

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

for the year ended 31 March 2020

Laid before the Northern Ireland Assembly under Article 8 (6)(b) of the Financial Provisions (Northern Ireland) Order 1993 by the Comptroller and Auditor General for Northern Ireland on 9th November 2020



An Agency with

Infrastructure

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1. PERFORMANCE REPORT

Chief Executive's Foreword

I am pleased to present our Annual Report and Accounts for 2019-20.

This year has seen the Agency experience unprecedented challenges, which has impacted on the delivery of many of our key operational targets and the services we provide to our customers. It has also shown the remarkable resilience and dedication of our staff that when faced with such adversity they have remained focussed on finding solutions to deliver front line services that help keep our road users safe.

An increased demand for vehicle testing in the early part of the year saw waiting times for customers lengthening and some negative media coverage as a result. Increased operating hours through Sunday opening and public holidays was having a positive effect until significant issues were identified with vehicle lifting equipment across all our MOT centres. Despite a rolling programme of inspection and repairs, on 27 January 2020, we suspended the use of all vehicle lifts and MOT testing for cars and light vehicles to protect the health and safety of staff and customers.

To manage the customer impact Temporary Exemption Certificates were introduced for a range of vehicles and revised operational policies and procedures were implemented quickly to ensure significant volumes of vehicles continued to be tested. New lifts were ordered and our recovery plan was well advanced when COVID-19 struck in mid-March, with all vehicle testing and driver testing services subsequently suspended for three months.

In the midst of these challenges it would be easy to lose sight of the Agency's many achievements and good new stories of 2019-20. Our Digital Transformation Programme continued to progress well as we transitioned from one contract to another with our new IT Strategic Partner, Fujitsu. We introduced a new on line driving licensing renewal service to include the upload of a photograph to provide a one-step application for our customers. Work has also begun on a new booking & rostering system, which will

enable our customers to book driving and vehicle tests more easily and help us to manage our staff resources more efficiently.

Development of the Commercial Licensing System has been completed to enable taxi and bus operators to set up and manage their business on line and new bespoke applications for our enforcement officers have enabled our resources to be deployed more effectively to target those operators, drivers and vehicles that present the greatest likelihood of being non-compliant.

Our organisational development programme continued and we launched our People Vision to develop and support our staff to fulfil their potential and create a progressive, collaborative and healthy working environment for all. The delivery of a Leadership Programme for managers was well received and provided some useful insight to help improve our engagement with staff.

We have also worked hard on our communications approach with our new staff magazine and establishment of Communications Drivers across our teams helping to improve internal communications. Our content on the nidirect website has been constantly reviewed and updated and this along with the enhanced use of social media has helped us to provide our customers with timely and relevant information, particularly when our services have been disrupted.

Inevitably 2019-20 will probably be remembered for all the wrong reasons and I must acknowledge and apologise to our customers for the disruption the lift issues in particular has caused. There have been many lessons learned through this experience and I am confident, DVA will emerge a stronger and more dynamic organisation as a result, with our services contributing to improved road safety for all.

A handwritten signature in black ink, reading "Jeremy Logan", enclosed within a thin black rectangular border.

23 October 2020

Chief Executive

Non-Executive Board Member Report

Without a doubt 2019-2020 has been a year of significant challenge for the Driver & Vehicle Agency.

Operational Challenges

The year began with a concerted effort and main focus of attention on MOT test waiting times with the Agency putting in place measures to meet the growing demand for vehicle tests.

Unfortunately, the Agency hit the headlines in the local media due to unprecedented waiting times with customers unable to get MOT test appointments before or on their MOT due dates. The Senior Team and Operational Directorate worked tirelessly on solutions to reduce the waiting times taking various actions to address the situation including extended and Sunday opening hours.

On the brink of reputational recovery another major issue occurred when serious damage was discovered across the network of lift operating equipment. This was a significant health and safety issue and the Agency responded with pace to ensure there was no risk to staff or customers. The Minister initiated two investigations as a result of this incident and the Agency will be keen to take on board findings with the Audit and Risk Assurance Committee taking responsibility for the oversight of the implementation of the actions.

Transformation

April 2019 saw the introduction of Fujitsu, the new strategic partner, and a focus for the early part of the year was transitioning this new partner.

A significant development during the year was the successful move of customer telephone calls from the Driver & Vehicle Test Centres to NI Direct. The call volumes to the centres have significantly reduced as a large proportion of the

calls have been resolved at the first point of contact with NI Direct.

The procurement process for the new Driver & Vehicle Test Centre and Depot has continued but with some delays. Planning permission at the Hydebank site has been granted and the concept of the new centre has been developed and shared. This is an exciting and impressive project which will transform the customer experience.

The Transformation Programme is now in its final stages and will become a business as usual activity as it enters its next phase. It has already achieved so much within the Agency, been recognised via several awards regionally and nationally, and is sharing its lessons learnt across the NICS.

Organisational Development

The programme of organisational development and organisational effectiveness continued with the development and implementation of a People Vision, Engagement Strategy and plans, including the delivery of a DVA Leadership Programme which was viewed positively by staff. Feedback and insight from staff were taken on board and this valuable critique was accepted gratefully by the Senior Management in a strive towards continuous improvement and enhanced staff engagement.

There was extensive senior management involvement, through various workshops to develop the draft structure of DVA's Target Operating Model 2021. The introduction of Communication Drivers was met with varying degrees of success, but the feedback regarding this initiative is being taken on board to review, revise and improve the objectives and how these are delivered. The implementation of the DVA only engagement survey gave greater insights into staffing views. This intelligence is vital for the Agency to build on the newly enhanced engagement levels that the implementation of the People Strategy has delivered.

Conclusion

After such a positive start to 2019-2020 it is extremely disappointing for the

DVA to end the year facing the impact of the failed testing equipment and COVID-19. However, there are lessons to be learnt and recommendations to be implemented which will see the DVA develop its operating model and continue on its journey of transformation to exceptional standards. There is a lot of uncertainty as we enter 2020-2021, including timescales to return to “normal” working, impact on budgets and cash reserves, etc. However, with a resilient workforce and strong leadership the Agency will continue to engage its proactive approach to strive for excellence. I wish to thank the Senior Team and their staff for their dedication and commitment in exercising their regulatory, enforcement and operational duties to helping ensure we have the highest standards of public safety on the roads in Northern Ireland.

Kathy Graham

Non-Executive Board Member

1.1

Overview

Introduction

This commentary sets out the Agency's main objectives, comments upon the organisational context within which we operated and provides a detailed report on performance during 2019-20.

History and Statutory Background

The Driver & Vehicle Agency (DVA) was created under the Review of Public Administration on 1 April 2007, by the merger of Driver and Vehicle Licensing NI (DVLNI) and the Driver & Vehicle Testing Agency (DVTA).

The Chief Executive is the Agency Accounting Officer and reports through the Permanent Secretary of the Department for Infrastructure to the Minister for Infrastructure. The Minister has overall political responsibility and accountability for all the Department's activities. In January 2020 Nichola Mallon MLA was appointed as Minister for Infrastructure following a period without a Government.

Vision

The Agency's vision is '**Safer Drivers, Safer Vehicles**'.

Mission Statement

The mission of DVA is "To contribute to road safety, law enforcement and a cleaner environment by promoting compliance of drivers, vehicles and transport operators through testing, licensing, enforcement and education."

Programme for Government

The Programme for Government framework is the anchor document for all Departmental Plans. It contains 12 outcomes and DVA makes a positive contribution to a number of these.

Strategic Objectives

The Agency's strategic objectives are to:

- improve compliance with statutory requirements;
- improve the quality, integrity and security of our records;
- deliver quality services to meet the needs of customers and other stakeholders;
- apply appropriate quality standards to all current and new processes;
- improve our efficiency, effectiveness and economy; and
- develop the organisation and our people.

Values

The Agency values describe how we behave and treat each other, and how we treat our customers and stakeholders. Our values are:

- Integrity – putting the obligations of public service above personal interests;
- Honesty – being truthful and open;
- Objectivity – basing advice and decisions on rigorous analysis of the evidence;
- Impartiality – acting solely according to the merits of the case and serving equally well governments of different political persuasions;
- Valuing people - leading and empowering, listening and responding, recognising success; and
- Excellence – a focus on customer service, inspiring creativity and innovation, striving for excellence.

What We Do

DVA is responsible for:

- driver and vehicle testing;
- driver licensing – issuing and, where appropriate, withdrawing licences in respect of drivers of cars, motorcycles, lorries, buses, etc.;
- Driver Certificate of Professional Competence (DCPC) and taxi

periodic training - assessing the suitability of applicants, checking tuition standards and taking appropriate action when training providers are identified as non-compliant;

- driving and motorcycle instructor registration - assessing the suitability of applicants, checking tuition standards, the delivery of Compulsory Basic Training and taking appropriate action when instructors fail to meet required standards;
- passenger transport licensing – issuing and, where appropriate, withdrawing licences in respect of bus and taxi operators and taxi drivers, and licensing public service vehicles for both the bus and taxi industries;
- compliance audits and enforcement of licensing, roadworthiness and other legal requirements for goods and passenger carrying operators and their vehicles;
- other requirements in relation to vehicles including Transports Internationaux Routiers checks, collision investigations and checking repair work following the issue of Defect /Prohibition Notices; and
- technical vehicle and driver standards – ensuring DVA fulfils its legal obligations in respect of the provision of statutory vehicle and driver tests, providing technical advice to Safe and Accessible Travel to assist in the development of legislation, reviewing legislative changes that may affect the vehicle and driving testing environment, and developing and implementing appropriate standards.

Risk

We have a risk management policy in place which sets out our approach to risk management, including: risk appetite; the hierarchy for managing risks; the risk identification and escalation process; and the roles and responsibilities of the various levels of management. This approach allowed risks to be identified and managed at all levels and to be escalated as appropriate.

The key risk that affected our ability to deliver on our key objectives was in relation to Health & Safety and led to the significant issue of the suspension of

testing services in January 2020.

The other key risk that could have affected our ability to deliver on our key objectives was in relation to the Transformation Programme, where implementation of the programme within target timescales is highly dependent on the performance of third parties and ensuring sufficient internal resources are allocated. Effective mitigation strategies are in place for this risk.

More detail on Risk Management, the Control Framework and risks is outlined in the Corporate Governance Report on page 52.

Going Concern

The Agency has sought and been granted some additional funding from the parent department (The Department for Infrastructure), and has also developed detailed forward planning scenarios, over the next 5 financial years, on the basis of the gradual resumption of services in the 2020-21 year. There is a projected loss in the 2020-21 year, however there would be a return to break even in the 2021-22 year based on full capacity. Due to the opening cash reserves position of £38m on 1 April 2020 and the additional funding from the parent department it is predicted that the agency will have adequate cash over the coming 12 month period. On this basis, the Accounting Officer has concluded that there is a reasonable expectation that the Driver and Vehicle Agency has adequate resources to continue in operational existence for the foreseeable future. The Driver and Vehicle Agency therefore continues to adopt the going-concern basis in preparing its financial statements.

Overview of Performance

In broad terms, we met 3 of our 9 Key Performance targets.

More detail on performance is provided in the following pages, including detailed explanations on the targets not fully achieved.

1.2

Performance Analysis

Our performance has been measured against the key targets in the 2019-20 Scorecard.

We have used the Balanced Scorecard approach to help us develop our key targets and to enable the Agency's Strategic Management Board (SMB) and managers at all levels to monitor performance against these targets on an ongoing basis. Each Director monitors his/her own Directorate's performance on a monthly basis via business meetings with senior managers. The SMB also reviews key targets contained in a dashboard on a quarterly basis.

As detailed in the Accountability Report, we have outlined how one of our key risks affected our ability to deliver on our key objectives and targets.

Overall, we met 3 of our 9 Key Performance targets during 2019-20, with significant progress and work delivered against those targets not fully achieved.

These targets, together with details of how we performed in relation to each, are set out on page 14.

Sustainability Report

We recognise the importance of having sustainability at the core of our business, not only because of the direct cost savings that can be achieved but as evidence of leading by example.

As we progress our Business Transformation Programme we will seek to improve the efficiency of our Test Centres, thereby ensuring our energy footprint is as light as possible.

1.3

Performance against Key Targets and Associated Objectives

We have achieved 3 of our 9 targets, detailed explanations on the targets not fully achieved is included at Section 1.4 on pages 19 to 21.

Target Number	Performance Target 2019-20	Result Achieved/Not Achieved
1	To achieve at least 8 of the 10 of the Compliance and Enforcement performance targets	<u>ACHIEVED</u>
	To conduct at least 1,800 vehicle inspections on HGV units (tractor or trailer)	Achieved
	To carry out at least 5,000 operator and vehicle licensing checks on goods vehicles at the roadside using tablet devices	Achieved
	To conduct at least 600 vehicle inspections on buses	Not Achieved
	To carry out at least 500 operator and vehicle licensing checks on buses at the roadside using tablet devices	Achieved
	To conduct at least 1,500 vehicle inspections on taxis	Achieved
	To carry out at least 2,000 operator and vehicle licensing checks on taxis at the roadside using tablet devices	Achieved
	To conduct at least 400 vehicle inspections on private cars	Achieved
	To conduct at least 1,000 MOT checks on cars at the roadside using tablet devices	Achieved
	To carry out a minimum of 25 multi-agency operations to improve road safety and compliance with statutory requirements	Achieved
	To complete 90% of bus operator compliance inspections requested by PTLD within agreed timescales	Achieved

Target Number	Performance Target 2019-20	Result Achieved/Not Achieved
2	Compliance with EU testing directives and regulations	<u>NOT ACHIEVED</u>
	Conduct over one million annual roadworthiness vehicle tests	Not Achieved
	Conduct driver tests in compliance with EU Directives (estimated to be over 120,000)	Achieved
	Regulate the instructor industry by conducting a Check Test on all ADI/AMIs once every four years to ensure they are compliant with legislative requirements and conditions of registration	Achieved

Target Number	Performance Target 2019-20	Result Achieved/Not Achieved
3	To provide fast, easy and secure digital services	<u>NOT ACHIEVED</u>
	Compliance systems: Complete development of and implement both the roadside the back office applications.	Achieved
	Commercial Licensing: Complete development of and implement taxi and bus operator licensing system.	Not Achieved
	Driving Examiners Digital Solution: Complete development and full implementation of Phase 2 of the Driving Examiner Digital Solution.	Achieved
	Booking & Rostering: Develop a plan for delivering the Booking & Rostering application and progress development in accordance with the agreed plan.	Achieved
	Transition: Complete migration of IT infrastructure from NI Direct platform to IT Assist, including the migration of applications to the new Strategic Partner.	Achieved
	Future Development: Develop a draft 3-year Digital Strategy for approval by SMB and draft Digital Plan for 2020-21 subject to funding being acquired.	Achieved
4	Provide modern infrastructure	<u>NOT ACHIEVED</u>
	Secure approval to progress to ITT stage for Hydebank project.	Achieved
	Secure approval to award IST contract.	Not Achieved

Target Number	Performance Target 2019-20	Result Achieved/Not Achieved
5	To achieve at least 5 of the 7 customer service targets	<u>NOT ACHIEVED</u>
	Process 95% of completed paper driver licence applications within 10 working days	Not Achieved
	Process 95% of completed online driver licence applications within 5 working days	Achieved
	Appoint 92% of practical driving test applications within 28 days or, on request, at a later date	Not Achieved
	Appoint 92% of vehicle test applications within 21 days or, on request, at a later date	Not Achieved
	Reply to 97% of complaints within 10 working days	Achieved
	Dispatch 95% of taxi plates within 5 working days of receipt of all documentation	Achieved
	Dispatch 95% of taxi driver licences within 10 working days of receipt of all documentation	Achieved
6	To advance the Customer Contact Project	<u>ACHIEVED</u>
	To conduct research into the reasons why citizens call DVA. To have calls to all test centres handled initially by NI Direct. To conduct an interim review of performance.	Achieved Achieved Achieved
7	To retain ISO 9001:2015 accreditation	<u>ACHIEVED</u>

Target Number	Performance Target 2019-20	Result Achieved/Not Achieved
8	To manage the Agency efficiently and effectively within a strong corporate governance framework	<u>NOT ACHIEVED</u>
	Achieve break even taking one year with another ⁽¹⁾	Achieved
	Generate a return on capital employed greater than 3.50%.	Not Achieved

⁽¹⁾ For the 2019-20 year the Agency reported a deficit position of £2.15m. Taking this deficit with the re-stated surplus position from 2018-19 of £5.45m, the Agency has achieved the breakeven target.

Target Number	Performance Target 2019-20	Result Achieved/Not Achieved
9	To improve staff engagement levels	<u>NOT ACHIEVED</u>
	Create a People Vision and supporting implementation plan	Achieved
	Design and deliver a bespoke leadership programme for all DVA management grades	Achieved
	Deliver Staff Conference	Not Achieved
	Design and drive local engagement initiatives supported through Comms Drivers	Achieved

1.4

Explanations for Key Targets not fully achieved

Target 2 - Compliance with EU testing directives and regulations

While all tests were conducted in compliance with EU testing directives and regulations, increases of almost 5% in full test applications together with limited capacity at test centres and the suspension of vehicle testing from late January onwards as a result of health and safety concerns following the failure of lift equipment, meant that the target was narrowly missed by 0.07% with 999,320 vehicle tests conducted.

Target 3 - To provide fast, easy and secure digital services

During 2019-20 extensive work was completed to ensure several of the newly developed Apps went live, including Compliance System and Phase 2 of Driving Examiners Digital Solution, in addition the migration of the IT Infrastructure from NI Direct platform to IT Assist was completed.

The Commercial Licensing system was scheduled to go-live in March 2020 and all development and testing had been completed. However, as there is a need for a one-off face to face identity assurance before users can access the new system, it was decided to postpone the go-live date with the emergence of COVID-19.

Target 4 - Provide modern infrastructure

The approval to progress the Infrastructure Project to ITT stage for Hydebank was approved. However approval to award the IST contract was not completed by 31 March 2020, the ITT evaluation was completed by 8 April 2020, just outside the target, due to necessary delays to introduce new best-practice changes to the evaluation processes. Approval to award the contract has been impacted by COVID-19.

Target 5 – To achieve at least 5 of the 7 customer service targets

Process 95% of completed paper driver licence applications within 10 working days and process 95% of completed online driver licence applications within 5 working days.

For 2019-20, the DVA has split its driver-licensing target into two categories: online applications and paper applications. For online applications, performance was 98.0% processed within 5 days; whilst for paper applications, performance was 75.5% processed within 10 days, both against a target of 95%.

The achievement of the target in relation to online applications at 98% demonstrates the benefits for customers in using the online service as opposed to submitting a paper application.

While volumes of applications decreased when compared to volumes for previous years, the decrease was not to the level expected and this along with the demands of the Transformation Programme resulted in the target in relation to paper applications not being achieved.

Appoint 92% of practical driving test applications within 28 days or, on request, at a later date

Further investment in the driving examiner digital system (DEDS) and being unable to run a planned recruitment exercise for new examiners impacted on the target not being met with 77.44% of practical driving tests appointed within 28 days or, on request, at a later date.

Appoint 92% of vehicle test applications within 21 days or, on request, at a later date

Increases of almost 5% in full test applications together with limited capacity at our centres and the suspension of vehicle testing from late January onwards due to Health and Safety reasons, meant that vehicle test targets were not met with 70.65% of vehicle test applications appointed within 21 days or, on request, at a later date.

Target 8 – To manage the Agency efficiently and effectively within a strong corporate governance framework

As a result of the suspension of MOT services, COVID-19 and the requirement to account for a significant holiday pay provision and accrual, the Agency has reported a trading deficit for the 2019-20 year of almost £2.15m.

The Agency is required to breakeven taking one year with another. Taking the 2019-20 deficit position with the re-stated surplus position from 2018-19 of £5.45m, the Agency has achieved the breakeven target.

However, the target to generate a return on capital employed greater than 3.5% was not achieved due to the 2019-20 deficit position. Note 19 to the Accounts on page 118 outlines the result of -0.97% for the year.

Target 9 – To improve Staff Engagement levels

During 2019 we carried out significant work on staff engagement and communication, following our Employee Survey of 2018, which achieved a 50% Employee Engagement Index (EEI). This work included the establishment of 30 Communication Drivers across the Agency to drive communication within their respective areas.

In addition, we published 3 editions of our internal staff newsletter – Connections – which has been well received by staff. Another noteworthy initiative was the internal development and delivery of a bespoke 1-day Leadership workshop, delivered to managers across the Agency. A number of short workshops on ‘Managing Change’ were also delivered to Business Areas, upon request.

Unfortunately we were unable to achieve one of the 4 key activities, which was to deliver a staff conference by 31 March 2020.

Whilst not recorded in the scorecard, engagement levels were measured using a short survey and the scores went down marginally on the previous year’s level. Directors have been provided with some statistical data and analysis of the survey findings in respect of their own Business Areas and will continue to work to improve engagement scores over the coming period as part of our People Strategy.

Driver Licensing

During 2019-20 a total of 259,952 driving licences (ordinary and vocational) were issued. This fall of 4.5% of licences issued, reflects, as expected, the end of the period of peak renewals, when following the transition from three to ten year duration licences in the 1980's, there is a peak in renewal volumes as those ten year licences become due for renewal. Volumes should stabilise until the next peak renewal period. The introduction of the online renewal service to include the upload of a photo will ease pressures in future peak renewal years.

In May 2019, the division launched the ability to upload a photograph with the Renew a Driving Licence online service. This change meant that drivers could complete a one-step application to renew a driving licence online which has improved the customer experience and the efficiency of the service. In the 2019-20 year the Division processed 2,262 applications to renew a driving licence that had been submitted online.

The Division continued to work closely with colleagues in DfI's Safe & Accessible Travel Division on changes to policy and legislation.

Driver Testing

We delivered 55,443 driving tests, marking a decrease on the previous year (57,946).

In 2019-20 we extended the digital marking system used by Driving Examiners for car tests, so that it can now be used for additional categories of driving test, including category C heavy goods vehicles. This replaces the paper based driver test marking system with digital tablets that Driving Examiners use during the driving test to input the assessment information. Drivers sitting their car or lorry driving test now receive their assessment and test results by email. Test pass results are also sent electronically to the DVA Driving Licence system, and if appropriate, a licence is issued automatically.

Vehicle Testing

We provided 999,320 vehicle tests across all vehicle testing categories, marking a decrease of 8.3% on last year's record high.

The decrease in vehicle tests conducted during 2019-20 was as a direct result of the failure of the lift equipment at the end of January 2020, which resulted in the suspension of testing on the grounds of health and safety, and the cancellation of the vast majority of private car testing and the issue of Certificates of Temporary Exemption.

Passenger Transport Licensing

We continued to develop the skills and knowledge of the Team to ensure the delivery of a timely and quality service to the bus and taxi industries. Throughout the year all service delivery targets were met.

We have continued to work closely with compliance and enforcement colleagues to better regulate the bus and taxi industries through more focused and proactive regulation. This year the enforcement referral process was extended to include taxi driver conduct cases in circumstances where a fixed penalty notice was issued or a conviction secured.

Development of the Commercial Licensing System (CLS) has been completed, although the decision was taken to delay go live due to the impact of COVID-19. A number of stakeholder engagement sessions were held during the year with the taxi and bus industries to provide assistance to existing licence holders in setting up their account to use the new system when it becomes available. A number of digital assistance options have also been planned to provide support to the industries both in advance of go live and afterwards to ensure whatever assistance is required is provided. The new system, when available, will provide the industries with a number of benefits.

Compliance and Enforcement

As part of our on-going digital transformation, we developed a range of new digital services and made them available to enforcement officers at the roadside. This included the roll out of Operator Compliance Risk Scoring (OCRS) which calculates the risk an operator poses for failing to follow the rules in respect of roadworthiness (the condition of the vehicle) and traffic infringements, e.g. drivers' hours, and vehicle weight checks. A high OCRS score means that it is more likely that an operator's vehicle will be stopped and inspected.

We also developed new software to enable enforcement officers to remotely access previous roadside encounter information relating to vehicles, view intelligence reports and enable the printing of electronic documents, including Roadside Inspection Reports, Prohibition and Defect Notices. Further software was also developed to enable electronic prosecution cases to be compiled for transmission to the Public Prosecution Service.

The use of this new technology enabled our resources to be deployed more effectively whilst assisting enforcement officers to target those operators, drivers and vehicles that presented the greatest likelihood of being non-compliant. As a result, various detections were made resulting in the impounding of unlicensed goods vehicles, the seizure of unlicensed taxis, issue of fixed penalties and in the most serious cases, referral of evidence to the Public Prosecution Service.

Throughout the year we continued to work collaboratively with other enforcement bodies, such as PSNI and HMRC, to enable a full range of enforcement powers to be applied to deliver successful enforcement outcomes. We also planned and delivered a number of co-ordinated cross border operations in conjunction with the Road Safety Authority (RSA) in Ireland and the Driver and Vehicle Standards Agency (DVSA) in Great Britain to check compliance of goods vehicles and buses travelling throughout the British Isles.

Numerous compliance audits were conducted at licensed goods and bus

transport operator premises at the request of the Transport Regulation Unit (TRU) and Passenger Transport Licensing Division (PTLD). Outcomes of each inspection were reported within agreed timescales to ensure effective regulation by the relevant licensing authority.

Business Transformation

We continued to progress the three strands of the Transformation Programme during the year.

Digital Transformation

A new driver licensing system went live in 2016, and this was supplemented by online services for the public in early 2018. The system has been further improved this year with customers now having the ability to upload digital photographs. The digital solution for the delivery of driving tests using tablet devices was expanded to include lorries, and 90% of all driving tests are now being conducted electronically; this system also automatically links to the Driver Licensing System to notify successful tests and trigger the automatic production of driving licences. The system to automate commercial and taxi licence issue is complete and is awaiting go-live – this will include the facility for taxi and bus operators to manage their own licensing online. The digital system to support Compliance officers was completed, therefore roadside encounters and their corresponding casework are now fully automated. Development work has also begun on a new Booking & Rostering system which will allow customers and stakeholders to book tests online more easily and allow DVA to efficiently manage the rostering of the required staff resources.

In March 2019 DVA let a contract to work with a new strategic partner (Fujitsu) for the supply of ICT development and support services for the next 7-10 years, and at the same time moved its applications to the NICS IT Assist support platform; this was a significant piece of work which was completed to timescale in October 2019. Work continued on the development of a corporate information source which will improve the Agency's reporting capability and the analysis and marketing of the Agency's data.

Infrastructure

The aim of the DVA Test Centres Project is to deliver a new network of driver and vehicle test centres, including a new DVA depot at Hydebank. In the past year planning permission for Hydebank was approved and work progressed on a procurement exercise to appoint a construction contractor. DVA also purchased three new test centre sites and progressed negotiations on several more. A new testing equipment provider (Worldwide Environmental Products) was appointed and has been working with DVA on the design of equipment, provision of a pilot test lane and integration with DVA's new and existing ICT systems.

Organisational Development

The Organisational Development strand of the Programme has been developed to support staff through Transformation and create a framework upon which to build in the coming years. We made progress by developing a draft Target Operating Model to ensure DVA has the right organisational design for its business moving forward and bespoke Change Management workshops were rolled out to several teams impacted by Transformation. We also saw the delivery of a leadership programme across all DVA management grades and the implementation of new Communications Driver roles to improve communications across the organisation. A bespoke staff survey for DVA was completed and a coaching hub was developed between the Infrastructure and Communities departments.

Customer Service

We currently hold the European Foundation for Quality Management (EFQM) Gold Star Service Excellence Role Model award, which demonstrates the very high level of customer service that our staff, across the Agency, delivered on a daily basis.

Significant work was also undertaken on DVA's customer contact strategy. During this year we reorganised our call handling service, which is now provided by a central team through NI Direct. NI Direct is now the first contact for all calls to DVA test centres and they are resolving over 70% of calls at the first point of contact, thereby reducing the number of calls to test

centres. In addition, test reminder and notification letters have been redesigned - to make them clearer and easier to follow and to encourage customers to use the online facilities.

This has worked well and we will continue to refine and develop this service for the benefit of our customers.

Communications

We have a dedicated Communication and Engagement team, which works to ensure that internal and external communication is as effective as possible.

The team has grown in the past year to reflect the importance that the Agency places on good communications and engagement, and its work has helped raise the profile and value of good communication across the Agency.

As well as providing professional communication support and advice on a range of key projects, the team has progressed a range of internal communication and engagement efforts, including: the production of a quarterly Transformation newsletter, the production of a staff magazine, and has carried out a number of staff surveys. The team also played a key role in establishing a new Communication Drivers group to improve internal communication.

Another key role has been managing external communication via the NI Direct website, and this has been particularly important at the end of the reporting year, due to the suspension of testing as a result of both lift failures and then the COVID-19 crisis.

External Recognition

Aside from the attainment of the EFQM standard for customer service, we have also transitioned to the new ISO 9001:2015 standard in driver and vehicle testing, against which we were assessed as being fully conformant.

In November 2019 three of our staff members won their category at the NICS Awards: categories were for Customer Service, Digital Services and the

Inspirational Leadership award.

National Statistics

Many of the key business volumes reported in the our Annual Report and Accounts were sourced from DfI National Statistics published on 27 May 2020, in ‘DfI Driver, Vehicle, Operator and Enforcement Statistics Quarter 4 2019-2020’, which is available on the Department’s website at:

[DfI Driver, Vehicle, Operator, and Enforcement Statistics - 2019-20 - Quarter 4](#)

Impact of COVID-19

Since lockdown commenced on 23 March 2020, the Agency has introduced special measures to ensure it followed Public Health Agency and Cabinet Office guidance aimed at preventing and slowing the spread of coronavirus.

COVID-19 has resulted in the suspension of all driver and vehicle testing services. A process has been put in place for the issuing of Temporary Exemption Certificates to vehicles to ensure that they can be taxed and insured to remain on the road.

COVID-19 also resulted in the suspension of some driver licensing services apart from the online renewal of an ordinary driving licence.

Passenger Transport Licensing has continued to operate during the COVID-19 crisis, although a number of operational changes have been implemented to assist the taxi and bus industries during the pandemic.

Despite transport enforcement being defined an essential service, the impact of COVID-19 meant that new operational procedures had to be drawn up, risk assessed and approved before officers could be safely redeployed on enforcement duty. Roadside operational activities were therefore considerably constrained with more emphasis placed on targeting vehicles that appeared to be operating in a dangerous and unsafe condition. The renewed enforcement focus involved working more closely with the Northern

Ireland Transport Regulator as well as requesting documents from transport operators to enable new back office operator compliance checks to be completed.

COVID-19 has also resulted in the CLS project go-live being deferred as the on-boarding process would have required customers to come into offices. Progress on the existing ICT project, Booking & Rostering, has been maintained using a quickly established virtual environment that project teams can access remotely and yet collaboratively.

Drafting a recovery plan for services is underway. New risks on the financial viability of the Trading Fund and on the resilience of the Agency to deal with a major event such as COVID-19 have been included in the Agency Risk Register along with actions to mitigate the risks. The future financial position of the Agency is being monitored closely.

BREXIT

Brexit has had minimal impact on the delivery of services provided by the Agency during 2019-20. Work is continuing in preparation for the legislative impact of the UK leaving the EU on 31 December 2020 on the transport industry. We have been working closely with the Department in preparing draft legislation and scoping and defining policy changes which are necessary to make an effective transition. The magnitude of the changes necessary will pose a significant challenge not only to policy makers and legislators, but also to operational staff as they seek to understand and adapt to the enforcement of a vastly different set of rules. COVID-19 has made significant demands on policy resources in order to deal with an unprecedented range of relaxations of current road transport rules and this in turn has impacted on the progress of Brexit preparations. In the shorter term, work continues on preparation for the introduction of the EU Mobility Package in July 2020 which seeks to modernise road transport and improve the welfare of truck and bus drivers, through a widespread revisions to existing EU Road Transport legislation.

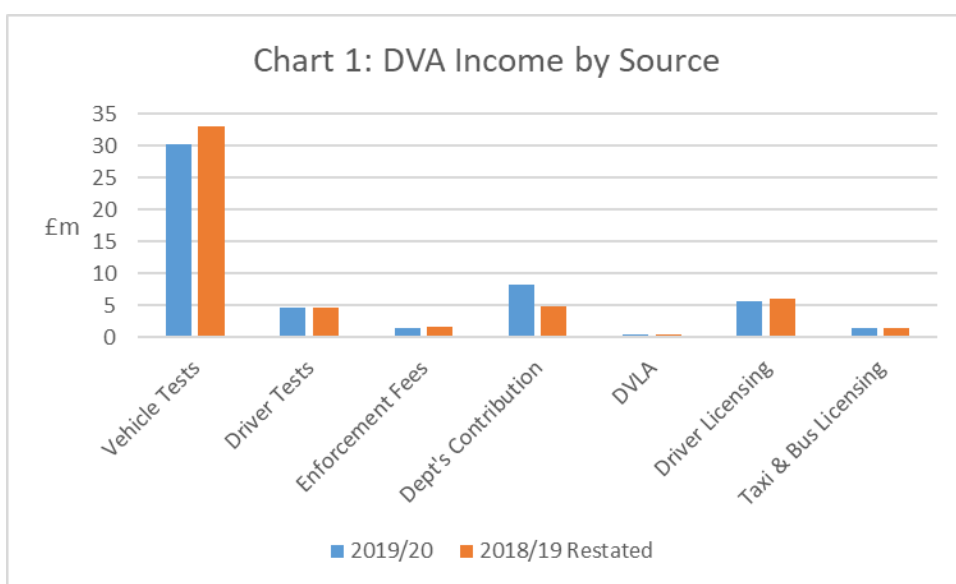
1.6 Financial Performance

Operating deficit

The Agency made a loss for the year of £2.1m compared with a surplus of £5.5m in the previous year. This is due to a number of factors, for example, a backdated holiday pay provision for some staff, costs of replacing IT systems, increase in employer pension contributions, overtime in relation to a backlog of MOT tests and compensation due to cancelled MOTs.

Income

DVA received income of £52.5m during the year, similar to the previous year's income of £52.7m. However within this figure there was a decrease of £2.7m in vehicle test fees primarily due to the lifts in the MOT centres being out of action for over 2 months of the year and also due to COVID-19 in the last 2 weeks of March. This is offset by an increase in the resource subsidy from the Department for Infrastructure of £3.2m for Licensing and Enforcement functions to cover various items of expenditure, the main one being the increase in employer pension contributions. A breakdown of income received across our business areas in the current and previous financial year is shown in Note 3 to the accounts and in Chart 1 below.



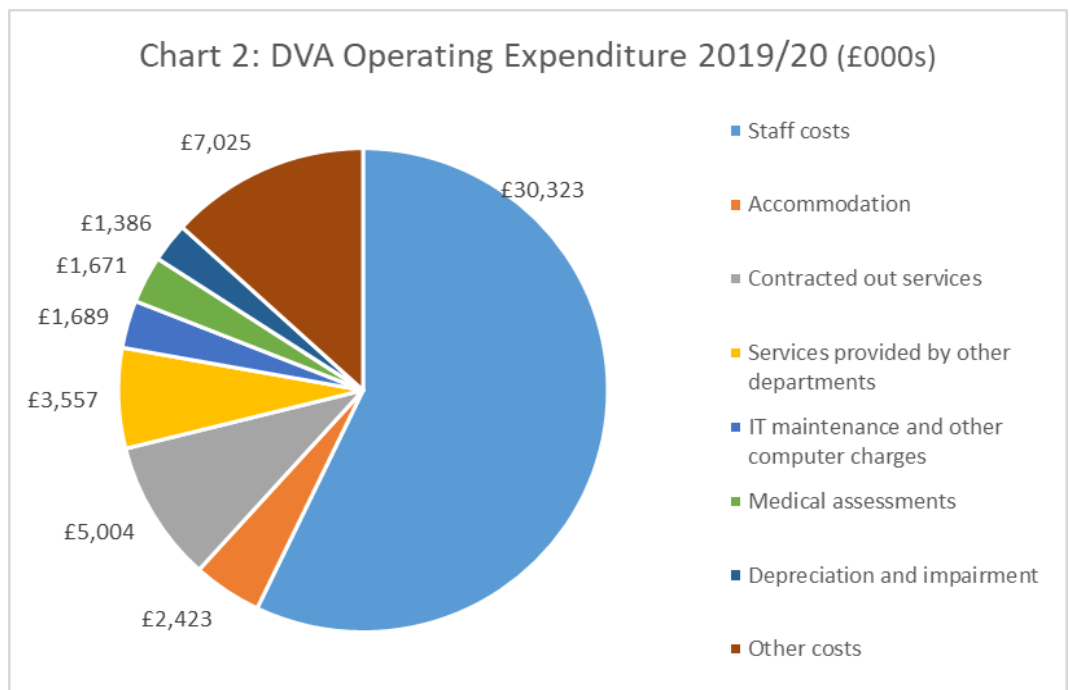
Expenditure

Total operating expenditure during the year was £53m, an increase of 16% compared with the previous year's expenditure of £45.5m. Staff costs have increased by approximately £2.8m mainly due to an increase in employer pension contribution rates and also an increase in overtime and temporary staff costs due to pressures on testing waiting times.

Other operating costs have increased by £4.8m from £18m in 2018-19 to £22.8m in 2019-20. This is due to a number of factors e.g. costs of replacing IT systems, compensation paid in relation to cancelled MOT tests and a backdated holiday pay provision.

A detailed breakdown of operating expenditure is shown in Notes 4 and 5 to the accounts.

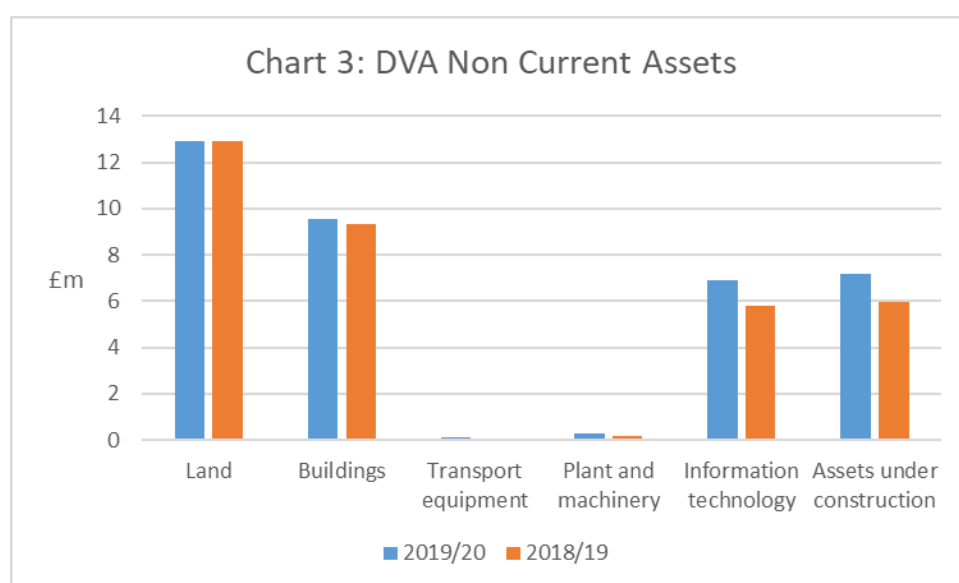
Chart 2 shows the split of 2019-20 total operating costs by key expenditure types.



Non-Current Assets

The Agency's non-current asset book value increased from £34.2m at the end of the previous financial year to £37m this year due primarily to the continued development of new IT systems. The Agency does not believe that there is any material difference between the market and book value of its property, plant and equipment and intangible assets. Movements in property, plant and equipment and intangible assets are disclosed in notes 7 and 8.

The non-current asset breakdown is shown in Chart 3.



Key Corporate Financial Targets

DVA is required to break even after interest and dividends taking one year with another. For the 2019-20 year the Agency reported a deficit position of £2.15m. Taking this deficit with the re-stated surplus position from 2018-19 of £5.45m, the Agency has achieved the breakeven target.

We are also required to achieve a return of at least 3.5% per year on capital employed, calculated by expressing the operating surplus on ordinary activities as a percentage of average net assets employed. Due to the deficit position for the year a return of -0.97% was achieved compared with 15.05% for 2018-19.

Partnerships

We continued to build on the working relationships already established as well as establishing some new partnerships with our private sector partners for the delivery of services. These include:

- Maha Ireland Ltd for the maintenance of existing vehicle test equipment;
- Worldwide Environmental Products for the supply, installation and maintenance of new vehicle testing equipment;
- Pearson VUE for the delivery of the theory test service;
- British Telecom, through the NI Direct contract, to handle a large proportion of our customer telephone calls;
- Fujitsu as an ICT Strategic Partner for the next 7 – 10 years;
- CIECA – The International Commission for Driver Testing;
- CITA – The International Motor Vehicle Inspection Committee;
- Capita Managed IT Solutions for the provision of booking systems, including telephone and internet booking services, and IT services in support of vehicle testing;
- The Joint Approvals Unit for Periodic Training for the administration, approval and quality assurance of training providers for the Driver Certificate of Professional Competence; and
- Capita Property and Infrastructure for the design and delivery of a new test centre and Depot at Hydebank.

Long Term Expenditure Trends

DVA operates as a Trading Fund under the provisions of the Driver & Vehicle Agency Trading Fund (Northern Ireland) Order 2016. This means that all expenditure must be recovered from the fees charged to customers or centrally funded by the Department to match the costs incurred for defined activities. As a Trading Fund, the Agency is able to increase its expenditure in response to increases in demand and, conversely, is expected to reduce its expenditure in response to falling demand. The Agency plans on the basis that revenue should cover its outgoings.

We are currently working through a major Transformation Programme that will introduce new online services and build a new test centre and depot at Hydebank. The Programme aims to deliver efficiencies and improved customer experience.

The following chart shows the fees and charges income (excluding subsidies received from the parent Department) and operating expenditure trends over the last three years.

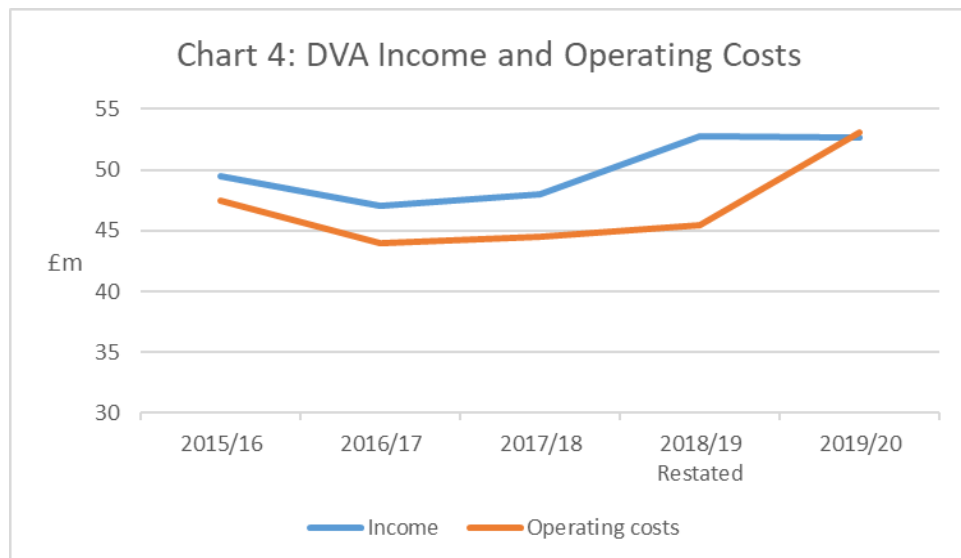
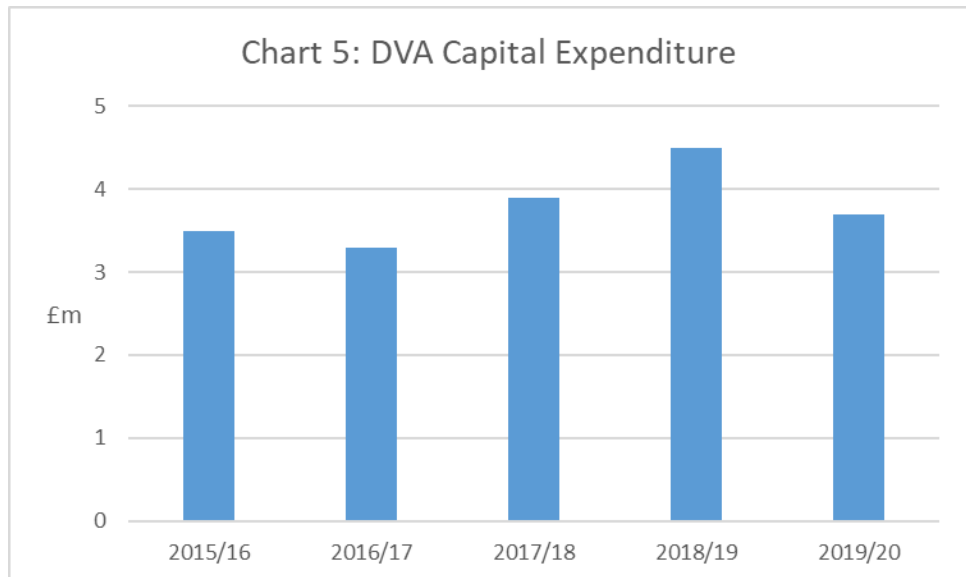


Chart 5 below shows the capital expenditure trends over the last four years. Expenditure in the current financial year is primarily due to expenditure on the development of new IT systems. The 2017-18 figures excludes land sites worth over £3.7m transferred in from the Department during that year.



Jeremy Logan

Chief Executive and Agency Accounting Officer

23 October 2020

ACCOUNTABILITY REPORT

2.1 Corporate Governance Report

Directors' Report

Unlike most years, the end of the 2019/2020 reporting year looked very different from how it began. We started the year working to address increased waiting times for vehicle testing and we ended the year with the suspension of vehicle testing and the unprecedented COVID-19 outbreak being declared a public health emergency and a global pandemic.

In January, we welcomed our new Minister, Nichola Mallon MLA. The Minister has overall political responsibility and accountability for all the Department's activities, including the activities of the Agency.

The Permanent Secretary is the Minister's principal adviser on all aspects of the Department's responsibilities as well as the Accounting Officer for all departmental expenditure. Katrina Godfrey held this position during 2019-20.

Strategic Management Board (SMB)

Agency performance is managed and monitored by the SMB, which met regularly and was responsible for the overall direction and management of the Agency's business. As civil servants, the remuneration of members of the SMB was determined by the normal Northern Ireland Civil Service (NICS) pay arrangements. See the Remuneration and Staff Report on page 62.

Members of the SMB for the period of the accounts were:

Paul Duffy	Chief Executive and Agency Accounting Officer
Mike Beare	Director of Transformation
Pat Delaney	Director of Operations
Denise Black	Director of Organisational Development
Jeremy Logan	Acting Director of Compliance and Enforcement
Siobhan Lynn	Head of Financial Management & Governance

Paul Duffy left his post as Chief Executive after the reporting period on 24 April 2020 and I, Jeremy Logan was appointed as Acting Chief Executive on 27 April 2020. I have since been permanently appointed as Chief Executive on 12th October 2020.

In addition to the Agency Directors who are members of SMB, Kathy Graham also sat on SMB as a Non – Executive Board member.

Directors' Interests

There were no company directorships or other significant interests held by Board members which conflicted with their management responsibilities.

Scope of Accounts

The Agency's accounts have been prepared under a direction issued by the Department of Finance (DoF) in accordance with Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993.

Financial Instruments

In accordance with International Financial Reporting Standard 7 - "Financial Instruments: Disclosures", details of the impact of financial instruments on the Agency's risk profile are disclosed at Note 21 of the accounts on page 118.

Audit

The financial statements were audited by the Comptroller & Auditor General for Northern Ireland (C&AG) in accordance with the Financial Provisions (Northern Ireland) Order 1993. As Head of the Northern Ireland Audit Office, he and his staff were wholly independent of the Agency, and he reports his findings to the Northern Ireland Assembly.

The audit of the financial statements for 2019-20 resulted in a fee of £23,200 (2018-19: £23,400). No remuneration was paid to the external auditor for non-audit work.

As far as I am aware, there is no relevant information which has not been made available to the auditor. I have taken all steps necessary to make myself aware of any relevant information and to ensure that the Agency's auditor is aware of that information.

I am also satisfied that the Annual Report and Accounts as a whole, are fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the personal judgements required for determining that they are fair, balanced and understandable.

Pension Liabilities

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are therefore not reflected in these accounts. Details of the scheme are included within the Remuneration and Staff Report which starts on page 62.

Payments to Suppliers

The Agency is committed to the prompt payment of bills for goods and services received, in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, the Late Payment of Commercial Debts Regulations 2002 and British Standard 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is the later. In November 2008 the Northern Ireland Executive introduced a proposal that payments be made within 10 days to help local businesses in the current economic climate.

During the year to 31 March 2020, DVA paid 97.5% of the 7,117 invoices (2018-19: 98.4% of the 6,688 invoices) received within 30 days and 93.7% (2018-19: 95.8%) within 10 days.

Corporate Social Responsibility

The Agency continued to support the NHS Blood and Transplant Service by including leaflets with provisional licences, encouraging people to drive safely

and to donate blood.

Complaints and Compliments

Our complaints response target is a very challenging ‘97% of complaints to be replied to within 10 working days’. During the year from 1 April 2019 to 31 March 2020 we dealt with 473 complaints and received 91 compliments. We responded to 97.46% of complaints within the target.

The complaints process is managed by our Customer Services team, which produces an annual complaints report containing statistics, analysis, any trends arising, and any lessons learned that may improve our procedures or the customer experience. This report is made available on the DfI website.

Our performance against target in the last 3 years is illustrated below:

YEAR	COMPLAINTS	PERFORMANCE AGAINST TARGET
2019-20	473	97.46 %
2018-19	305	97.7 %
2017-18	329	98.5 %

Future Developments and Trends

Business Transformation

The Transformation Programme will continue the modernisation of DVA property and services. The Booking & Rostering system is the one major digital project still to be completed. In addition, there is a planned programme of work to further exploit DVA’s investment in digital technology, and a list of work-packages has been identified for 2020 and beyond which will further improve customer services, enable staff to work smarter and provide additional value for money. The new strategic digital partner will support DVA with the ongoing development of new systems and ways of working.

The focus of the infrastructure project will be the appointment of an

Integrated Supply Team to take forward the Hydebanks build programme. The other strands of the work will also be progressed, including the equipment implementation project, people and ICT strategies and the financial and communication approaches to the project. Plans will also be developed for new test centre sites, subject to Ministerial approval.

The outputs from the people survey and the internal DVA Engagement Survey will shape the areas of focus for the People strand in 2020. The DVA target operating model will continue to be developed, along with work on the impact of the new Booking & Rostering system in relation to staff roles. The customer contact work will continue - to further refine the resolution of calls to the Agency but with the ultimate aim of encouraging customers to use online facilities as much as possible.

Graduated Driver Licensing

The Road Traffic Act 2016 received Royal Assent on 19 March 2016 and included a package of measures to reform the learner and restricted driver schemes and to introduce Graduated Driver Licensing (GDL). A public consultation on GDL and changes to the practical driving test issued in November 2017, and closed in January 2018. The Department's proposals were well received and raised no significant political or public concerns. A suite of draft subordinate legislation has been developed to take forward the GDL proposals, these will be subject to the scrutiny and procedures of the Northern Ireland Assembly.

As a result of the outcomes of the consultation, and stakeholder feedback (including engagement with young people and parents), the Agency has undertaken additional work to develop a digital solution for the programme of training and Learner Logbook.

Independent research has been carried out by the Transport Research Laboratory on the Northern Ireland GDL proposals, the report - 'Assessment of the potential impact of Graduated Driver Licensing in Northern Ireland' - concludes that 'Northern Ireland is taking the lead on GDL in the United Kingdom. The evidence for GDL to reduce collisions and casualties on the roads is overwhelmingly consistent.

Events after the Reporting Period

The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020 came into operation on 24 April 2020 and allows those workers who are unable to take annual leave as result of the pandemic to carry over up to four weeks' annual leave into the next two leave years. Any exemption will apply only to circumstances where workers are unable to take their leave as a result of the outbreak, and carry over of annual leave will be limited to the next two leave years. The change in regulations may lead to an increase in the value of accrued annual leave carried over in the next two years by the department. It is not possible for the Agency to give a reasonable estimate of the impact at this time.

Personal Data Related Incidents

DVA has had no reportable breaches of the Data Protection Act in this financial year.

Statement of the Accounting Officer's Responsibilities

Under Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993, the Department of Finance (DoF) has directed the DVA to prepare a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs at the year end of the Agency's income and expenditure, statement of financial position, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by DoF, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual (FReM) have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation; and
- confirm that the Annual Report and Accounts as a whole is fair and balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Accounting Officer of DoF has appointed the Acting Chief Executive of the Agency as the Accounting Officer of the DVA Trading Fund. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum issued by DoF and published in Managing Public Money Northern Ireland, (MPMNI).

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

Introduction

The Chief Executive of the Agency for the reporting period left his post after the reporting period on 24 April 2020 and I was appointed as Acting Chief Executive from the 27 April 2020. I have since been permanently appointed as Chief Executive on 12th October 2020.

I, as Chief Executive, have been appointed as Accounting Officer from the 27 April 2020.

MPMNI and the FReM require that I, as Accounting Officer, provide a statement on how I discharge my responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of the DVA's objectives, while safeguarding the public funds and assets for which I am responsible.

This governance statement explains DVA's governance, risk management and control arrangements. It evaluates the effectiveness of these arrangements and how they operate in practice.

DVA is an executive agency of the Department for Infrastructure (DfI). The Agency's overall aim is to deliver improved road safety and better regulation of the transport sector. DVA is responsible for driver and vehicle testing, driver licensing and passenger transport licensing, and regulation and enforcement within the transport sector in Northern Ireland.

Governance Structures

The Agency Framework Document, which was approved by DfI in September 2016, explains how DVA operates within the Department. It articulates the governance and accountability arrangements and defines how personnel and financial arrangements operate along with appropriate control mechanisms.

The Minister approves the policy framework within which the Agency

operates, the scope of its activities, any resources to be made available to the Agency, its Corporate & Business Plan and is advised on the Agency's performance. In January Minister Nichola Mallon MLA was appointed when the NI Assembly returned. The Minister has overall political responsibility and accountability for all the Department's activities, including the Agency's activities.

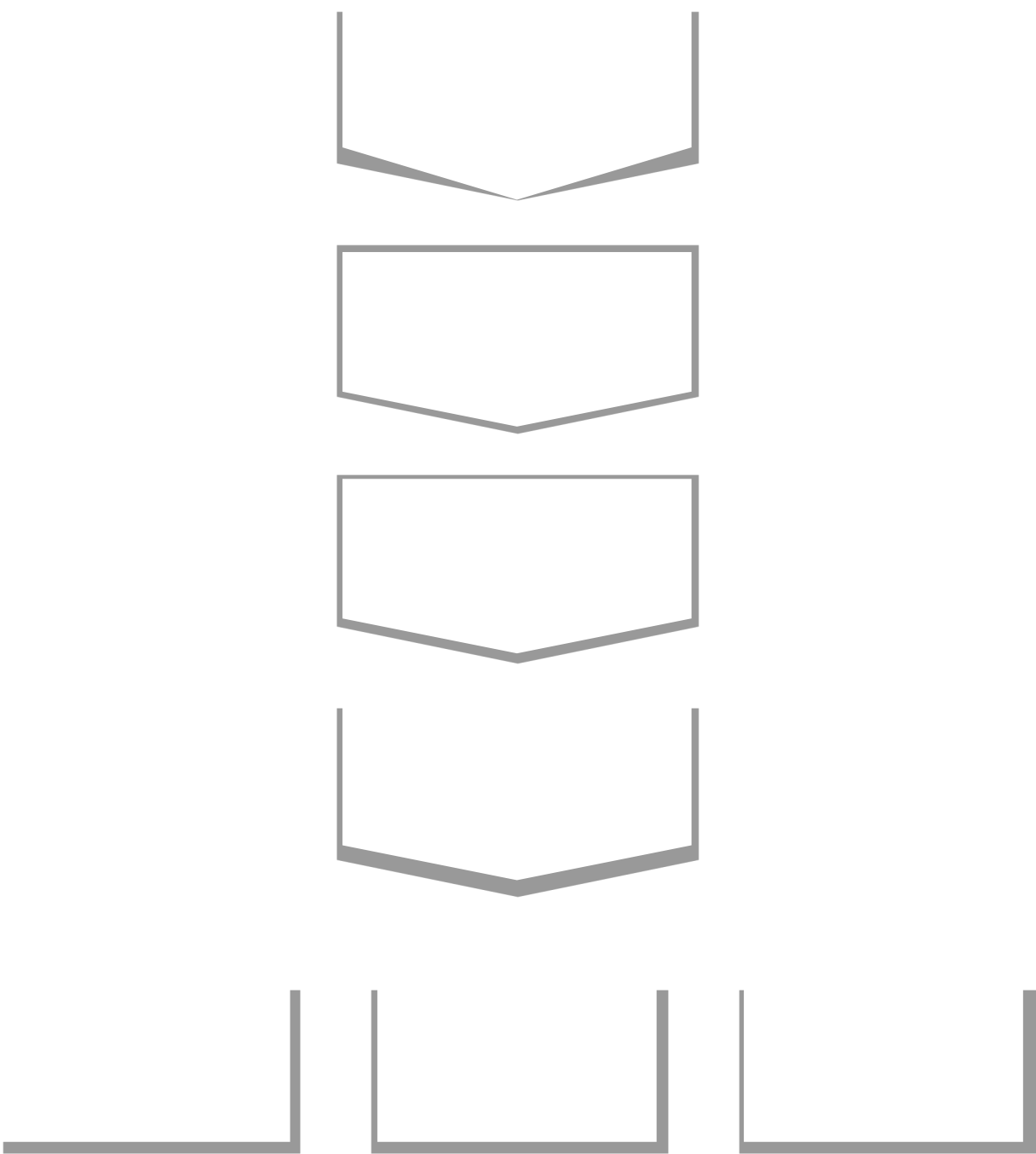
The Department sets the policy, legislative, financial, human resource and procurement frameworks within which the Agency operates. The Department is the contracting and procurement authority for all contracts entered into for goods and services purchased to support services delivered by the Agency.

The Permanent Secretary, as the Principal Accounting Officer, must be satisfied that the Agency has adequate financial systems and procedures in place to promote the efficient and economical conduct of its business and to safeguard financial propriety and regularity.

As Chief Executive of the Agency, I am accountable for the financial management of the Agency and for performance against key targets. The Treasury Officer of Accounts in the DoF has appointed me as Accounting Officer for the DVA Trading Fund on the 27 April 2020.

In order to manage the Agency efficiently, I am supported by a formal governance structure made up of Boards and Committees.

DVA Governance Structure



DVA Strategic Management Board (SMB)

The SMB, is chaired by the Chief Executive and is comprised of:

- Director of Operations;
- Director of Compliance and Enforcement;
- Director of Transformation;
- Director of Organisational Development
- Head of Financial Management & Governance; and
- An Independent Board Member.

A representative from the NICS HR also attends to support the SMB. The SMB provides the strategic and operational leadership to the Agency, takes responsibility for performance, and assists the Chief Executive in providing support and advice to the Permanent Secretary on the implications and effectiveness of policy proposals. The day-to-day operational matters are the responsibility of the Directors, operating within agreed policy frameworks under the Chief Executive's direction and control.

The SMB meets formally each month to consider:

- progress against business plan targets;
- progress and status of significant projects;
- performance against key metrics;
- management information relating to the use of resources; and
- strategic issues affecting the Agency.

A Board Review was completed during 2019 which reviewed the structure and format of meetings. Work was also undertaken to revise the presentation of key metrics information and data to the Board. The Board agreed to trial a new format for Board meetings with more focus to be placed on strategic and forward planning issues. A review of these changes and the Board effectiveness will be carried out during 2020/21.

The papers produced for the Board are owned by a presenting Director and this role includes ensuring the information contained is robust and adequate. The Board, with the exception of the Independent Board member, reviews the effectiveness of internal controls, progress on the implementation of audit recommendations and the corporate risk register quarterly. The Independent Board member reviews these items as part of their role as Chair of the Audit & Risk Assurance Committee.

The Board complied with the Department of Finance and Personnel's Corporate Governance in central Government Departments: Code of Good Practice (NI) 2013. DVA reviewed its Corporate Governance Framework in 2018 and found it fit for purpose.

Attendance during the year at the Board meetings was as follows:

EXECUTIVE MEMBERS	POSITION	MEETINGS ATTENDED OUT OF THE MEETINGS ELIGIBLE TO ATTEND
Paul Duffy	Chief Executive*	9/10
Denise Black	Director of Organisational Development	10/10
Jeremy Logan	Acting Director of Compliance and Enforcement	10/10
Pat Delaney	Director of Operations	10/10
Mike Beare	Director of Transformation	10/10
Siobhan Lynn	Head of Financial Management & Governance	10/10
Kathy Graham	Independent Board Member	10/10

ATTENDEES

HR Division Representation

9/10

*Paul Duffy left his post as Chief Executive after the reporting period on 24 April 2020. Jeremy Logan was appointed as Acting Chief Executive on 27 April 2020, and has since been officially appointed as Chief Executive on 12th October 2020.

DVA Audit and Risk Assurance Committee

I am supported by the DVA Audit and Risk Assurance Committee, which is a sub-committee of the Board with no executive powers. The Audit and Risk Assurance Committee has formally agreed Terms of Reference, and its principal function is to assist me in the execution of my responsibilities as Agency Accounting Officer for issues of corporate governance and risk management. This includes reviewing the comprehensiveness of assurances provided to it, and reviewing the reliability and integrity of these assurances and whether they are sufficient to support me in my accountability obligations. In accordance with HM Treasury's Audit and Risk Assurance Committee Handbook (April 2018), the Audit and Risk Assurance Committee Chair provides me with an Annual Report on the work of the Committee. The Audit and Risk Assurance Committee has three independent members, one of which is an Independent Board Member of DVA. The Committee is also attended by Internal Audit and the Northern Ireland Audit Office (NIAO).

The ARAC commenced a review of effectiveness at the end of 2019-20 in line with recommended best practice. The review was undertaken using the National Audit Office (NAO) 'Audit and Risk Assurance Committee Effectiveness Checklist'. The review is being finalised and any actions arising will be taken forward during 2020-21.

Some of the key issues discussed at the Audit and Risk Assurance Committee meetings during the 2019-20 financial year included: the 2018-19 Annual Report and Accounts; the internal audit charter; the internal audit plan; the internal audit annual opinion and report; corporate governance issues, including risk management, assurance reporting and fraud reporting; the Transformation Programme; and the NIAO report to those charged with governance and audit strategy. The Committee were also briefed on the significant issue in respect of vehicle lifts which led to the suspension of vehicle testing services in January 2020.

Attendance during the year at the Audit and Risk Assurance Committee meetings was as follows:

AUDIT AND RISK ASSURANCE COMMITTEE MEMBERS	POSITION	MEETINGS ATTENDED OUT OF THE MEETINGS ELIGIBLE TO ATTEND
Kathy Graham	Chair of Audit and Risk Assurance Committee	4/4
Kathryn Hill	Independent Member of Audit and Risk Assurance Committee	4/4
Catherine Teggart	Independent Member of Audit and Risk Assurance Committee	4/4
ATTENDEES		
Paul Duffy	Chief Executive	2/3
Jeremy Logan	Acting Director of Compliance and Enforcement	3/3
Mike Beare	Director of Transformation	2/3
Siobhan Lynn	Head of Financial Management and Governance	4/4
Brighdin McAleenan	Head of Financial Accounts Branch	4/4
Internal Audit Representation		3/3
External Audit Representation		3/3

Transformation

The Digital Transformation Programme Board and the Infrastructure Modernisation Project Board, are subordinate to the SMB and have no executive powers. The Boards manage the strategic direction, resolve strategic issues between projects, and ensure robust governance arrangements are in place. The Boards are convened to ensure progress against plans is closely monitored within agreed boundaries, for time, cost and benefits. Both Boards met on a regular basis during the year.

Corporate Services

Corporate services functions, including HR, IT and Financial Accounts and Systems functions were provided to the DVA by the DoF and Dfl. The costs of these services were charged to the Agency. The responsibility for the delivery of these services fell to either the Director of Human Resources (DoF), Director of Strategy, Communications and Change (Dfl) or the Director of Finance (Dfl).

I also rely on DoF Head of Internal Audit to provide an annual inter-departmental report for the services it provided including Account NI, IT Assist and HR Connect shared services. Due to significant resource issues and the COVID-19 pandemic some audits have been carried over into future years, however, these have been agreed with the DoF Departmental Audit and Risk Committee. Internal Audit have advised that the 2019/20 audits completed during the period have received a Satisfactory audit opinion.

Conflicts of Interest

SMB and Audit and Risk Assurance Committee Members are required to declare all interests which might be thought to give rise to a conflict of interest. At Board and Committee meetings a standing agenda item on declarations of interest is included and brought to the attention of Members by the Chair to ensure efficient management of potential conflicts. No conflicts of interest were identified or required management during 2019-20 in line with this agreed procedure.

RISK MANAGEMENT AND CONTROL FRAMEWORK

Approach to Risk

In DVA, we accept that risk is inherent in all our activities and we have developed our risk management strategy to minimise the impact of adverse risks while maximising the benefits to the DVA. This allows us to meet our objectives, use our resources effectively and take advantage of all positive opportunities. The system of risk management identifies the risks

associated with the achievement of our objectives. Our approach is to assign risks to those best placed to manage them whilst maintaining clear accountability. A governance unit acts as a central point for coordinating and monitoring of the Agency Risk Register and lower level risk registers. The Agency Risk Register contains those risks that could have a significant impact on the Agency. Risks that can be managed at operational level remain within the respective directorate. This assists with the embedding of risk management into the activities of each directorate.

The risk management cycle is a “top-down” and “bottom-up” exercise that allows risks to be identified and managed at Agency and directorate levels and to be escalated as appropriate. Significant risks are escalated to the Department. Each business area prioritises risk against standardised risk impact/likelihood descriptors to reduce subjectivity in assessing risk. Corporate risks and directorate risks were documented in risk registers and reviewed formally four times during the year. The Executive Board formally reviews the Agency Risk Register quarterly, concentrating on progress of actions to avoid and mitigate the key risks. In 2017 the effectiveness of the Agency’s risk management process was reviewed by Internal Audit, which confirmed that a robust system was in place.

The Agency’s risk appetite is set by the Board according to the seven categories of risk:

- Reputation: Averse
- Operational: Averse
- Financial: Open
- Compliance: Averse
- Corporate Governance: Averse
- Change: Open
- Health and Well Being: Averse

Risks and Issues

The Agency Risk Register currently has 9 key risks covering:

- Finance;
- Fraud;
- Data Security;
- Health and Safety;
- Transformation Programme;
- Resources;
- Financial Viability;
- Emissions Testing: and
- Resilience.

The key risks above relating to Finance and Fraud are inherent risks which are continually monitored, with a number of actions in place to mitigate such risks from occurring.

The key risk which led to the significant issue of the suspension of vehicle lifts during the year, was the Health & Safety Risk. From January 2020, MOT testing for cars and light vehicles was significantly disrupted following fault/safety issues being identified in 48 of 55 vehicle scissor lifts, which were suspended from use to protect the health and safety of staff and customers. Options to resolve the issue were considered and a decision to purchase 52 new vehicle lifts was taken and a roll out plan for the installation of the new lifts by July 2020 was agreed.

New risks on the financial viability of the Trading Fund and on the resilience of the Agency to deal with a major event such as COVID-19 have been included in the Agency Risk Register along with actions to mitigate the risks. The financial viability risk the Agency has identified has also been escalated to the Department to consider its inclusion in the Department's Corporate Risk Register.

The other key risk that could have affected our ability to deliver on our key objectives was in relation to the Transformation Programme. The

implementation of the Digital Transformation Programme within target timescales, including the exit of a key contract, was highly dependent on the performance of third parties and ensuring that sufficient internal resources were allocated to the Programme without compromising existing high standards of operational service. To achieve this we put strong governance arrangements in place, acquired a senior technical resource in the central team, ensured Heads of Business were closely involved in resource allocation and that there was appropriate involvement of the DoF's Central Procurement Directorate and Digital Transformation Service in the Programme to help develop and improve the management of relevant third party contracts.

In respect of the risk on emissions testing, the Agency is seeking to obtain the necessary approvals to modernise our infrastructure to facilitate inter alia the provision of emissions testing services. The Infrastructure Project has been working to acquire the necessary sites and complete the detailed design phase for a new test centre network. This work is currently on hold as further engagement with the Minister is necessary.

Controls and Assurance Framework

Our system of internal control is designed to provide a governance structure for decision-making and provide proper controls to ensure the safeguarding of resources and the achievement of value for money. This system of internal control was in place for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

In preparing the Governance Statement and reviewing the effectiveness of the system of internal control, I seek to place reliance on information and assurances. The approach taken is similar to the 'Three Lines of Defence' model which illustrates that assurance can come from both within and outside the DVA and can be derived from a variety of sources, with differing levels of objectivity and independence. All assurances contribute to the overall picture on how well we are managing the delivery of our objectives and the risks that could put those objectives in jeopardy. Assurance can be obtained using different sources such as management assurance statements, risk management framework, Audit and Risk Assurance Committee and Internal

Audit.

The DfI's Internal Audit Service operates in compliance with Public Sector Internal Audit Standards. As Accounting Officer, I receive annual and interim reports from Internal Audit that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the DVA's systems of internal control, together with recommendations for improvement. Complementary to this, I receive biannual Assurance Statements from Executive Board members and also benefit from advice from the external auditors in their reports.

The following Internal Audit assignments were completed during 2019-20:

AREA OF ACTIVITY	REPORT STATUS	AUDIT OPINION
Operations	Final	Satisfactory
Health and Safety	Final	Satisfactory
Driver Vehicle Standards	Final	Satisfactory
ICT Payment Processes	Final	Satisfactory

In addition to the audits listed above, a Management Letter on advice and guidance relating to Driver Licensing Operations Branch was also received during the reporting period. Two Departmental reviews were completed relating to the Administration of Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests and the Administration of Driver Licensing Systems within DVA, as part of the NICS Cyber Risk Internal Audit Plan. Two NICS Wide Thematic Reviews covering Risk Management and Whistleblowing across NICS were also completed.

For 2019-20, Internal Audit has provided a limited audit opinion on the overall adequacy and effectiveness of the Agency's framework of governance, risk management, and control arrangements.

The results of the Internal Audit Plan 2019-20 and cumulative assurances derived from the internal audit activity during the previous three years indicated a satisfactory framework of governance, risk management and control. However, Internal Audit completed an investigation into the vehicle testing lifts issue and raised a number of wider control weaknesses resulting in the limited audit opinion.

The findings of their investigation have been set out in an Internal Audit Investigation Report, the report can be found at the following link [Investigation Report Into Vehicle Lift Faults Within DVA MOT Test Centres](#). A comprehensive Action Plan has been developed in response to the Report and will be monitored by the Audit and Risk Assurance Committee which will provide a scrutiny and challenge function to ensure that actions are implemented in a timely manner. Regular monthly updates on progress in implementing the Action Plan will be provided to the Minister and the Permanent Secretary and will be monitored by the Department's own Audit and Risk Assurance Committee.

In addition to the Internal Audit Investigation Report detailed above, a Management Letter relating to this investigation was also issued and outlined a number of recommendations.

The Committee will also review the annual DVA Audit plan for 2020-21 to ensure any control weaknesses raised are reviewed during the year.

Testing Quality Unit

The Testing Quality Unit, utilising a range of quality control and quality assurance processes including those associated with ISO accreditation, assists in maintaining and reviewing the effectiveness of the system of internal control. It conducts a programme of audits at test centres covering the administration, supervision and delivery of the practical driving test and vehicle inspection activities for Private Cars and Goods Vehicles, in accordance with statutory requirements. External auditing in the past year resulted in DVA Operations (Testing) successfully achieving recertification of the ISO 9001:2015 Quality Standard, with no non-conformances and three

positive observations noted by the assessor. This illustrates yet again that our staff are fully committed to delivering an excellent service to a wide range of customers.

STEWARDSHIP OF RESOURCES

Financial Management

The Agency's expenditure and income is monitored throughout the year and reported on to the monthly SMB. This report includes spend to date and estimated outturn, which facilitates the Board in monitoring expenditure for both resource expenditure and capital investment.

Data Handling, Security and Information Risk

DVA functions encompass the maintenance of its driver, taxi and operators' registers. It is critically concerned with data security and complies strictly with legislative release provisions, the Data Protection Act and Cabinet Office guidelines.

Training on data security is provided to all new staff, awareness training is provided to senior managers, and relevant information is communicated to all staff on a regular basis. Managers have 'management of information' as a key area of responsibility in personal performance agreements.

Information management is among the range of control issues covered by Executive Board members' assurance statements. The completion of these statements provides assurance that information used for operational purposes is handled appropriately, particularly where it is used by third parties or other parts of government, and that information risks are being managed effectively within the Agency.

The General Data Protection Regulations (GDPR) was implemented across the Agency to further enhance the protection of individual's personal data. The Department has appointed a Data Protection Officer to focus on this important work.

Fraud Arrangements

The Department's Anti-Fraud policy and Fraud Response Plan outlines its approach to tackling fraud and defines the responsibilities for action and reporting lines in the event of a suspected fraud. The Fraud Response Plan is a procedural guide and provides a checklist of the required actions which must be followed in the event of a fraud, attempted fraud or irregular activity being suspected. Any instances of fraud are fully investigated. Fraud reports are submitted to the Board and the Audit and Risk Assurance Committee, with regular updates on investigations undertaken.

During the reporting period, there were 5 actual and 2 suspected cases of fraud. All cases were reported to the NI Audit Office and 2 cases were reported to the PSNI.

Whistle Blowing/Wrongdoing Policy

The Department's Whistle Blowing/Wrongdoing Policy and Procedures provide guidance on the procedures for reporting, recording and investigating concerns about potential wrongdoing which might be taking place within the Department. The purpose of this guidance is to:

- reassure staff that they can raise genuine allegations or concerns about potential wrongdoing in confidence, through a clear internal reporting process, without putting their position at risk;
- encourage members of the public who may have concerns of this nature to report them to the Department at an early stage; and
- remind staff of the procedures for recording and investigating allegations/concerns.

No whistleblowing cases were received during 2019-20. The case reported in 2016-17 regarding allegations from a whistle blower that a named vehicle examiner was receiving cash for vehicle test pass certificates is pending trial before the courts.

Significant Issues

Vehicle Testing Services

On 22 January 2020, in the interest of the safety of staff and customers the use of all vehicle lifts, that had not been inspected and declared safe to operate, in MOT centres was suspended. A rolling programme of repairs and inspections was put in place so that lifts only became operational after they had been inspected and declared safe for use. This reduction in capacity to test vehicles led to a number of MOT tests having to be cancelled at short notice. In recognition of the inconvenience this disruption was causing to customers, temporary exemption certificates were introduced.

On the evening of 27 January, the contractor responsible for the maintenance of the lifts was not in a position to provide sufficient assurance on the effectiveness of the programme of repair and inspection that was underway. The Agency had no option, at this point, but to suspend the use of all vehicle lifts and MOT testing for cars and light vehicles to protect the health and safety of staff and customers.

In order to begin to address this issue, a number of mitigating actions were put in place including issuing 4 month temporary exemption certificates for cars of 5 years and older whose tests had been cancelled; issuing 3 month temporary exemption certificates for light goods vehicles; prioritising appointments for taxis, four year old cars and car dealerships, who could not avail of exemption certificates. Two new lifts were installed and following re-inspection by an independent assessor, 3 existing lifts were put back into service.

Options to resolve the issue were considered and a decision to purchase 52 new vehicle lifts was taken and a roll out plan for the installation of the new lifts by July 2020 was agreed. However, during March 2020, COVID-19 then led to almost all of DVA services having to be suspended, resulting

in the closure of test centres and most offices.

The issue led to the Minister commissioning 2 reviews, an Independent Inspection and Assessment of DVA Lifts; and an Internal Audit Investigation into the circumstances that gave rise to the vehicle lift faults. Both reports have been published on the Department's website and can be found at the following links - [Investigation Report Into Vehicle Lift Faults Within DVA MOT Test Centres](#), [Inspection and Assessment of DVA Lifts](#)

The Internal Audit investigation report identifies that the record keeping for key decisions in response to the vehicle lift incident was less than satisfactory. An Action Plan has been developed in response to the Report, which will be monitored by the Audit & Risk Assurance Committee, Internal Audit and progress reported on a monthly basis to the Minister and Permanent Secretary.

COVID-19

In March 2020 COVID-19 led to the suspension of most of the services provided by the Agency. Since lockdown commenced on 23 March, the Agency has introduced special measures to ensure it followed Public Health Agency and Cabinet Office guidance aimed at preventing and slowing the spread of coronavirus.

Drafting a recovery plan for services is underway. New risks on the financial viability of the Trading Fund and on the resilience of the Agency to deal with a major event such as COVID-19 have been included in the Agency Risk Register along with actions to mitigate the risks. The future financial position of the Agency is being monitored closely.

2.2 Remuneration and Staff Report

Remuneration Policy

The pay policy for the Northern Ireland (NI) public sector, including senior civil servants (SCS), is normally approved by the Minister of Finance. In the absence of an Executive, the Department of Finance's Permanent Secretary set the 2019-20 NI public sector pay policy (October 2019) in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS staff, including SCS staff, for 2019-20 has not yet been finalised.

The pay of SCS is based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance.

Service Contracts

The Civil Service Commissioners (NI) Order 1999 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Code published by the Civil Service Commissioners for Northern Ireland specifies the circumstances when appointments may be made otherwise.

Unless otherwise stated, the officials covered by this report hold appointments which 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.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

Employment, training and advancement of disabled persons

The Northern Ireland Civil Service applies the recruitment principles as set out in the Recruitment Code of the Civil Service Commissioners for Northern Ireland, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which includes raising awareness of unconscious bias, is offered to all members of NICS recruitment panels. Unconscious bias training is available to all staff.

To maintain and promote a diverse and inclusive workforce, the NICS has policies in place to support alterations to the working environment required by disabled persons.

The NICS has a wide and active network of Diversity Champions and has appointed one of its Deputy Secretaries as the NICS Diversity Lead for Disability. The NICS has a committed Disability Working Group and is a lead partner with Employers for Disability Northern Ireland. Through this collaboration the NICS is working towards creating a truly inclusive workplace where all colleagues feel valued. The NICS promotes a number of schemes for disabled colleagues, including a Work Experience Scheme for People with Disabilities.

Other Employee Matters

The 2018-21 NICS People Strategy sets out the shared view of the people priorities across the NICS under the following themes:

- A well-led NICS;
- High performing NICS;
- Outcomes-focused NICS;
- An inclusive NICS in which diversity is truly valued – a great place to work: and
- Equality, Diversity and Inclusion.

The NICS People Strategy 2018-21 places diversity and inclusion at its centre and includes a range of actions that will help accelerate the NICS' ambition to be a service that reflects the society we serve.

The NICS continues to carry out its statutory obligations under fair employment legislation, including the annual return to the Equality Commission for NI. The NICS publishes a wide range of NICS human resource statistics.

Learning & Development

The NICS recognises the importance of having skilled and engaged employees and continues to invest in learning and development.

NICSHR Learning and Development is responsible for development and delivery of all generic staff training. It offers a variety of learning delivery channels to enable flexible access to learning, blending different learning solutions into coherent learning pathways that are aligned to both corporate need and the NICS Competency Framework.

The NICS offers a wide range of career development opportunities through mentoring, secondment and interchange opportunities, elective transfers, temporary promotion, job rotation and job shadowing.

Talent management is a key theme of the NICS People Strategy and work is underway to develop a more corporate approach to managing talent across the NICS.

Employee Consultation and Trade Union Relationships

The Department of Finance is responsible for the NICS Industrial Relations Policy. The centralised human resource function, NICSHR, consults on HR policy with all recognised Trade Unions and local departmental arrangements are in place to enable consultation on matters specific to a department or individual business area.

Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and Board Members of the Agency.

Senior Management Remuneration [audited information]

OFFICIALS	SALARY £'000		BENEFITS IN KIND (TO NEAREST £100)		PENSION BENEFITS * £'000		TOTAL (£'000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
P Duffy Chief Executive	75-80	70-75	-	-	39	32	115-120	105-110
P Delaney Director	65-70	65-70	-	-	11	23	75-80	85-90
M Beare Director	65-70	60-65	-	-	29	22***	95-100	85-90
S Lynn Head of DVA Financial Management	50-55	50-55	-	-	24	32	75-80	85-90
J Logan Acting Director (from 14/08/18)	55-60	35-40 (full year equivalent 55-60)	-	-	29	24	85-90	55-60
D Black ** Director (from 25/06/18)	75-80	55-60 (full year equivalent 75-80)	-	-	N/A	N/A	75-80	55-60
J Hutchinson Director (until 24/08/18)	-	25-30 (full year equivalent 60-65)	-	-	-	10	-	35-40
K Graham Independent Board Member (from 23/07/18)	5-10	5-10	-	-	-	N/A	5-10	5-10
S Caldwell Independent Board Member (until 30/06/18)	-	0-5	-	-	-	N/A	-	0-5

* 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. ** Mrs D Black was appointed on a 2 year contract from the Strategic Investment Board commencing on 25 June 2018. DVA re-imburse SIB the salary costs.

*** As advised by CSP due to a calculator error 18-19 comparative figure has changed for what was shown on the CSP return.

Salary

‘Salary’ includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any severance or ex gratia payments.

The Northern Ireland Assembly was dissolved from 26 January 2017 until an Executive was formed on 11 January 2020. Ministers were not in place during this time. From 11 January 2020, DVA was under the direction and control of Nichola Mallon. Her salary and allowance were paid by the Northern Ireland Assembly and have been included as a notional cost in the Department for Infrastructure accounts.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

No senior employee received any benefit in kind during the year.

Multiples [audited information]

	AT MARCH 2020 £	AT MARCH 2019 £
Band of highest paid Director's total remuneration	75,000 – 80,000	75,000-80,000
Median total remuneration *	25,670	24,429
Ratio	3.03	3.17

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

The DVA is required to disclose the relationship between the remuneration of the highest paid director in the Agency and the median remuneration of the Agency’s workforce.

The banded remuneration of the highest paid director in DVA in the financial year 2019-20 was £75,000-£80,000 (2018-19, £75,000-£80,000). This was 3.03 times (2018-19, 3.17) the median remuneration of the workforce, which was £25,670 (2018-19 £24,429).

In 2019-20, no (2018-19, none) employees received remuneration in excess of the highest-paid director.

Remuneration ranged from £15,000 to £75,000 (2018-19, £17,000 to £73,000).

Pensions Entitlements [audited information]

OFFICIALS	ACCRUED PENSION AT PENSION AGE AS AT 31/03/20 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	CETV AT 31/03/20	CETV AT 31/03/19	REAL INCREASE IN CETV	EMPLOYER CONTRIBUTION TO PARTNERSHIP PENSION ACCOUNT
	£000	£000	£000	£000	£000	NEAREST £100
P Duffy Chief Executive	30 - 35 plus 75-80	0 - 2.5 plus 0 - 2.5	603	551	24	-
P Delaney Director	30-35 plus 90-95	0 - 2.5 plus 0-2.5	736	692*	11	-
M Beare Director	25 -30 plus 85-90	0 - 2.5 plus 2.5 - 5	675	615*	30	-
S Lynn Head of DVA Financial Management	15 – 20 plus 0-2.5	0 -2.5 plus 0-2.5	226	204	11	-
J Logan Acting Director (from 14/08/18)	20 – 25 plus 50 - 55	0 – 2.5 plus 0 – 2.5	375	341	15	-

- error in CSP calculator in 2018-19 and figures have been updated as advised by CSP to reflect comparatives on this year's return

Northern Ireland Civil Service (NICS) Pension Schemes

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%.

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

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

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 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 2019 was 1.7% and HM Treasury has announced that public service pensions will be increased accordingly from April 2020.

Employee contribution rates for all members for the period covering 1 April 2020 – 31 March 2021 are as follows:

Scheme Year 1st April 2020 to 31st March 2021

ANNUALISED RATE OF PENSIONABLE EARNINGS (SALARY BANDS)		CONTRIBUTION RATES ALL MEMBERS
FROM	TO	From 1 April 2020 to 31 March 2021
£0	£23,999.99	4.6%
£24,000.00	£55,499.99	5.45%
£55,500.00	£152,499.99	7.35%
£152,500.00 and above		8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% 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/civilservicepensions-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, 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 the factors and focuses only on the increase that is funded by the employer.

Compensation for Loss of Office

No compensation payments were made or are due to any of the senior management of DVA under Civil Service Compensation Scheme (Northern Ireland) (CSCS (NI)) in the year ending 31 March 2020 (2018-19: none).

Staff Report

Staff costs comprise: [audited information]

	PERMANENTLY EMPLOYED STAFF 2019-20	OTHERS 2019-20	TOTAL 2019-20	TOTAL 2018-19
	£000	£000	£000	£000
Wages and salaries	20,976	1,612	22,588	21,369
Social security costs	1,977	-	1,977	1,899
Other pension costs	5,758	-	5,758	4,248
Total cost	28,711	1,612	30,323	27,516

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but DVA is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2021.

For 2019-20, employers' contributions of £5,749,660 were payable to the NICS pension arrangements (2018-19: £4,156,793) at one of three rates in the range 28.7% to 34.2% of pensionable pay, based on salary bands.

This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% per annum above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to the existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £3,458 (2018-19: £3,407) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2018-19: 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £123 0.5% (2018-19: £122, 0.5%) of pensionable pay, were payable to the NICS Pension Schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the reporting period date (2018-19: none). No contributions were prepaid at that date (2018-19: none).

No one (2018-19: four people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £0 (2018-19: £26,263).

Average number of persons employed [audited information]

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

	PERMANENT STAFF 2019-20 Number	OTHERS 2019-20 Number	TOTAL 2019-20 Number	TOTAL 2018-19 Number
Directly employed	727	-	727	747
Other	-	62	62	45
Total	727	62	789	792

Reporting of compensation and exit packages for all staff 2019-20 [audited information]

	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND
EXIT PACKAGE COST BAND	2019-20	2019-20	2019-20	2018-19
<£10,000	-	-	-	-
£10,000 - £25,000	-	-	-	1
£25,000 - £50,000	-	-	-	-
£50,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages	-	-	-	1
Total resource cost £000	-	-	-	16

Redundancy and other departure costs have been 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 DVA has agreed early retirements, the additional costs are met by the agency and not by the Northern Ireland Civil Service pension arrangements. Ill-health retirement costs are met by the pension arrangements and are not included in the table.

Off payroll payments

The Agency did not have any off payroll engagements during the 2019-20 year.

Human Capital Management

As an Agency within the NICS, DVA is committed to career development, acknowledging that skilled and engaged staff are an essential resource in meeting current and future business needs. The NICS Career Development Policy emphasises that career development is a collaborative process between individual staff members, line managers and Departments, and takes account of the NICS Competency Framework and Performance Management System. As well as the individual's role in managing their career development, the DVA provides opportunities to enhance the skills, capabilities and performance of staff so that they, in turn, can contribute to achieving corporate objectives.

Employee Engagement

Employee Engagement is a key priority area for DVA. A business plan target to measure the current level of engagement, was completed through the Northern Ireland Statistics and Research Agency. They developed a short questionnaire which all DVA staff had the opportunity to complete, thereby providing us with a baseline score on employee engagement. One of a number of key enablers recently introduced to help focus attention on Engagement, has been the creation of a Communication Driver role. This role has evolved from the Focus Groups previously in place and we have thirty staff who voluntarily applied to be part of this new initiative. The role will optimise and enable two way communication between the three different business areas within DVA. It will shape communication and drive engagement initiatives in DVA. The Drivers have a designated time slot at each monthly team brief where they can update staff on communication and engagement initiatives and get feedback to help shape future pieces of work in this area.

We use the Whitley process of staff consultation, which involves regular meetings between management and Trade Union side to discuss relevant matters.

We have a Business Transformation Newsletter that issues to all staff, keeping

them abreast of developments. We actively involve staff in the design and testing of new services and products through workshops and ongoing consultation and this process will continue through the life of the Transformation Programme.

Health and Safety

The health and safety of staff and customers remains paramount and therefore we seek to ensure that the highest standards of health and safety are integrated with improved business performance. The Agency considers respective legislation as a minimum standard and has established processes in line with the Health and Safety Executive's "Leading Health & Safety at Work" (INDG417) and "Managing for health and safety" (HSG65). Key activities 2019/20 included the review of existing Generic Risk Assessments and the development of new Assessments to address necessary changes in Vehicle Testing and Enforcement processes. Health and Safety Induction Training was also provided for a large number of newly appointed Vehicle Examiners while an extensive air quality monitoring programme was completed in the Test Halls. To ensure the continual improvement of our health and safety management system, 6 audit exercises were carried out with an overall compliance rating of 95.2%. DfI Internal Audit also conducted a review of 'Health and Safety within DVA' and this provided a Satisfactory Assurance rating with no recommendations identified.

Learning and Development

We continued to invest significantly in our people during the year, with some 1,760 days of technical training and development delivered across the Agency. This included 1,155 days of technical training delivered to mainly test centre staff by the trainers in Operations Directorate, in addition 119 days of personal development training were provided, which included attendance at Belfast Met College to gain CIPD professional qualification. In addition 486 days training was provided for Driving Examiners, including new entrant examiners, upskilling, scheduled supervision, DEDs and supervising examiners development.

In addition to this staff continued to attend training courses through our

Centre for Applied Learning. The vast increase in training days this year reflects our commitment to providing staff with the necessary skills as we progress our Business Transformation Programme.

The table below shows the actual number of staff in post in the Agency at 31 March 2020 and the gender breakdown.

Actual Staff in Post in DVA at 31 March 2020

	2019 20			2018 19		
	Male	Female	Total	Male	Female	Total
Grade 5	1	0	1	1	0	1
Grade 6	3	1	4	3	1	4
Other Employees	571	185	756	561	199	760
Total	575	186	761	565	200	765

Sick Absence

The average figure for Working Days Lost for DVA in 2019-20 was 15.2 per member of staff (2018-19 14.8 days) compared to 13.4 for DfI overall. We continue to liaise with NICS HR on case management in order to reduce the overall level of sickness absence.

Equal Opportunities

As a government employer, the Agency follows employment best practice by adhering to the NICS Equal Opportunities Policy that states that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. In adhering to its Section 75 responsibilities under the NI Act 1998, the Agency is committed to achieving its aims within the Department's Equality Scheme.

We will also follow the NICS lead on diversity and inclusion matters, including how we communicate, recruit, promote, develop and manage our workforce.

Expenditure on consultancy

During the year Nil (2018-19 £46k) was spent on external consultancy.

2.3

Assembly Accountability and Audit Report

This Assembly Accountability and Audit Report is produced to comply with the requirements of the Financial Reporting Manual (FReM) 2019-20.

Accounts Direction

The financial statements have been prepared in accordance with the 2019-20 FReM issued by the Department of Finance (DoF). The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

Special Payments

	2019-20
Total number of special	
Payments	44,339
Total value of special	
Payments £000	755

Special Payments include compensation payments relating to cancelled MOTs and also includes those arising from Public and Employer Liability Claims and ex gratia payments. No one payment was greater than £250,000.

Business Activity Attracting Fees and Charges

[audited information]

The following table shows the Business activities attracting fees and charges for DVA.

	2019-20			Restated 2018-19			
	INCOME	COST	ANNUAL (SURPLUS)/DEFICIT	INCOME	COST	ANNUAL (SURPLUS)/DEFICIT	OBJECTIVE
	£000	£000	£000	£000	£000	£000	
Vehicle testing	(30,232)	32,311	2,079	(32,998)	28,522	(4,476)	(1)
Driver testing	(4,675)	4,953	278	(4,790)	4,576	(214)	(2)
Enforcement	(1,688)	4,447	2,759	(1,713)	4,016	2,303	
Other activities	(112)	295	183	(113)	271	158	
Driver licensing	(5,594)	7,731	2,137	(6,098)	6,891	793	(3)
Vehicle licensing court prosecution	(471)	474	3	(484)	485	1	Full cost recovery
Taxi licensing	(1,273)	1,965	692	(1,288)	1,634	346	Full cost recovery (4)
Bus passenger transport licensing	(277)	212	(65)	(239)	188	(51)	Full cost recovery
	(44,322)	52,388	8,066	(47,723)	46,583	(1,140)	
DfI resource subsidy	(7,859)	-	(7,859)	(4,651)	-	(4,651)	
DfI capital subsidy release	(374)	-	(374)	(301)	-	(301)	
Activities not attracting fees & charges	(39)	1,428	1,389	(37)	958	921	
Holiday pay provision	-	1,359	1,359	-	-	-	
Adjustment for notional insurance	-	(435)	(435)	-	(282)	(282)	
Total	(52,594)	54,740	2,146	(52,712)	47,259	(5,453)	

(1) The deficit on the Vehicle Testing fee account is a result of a number of significant items arising during the year including the suspension of vehicle testing services in January 2020 due to the lift issue; the closure of test centres as a result of COVID 19; and increased costs including compensation relating to cancelled vehicle tests.

(2) The deficit on the Driver Testing fee account is mainly due to increased employer pension contributions costs, and a reduction in fee income following the suspension of driver testing services due to COVID 19.

(3) Driver licensing fees are set at less than full cost recovery as agreed by the Minister.

(4) The target of full cost recovery was not achieved due to a reduction in volumes and the Department agreed that taxi licensing fees should not be increased at this stage.

This note is to meet DoF requirements on fees and charges and not for the purposes of IFRS 8.

Remote Contingent Liabilities [audited information]

In addition to contingent liabilities reported within the meaning of IAS37, the Agency also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. As at the 31 March 2020, the Agency had no remote contingent liabilities.



Chief Executive and Agency Accounting Officer

23 October 2020

DRIVER AND VEHICLE AGENCY

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

Opinion on financial statements

I certify that I have audited the financial statements of the Driver and Vehicle Agency for the year ended 31 March 2020 under the Financial Provisions (Northern Ireland) Order 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Driver and Vehicle Agency's affairs as at 31 March 2020 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the with the Financial Provisions (Northern Ireland) Order 1993 and Department of Finance directions issued thereunder.

Emphasis of Matter

I draw attention to note 7 of the financial statements, which describes the material valuation uncertainties for Land and Buildings due to the consequences of the COVID-19 pandemic. My opinion is not modified in respect of this matter.

Opinion on regularity

In my opinion, in all material respects 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

I conducted my 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'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Driver and Vehicle Agency 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. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

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

- the Driver and Vehicle Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Driver and Vehicle Agency has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Driver and Vehicle Agency's ability to continue to adopt the going concern basis.

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 my audit certificate. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Financial Provisions (Northern Ireland) Order 1993; 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 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

My responsibility is to audit, certify and report on the financial statements in accordance with the Financial Provisions (Northern Ireland) Order 1993.

My objectives are 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 (UK) 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 my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am 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 the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

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

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

My report on the suspension of most vehicle testing services at MOT centres due to faults identified in the scissor lifts, and the ongoing impact of the COVID 19 pandemic, is included on pages 120 to 125.



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

28 October 2020

3. FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 Restated £000
INCOME			
Revenue from contracts with customers	3	(43,770)	(47,276)
Other operating income	3	(8,824)	(5,436)
Total income		(52,594)	(52,712)
EXPENDITURE			
Staff Costs	4	30,323	27,516
Other operating costs	5	22,755	18,023
Total operating expenditure		53,078	45,539
Operating deficit (surplus) before net finance costs		484	(7,173)
Finance income		(190)	(140)
Finance costs		135	174
Net finance costs		(55)	34
Operating deficit (surplus) after net finance costs		429	(7,139)
Dividends	6	1,717	1,686
Retained deficit (surplus) for the year		2,146	(5,453)
Other Comprehensive Income			
Net gain on revaluation of property, plant & equipment	7	(346)	(267)
Net gain on revaluation of intangible assets	8	(154)	(137)
Comprehensive net expenditure (income) for the year		1,646	(5,857)

The notes on pages 92 to 119 form part of these accounts

Statement of Financial Position
as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 Restated £000	31 March 2018 Restated £000
NON-CURRENT ASSETS				
Property, plant and equipment	7	23,064	22,718	22,380
Intangible assets	8	13,911	11,459	8,230
Total non-current assets		36,975	34,177	30,610
CURRENT ASSETS				
Inventories	9	24	35	25
Trade and other receivables	10	1,164	904	848
Cash and cash equivalents	11	37,762	36,870	31,626
Total current assets		38,950	37,809	32,499
Total assets		75,925	71,986	63,109
CURRENT LIABILITIES				
Trade and other payables	12	(10,105)	(4,145)	(5,063)
Deferred income	12	(10,831)	(12,505)	(8,522)
Provisions for liabilities and charges	13	(275)	(346)	(338)
Total current liabilities		(21,211)	(16,996)	(13,923)
Total assets less current liabilities		54,714	54,990	49,186
NON-CURRENT LIABILITIES				
Financial liabilities	12	(3,865)	(3,865)	(3,865)
Provisions for liabilities and charges	13	(1,910)	(540)	(593)
Total non-current liabilities		(5,775)	(4,405)	(4,458)
TOTAL ASSETS LESS TOTAL LIABILITIES		48,939	50,585	44,728
TAX PAYERS' EQUITY & OTHER RESERVES				
Public dividend capital		5,414	5,414	5,414
Revaluation reserve		7,617	7,318	7,095
Retained earnings		35,908	37,853	32,219
TOTAL EQUITY		48,939	50,585	44,728



Chief Executive and Agency Accounting Officer
23 October 2020

The notes on pages 92 to 119 form part of these accounts

Statement of Cash Flows
for the year ended 31 March 2020

	Note	2019-20		2018-19	
		£000		Restated £000	
<i>Cashflows from operating activities</i>					
Retained surplus for the year			(2,146)		5,453
Adjustments for non-cash transactions			2,944		1,384
<i>Adjustment for items not relating to operations</i>					
Finance income			(190)		(140)
Finance costs			135		174
Dividends	6	1,717	1,662	1,686	1,720
(Increase)/decrease in trade & other receivables	10		(260)		(56)
Decrease/(increase) in inventories	9		11		(10)
(Decrease)/increase in trade & other payables	12		4,286		3,065
<i>Less movements in payables relating to items not passing through the SoCE</i>					
Decrease/(increase) in capital accruals			35		(46)
Decrease in dividends payable	12		(19)		-
Increase in interest payable			39	55	5 (41)
<i>Adjustment for non-cash movements on transfer of assets & extension of Trading Fund</i>					
Net tangible assets transferred in	7	-		-	
Net intangible assets transferred in	8	-		-	
Provisions transferred in					
Increase in long term loan	12	-		-	
Revaluation reserve transferred in		-		-	
Increase in Public Dividend Capital		-		-	
Decrease in retained earnings		-		-	
Use of provisions	13		(257)		(140)
Net cash inflow from operating activities			6,295		11,375

Statement of Cash Flows (continued)
for the year ended 31 March 2020

	Note	2019-20	2018-19 Restated
		£000	£000
<i>Cashflows from investing activities</i>			
Purchase of property, plant & equipment		(631)	(746)
Purchase of intangible assets		(3,090)	(3,660)
Interest received		190	140
Net cash outflow from investing activities		(3,531)	(4,266)
<i>Cashflows from financing activities</i>			
Dividends paid		(1,698)	(1,686)
Interest paid		(174)	(179)
Net cash outflow from financing activities		(1,872)	(1,865)
Net increase in cash & cash equivalents in the year	11	892	5,244
Cash & cash equivalents at the beginning of the year	11	36,870	31,626
Cash & cash equivalents at the end of the year	11	37,762	36,870

The notes on pages 92 to 119 form part of these accounts

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2020

	Note	Retained Earnings	Revaluation Reserve	Public Dividend Capital	Total Equity
		£000	£000	£000	£000
Restated Balance as at 31 March 2018		32,219	7,095	5,414	44,728
Net gain on revaluation of property, plant & equipment	7	-	267	-	267
Net gain on revaluation of intangible assets	8	-	137	-	137
Transfer between reserves for realised depreciation		181	(181)	-	-
Adjustment on transfer of land from parent department	1.16	-	-	-	-
Retained surplus for the year		5,453	-	-	5,453
Restated Balance as at 31 March 2019		37,853	7,318	5,414	50,585
Net gain on revaluation of property, plant & equipment	7		346		346
Net gain on revaluation of intangible assets	8		154		154
Transfer between reserves for realised depreciation		201	(201)		0
Retained surplus for the year		(2,146)			(2,146)
Balance as at 31 March 2020		35,908	7,617	5,414	48,939

The Financial Provisions (Northern Ireland) Order 1993 permits the Trading Fund the power to establish and maintain reserves under Article 8(2), exercisable only with concurrence of the Department of Finance. Reserves are held to finance current operating requirements and future capital investment.

The notes on pages 92 to 119 form part of these accounts

Notes to the Accounts

1

Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by the Department of Finance (DoF). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

DVA operates as a Trading Fund under the provisions of the Driver & Vehicle Agency Trading Fund (Northern Ireland) Order 2016.

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

The Agency has sought and been granted some additional funding from the sponsor department (The Department for Infrastructure), and has also developed detailed forward planning scenarios, over the next 5 financial years, on the basis of the gradual resumption of services in the 20-21 year. . There is a projected loss in the 2020-21 year however there would be a return to breakeven in the 2021-22 year based on full capacity. Due to the opening cash reserves position of £38m on 1 April 2020 and the additional funding from the parent department it is predicted that the agency will have adequate cash over the coming 12 month period. On this basis, the Accounting Officer has concluded that there is a reasonable expectation that the Driver and Vehicle Agency has adequate resources to continue in operational existence for the foreseeable future. The Driver and Vehicle Agency therefore continues to adopt the going-concern basis in preparing its financial statements.

1.1

Application of Newly Issued Accounting Standards

The International Accounting Standards Board (IASB) issued new and amended standards that were effective for the first time in 2019-20. These have been reviewed and the assessment is that their adoption has not had any significant impact on the amounts reported in these financial statements.

The IASB issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014.

Accounting boundary IFRS are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2022-23, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALB's apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

Management has also reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. IFRS 16 Leases replaces IAS 17 Leases. Due to the circumstances caused by COVID-19, The Financial Reporting Advisory Board (FRAB) have agreed to defer the implementation of IFRS 16 in Central Government until 1 April 2021, this represents a one year deferral from the initial effective date of 1 April 2020. Management consider that the introduction of the changes to IFRS 16 on leases may have some impact but these are unlikely to have a significant impact on the accounts in the period of initial application.

1.2

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.

1.3

Property, Plant and Equipment

Property, plant and equipment assets comprise the land, buildings (excluding dwellings), plant and machinery, transport equipment and information technology held by DVA.

Expenditure on property, plant and equipment of over £1,000 is capitalised, with the exception of computer hardware, which is capitalised if expenditure is over £500. On initial recognition, property, plant and equipment are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition.

Freehold and long leasehold land and buildings are carried at valuation in existing use and are revalued annually by Land and Property Services (LPS) in accordance with FReM. Weighbridges are valued annually by LPS on a depreciated replacement cost basis.

Plant and machinery, transport equipment and information technology are carried at fair value. Their values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Upward revaluations of property, plant and equipment are credited to the revaluation reserve unless they reverse previously recognised downward revaluations in which case they are credited to the Statement of Comprehensive Net Expenditure to the extent the downward revaluation has been recognised, with the remainder credited to the revaluation reserve. Downward revaluations of property, plant and equipment are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the Statement of Comprehensive Net Expenditure.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other operating costs.

1.4 Intangible Assets

Intangible assets comprise software development and software licences.

Expenditure on intangible assets of over £1,000 is capitalised. On initial recognition intangible assets are measured at cost including any expenditure directly attributable to bringing them into working condition.

These assets are carried at fair value and their values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Upward revaluations of intangible assets are credited to the revaluation reserve unless they reverse previously recognised downward revaluations, in which case they are credited to the Statement of Comprehensive Net Expenditure to the extent the downward revaluation has been recognised, with the remainder credited to the revaluation reserve. Downward revaluations of intangible assets are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the Statement of Comprehensive Net Expenditure.

Items classified as ‘under construction’ are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

1.5 Depreciation and Amortisation

Freehold and long leasehold land are not depreciated. Depreciation and amortisation is provided at rates calculated to write down the valuation of property, plant and equipment and intangible assets to the estimated residual value by equal instalments over their estimated useful lives.

The estimated useful economic lives are normally in the following ranges:

Buildings	10 to 54 years
Plant and Machinery	5 to 15 years
Transport Equipment	3 to 13 years
IT	3 to 10 years
Software Licences	3 to 8 years

Assets in the course of construction are not depreciated until they have been brought into use. Asset lives are reviewed regularly and where necessary revised. The estimated useful life of each asset of significant individual value is separately assessed and, if appropriate, revised.

1.6 Operating Income

Income represents the revenue received for services provided by DVA and is stated net of refunds and exclusive of VAT. It is recognised in the Statement of Comprehensive Net Expenditure in the period in which the underlying activity takes place. Fees received in advance for which tests have yet to be performed or licences have not issued are shown as deferred income within current liabilities. Income is also recognised from DVA's parent department, the Department for Infrastructure, in relation to a subsidy received for Enforcement and Licensing activities, and is recognised in line with the costs incurred in delivering these activities.

Capital grant income from the Department for Infrastructure is deferred on the Statement of Financial Position and amortised in line with the depreciation of the relevant assets.

IFRS 15 Revenue from Contracts with Customers was implemented in 2018-19.

1.7 Employee Benefits Including Pensions

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave that has been earned at the year end.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. DVA recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by 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 the defined contribution schemes, DVA recognises the contributions payable for the year.

1.8 Value Added Tax (VAT)

Most of the activities of DVA are outside the scope of VAT and VAT is reclaimed centrally by the DoF. All items in the Statement of Comprehensive Net Expenditure are therefore exclusive of VAT.

1.9 Leases

Operating leases and rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.10 Provisions

DVA 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. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are

discounted using the real rate set by the DoF.

1.11 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, DVA discloses, for Northern Ireland Assembly reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of MPMNI.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.12 Financial Instruments

DVA's financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Due to the nature of the financial instruments held, carrying value is considered to represent the fair values.

1.13 Inventories

Inventories consist of oil and bio fuels which are valued at the lower of purchase cost and net realisable value which is the amount that an asset can be disposed of, less any direct selling costs.

1.14 Return on Capital Employed

A charge, reflecting a return on investment to the sponsoring department, DfI, is payable by DVA. The charge is calculated at the real rate set by HM Treasury on the average carrying amount of assets less liabilities (Note 19)

1.15 **Finance Income and Finance Costs**

Finance income comprises interest on monies deposited with the Northern Ireland Consolidated Fund. Interest income is recognised on a receivable basis in the Statement of Comprehensive Net Expenditure. Finance costs comprise interest expense on a long term loan from the Department for Infrastructure.

1.16 **Public Dividend Capital**

Under Article 5(2) of the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 1996, Public Dividend Capital (PDC) of £2,100,000 was created in order to facilitate commencement of operations of the Driver & Vehicle Testing Agency. On 1 April 2016 the Department transferred further operations into the Trading Fund under the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 2016 creating further PDC of £1,826,948 to facilitate an extension of operations. During 2017-18 the Department transferred land assets into the Trading Fund and received additional PDC of £1,862,500 in return bringing total PDC to £5,789,448. In 2019-20 the value of the PDC was reduced by £375,875 to £5,413,573. This was the impact of the prior year adjustment in relation to the deferral of the capital grant income (see Note 14).

PDC is reported at historic cost less impairment, in line with Department of Finance guidance.

2. Segmental Reporting

DVA has four main operating segments which are determined by their funding source. These are as follows:

- Testing Operations – responsible for vehicle and driver testing;
- Enforcement Operations – responsible for compliance audits and enforcement of licensing and roadworthiness for goods and passenger carrying operators and their vehicles;
- Driver Licensing and Passenger Transport Licensing Division (PTLD) – responsible for driver and operator licensing; and
- Vehicle Licensing – responsible for an enforcement service on behalf of DVLA for vehicle excise duty offences.

The SMB reviews financial information at this level for decision making purposes.

	Testing Division	Enforcement Division	Driver & Passenger Transport Licensing	Vehicle Licensing	TOTAL
	2019-20	2019-20	2019-20	2019-20	2019-20
	£000	£000	£000	£000	£000
Gross Expenditure	38,251	4,679	11,125	685	54,740
Income	(36,313)	(4,466)	(11,133)	(682)	(52,594)
Net Expenditure/income	1,938	213	(8)	3	2,146

	Testing Division	Enforcement Division	Driver & Passenger Transport Licensing	Vehicle Licensing	TOTAL
	2018-19	2018-19	2018-19	2018-19	2018-19
	£000	£000	£000	£000	£000
Gross Expenditure	33,114	3,996	9,664	485	47,259
Restated Income	(37,938)	(4,368)	(9,922)	(484)	(52,712)
Restated Net income	(4,824)	(372)	(258)	1	(5,453)

An analysis of assets and liabilities by segment is not regularly provided to the Chief Operating Decision Maker and therefore DVA is not reporting this information in accordance with IFRS 8.

3. Operating Income

	2019-20	2018-19
	£000	Restated £000
Revenue from contracts with customers		
Vehicle test fees	30,232	32,998
Practical driving test fees	2,899	2,945
Driving theory test fees	1,776	1,845
Other fees and licences	151	150
Enforcement fees	1,568	1,713
Driver licensing fees	5,595	6,098
Taxi licensing fees	1,086	1,070
Taxi operator fees	186	218
Bus passenger transport licensing fees	277	239
	<hr/> 43,770	<hr/> 47,276
Other operating income		
Subsidy from parent department	7,859	4,651
Government capital grant income	374	301
Vehicle licensing enforcement	591	484
	<hr/> 8,824	<hr/> 5,436
Total income	<hr/> 52,594	<hr/> 52,712

£3.761m of deferred income which had been included in the opening balance has been recognised as income during the current year.

4. Staff Costs

Staff costs comprise:

	2019-20	2018-19
	£000	£000
Wages and salaries	22,588	21,369
Social security costs	1,977	1,899
Other pension costs	5,758	4,248
Total cost	30,323	27,516

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report on page 73.

5. Other Operating Costs

	2019-20	2018-19
	£000	£000
Travel and subsistence	286	257
Rates and accommodation costs	2,423	2,508
IT system maintenance and other computer charges	1,689	886
Office services	866	780
<i>Contracted out services:</i>		
- Driving theory test	951	987
- Vehicle testing service charge	1,577	1,547
- Booking system service charge	1,315	1,455
- Security, cleaning and other	555	562
- Licence card production	605	550
Medical costs	1,671	1,652
Plant, equipment and vehicle costs	314	324
Bank and credit card charges	279	272
Auditor's remuneration*	21	23
Other expenditure	3,630	978
Services provided by parent department	1,561	1,766
Services provided by other NI government departments	2,069	2,094
<i>Non-cash items:</i>		
Depreciation and amortisation:		
- Property, plant and equipment	661	856
- Intangible assets	787	644
Impairment	(62)	(213)
Provisions:		
- Provided in year	1,625	132
- Provisions written back	(107)	(37)
- Cost of borrowing	39	0
Total cost	22,755	18,023

* Auditor's remuneration relates to the audit fee. No remuneration was paid to the external auditor for non-audit work.

6. Dividends

	2019-20	2018-19
	£000	£000
Interim dividend paid	1,670	1,659
Final dividend payable	47	27
Total dividends	1,717	1,686

Dividends are payable to the Northern Ireland Consolidated Fund. The dividend due is the balance of the 3.5% per annum return on the total assets employed less the current liabilities.

7. Property, Plant and Equipment

	Land	Buildings	Plant & Machinery	Transport Equipment	Information Technology	Payments on account and assets under construction	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2019	12,894	9,305	6,709	512	758	-	30,178
Opening balance adjustment	-	-	-	(1)	-	-	(1)
Additions	36	247	156	125	1	35	600
Disposals							
Revaluation	(35)	8	159	1	-	-	133
Impairment							
At 31 March 2020	12,895	9,560	7,024	637	759	35	30,910
Depreciation							
At 1 April 2019	-	-	6,493	512	455	-	7,460
Opening balance adjustment	-	-	-	-	-	-	-
Charged in year	-	431	83	3	144	-	661
Disposals	-						
Revaluation	-	(431)	156	-	-	-	(275)
Impairment	-	-	-	-	-	-	-
At 31 March 2020	-	-	6,732	515	599	-	7,846
Net book value at 31 March 2020	12,895	9,560	292	122	160	35	23,064
Net book value at 31 March 2019	12,894	9,305	216	-	303	-	22,718
Asset financing							
Owned	12,895	9,560	292	122	160	35	23,064
Net book value at 31 March 2020	12,895	9,560	292	122	160	35	23,064

7. Property, Plant and Equipment (continued)

	Land	Buildings	Plant & Machinery	Transport Equipment	Information Technology	TOTAL
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2018	12,766	8,748	6,670	511	688	29,383
Opening balance adjustment	(1)	1	2	-	(2)	-
Additions	34	577	30	-	74	715
Disposals	-	-	(57)	-	(9)	(66)
Revaluation	120	(138)	64	1	7	54
Impairment	(25)	117	-	-	-	92
At 31 March 2019	12,894	9,305	6,709	512	758	30,178
Depreciation						
At 1 April 2018	-	-	6,192	492	319	7,003
Opening balance adjustment	-	-	-	1	(1)	-
Charged in year	-	401	295	18	142	856
Disposals	-	-	(57)	-	(9)	(66)
Revaluation	-	(280)	63	1	4	(212)
Impairment	-	(121)	-	-	-	(121)
At 31 March 2019	-	-	6,493	512	455	7,460
Net book value at 31 March 2019	12,894	9,305	216	-	303	22,718
Net book value at 31 March 2018	*12,766	*8,748	478	19	369	22,380
Asset financing						
Owned	12,894	9,305	216	-	303	22,718
Net book value at 31 March 2019	12,894	9,305	216	-	303	22,718

* The net book value of DVA's land and buildings included capitalised expenditure incurred investigating the new land sites acquired in 2017-18 and on the design of a network of new Test Centres as part of the Agency's on-going Transformation Programme, which is not included in the valuation of the existing Test Centre buildings by Land and Property Services detailed on page 107.

7. **Property, Plant and Equipment (Continued)**

Property valuation

Property valuations are carried out by Land and Property Services (LPS) in accordance with HM Treasury guidance, International Valuation Standards and the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation Standards-Global and UK 7th Edition.

DVA's properties associated with Testing operations were revalued by Land and Property Services (LPS) on 27th March 2020 at £13,490,000 (2019: £13,490,000) on an existing use basis. This valuation includes freehold land not depreciated of £4,420,000 (2019: £4,420,000) and long leasehold land not depreciated of £2,420,000 (2019: £2,420,000). The valuation excludes land transferred from DfI in March 2018 which is valued at its value at date of acquisition as it is not yet in operational use.

DVA's properties associated with Enforcement operations (including the weighbridges) were valued by LPS on 27th March 2020 at £2,745,212 (2019: £2,737,908) on a depreciated replacement cost basis. This valuation includes weighbridge land not depreciated of £1,435,000 (2019: £1,315,000).

This valuation excludes expenditure incurred on investigating the new land sites and on the design of a network of new Test Centres as part of the Agency's on-going Transformation Programme.

As a result of the recent and ongoing COVID-19 pandemic events, and in line with current RICS guidance, LPS have advised that market evidence gathered as part of the recent valuation has attached to it, due to the worldwide impact of the pandemic, an increased level of uncertainty in terms of informing opinions of value. Whilst at this stage there is no evidence of impairment as at year-end, the future impact of COVID-19 on land and building values cannot yet be accurately assessed therefore the need for further future valuations will remain under consideration, subject to resources.

LPS is a related party to DVA as it is an agency of the Department of Finance.

8. Intangible Assets

	Information Technology	Internally Developed Software	Software Licences	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2019	6,954	-	245	5,956	13,155
Opening balance adjustment	-	-	-	-	-
Additions	1,884	11	-	1,191	3,086
Disposals	-	-	-	-	-
Revaluation	188	-	2	10	200
Reclassifications	-	-	-	-	-
At 31 March 2020	9,026	11	247	7,157	16,441
Depreciation					
At 1 April 2019	1,517	-	179	-	1,696
Opening balance adjustment	-	-	1	-	1
Charged in year	769	1	17	-	787
Revaluation	45	-	1	-	46
At 31 March 2020	2,331	1	198	-	2,530
Net book value at 31 March 2020	6,695	10	49	7,157	13,911
Net book value at 31 March 2019	5,437	-	66	5,956	11,459
Asset financing					
Owned	6,695	10	49	7,157	13,911
Net book value at 31 March 2020	6,695	10	49	7,157	13,911

8. Intangible Assets (Continued)

	Information Technology	Software Licences	Assets Under Construction	TOTAL
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2018	5,853	270	3,144	9,267
Opening balance adjustment	1	(1)	-	-
Additions	575	-	3,162	3,737
Disposals	-	(30)	-	(30)
Revaluation	175	6	-	181
Reclassifications	350	-	(350)	-
At 31 March 2019	6,954	245	5,956	13,155
Depreciation				
At 1 April 2018	849	188	-	1,037
Charged in year	628	16	-	644
Disposals	-	(30)	-	(30)
Revaluation	40	5	-	45
At 31 March 2019	1,517	179	-	1,696
Net book value at 31 March 2019	5,437	66	5,956	11,459
Net book value at 31 March 2018	5,004	82	3,144	8,230
Asset financing				
Owned	5,437	66	5,956	11,459
Net book value at 31 March 2019	5,437	66	5,956	11,459

9. Inventories

	31 March 2020 £000	31 March 2019 £000
Fuel stock	24	35
Total inventories	24	35

10. Trade and Other Receivables

	31 March 2020 £000	31 March 2019 £000
Trade receivables	161	0
Other receivables	122	91
Prepayments and accrued income	78	209
VAT	803	604
Total receivables	1,164	904

11. Cash and Cash Equivalents

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	36,870	31,626
Net change in cash and cash equivalent balances	892	5,244
Balance at 31 March	37,762	36,870
Commercial banks and cash in hand	756	5,106
Short term investments	37,006	31,764
Balance at 31 March	37,762	36,870

12. Trade and Other Payables

	31 March 2020	31 March 2019 Restated	31 March 2018 Restated
	£000	£000	£000
Amounts due within one year			
Trade payables	670	498	990
Other payables	4,913	41	43
Accruals	4,312	3,315	3,785
Capital accruals – Property, plant and equipment	-	-	31
Capital accruals – Intangible assets	210	291	214
	10,105	4,145	5,063
 Deferred Income	 10,831	 12,505	 8,522
 Amounts due after more than one year			
Loan from parent department	3,865	3,865	3,865
 Total payables	 24,801	 20,515	 17,450

13. Provisions for Liabilities and Charges

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	Holiday Pay	TOTAL
2019-20	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	180	42	292	7	365	-	886
Opening balance adjustment	-	-	-	-	(1)	-	(1)
Provided in the year	53	2	-	-	211	1,359	1,625
Provisions not required written back	(46)	(22)	(6)	-	(33)	-	(107)
Provisions utilised in the year	(45)	(4)	(99)	-	(109)	-	(257)
Borrowing costs	-	-	1	-	38	-	39
Balance at 31 March 2020	142	18	188	7	471	1,359	2,185

Analysis of expected timing of provisions:

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	Holiday Pay	TOTAL
2019-20	£000	£000	£000	£000	£000	£000	£000
Not later than one year	142	18	83	7	25	-	275
Later than one year and not later than five years	-	-	105	-	103	1,359	1,567
Later than five years	-	-	-	-	343	-	343
Balance at 31 March 2020	142	18	188	7	471	1,359	2,185

13. Provisions for Liabilities and Charges (Continued)

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	TOTAL
2018-19	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	156	41	404	7	323	931
Provided in the year	63	6	4	-	59	132
Provisions not required written back	(34)	(3)	-	-	-	(37)
Provisions utilised in the year	(5)	(2)	(116)	-	(17)	(140)
Balance at 31 March 2019	180	42	292	7	365	886

Analysis of expected timing of provisions:

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	TOTAL
2018-19	£000	£000	£000	£000	£000	£000
Not later than one year	180	42	100	7	17	346
Later than one year and not later than five years	-	-	192	-	73	265
Later than five years	-	-	-	-	275	275
Balance at 31 March 2019	180	42	292	7	365	886

13. Provisions for Liabilities and Charges (Continued)

Employee and Public Liability

Provision has been made for compensation claims and associated legal costs made by employees and members of the public. It reflects known claims where legal advice indicates that it is probable the claims will be successful and amount of the claim can be reasonably estimated.

Early Departure Costs

During 2013-14 a Voluntary Early Retirement Scheme for staff at the Professional & Technical Officer (PTO) grade was announced. Under this scheme 16 staff retired during 2014-15. DVA is required to meet the cost of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age. DVA provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments.

Equal Pay

This provision represents DVA's expected share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay. A small number of equal pay claims were still outstanding at the financial year end.

Injury Pensions

Provision has been included for former employees who were medically retired and awarded an additional pension sum in relation to injury which is payable for life.

A discount rate is applied by courts to a lump-sum award of damages for future financial loss in a personal injury case to take account of the return that can be earned from investment. Currently the rate in Northern Ireland is 2.5% and it has to be set in accordance with principles set out by the House of Lords in Wells v Wells. However, following a recent consultation exercise, the Department of Justice intends to seek Executive approval to bring forward legislation to the Assembly as soon as possible

to change the legal framework for setting the discount rate. Subject to the legislative process, the rate would then be reviewed under the new framework.

Holiday Pay

A provision has been included in the accounts relating to a large number of industrial tribunal cases lodged against the NICS in respect of holiday pay. This is an extremely rare and complex case. The Department of Finance (DoF) is leading a piece of work across the NICS, reviewing the implications for each of the major staffing groups across the public sector. The Court of Appeal (CoA) judgment from 17 June 2019 (PSNI v Agnew) determined that claims for Holiday Pay shortfall can be taken back to 1998. However, the PSNI has appealed the CoA judgment to the Supreme Court. Due to delays in relation to the Covid-19 situation, it is expected that this will not be heard until 2021 but could result in a decision which either reduces the period of liability or confirms the full period back to 1998. The 2019-20 Holiday Pay provision has been estimated by NICS HR and covers the period from 1998 to 31 March 2020. There are still some very significant elements of uncertainty around this estimate for a number of reasons:

1. The appeal to the Supreme Court (as detailed above);
2. Lack of accessible data for years previous to 2011 and for some groups of staff beyond 2011;
3. Ongoing negotiations with Trade Unions;
4. A reliable estimate for the pension element is not yet available so this has not been factored into the provision; and
5. The provision is gross (inclusive of Employee National Insurance and PAYE) and also includes an uplift of 13.8% for Employer National Insurance Contributions (NI). Taxation issues are still under discussion with HMRC so the position is subject to change.

14. Prior Year Adjustment

A prior year adjustment has been processed in relation to the government grant received from the Department for Infrastructure. There is an option in the FReM to defer the capital grant income and release it to the Statement of Comprehensive Net Expenditure in line with the depreciation of the capital assets. DVA have now availed of this option. The impact of this Prior Year Adjustment is as follows:

	Retained Earnings £000	Public Dividend Capital £000
Opening balance as previously stated 1 April 2018	36,509	5,790
Prior year adjustment deferred creditor	(9,030)	
Prior year adjustment reduction in income	3,237	
Prior year adjustment PDC	376	(376)
Prior year adjustment Long Term Loan	1,127	
Opening balance restated 1 April 2018	32,219	5,414
 <u>Long Term Loan</u>	 <u>2018-19</u>	
Balance previously stated 1 April 2019	4,992	
Prior year adjustment	(1,127)	
Opening balance restated at 1 April 2019	<u>3,865</u>	
 <u>Deferred Creditor</u>		
Balance previously stated 1 April 2019	3,475	
Prior year adjustment	9,030	
Opening balance restated at 1 April 2019	<u>12,505</u>	
 <u>Retained surplus for the year 2018/19</u>		
Retained surplus for the year as previously stated	8,690	
Reduction in grant income recognised	(3,237)	
Revised retained surplus for the year	<u>5,453</u>	

15. Contingent liabilities disclosed under IAS 37

There were three unquantifiable disputed Employer and Public Liability cases at year end.

16. Capital Commitments

At 31 March 2020, DVA had £10,971,970 (2019: £10,514,155) of contracted capital (Property, Plant and Equipment) commitments not otherwise included within the accounts.

17. Commitments Under Leases

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

	31 March 2020	31 March 2019 (restated)
	£000	£000
Not later than one year	19	19
Later than one year but not later than five years	30	50
Balance at 31 March	49	69

18. Other Financial Commitments

DVA has entered into non-cancellable contracts (which are not leases or PFI and other service concession arrangement) for the maintenance of IT systems. The total payments to which the Agency is committed are as follows.

	31 March 2020	31 March 2019 (restated)
	£000	£000
Not later than one year	4,220	4,335
Later than one year but not later than five years	9,056	6,996
Later than 5 years	7,349	7,463
Balance at 31 March	20,625	18,794

19. Corporate Financial Target

	2020		2019 (Re-stated)	
	Actual	Target	Actual	Target
Return on average capital employed	-0.97%	3.5%	15.05%	3.5%

The return on average capital employed has been calculated in line with Trading Fund guidance from DoF. The return is calculated by expressing the operating surplus on ordinary activities measured before interest (both receivable and payable) and dividends payable as a percentage of average net assets employed.

20. Related-Party Transactions

The DfI is regarded as a related party as it is DVA's parent department. During the year, the Agency has had a number of material transactions with the Department. In addition, DVA has had a number of material transactions with other Government Departments and Central Government bodies. Most of these transactions have been with DoF. Land and Property Services valued the land and buildings used by DVA.

During the year neither the Chief Executive nor members of the SMB nor any other related party has undertaken any material transaction with DVA.

21. Financial Instruments

As a Trading Fund, the cash requirements of DVA are met through fees and financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with DVA's expected purchase and usage requirements and cash balances held at a commercial bank. DVA is therefore exposed to little credit, liquidity or market risk.

22. Events After the Reporting Period

The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020

The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020 came into operation on 24 April 2020 and allows those workers who are unable to take annual leave as result of the pandemic to carry over up to four weeks' annual leave into the next two leave years. Any exemption will apply only to circumstances where workers are unable to take their leave as a result of the outbreak, and carry over of annual leave will be limited to the next two leave years. The change in regulations may lead to an increase in the value of accrued annual leave carried over in the next two years by the department. It is not possible for the department to give a reasonable estimate of the impact at this time.

23. Date Authorised for Issue

The Accounting Officer authorised these financial statements for issue on 28th October 2020.

Annex A:

Report by the Comptroller and Auditor General to the Northern Ireland Assembly

Driver and Vehicle Agency 2019-20

Introduction

1. There are currently 15 MOT centres in Northern Ireland which carry out approximately one million tests on the road worthiness of vehicles each year. Scissor lifts are fundamental in MOT testing as they are used to check the under body of vehicles. In late January 2020 most vehicle testing services were suspended for safety reasons, following faults identified in the scissor lifts.
2. This report summarises the issues arising and the financial impact on the 2019-20 financial statements. In addition, it highlights the ongoing financial impact of the COVID 19 pandemic on DVA.

There was an ongoing maintenance and inspection regime

3. The lifts within the MOT centres are owned by DVA and were supplied by MAHA between 2011 and 2013. Since 2013 MAHA have been contracted to supply and maintain the MOT vehicle testing equipment.
4. MAHA developed a Planned and Preventative Maintenance schedule which consists of two maintenance programmes which run on a rolling basis over a twelve month period. The first is an eight weekly minor routine maintenance programme and the second is a six monthly major routine maintenance programme. Both programmes include maintenance of the lifts. In addition, the Lifting Operations and Lifting Equipment Regulations (NI) 1999 require that a Thorough Examination Inspection (TE Inspection) is to be carried out regularly (at least every six months). Under the maintenance contract MAHA are required to arrange the TE inspections on behalf of DVA.
5. MAHA engaged an independent body (HSB engineering insurance) to carry out the TE inspections. If a defect is identified during these inspections they are to be classed as either:
 - Category A (a defect which is a danger, this should result in the immediate cessation of use of the equipment);
 - Or Category B (a defect which is not yet but could subsequently become a danger. The Inspector should specify the time by which the fault could become a danger and the actions required to remedy it).
6. Given the ongoing maintenance and inspection regime DVA did not expect so many serious defects to arise in such a short period of time. The timeline of events leading to the suspension of MOT services is shown in **Figure 1**.

Figure 1: Timeline of events leading to suspension of MOT services

- TE inspections on 35 lifts during the period July 2019- October 2019, identified no cracks and no category A or B issues.
- On 6 November 2019 a crack was identified on two scissor lifts in Larne test centre during a TE inspection. These were identified as category B cracks and were to be repaired by 27 November 2019. These repairs were not completed and the lifts were taken out of service.
- TE inspections continued on the remaining lifts and cracks were identified within a further 14 lifts. Only one was categorised as category B and no category rating was allocated to the other thirteen lifts.
- On 3 January 2020 DVA asked MAHA to urgently complete a lift condition survey of all test centres. During these inspections a category A crack was identified within a lift in Boucher Road and the lift was taken out of service immediately.
- On 14 January 2020 MAHA advised DVA that various degrees of cracks had been identified in 51 of the 55 lifts. MAHA proposed a welding repair programme which was to be completed from 17 – 24 January 2020, after which the lifts would be subsequently re-inspected.
- Concerns were raised by the health and safety manager of DVA of the continuing use of lifts and on 22 January DVA senior management made the decision to withdraw any lift from service that had not been subject to a repair and further TE inspection.
- On 24 January 2020, HSB advised DVA that the quality of the weld repairs observed through the TE re-inspections “were poor and highly concerning”.
- On 27 January, HSB stated that they could not provide assurance that the lifts were safe to use. On the same day DVA suspended the use of all 55 lifts.

Following the decision to suspend the use of the lifts the majority of MOT for cars and light vehicles were cancelled

7. Temporary exemption certificates for four months were issued for cars over five years old; three month temporary exemption certificates for light goods vehicles; and priority for testing was given to taxis, four year old cars and car dealerships, who could not avail of the exemption certificates due to constraints in legislation. Heavy goods vehicles and buses were not affected as the under body inspection of these vehicles are conducted using inspection pits. MOT centres were able to use the heavy goods vehicles inspection pits to test the four year old cars, taxis and car dealerships. DVA commissioned an independent company to complete TE inspections of three existing lifts which were then put back into service and two new lifts were also installed.

8. Temporary exemption certificates were subsequently extended for all eligible vehicles due to the restrictions arising from the COVID 19 pandemic. This provided cover for one year from the normal MOT expiry date in 2020 until the date the vehicle is due to be tested in 2021.

Independent reviews were commissioned by the Minister for Infrastructure

9. In January 2020 the Minister for Infrastructure commissioned two independent reviews¹. The first was a short review by independent engineers exploring the steps needed to return the MOT centres to full service operation. The second review was conducted by NICS Group Audit Service and focussed on the timeline of events which led to the 55 lifts being taken out of operation.

The DVA lifts had exceeded their design load cycles

10. The independent engineers report concluded that the defects were a result of fatigue and that the lifts had exceeded their design load cycles. The DVA lifts undertake approximately 20,000 lifting cycles annually which equates to approximately 150,000 – 160,000 in total since installation. The operating instructions state that the designed life of a standard lift is 22,000 cycles. The lifts do have a possible product life expectancy greater than a total of 22,000 load cycles, however it is subject to annual evaluation. It is also noted that the DVA lifts are non –standard due to the addition of shaker plates but it was not clear what impact that would have on the product life expectancy.
11. The report recommended that all lifts exhibiting signs of fatigue should be replaced not repaired. It also made a number of recommendations to strengthen the future maintenance and inspection of the lifts. In addition, it recommended that cycle counters are added to all lifts, and that an estimated product life expectancy is provided for new lifts, given as an estimated total number of load cycles based on the average load lifted. This will allow the number of cycles to be monitored and allow a lift replacement schedule to be developed. MAHA have since advised DVA that it would expect the lifecycle of a lift to achieve or exceed 4 times the number of 22,000 full load cycles it has been designed for.

DVA did not anticipate that a major refresh of lifts would be necessary

12. The Internal Audit investigation confirmed that the maintenance and inspection regime outlined at paragraphs 3 - 6 had been in place. It also noted that there is a robust process in place within DVA to log and report faults and subsequently repair vehicle testing equipment, including lifts.
13. The Internal Audit report also makes reference to the ongoing Business Transformation Programme within DVA which involves the replacement of current vehicle testing equipment, including lifts. A contract for provision of new Test Centre equipment has been awarded to a new supplier and it is planned that the new equipment will be installed from 2022. As part of the strategy to move to the new arrangements, DVA had considered both the age and the level of usage of the existing vehicle testing equipment. It accepted that there may be a need to replace or refresh the current equipment in the future but the intention was to only replace any lift that had reached its absolute life end. As a result, DVA had not developed a plan to

¹ <https://www.infrastructure-ni.gov.uk/publications/audit-investigation-report-dva-lifts>

undertake a major refresh programme of lifts. However, Internal Audit found that DVA had not determined the projected absolute life end for the lifts.

14. Internal Audit also noted that MAHA carried out a survey of all existing vehicle testing equipment, including the lifts, in October 2018. This survey showed that the lifts, whilst showing signs of wear and tear, were generally in good condition. DVA took assurance from the 2018 survey that a major refresh of lifts would not be necessary and did not anticipate the scenario where all the lifts would be taken out of service at the same time.
15. Following the investigation, DVA advised that it had placed a reliance on MAHA to provide expert advice on the condition and associated replacement programme for individual vehicle lifts. DVA also stated that it was not possible to determine the absolute life cycle of each vehicle lift as it is determined by a number of factors including load distribution; vehicle weight; and number of lift cycles. It is however possible to estimate a theoretical lift replacement cycle and this was not done.

Independent advice was sought to establish the best way forward

16. DVA engaged with MAHA in an effort to understand how the situation had arisen so rapidly despite all the lifts within DVA test centres having been subject to a regular inspection and maintenance. Legal advice was also sought. It advised that legal proceedings could be protracted, costly and would not guarantee a resolution for the public.
17. Construction & Procurement Delivery (CPD) in the Department of Finance provided independent advice on the purchase of the lifts. The advice from CPD was that the quickest way to install the new lifts was to use the existing contract. To use another supplier would significantly delay the installation of new lifts. DVA entered into negotiations with MAHA for the replacement of 52 lifts, securing a commitment to fast track production of the lifts and a discount from the original quotation.

Financial impact on the 2019-20 financial statements

18. MOT fees for cancelled tests were refunded. Customers who had a test cancelled, which had been booked for the period 21 January to 26 February 2020, received compensation of half the test fee. The suspension of tests resulted in lost revenue of £2.95 million for the period January – March 2020. In addition, costs in the region of £980,000 were incurred, including £702,368 in compensation for cancelled tests, and other costs associated with issuing temporary exemption certificates.
19. The affected lifts had already been fully depreciated in prior years but had been re-lifted to a nominal value of £1 each. As the lifts had a minimal opening value there was no significant write off required and no impairment to be reflected in the financial statements.
20. DVA made a loss for the 2019-20 year of £2.1 million, compared with a surplus of £5.5 million in the previous year (see **Figure 2**). The loss of fee income from MOTs and the compensation due to cancelled MOTs contributed to this loss. I note the deficit position was also impacted by a number of other factors including a backdated holiday provision for some staff, an increase in employer pension contributions, the cost of replacing IT systems in year and overtime costs in relation to a backlog of MOT tests earlier in the year.

Figure 2: Comparison of financial position between 2018-19 and 2019-20

	2019-20	2018-19
	£000	£000
(Surplus)/Deficit	2,146	(5,453)
Retained Earnings	35,908	37,853

21. The replacement of the 52 lifts has cost £1.8 million. It has been reflected within capital commitments (Note 17) in the 2019-20 financial statements and has been financed from DVA retained earnings during the 2020-21 financial year.

Financial position in 2020-21

22. As DVA is primarily funded through fees collected for all of its services to the public, COVID 19 has had a major impact on its financial position in 2020-21. DVA suspended many of its services and handed over the use of Belfast, Newtownards and Craigavon test centres as COVID 19 testing centres to the Department of Health. These test centres have now been handed back to DVA and new lifts have been installed at all sites. All DVA test centres are now available for both vehicle and driver testing services.
23. Whilst services are now being resumed, capacity will be reduced due to public health requirements. DVA's current projections assume that there will be a gradual transition in the resumption of services during 2020-21 but it is unlikely that there will be a full resumption of some services in year given the restrictions necessary to ensure current public health guidance is adhered to.
24. To date, DVA has secured the following funding allocations from DfI to address the impact of COVID 19:
- £10 million of capital funding for the build of a new test centre and depot at Hydebank which has released £10 million of cash reserves previously accumulated for capital investment to fund operational spend;
 - £7.3 million of COVID 19 resource funding allocation to address some of the loss of income; and
 - £1.4 million of COVID 19 resource funding for the Taxi & Bus Regulatory Support Package.
25. Taking these allocations and revised projections for fee income into account, a bid has been put forward for a further £11 million to address the estimated remaining loss of income. It is expected that the DVA Trading Fund will be in deficit for the 2020-21 financial year in the region of up to £21 million if additional funding is not secured.

An action plan is in place to address the issues raised

26. DVA devised an action plan to address the issues identified by both reviews. As requested by DVA's Accounting Officer, the DVA Audit Committee is overseeing the implementation of the actions set out in the action plan to ensure they are implemented in a timely manner. Regular progress updates are being provided to the Audit Committee and also to the Minister and the Department for Infrastructure. I note that 18 of the 23 recommendations relating to the lifts issue have now been completed.

Conclusion

27. The suspension of MOT tests due to the faults in the lifts caused significant disruption to the public and substantial loss of income for DVA. Whilst I note that similar and unforeseen problems with the same make and model of lift were experienced in other countries, I find it very surprising that DVA had not projected the end life of the lifts and did not have a replacement plan in place. Substantial reserves have been built up over the years and as such DVA was in a position to finance the replacement lifts. It is important that lessons must be learned from this and the action plan must be regularly reviewed and progress closely scrutinised.
28. I will keep the implementation of the remaining recommendations in the action plan under review. In addition I will continue to closely monitor the financial position of DVA in the months ahead.



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