system of internal control is designed to mitigate those risks. The system is not designed to eliminate all risk but to strike an appropriate, proportionate balance between control, cost of control and risk taking.

The NIAO has a comprehensive risk management strategy which sets out roles and responsibilities and determines procedures for risk identification, monitoring, reporting and escalation of issues.

The Corporate Risk Register is compiled by a working group and managed by the SMT, having full regard to both 'top down' and 'bottom up' identification and management of risks significant to the NIAO. An issues log is also maintained to record serious issues that arise which threaten the operation and/or reputation of the Office. Emerging risks are added as required, and mitigating actions are put in place and monitored.

In managing risks to the achievement of policies, aims and objectives, the Office applies a range of measures, including:

- recruiting talented staff, providing professional accountancy qualifications, developing training programmes and providing development opportunities;
- developing, maintaining and communicating principles and policies for staff conduct, compliance with which is expected by all. Each year all staff sign a Code of Conduct. Breaches may lead to investigation and other action in accordance with the NIAO's disciplinary policy;
- appropriate methodologies for the NIAO's work, conforming with International Standards on Auditing; and
- control over the quality of audits managed through a system of internal and external review. In particular, the International Standard on Quality Control 1 is applied to financial audit engagements. The outcomes of review processes are reported to the NIAO Audit and Risk Assurance Committee.

We have also self-assessed against our own good practice guide, 'Managing the Risk of Bribery and Corruption', published in November 2017. Our assessment confirmed a high level of compliance.

During 2017-18, Risk Management was a standing item at each meeting of the SMT and the NIAO Audit and Risk Assurance Committee. Following on from an in-depth review of the Office's risk management arrangements I conducted in the latter half of 2016-17, the key outcomes were introduced in this reporting period. This included: redefined and streamlined corporate risks; a reformatted risk register based on a 'three lines of defence' model<sup>5</sup> of risk management; the amalgamation of the former three risk registers (one corporate and two operational) into one register; and adjustments to our approach to risk appetite.

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5 Line 1: Business Operations – the arrangements which exist within operational areas that can be used to derive assurance on how objectives are being met and resources and risks managed.

Line 2: Corporate Oversight – SMT.

Line 3: Providers of assurance, internal and external. This includes our internal and external auditors who provide independent and objective assurance over the organisation's framework of governance, risk management and control.



Where the Office previously assessed its overall risk appetite as **cautious**, meaning that tolerance for risk taking is limited to those events where there is little chance of any significant repercussion for the Office should there be a failure, we now determine a risk appetite for each risk.

## Corporate risk 2017-18

In 2017-18, the Office had four key areas of risk: reputation; resourcing; influence; and change management, as shown below. The table below sets out the risk areas, the appetite for each risk and the key actions and issues raised during the year.

RISK AREA	NIAO RISK APPETITE	KEY ACTIONS AND ISSUES DURING THE YEAR
1. <b>Reputation</b> (covering independence, understanding of our role, relationship with key stakeholders and external issues) - Reputational damage through any failure (actual or perceived) to operate independently, impartially and to the highest ethical standards, resulting in the breakdown of relationships with key stakeholders.	<b>Cautious</b> Our reputation is key to our organisation. We must be independent, apolitical, professional and an exemplar of good practice in all aspects of our work. Tolerance for risk taking is therefore limited to those events where there is little chance of any significant negative repercussion for the Office's reputation. Some public profile exposure is to be welcomed. We should engage with our stakeholders in a controlled fashion and consider and manage adverse points of view.	<ul style="list-style-type: none"> <li>• In the ongoing media coverage around the Renewable Heat Incentive Scheme we have been recognised as a key contributor in the process. We have sought to maintain our high standard of professionalism.</li> <li>• We continued to work proactively to support and promote positive change and innovation across all parts of the public sector, including issuing best practice guidance which is being well received by our target audience.</li> </ul>
2. <b>Resourcing</b> – Insufficient resources to deliver Office objectives and failure to make optimal use of existing resources.	<b>Cautious</b> We need to make optimal use of all of our resources. However, we are prepared to accept: <ul style="list-style-type: none"> <li>• a limited overrun in cost of projects;</li> <li>• a limited overrun in delivery of projects; and</li> <li>• a very limited adverse outcome in the management of financial resources.</li> </ul>	<ul style="list-style-type: none"> <li>• We have regular engagement with the Department of Finance; we have had no engagement with either the Assembly Audit Committee or the PAC given the current political situation.</li> <li>• We have managed budget reductions of five per cent in both 2015-16 and 2016-17 and a further six per cent reduction in 2017-18.</li> <li>• The use of a Voluntary Exit Scheme has been essential in reducing the pay bill to manage these reductions but also to facilitate the move to a more optimal grade structure, and to align our staff resource</li> </ul>

RISK AREA	NIAO RISK APPETITE	KEY ACTIONS AND ISSUES DURING THE YEAR
		<p>requirements with business needs. We have agreed further exit funding for 2018-19, which will be the final year of the scheme.</p> <ul style="list-style-type: none"> <li>• We recognise that we are in a period of change, and accordingly carefully prioritise and manage the delivery of audit outputs within existing resource availability, accepting minor and unavoidable shortfalls in performance.</li> </ul>
<p>3. <b>Influence</b> – Not using our influence to drive real and sustained improvement in governance, financial management and performance across the public sector.</p>	<p><b>Open</b></p> <p>We are prepared to direct our audit resources to present well researched, high quality audit evidence on matters which may require fundamental changes in the public sector. We should have sufficient appetite to review and challenge public bodies to ensure we can influence and drive real and sustained improvement in governance, financial management and performance across the public sector.</p> <p>We do not shy away from open and frank debate with the wider public sector in resistance to the implementation of our key recommendations.</p>	<ul style="list-style-type: none"> <li>• As a result of our public reporting and financial audit work we continue to influence and drive real and sustained improvement across the public sector.</li> <li>• Through our impacts exercise we have identified £50.2 million in financial savings in 2017-18 (see page 20).</li> <li>• With the Assembly in suspension, we have been more proactive in our engagement with television and radio, and our wider social media network.</li> </ul>
<p>4. <b>Change Management</b> – Keeping pace with developments which impact on the work of the office and ensuring that transitioning to new structures and working practices is managed appropriately.</p>	<p><b>Open</b></p> <p>We are willing to take decisions that have long term benefits to the Office but may impact on delivery in the short term.</p>	<ul style="list-style-type: none"> <li>• Over this period, the evolution of the business remained to the fore. We focused on ensuring the provision of a quality, cost effective professional audit service to the audited bodies and the wider public.</li> <li>• In this time of significant and ongoing change in the external operating environment, including the increased digitalisation of government, and the absence</li> </ul>

RISK AREA	NIAO RISK APPETITE	KEY ACTIONS AND ISSUES DURING THE YEAR
		<p>of a local Assembly, and in the internal environment, including changes to the way we work, the outworkings of our Top Structure Review, the External Audit Review of Workforce Strategy and Planning, the ongoing review of the Office's accommodation requirements and the development of a new Strategic Corporate Framework, we recognise the uncertainties this creates for staff, and the challenges faced in adapting to a new organisational culture and working environment.</p> <ul style="list-style-type: none"> <li>• It is important that we carefully manage change, including communicating and engaging with staff in an open and informative manner about plans and developments, seeking their views and input.</li> </ul>

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 are revising our corporate risk register to ensure that the risks identified align with our priorities.

### Quality Control




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. All audit opinions were found to be appropriate, with no significant compliance issues identified.

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 2017-18 achieved an average score of 3.4.

## Other areas of focus

### Sickness Absence

In 2016-17, I was concerned at the significant increase in NIAO sickness absence levels. I have been closely monitoring sickness absence figures, and it has been a standing item on the SMT agenda. There has been a significant improvement in 2017-18. The figures for the past three years are:

Year	Average Days' Sickness Absence Per Employee	% Absence
2015-16	 9.1	3.58
2016-17	 14.2	5.53
2017-18	 5.9	2.32

Unavoidable absences due to sickness and injury will, of course, occur and the Office is committed to supporting the health of its workforce. It provides a range of positive healthcare and fitness initiatives for all its employees. In dealing with individual absence issues, the Office aims to act reasonably and fairly at all times, taking account of all the circumstances.

The Office has 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. We commenced a review of this policy in 2016-17 with a view to improving its ease of use by staff. A revised policy will be issued in 2018-19, on which training will be provided.

### Subsistence Expenses

In September 2016, HMRC conducted a review of our handling of staff subsistence expenses and found non-compliance with tax rules. HMRC calculated an outstanding liability of tax and national insurance contributions of approximately £49,000 going back to 2010. The Office immediately corrected the error and paid the sum due. A penalty of approximately £6,100, which was suspended until August 2017, was not required as the Office was able to demonstrate compliance with the conditions of the suspension. I am satisfied that we have implemented appropriate action in response to this matter.

### Statement of information risk

Together with the staff of the NIAO, I 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. The NIAO has a duty to respect this privileged access and to ensure that the personal information entrusted to it is safeguarded properly.

The NIAO has 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. NIAO staff are made aware of these policies and controls, and awareness is reinforced through information security training. Checks for compliance with the Data Protection Act 1998 were performed in 2017-18, and no significant weaknesses were identified.

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

- increased staff awareness of the forthcoming legislation;
- commenced 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 Audit and Risk Assurance Committee.

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 Audit and Risk Assurance Committee.

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 2017-18 including:

- risk management;
- income and debtors;
- HR (sickness);
- information governance; and
- IT health check.

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.

#### **Significant internal control weaknesses**

I am able to report that there were no significant weaknesses in the NIAO's system of internal controls in 2017-18 which affected the achievement of the Office's key policies, aims and objectives.

# REMUNERATION AND STAFF REPORT

The purpose of the remuneration and staff report is to set out the NIAO's remuneration policy for senior management, how this policy has been implemented and what amounts have been paid to senior management. The report also provides other information on remuneration and staff numbers for the financial year.

## 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 80 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 the Northern Ireland Civil Service.

NIAO staff normally hold appointments that are 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 all 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 SMT. The information on pages 52 to 58 is covered by the audit opinion.

### Remuneration (including salary) and pension entitlements (Audited)

	2017-18					2016-17				
	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
<b>Kieran Donnelly</b> C&AG *****	140-145	-	-	-	140-145	140-145	-	-	2	140-145
<b>Pamela McCreedy</b> **** Chief Operating Officer (from 4 September 2017)	60-65 (105-110 full time equivalent)	-	-	25	85-90	-	-	-	-	-
<b>Louise Mason</b> *** Assistant Auditor General (until 31 January 2018)	85-90 (100-105 full time equivalent)	-	-	-2	80-85	100-105	-	-	31	130-135
<b>Janet Sides</b> *** Assistant Auditor General (until 31 January 2018)	85-90 (100-105 full time equivalent)	-	-	5	90-95	100-105	-	-	32	130-135
<b>Rodney Allen</b> Director (SMT from 1 Feb 2017)	80-85	-	-	37	115-120	10-15 (80-85 full time equivalent)	-	-	7	20-25
<b>Neil Gray</b> Director (SMT from 1 Feb 2017)	80-85	-	-	34	110-115	10-15 (75-80 full time equivalent)	-	-	5	15-20
<b>Colette Kane</b> Director (SMT from 1 Feb 2017)	70-75 (80-85 full time equivalent)	-	-	23	90-95	10-15 (80-85 full time equivalent)	-	-	5	15-20
<b>Denver Lynn</b> Director (SMT from 1 Feb 2017)	80-85	-	-	2	80-85	10-15 (80-85 full time equivalent)	-	-	3	15-20
<b>Sean McKay</b> *** Director (SMT from 1 Feb 2017 until 31 January 2018)	65-70 (80-85 full time equivalent)	-	-	-3	60-65	10-15 (80-85 full time equivalent)	-	-	4	15-20
<b>Tomas Wilkinson</b> Director (SMT from 1 Feb 2017)	75-80	-	-	32	105-110	10-15 (75-80 full time equivalent)	-	-	5	15-20



	2017-18					2016-17				
	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
<b>Band of Highest Earner's Total Remuneration**</b>	140-145					140-145				
<b>Median Total Remuneration</b>	45,753					45,748				
<b>Ratio</b>	3.1					3.1				

\* 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.

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

\*\*\* Louise Mason, Janet Sides and Sean McKay served on the SMT until 31 January 2018 at which point they left the organisation under voluntary exit terms.

\*\*\*\* Pamela McCreedy was appointed to the role of Chief Operating Officer (COO) on 4 September 2017.

\*\*\*\*\* The C&AG chose not to be covered by the Northern Ireland Civil Service pension schemes during the reporting year.

## 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

Benefits in kind cover any benefits provided by the Office and treated by HMRC as a taxable emolument. No such benefits were provided during 2017-18.

## Non-Executive Members

During 2017-18, the following remuneration was payable to non-executives in undertaking their NIAO Advisory Group and NIAO Audit Committee role duties:

	Date of contract	Length of contract (yrs)	2017-18 Salary £'000	2016-17 Salary £'000
Aine Gallagher	17-11-14	3+1	2.5-5	7.5-10
Paul Douglas	17-11-14	3+1	7.5-10	5-7.5
Pat Cumiskey	06-11-15	3	2.5-5	5-7.5
Gillian Body*	07-09-15	3	2.5-5	-

\*Gillian Body's position was not remunerated during her time as an employee of the Wales Audit Office. She became a remunerated member of the audit committee from 21 September 2017 after retiring from the Wales Audit Office.

## Pension entitlements (Audited)

The pension entitlements of the C&AG and members of the NIAO SMT (and former Executive Team) were as follows:

Name and Title	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV* at 31 March 2018	CETV* at 31 March 2017 (or date of joining)	Real increase in CETV*
	£'000	£'000	£'000	£'000	£'000
<b>Kieran Donnelly**</b> C&AG					
<b>Pamela McCreedy****</b> Chief Operating Officer (from 4 Sep 2017)	0-5 plus lump sum of 0	0-2.5 plus lump sum of 0	15	-	10
<b>Louise Mason***</b> Assistant Auditor General	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 0-2.5	740	698	-2
<b>Janet Sides***</b> Assistant Auditor General	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 0-2.5	867	815	4
<b>Rodney Allen</b> Director	35-40 plus lump sum of 90-95	0-2.5 plus lump sum of 0-2.5	604	549	18
<b>Neil Gray</b> Director	15-20 plus lump sum of 0	0-2.5 plus lump sum of 0	242	208	20
<b>Colette Kane</b> Director	25-30 plus lump sum of 65-70	0-2.5 plus lump sum of 0	475	435	10
<b>Denver Lynn</b> Director	30-40 plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	858	803	1
<b>Sean McKay ***</b> Director	30-35 plus lump sum of 120-125	0 plus lump sum of 12.5-15	798	790	-3
<b>Tomas Wilkinson</b> Director	15-20 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	283	250	14

\* CETV = cash equivalent transfer values

\*\* The C&AG chose not to be covered by the Northern Ireland Civil Service pension schemes during the reporting year.

\*\*\* Louise Mason, Janet Sides and Sean McKay served on the SMT until 31 January 2018 at which point they left the organisation under voluntary exit terms.

\*\*\*\* Pamela McCreedy was appointed to the role of Chief Operating Officer (COO) on 4 September 2017.

## 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 (PCSPPS (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 good quality '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 2017 was 3 per cent and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

Employee contribution rates for all members for the period covering 1 April 2018 – 31 March 2019 are as follows:

#### Scheme Year: 1 April 2018 to 31 March 2019

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – Classic members or Classic members who have moved to Alpha	Contribution rates – All other members
From	To	From 01 April 2018 to 31 March 2019	From 01 April 2018 to 31 March 2019
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,636.99	4.6%	4.6%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	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)

In accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland):

- Louise Mason left under voluntary exit terms on 31 January 2018. She received a compensation payment in the range of £175,000 - £180,000;
- Janet Sides left under voluntary exit terms on 31 January 2018. She received a compensation payment in the range of £175,000 - £180,000; and
- Sean McKay left under voluntary exit terms on 31 January 2018. He received a compensation payment in the range of £40,000 - £45,000.

### Review of Fair Pay (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.

The banded remuneration of the highest-paid earner in NIAO in the financial year 2017-18 was £140,000 to £145,000 (2016-17; £140,000 to £145,000). This was 3.1 times (2016-17; 3.1) the median remuneration of the workforce, which was £45,753 (2016-17; £45,748).

Remuneration ranged from £3,000 to £141,322 (2016-17; £5,875 to £141,322).

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

The highest paid earner in the Office is the C&AG who is also the Accounting Officer. However, as noted on page 51, the salary of the C&AG is met from the Consolidated Fund rather than the Office's Supply Estimate.

## Staff Report

The 102 permanent full time equivalent staff at 31 March 2018 (2016-17: 108) comprised:

	Male	Female
Senior Management Team	4	2
Other Staff	45	51
<b>Total</b>	<b>49</b>	<b>53</b>

The reduction in the number of permanent staff reflects the outcome of the Office's latest Voluntary Exit Scheme (see page 9 for further comment) and in-year staff resignations, offset by the recruitment of five additional graduates.

## Staff Costs (Audited)

Staff costs comprise:

	2017-18 £'000			2016-17 £'000
	Permanently employed staff	Others	Total	Total
Wages and Salaries	4,919	66	4,985	5,191
Social Security Costs	528	-	528	565
Other Pension Costs	1,153	-	1,153	1,226
<b>Total net costs</b>	<b>6,600</b>	<b>66</b>	<b>6,666</b>	<b>6,982</b>

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 pension arrangements are unfunded multi-employer defined benefit schemes. The scheme does not identify the NIAO's share of the underlying assets and liabilities. The most up-to-date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and

rolled forward to the reporting date of the Department of Finance's Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2018.

For 2017-18, employers' contributions of £1,153,251.61 were payable to the NICS pension arrangements (2016-17; £1,225,550.07) at one of three rates in the range 20.8 per cent to 26.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2018-19, the rates will range from 20.8 per cent to 26.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 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 2017-18, employer contributions of £nil (2016-17: £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8 per cent to 14.5 per cent (2016-17: 8 per cent to 14.75 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £nil, 0.5 per cent (2016-17: £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 (2016-17; 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2016-17; £nil).

### Average number of persons employed (Audited)

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

2017-18			2016-17
Permanent Staff	Others	Total	Total
106	1	107	103

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

There were no compulsory redundancies in 2017-18 (2016-17; 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 (2016-17; 0)	0 (2016-17; 0)	0 (2016-17; 0)
£10,000 - £25,000	0 (2016-17; 0)	0 (2016-17; 0)	0 (2016-17; 0)
£25,001 - £50,000	0 (2016-17; 0)	1 (2016-17; 0)	1 (2016-17; 0)
£50,001 - £100,000	0 (2016-17; 0)	5 (2016-17; 4)	5 (2016-17; 4)
£100,001 - £150,000	0 (2016-17; 0)	0 (2016-17; 1)	0 (2016-17; 1)
£150,001 - £200,000	0 (2016-17; 0)	2 (2016-17; 1)	2 (2016-17; 1)
Total number of exit packages	0 (2016-17; 0)	8 (2016-17; 6)	8 (2016-17; 6)
<b>Total cost</b>	<b>0</b> <b>(2016-17; 0)</b>	<b>*£766,000</b> <b>(2016-17; £564,000)</b>	<b>£766,000</b> <b>(2016-17; £564,000)</b>

\* This was the cost to fund the departure of 8 members of staff (Full Time Equivalent: 7.4) who left on voluntary exit terms, departing in the latter part of the year. This amount included £595,000 provided in the 2017-18 Estimate, with the remaining £171,000 funded by the Office.

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.

The Office has applied for and obtained funding which will enable a fourth Voluntary Exit Scheme to be implemented in 2018-19.

### 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.

Our sickness absence statistics for 2017-18 are reported on page 48.

### Staff Equality Policies

The NIAO is fully committed to the effective promotion of equality of opportunity in all of its employment policies and procedures. Our policies and practices which have been applied during the financial year ensure that there is fair and equal treatment of all in relation to a number of areas concerning diversity issues and equal treatment in employment including, but not limited to, employee consultation and/or participation; health and safety at work; trade union



relationships; and human capital management such as career management and employability and pay. This involves applying policies which ensure that all applications for employment are given full and fair consideration by the Office, including those made by disabled persons, ensuring that their particular aptitudes and abilities are considered fairly and consistently, on the basis of merit.

The NIAO strives to create an environment where all staff are valued and encouraged to develop to their full potential. This includes continuing the employment of, and arranging appropriate training for, employees of the Office who have become disabled persons during the period when they were employed by the Office and otherwise for the training, career development and promotion of disabled persons employed by the Office. 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 the Office.

The NIAO will continue to consult as widely as possible to ensure that any organisation or group which has a legitimate, particular interest in its work and/or likely impact of its policies on its disability duties will be included in the process of engagement.

### Consultancy

In 2017-18, the Office paid £55,000 (2016-17; £57,000) 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 2017-18, the Office paid £66,392 (2016-17; £83,000) 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 2017-18 costing over £58,200 per annum. The Office had no off-payroll engagements commencing, ending or operating during 2017-18.

# ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

## Statement of Assembly Supply (Audited)

In addition to the primary statements prepared under International Financial Reporting Standards, 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 2017-18

	Note	ESTIMATE			OUTTURN			Net total outturn compared with Estimate: saving/(excess) £'000	2016-17 Outturn £'000
		Gross Expenditure £'000	Accruing Resources £'000	Net Expenditure £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000		
Request for Resource A*	SOAS1	9,957	2,368	7,589	9,722	2,368	7,354	235	7,641
<b>Total resources</b>	SOAS2	<b>9,957</b>	<b>2,368</b>	<b>7,589</b>	<b>9,722</b>	<b>2,368</b>	<b>7,354</b>	<b>235</b>	<b>7,641</b>
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 2017-18

	Note	2017-18 £'000			2016-17 £'000
		Estimate	Outturn	Net Total outturn compared with Estimate: saving/(excess)	Outturn
<b>Net Cash Requirement</b>	SOAS3	7,755	7,492	263	8,008

### 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	2017-18 £'000 Forecast		2017-18 £'000 Outturn	
		Income	Receipts	Income	Receipts
<b>Total</b>	SOAS4	6	6	30	41

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

	2017-18 £'000								2016-17 £'000
	OUTTURN						ESTIMATE		Prior Year Outturn
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net total outturn compared with Estimate	
<b>Request for Resources A</b>									
Function A-1	-	9,722	-	9,722	2,368	7,354	7,579	225	7,641
Function A-2	-	-	-	-	-	-	10	10	-
<b>RESOURCE OUTTURN</b>	-	<b>9,722</b>	-	<b>9,722</b>	<b>2,368</b>	<b>7,354</b>	<b>7,589</b>	<b>235</b>	<b>7,641</b>

Savings arose from:

- a reduction in salaries arising from headcount reductions following a number of VES departures; and
- a combination of other smaller decreases including a net decrease in outsourcing (consultancy and contracted out work), training and depreciation.

### 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)

Function A-2: Notional Charges

## SOAS2 Reconciliation of Net Resource Outturn to Net Operating Cost

	Note	2017-18 £'000			2016-17 £'000
		Outturn	Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn		7,354	7,589	235	7,641
Non-supply income (CFERs)	SOAS5	(30)	(6)	24	(39)
Non-supply expenditure	4	160	160	-	163
<b>Net Operating Cost in Statement of Comprehensive Net Expenditure</b>		<b>7,484</b>	<b>7,743</b>	<b>259</b>	<b>7,765</b>

## SOAS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	Net Total Outturn compared with Estimate: Saving/(Excess) £'000
<b>Net Resource Outturn</b>	SOAS2	7,589	7,354	235
<b>Capital</b>				
Acquisition of non-current assets	6,7	82	72	10
<b>Accruals to cash adjustments:</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	4	(175)	(160)	(15)
New provisions, and adjustments to previous provisions	13	-	1	(1)
Other non-cash items	4	(10)	-	(10)
Changes in working capital other than cash		250	206	44
Use of provision	13	19	19	-
<b>Net Cash Requirement</b>		<b>7,755</b>	<b>7,492</b>	<b>263</b>

## 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*).

	2017-18 Forecast £'000		2017-18 Outturn £'000	
	Income	Receipts	Income	Receipts
Operating income and receipts - excess Accruing Resources	-	-	23	34
Other operating income and receipts not classified as Accruing Resources	6	6	7	7
<b>Total income payable to the Consolidated Fund</b>	<b>6</b>	<b>6</b>	<b>30</b>	<b>41</b>

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

	Note	2017-18 £'000	2016-17 £'000
Operating Income	5	2,398	2,646
Income authorised to be used as Accruing Resources		2,368	2,607
<b>Operating income payable to the Consolidated Fund</b>	SOAS4	<b>30</b>	<b>39</b>

## 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.

	2017-18 £'000			2016-17 £'000		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
<b>Fee Income</b>						
NAO Agency Fees	394	330	64	440	439	1
Other Financial Audit Fees	943	1,020	(77)	966	957	9
Local Government Audit Fees	875	880	(5)	888	867	21
NFI	-	-	-	167	167	0
	<b>2,212</b>	<b>2,230</b>	<b>(18)</b>	<b>2,461</b>	<b>2,430</b>	<b>31</b>
<b>Other Income</b>						
CFERs	7			4		
Income from secondments	179			181		
	<b>2,398</b>			<b>2,646</b>		

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

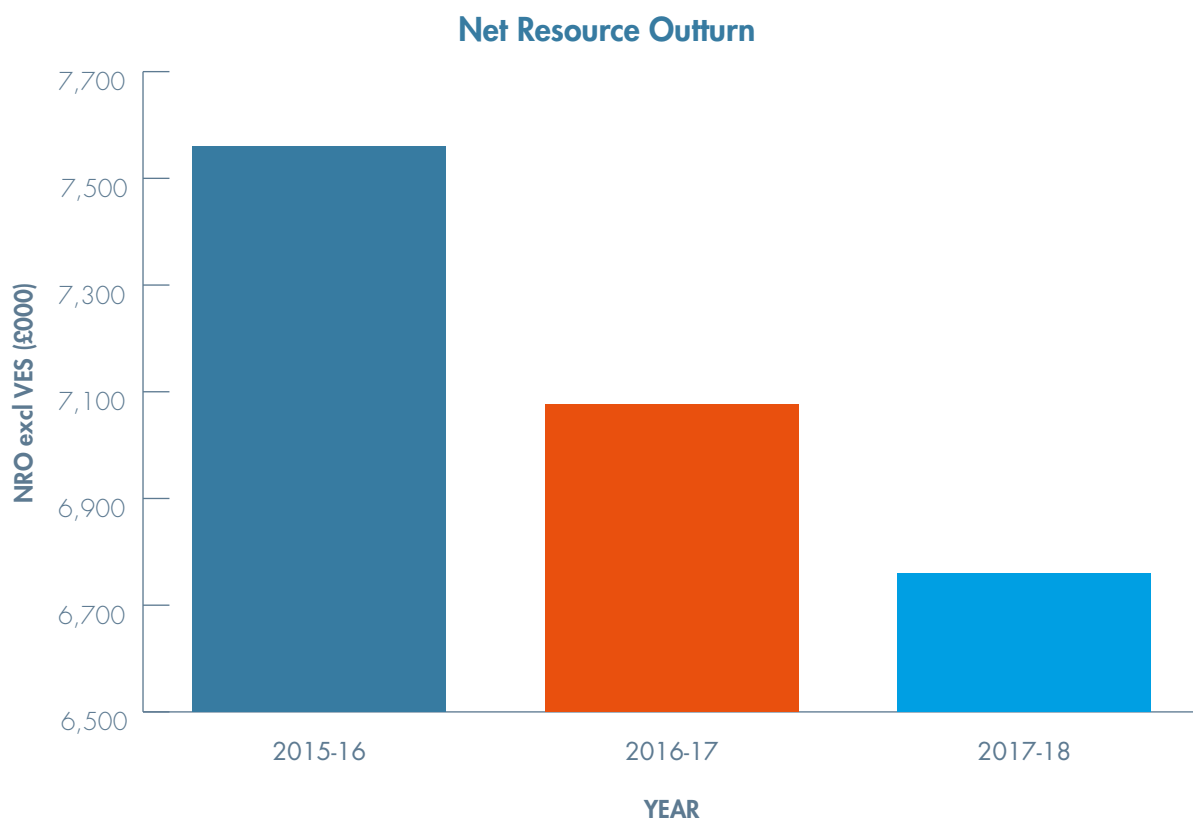
In addition to contingent liabilities reported within the meaning of International Accounting Standard (IAS) 37, the Office is required to report liabilities for which the likelihood of economic benefit in settlement is too remote to meet the definition of a contingent liability. The Office has no such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

### Long-Term Expenditure Trends

The Office's outturn in Estimate and Budget terms for the period 2015-16 to 2017-18 is set out below.

#### Estimate

	2015-16 £'000	2016-17 £'000	2017-18 £'000
<b>Net Resource Outturn (NRO)</b>	<b>8,237</b>	<b>7,641</b>	<b>7,354</b>
Voluntary Exit Scheme (VES ) Expenditure	677	564	595
<b>NRO excluding VES</b>	<b>7,560</b>	<b>7,077</b>	<b>6,759</b>

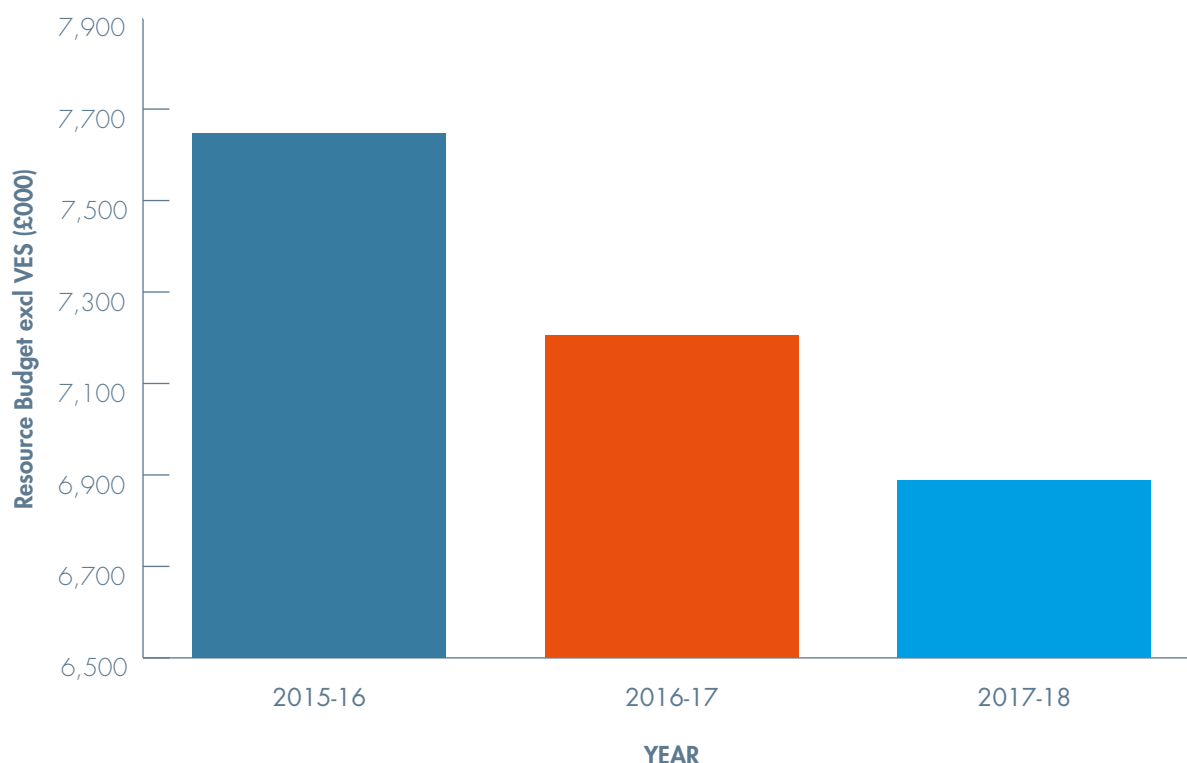


As indicated on page 25, staff costs account for approximately 69 per cent of the Office's outturn (2016-17; 68 per cent). The Statement of Comprehensive Net Expenditure on page 72 and its notes provide a breakdown of income and expenditure in 2016-17 and 2017-18.

#### Budget

	2015-16 £'000	2016-17 £'000	2017-18 £'000
Resource DEL	8,387	7,788	7,503
Resource AME	(63)	(19)	(19)
<b>Resource Budget Outturn</b>	<b>8,324</b>	<b>7,769</b>	<b>7,484</b>
VES Expenditure	677	564	595
<b>Resource Budget Outturn excluding VES</b>	<b>7,647</b>	<b>7,205</b>	<b>6,889</b>

### 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

	2015-16 £'000	2016-17 £'000	2017-18 £'000
<b>Capital DEL</b>	<b>36</b>	<b>3</b>	<b>72</b>

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) and 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. The Office's capital requirements in 2017-18 were related mainly to investment in IT software.

*Kieran Donnelly*

**Kieran Donnelly**  
Comptroller and Auditor General for Northern Ireland

**25 June 2018**

## 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 2018 under the Audit (Northern Ireland) Order 1987. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the Statement of Assembly Supply and the related notes, and the information in the Accountability Report which is described in that 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 2018 and of its comprehensive net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Audit (Northern Ireland) Order 1987 and the relevant Department of Finance guidance.

### 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 2018 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) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. We are independent of the Northern Ireland Audit Office in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016 and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinions.

### 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.

### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our certificate.

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 to the purposes intended by Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### 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.

### Report

We have no observations to make on these financial statements.

*Baker Tilly Mooney Moore*

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

**26 June 2018**

# Financial Statements

## NET EXPENDITURE



2017-18: **£7.48 million**  
2016-17: **£7.77 million**

## AUDIT FEE INCOME



2017-18: **£2.21 million**  
2016-17: **£2.46 million**

## OTHER INCOME



2017-18: **£186,000**  
2016-17: **£185,000**

## STAFF COSTS



2017-18: **£6.67 million**  
2016-17: **£6.98 million**

## OTHER COSTS



2017-18: **£3.22 million**  
2016-17: **£3.43 million**

## TOTAL ASSETS LESS LIABILITIES



2017-18: **£3.56 million**  
2016-17: **£3.33 million**

## Statement of Comprehensive Net Expenditure

For the year ended 31 March 2018

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

	Note	2017-18		2016-17	
		£'000	£'000	£'000	£'000
<b>Other Operating Income</b>	5		<b>(2,398)</b>		<b>(2,646)</b>
Staff Costs	3	6,666		6,982	
Purchase of Goods and Services	4	3,057		3,262	
Depreciation	4	160		168	
Provision Expense	4	(1)		(1)	
<b>Total Operating Expenditure</b>			<b>9,882</b>		<b>10,411</b>
<b>Net Operating Expenditure</b>	SOAS2		<b>7,484</b>		<b>7,765</b>
<b>Other Comprehensive Net Expenditure</b>					
Items that will not be reclassified to net operating costs:					
- Net (gain) on revaluation of Property, Plant and Equipment	6/7		(89)		(199)
<b>Comprehensive Net Expenditure for the year</b>			<b>7,395</b>		<b>7,566</b>

The notes on pages 76 to 88 form part of these accounts

## Statement of Financial Position

as at 31 March 2018

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 2018 £'000   £'000		Restated 31 March 2017 £'000   £'000	
<b>Non-current Assets</b>					
Property, plant and equipment	6	3,337		3,332	
Intangible Assets	7	55		59	
<b>Total non-current assets</b>			<b>3,392</b>		<b>3,391</b>
<b>Current Assets</b>					
Trade and other receivables	10	970		504	
Cash and cash equivalents	11	168		97	
<b>Total current assets</b>			<b>1,138</b>		<b>601</b>
Total Assets			<b>4,530</b>		<b>3,992</b>
<b>Current liabilities</b>					
Trade and other payables	12	(957)		(626)	
Provisions	13	(16)		(19)	
<b>Total current liabilities</b>			<b>(973)</b>		<b>(645)</b>
<b>Total assets less current liabilities</b>			<b>3,557</b>		<b>3,347</b>
<b>Non-current liabilities</b>					
Provisions	13	-		(17)	
<b>Total non-current liabilities</b>			<b>-</b>		<b>(17)</b>
<b>Total assets less liabilities</b>			<b>3,557</b>		<b>3,330</b>
<b>Taxpayers' equity:</b>					
General Fund			2,528		2,301
Revaluation Reserve			1,029		1,029
<b>Total equity</b>			<b>3,557</b>		<b>3,330</b>



**Kieran Donnelly**  
Comptroller and Auditor General for Northern Ireland

25 June 2018

The notes on pages 76 to 88 form part of these accounts

## Statement of Cash Flows for the year ended 31 March 2018

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	2017-18 £'000	2016-17 £'000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(7,484)	(7,765)
Adjustment for non-cash transactions	4	159	167
(Increase) / Decrease in trade and other receivables	10	(466)	(39)
Increase / (Decrease) in trade payables	12	331	(762)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(60)	363
Use of provisions	13	(19)	(19)
<b>Net cash outflow from operating activities</b>		<b>(7,539)</b>	<b>(8,055)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6,12	(18)	(5)
Purchase of intangible assets	7	(54)	-
<b>Net cash outflow from investing activities</b>		<b>(72)</b>	<b>(5)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		7,561	7,715
From the Consolidated Fund (non-Supply)	4	160	163
<b>Net financing</b>		<b>7,721</b>	<b>7,878</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated fund</b>		<b>110</b>	<b>(182)</b>
Payments of amounts due to the Consolidated Fund		(39)	(108)
<b>Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>71</b>	<b>(290)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	11	97	387
<b>Cash and cash equivalents at the end of the period</b>	11	<b>168</b>	<b>97</b>

The notes on pages 76 to 88 form part of these accounts

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

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
<b>Balance at 31 March 2016 (Restated)</b>		<b>1,822</b>	<b>942</b>	<b>2,764</b>
Net Assembly Funding - drawn down		7,715		7,715
Net Assembly Funding - deemed		386	-	386
Consolidated Fund Standing Services	4	163	-	163
Supply payable adjustment	12	(93)	-	(93)
CFERs payable to the Consolidated Fund	SOAS5	(39)	-	(39)
Comprehensive Net Expenditure for the year		(7,765)	199	(7,566)
Other reserves movements including transfers (restated)		112	(112)	-
<b>Balance at 31 March 2017 (Restated)</b>		<b>2,301</b>	<b>1,029</b>	<b>3,330</b>
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	SOAS5	(30)		(30)
Comprehensive Net Expenditure for the year		(7,484)	89	(7,395)
Other reserves movements including transfers		88	(89)	(1)
<b>Balance at 31 March 2018</b>		<b>2,528</b>	<b>1,029</b>	<b>3,557</b>

### *Prior period adjustment*

An adjustment was made to the prior year figures to restate the revaluation reserve and general fund. The adjustment required a £1,863,000 reallocation of reserves between the general fund and the revaluation reserve in the opening balances of the 2016-17 year and an amendment to include a further transfer between reserves of £112,000 within the 2016-17 year. This was a restatement between reserves and had no impact on the net operating expenditure.

The notes on pages 76 to 88 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 2017-18 *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 & Property Services (LPS). The interim valuations provided by LPS as at 31 October 2017 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 5 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 Operating income

Operating income is income which relates directly to the operating activities of the Office. It principally comprises fees and charges for services provided by statute or by agreement with the National Audit Office (NAO) and client organisations. 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. It includes not only income appropriated in aid of the Estimate but also income 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 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.

### **1.8 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.

### **1.9 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.

### **1.10 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 2017-18 this was at a rate of 7 per cent (2016-17; 6 per cent), based on the percentage of business income over total income.

### **1.11 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.

### **1.12 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.

### **1.13 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.

	2017-18			2016-17		
	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Financial Audit	5,826	2,212	3,614	6,192	2,299	3,893
Public Reporting	2,764	-	2,764	2,642	-	2,642
Governance and Fraud Prevention and Detection	691	-	691	766	167	599
Support to the NI Assembly and the public	592	186	406	801	180	621
Comptroller Function	9	-	9	10	-	10
<b>Total</b>	<b>9,882</b>	<b>2,398</b>	<b>7,484</b>	<b>10,411</b>	<b>2,646</b>	<b>7,765</b>

**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. 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 and the public** - Working closely with the Public Accounts Committee on evidence sessions based on our reports; providing support to departmental committees; and responding to enquiries from elected representatives as well as citizens.

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

### 3. Staff Costs

	2017-18 £'000	2016-17 £'000
Wages and Salaries	4,985	5,191
Social Security Costs	528	565
Other Pension Costs	1,153	1,226
<b>Total net costs</b>	<b>6,666</b>	<b>6,982</b>

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	2017-18 £'000    £'000		2016-17 £'000    £'000	
Contracted Out Audits		1,024		1,141	
Accommodation		383		345	
National Fraud Initiative Costs		-		141	
Recruitment and training		137		171	
Consolidated Fund Standing Services (C&AG's salary)		160		163	
Office Supplies/Equipment		46		42	
Computer Services		383		377	
Travel and Subsistence		85		78	
Professional Services Bought In		103		61	
Other Indirect Costs		51		90	
Legal Fees		48		20	
Internal Auditors' Fees		18		20	
External Auditors' Fees - Audit		18		23	
External Auditor's Fees - Other		4		25	
Hospitality		2		1	
			2,462		2,698
Voluntary Exit Costs			595		564
			3,057		3,262
<b>Non- cash items</b>					
Depreciation	6,7	160		168	
Provision provided for in-year	13	-		-	
Provision not required written back	13	(1)		(1)	
Notional Costs		-		-	
			159		167
<b>Total</b>			<b>3,216</b>		<b>3,429</b>

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

- Validation of Impacts of the NIAO, £4,000 (2016-17: £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 report<sup>6</sup> in 2016-17.

The movement in the Consolidated Fund Standing Services charge (which relates to the C&AG's salary) is due to his decision part way through 2016-17 to opt out of the NICS pension scheme.

## 5. Operating Income

	2017-18 £'000	2016-17 £'000
Income from NAO	394	440
Other Audit Fees	1,818	1,854
NFI Receipts	-	167
Other Income	186	185
<b>Total</b>	<b>2,398</b>	<b>2,646</b>

<sup>6</sup> "Value for Money Study of Workforce Strategy and Planning at NIAO"

## 6. Property, plant and equipment

**2017-18**

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

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.

## 6. Property, plant and equipment cont'd.

## 2016-17

	Land £'000	Buildings £'000	Information Technology £'000	Furniture and Fittings £'000	Total £'000
<b>Cost or Valuation</b>					
At 1 April 2016	350	2,868	68	175	3,461
Additions	-	-	1	2	3
Disposals	-	-	(14)	(47)	(61)
Revaluations	-	82	3	1	86
<b>At 31 March 2017</b>	<b>350</b>	<b>2,950</b>	<b>58</b>	<b>131</b>	<b>3,489</b>
<b>Depreciation</b>					
At 1 April 2016	-	2	53	140	195
Charged in year	-	111	10	11	132
Disposals	-	-	(14)	(47)	(61)
Revaluations	-	(113)	3	1	(109)
<b>At 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>105</b>	<b>157</b>
<b>Carrying amount at 31 March 2016</b>	<b>350</b>	<b>2,866</b>	<b>15</b>	<b>35</b>	<b>3,266</b>
<b>Carrying amount at 31 March 2017</b>	<b>350</b>	<b>2,950</b>	<b>6</b>	<b>26</b>	<b>3,332</b>

All assets at 31 March 2017 were owned by the NIAO.

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

## 7. Intangible Assets

### 2017-18

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

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.



## 7. Intangible Assets cont'd.

### 2016-17

	Software Licences £'000
<b>Cost or valuation</b>	
At 1 April 2016	217
Additions	-
Disposals	(26)
Revaluations	13
<b>At 31 March 2017</b>	<b>204</b>
<b>Depreciation</b>	
At 1 April 2016	127
Charged in year	35
Disposals	(26)
Revaluations	9
<b>At 31 March 2017</b>	<b>145</b>
<b>Carrying amount at 31 March 2016</b>	<b>90</b>
<b>Carrying amount at 31 March 2017</b>	<b>59</b>

All assets at 31 March 2017 were 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 2018.

## 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

	2017-18 £'000	2016-17 £'000
<b>Amounts receivable within one year</b>		
Trade receivables	487	145
Work in progress	395	313
Prepayments	88	46
<b>Total</b>	<b>970</b>	<b>504</b>

There are no amounts receivable after more than one year.

## 11. Cash and cash equivalents

	2017-18 £'000	2016-17 £'000
Balance at 1 April	97	387
Net change in cash and cash equivalent balances	71	(290)
<b>Balance 31 March*</b>	<b>168</b>	<b>97</b>

\*The above balance is held at a commercial bank.

## 12. Trade payables and other current liabilities

	2017-18 £'000	2016-17 £'000
Amounts falling due within one year		
VAT	93	47
Trade payables	160	83
Accruals	196	164
Employee benefits accrual	174	199
Deferred income	141	-
	764	493
<b>Total excluding amounts due to the Consolidated Fund</b>	<b>764</b>	<b>493</b>
Amounts issued from the Consolidated Fund for supply but not spent at year end	161	92
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	7	4
Receivable	23	35
<b>Sub Total</b>	<b>955</b>	<b>624</b>
Other payables: capital creditor	2	2
<b>Total</b>	<b>957</b>	<b>626</b>

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

### 13. Provisions for Liabilities and Charges

	2017-18			2016-17		
	Early departure costs £'000	Other £'000	Total £'000	Early departure costs £'000	Other £'000	Total £'000
Balance at 1 April	36	-	36	56	-	56
Provided in the year	-	-	-	-	-	-
Provisions not required and written back	(1)	-	(1)	(1)	-	(1)
Provision utilised in the year	(19)	-	(19)	(19)	-	(19)
<b>Balance at 31 March</b>	<b>16</b>	<b>-</b>	<b>16</b>	<b>36</b>	<b>-</b>	<b>36</b>

### Analysis of Expected Timings

	2017-18			2016-17		
	Early departure costs £'000	Other £'000	Total £'000	Early departure costs £'000	Other £'000	Total £'000
Not later than one year	16	-	16	19	-	19
Later than one year and not later than five years	-	-	-	17	-	17
<b>Balance at 31 March</b>	<b>16</b>	<b>-</b>	<b>16</b>	<b>36</b>	<b>-</b>	<b>36</b>

### 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 Committee, Advisory Group, 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 26 June 2018.





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