



Northern Ireland Audit Office

# **Annual Report and Accounts 2014-2015**



**Northern Ireland Audit Office Annual Report and Accounts  
For the year ended 31 March 2015**

Laid before the Northern Ireland Assembly by the  
Department of Finance and Personnel under  
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Any enquiries regarding this document should be sent to us at  
Northern Ireland Audit Office, 106 University Street, Belfast, BT7 1EU  
or e-mail: **[info@niauditoffice.gov.uk](mailto:info@niauditoffice.gov.uk)**.

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## Foreword

The role of the Northern Ireland Audit Office (NIAO) is one of holding public sector bodies to account. At our core is the promotion of better use of public money in order to make a difference for the people of Northern Ireland.

At this time of austerity, we remain focused on maximising efficiency in our own operations while delivering a comprehensive programme of work without compromising standards. In this respect I consider that 2014-15 has been a year of considerable achievement for the Office. We audited 218 public sector accounts and published 13 reports covering the findings from our financial audit work and value for money examinations across government in areas such as health, education, social development, justice and environment.

We also published two good practice guides, 'Whistleblowing in the Public Sector: A good practice guide for workers and employers' which was published in conjunction with the other public audit agencies of the UK; and 'Conflicts of Interest: A Good Practice Guide' to promote high standards in public life. Both guides were launched through the auspices of the Chief Executives' Forum and we will continue to promote these through our audit work.

We worked closely with audited bodies to promote good practice in governance arrangements and help combat fraud; continued to provide independent support to the Assembly, in particular the Public Accounts Committee (PAC) in its sessions on six of our VFM reports and two financial audit reports; and pursued 69 concerns raised with us by elected representatives and members of the public. During 2014-15, we gave evidence to both the Committee for Social Development on the Northern Ireland Housing Executive's managed contracts and to the Committee for Finance and Personnel on Sickness Absence in the Public Sector.

We have a responsibility to provide value for money on the services we provide to our stakeholders. During 2014-15 we identified quantifiable financial impacts of £26.6 million as a result of work of the Office and PAC, 3.4 times the net resource outturn of the Office. This is a considerable achievement and reflects positively on the work of my Office.

I would take this opportunity to thank the staff of the NIAO for the high quality public audit service provided in 2014-15. Going forward, we will continue to focus on enhancing our performance as a public sector auditor to help the Assembly and the public sector maximise improvement in public services and the use of public funds.



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

**18 June 2015**

# Strategic Report

## Introduction

We are pleased to present our Strategic Report, as required under the 2014-15 Government Financial Reporting Manual issued by the Department of Finance and Personnel. This report sets out the role, strategic aims and principal activities of the Northern Ireland Audit Office ("the NIAO" or "the Office") and its performance and use of resources in 2014-15.

## About the NIAO

### Our role

The NIAO seeks to hold public bodies to account for the way they use public money. We provide objective information, advice and assurance on how public funds have been used and encourage high standards in financial management, good governance and propriety in the conduct of public business.

Our purpose is to promote better use of public money through independent professional scrutiny, underpinned by our commitment to integrity, equality, openness and innovation, to make a difference for the people of Northern Ireland.

The principal pieces of legislation which govern the operations of the Office are the Audit (Northern Ireland) Order 1987; the Northern Ireland Act 1998; the Government Resources and Accounts Act (Northern Ireland) 2001; the Audit and Accountability (Northern Ireland) Order 2003; the Local Government (Northern Ireland) Order 2005; and the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006.

### Our independence

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

### Our accountability

Because of its public profile and the nature of its work, the NIAO recognises the importance of being exemplar in the handling of its own affairs. We are committed to adhering to the highest standards of



corporate governance and accountability, underpinned by transparency, and to promoting and securing value for money in the use of public funds.

The NIAO and the Audit Committee of the Assembly which oversees NIAO performance, have agreed a Memorandum of Understanding on the governance and accountability of the Office. The Memorandum sets out:

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

### Our strategic aims

Each year the NIAO prepares a Corporate Plan (available at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk)) covering the next three financial years. The plan sets out the Office's strategic aims and forward plans during this period, together with detail on how it proposes to deliver these aims, the resources that it requires to do so, and its key performance measures.

The Office's primary focus in 2014-15 has been the delivery of its core activities of auditing the accounts of public sector bodies (financial audit) and publicly reporting on examinations of economy, efficiency and effectiveness, performance improvement and issues arising from the audits of financial statements in central, health and local government.

Underpinning our purpose of ***promoting better use of public money***, we concentrated on three strategic aims where we could add value to the Northern Ireland Public Sector:

- Encouraging further improvement in financial management;
- Promoting the proper conduct of public business; and
- Promoting improvement in the efficiency and quality of services provided to the taxpayer.

### Our budget

The Audit Committee of the Assembly examines our budget proposals. The Comptroller and Auditor General and the Assembly Audit Committee agree the annual Estimate and the Committee lays it before the Assembly for approval.

# Our work

Our audit remit covers both the central and local government sectors in Northern Ireland. The Comptroller and Auditor General is responsible for the external audit of central government bodies and reporting the results of his work to the Assembly. The audit of local government bodies is the responsibility of the Local Government Auditor, a member of NIAO staff designated by the Department of the Environment, with the consent of the Comptroller and Auditor General. The results of this work are reported to the Department of the Environment.

The five dimensions to our work are shown below:

|  |  |
|--|--|
| <b>Financial Audit</b>   | Forming an opinion on financial statements; assessing whether expenditure is regular and in accordance with the intention of the Assembly when it granted the money; and providing assurance on the Governance Statement.  |
| <b>Public Reporting and Investigation</b>                      | Independently examining and reporting to the Northern Ireland Assembly and local councils on economy, efficiency and effectiveness, performance improvement and issues arising from the audits of financial statements in central, health and local government.                |
| <b>Governance and Fraud Prevention and Detection</b>           | Providing audited bodies with constructive advice to help them improve their corporate governance, financial control and risk management arrangements, and assisting in the prevention and detection of fraud by conducting and reporting on data matching exercises.          |
| <b>Support to the Northern Ireland Assembly and the public</b> | Working closely with the Assembly's Public Accounts Committee on evidence sessions based on our reports; providing support to departmental committees; and responding to enquiries from elected representatives and disclosures from whistleblowers and members of the public. |
| <b>Comptroller Function</b>                                    | Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.   |

The gross expenditure, and any associated income, of each of the above elements are shown in Note 2 to the Accounts.

## Financial Audit

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

### Central Government

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

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

In 2014-15 we certified 161 central government accounts (2013-14: 161).

If at the end of an audit we consider that the accounts do not present a true and fair view, or that expenditure and income have not been incurred in line with Assembly intentions, then the Comptroller and Auditor General will qualify his opinions on the accounts. Of the 161 central government accounts certified in 2014-15, 22 were qualified (2013-14: 20). In these cases, and in other cases where there are significant issues arising, we make a report to the Assembly which may be considered by the Public Accounts Committee (PAC).

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

During 2014-15 we continued to work with the Office of the Comptroller and Auditor General in Dublin on the shared audit and certification of North South bodies. We also continued to have close working arrangements with the National Audit Office for the accounts we audit on its behalf.

### Local Government

The Department of the Environment, with the consent of the Comptroller and Audit General, has designated a senior member of NIAO staff, Louise Mason, as the Local Government Auditor. The Local Government Auditor, assisted by NIAO staff, is responsible for the audit of local government bodies. The Local Government Act (Northern Ireland) 2014 forms the legislative basis for the local government reform programme and impacts on every aspect of the operation of the local government bodies. In 2014-15, in addition to the local government bodies, we audited the Statutory Transitional Committees of the 11 new super councils (operational from 1 April 2015). Overall, we completed the audits of 57 local government accounts (2013-14: 46). None of the opinions on the local government accounts certified in 2014-15 were qualified (2013-14: nil).

## Public Reporting and Investigations

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

### Major Public Reports

Between April 2014 and March 2015 we published the following reports, copies of which can be obtained from our website at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk):

| Central Government  | Date published   |
|---|------------------|
| Safer Births: Using Information to improve quality                                | 29 April 2014    |
| Continuous Improvement Arrangements in Policing                                   | 6 May 2014       |
| Improving Social Housing Standards through Stock Transfer                         | 3 June 2014      |
| National Fraud Initiative   | 17 June 2014     |
| Managing and Protecting Funds held in Court                                       | 1 July 2014      |
| Modernising Benefit delivery in the Social Security Agency's Local Office Network | 11 November 2014 |
| NI Courts and Tribunals Service Trust Statement for year ended 31 March 2013      | 20 November 2014 |
| Whistleblowing in the Public Sector: A Good Practice Guide                        | 25 November 2014 |
| Primary Care Prescribing  | 27 November 2014 |
| Financial Auditing & Reporting 2014   | 9 December 2014  |
| Continuous Improvement Arrangements in Policing                                   | 17 February 2015 |
| Cross-border broadband initiative: The Bytel Project                              | 3 March 2015     |
| Conflicts of Interest – A Good Practice Guide                                     | 26 March 2015    |
| Protecting Strangford Lough   | 31 March 2015    |
| Local Government Audit Reports  |                  |
| Local Government Audit Report 2014  | 18 November 2014 |

In 2014-15, we issued reports arising from our financial audit work, including a general report on the results of our central government financial audit work and a "Local Government Audit Report 2014". However, the main component of public reporting in 2014-15 was our examinations into the economy, efficiency and effectiveness (value for money) with which public bodies use their resources.

Our value for money (VFM) work is informed by a careful analysis of the audit field. We select a balanced programme of studies which aims to:

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

Our value for money studies focus on specific areas of government expenditure, and seek to make a judgement on how well government has managed its resources and delivered services.

In 2014-15, we published 10 VFM reports (2013-14: 11 VFM reports). These covered a wide range of topics across the Northern Ireland public sector in areas such as health, housing, justice, jobs and benefits. In these reports, we sought to measure performance; identify the factors underlying that performance; and offer practical recommendations aimed at adding value.

Specific examples of our reports include the following:

**The Bytel Project** – this project aimed to provide high-speed, cross-border broadband infrastructure. The project was offered assistance from the EU Interreg programme from government departments in both Northern Ireland and the Republic of Ireland. Grants totalling €4.3 million were paid to the Bytel company but these were subsequently deemed to be irregular and the project was withdrawn from the Interreg programme. As a result, EU funding for the project was lost and all of the €4.3 million grant expenditure had to be met by two departments. We found that the project had been badly managed by the joint implementing agents. Project appraisal, assessment of project costs and the checking of grant claims were poor. Responses to allegations from whistleblowers fell short of the standard required and investigations took too long to complete. Although the project delivered a broadband network, it represented poor value for money for the public funds invested.

**Improving Social Housing Standards through Stock Transfer** - we examined two pilot transfers of Housing Executive stock to Housing Associations. We found that these pilots did not provide viable templates for any future transfers of homes. The report also highlighted several aspects of best practice from transfers in Great Britain that could improve the stock transfer process in Northern Ireland.

**Modernising Benefit Delivery in the Social Security Agency's Local Office Network** – this report examined reforms to the systems that administer benefits in Northern Ireland. We found that the primary focus of these modernisation and reform programmes had been to meet the requirements of legislative and policy change and not to improve the efficiency of benefit administration. We concluded that the introduction of Universal Credit provided an opportunity for the Social Security Agency to focus on improving the efficiency of benefit administration and to make significant savings in the administration of benefits over the longer term.

**Managing and Protecting Funds in Court** – a part of the Department of Justice, the Court Funds Office (CFO) is responsible for the stewardship of around £290 million on behalf of 14,000 clients whose funds are held under the protection of the civil courts. While the assets of some clients may be modest, many have significant resources necessary to pay for a lifetime of care, and it is not uncommon for funds to remain under the control of the courts for many years. We found that the current arrangements and existing legislation for managing and protecting funds in court do not ensure value for money or proper accountability for clients' funds. In particular the CFO does not have sufficient information to understand the performance of clients' funds and should seek expert help to identify what exactly it requires. Governance arrangements must be strengthened to include an independent client representative and a fully independent financial expert. The CFO needs to set explicit targets for the standard and quality of service provided to clients and provide more information to its clients, particularly in respect of fees and administration costs deducted from their funds.

**Primary Care Prescribing** – by 2013, almost 39 million prescription items were dispensed in Northern Ireland at a cost of £409 million. The prescriptions dispensed by pharmacies account for around 10 per cent of total healthcare spending. This report drew attention to variations in the prescribing patterns of local GPs and estimated that, in 2013, potential savings of £19 million could have been realised if all GPs had prescribed as efficiently as those in the average performing practice. Further, the report concluded that by reducing the average by 10 per cent over a three year period could yield savings of £54 million. While acknowledging that variation in practice and the definition of data may affect the interpretation of comparisons with elsewhere in the UK, the report calculated that if the prescribing costs of local GPs had been in line with those in Wales in 2013, there was potential to save up to £73 million. In the case of one drug, Pregabalin, a pain-killer, the report showed that it cost the prescribing budget more than any other single medicine prescribed by GPs. During 2013, a total of £17 million was spent on the drug – it cost £9.43 per head of population in Northern Ireland compared to approximately £4 per head in the rest of the UK.

**Safer Births: Using information to improve quality** - in 2012 there were around 25,000 registered births in Northern Ireland and the total cost of providing maternity services was just over £100 million. Caesarean sections are the most common surgical intervention carried out in maternity care. In 2012-13, just under 30 per cent of all babies born in Northern Ireland were delivered by caesarean section which is broadly in line with the rest of the UK. The report demonstrates that there is wide variation in the rate of caesarean sections performed at different maternity units: for example, while the Mater Hospital has a caesarean delivery rate of around 23 per cent, by contrast almost 36 per cent of births are by caesarean section in Daisy Hill Hospital. Although some variation would reasonably be expected given differences in patient populations, the scale of the variation may be indicative of variations in clinical practice. The use of a classification system, such as the one demonstrated in the report, to produce data that increases clinicians' understanding of birthing interventions can be a major driving force in reducing variation.

**Protecting Strangford Lough** - we reported on the actions taken by the Department of the Environment and the Department of Agriculture and Rural Development in addressing the decline of Modiolus biogenic reefs (rare horse mussel reefs) in Strangford Lough. Despite banning fishing through trawling and dredging in 2003, and the development of a Management Scheme, the reefs continued to deteriorate. Following a complaint to the European Commission in 2003, a Restoration Plan was agreed with the Commission in 2005. However the departments' failure to fully implement the Plan, along with their failure to introduce

exclusion zones in a timely manner, led to a second complaint to the Commission in 2011. A Revised Plan was agreed with the Commission in 2014, with the clear understanding that failure to implement this Revised Plan could result in significant infraction fines payable by the Northern Ireland Executive.

### Good Practice Guides

We also published two good practice guides. 'Whistleblowing in the Public Sector: A good practice guide for workers and employers' was published in conjunction with the other public audit agencies<sup>1</sup> of the UK. The guide was produced at a time which has seen significant developments in relation to whistleblowing. The guide will be beneficial to workers who are considering whistleblowing and also their employers, to ensure best practice is followed in responding to concerns raised. The aim of 'Conflicts of Interest: A Good Practice Guide' is to promote high standards in public life and the key characteristics of propriety as defined in the 'Seven Principles of Public Life' known as the Nolan Principles. Both guides were launched through the auspices of the Chief Executives' Forum<sup>2</sup> and will continue to be promoted through our audit work.

### Governance and Fraud Prevention and Detection

The Office works closely with audited bodies to promote good practice in governance arrangements and help combat fraud. It is our view that good governance structures which are well embedded in organisations are a key attribute to achieving corporate goals and are crucial in times of financial constraint. During this financial year we attended the audit committees of all our audited bodies, providing support, advice and guidance to both non-executives and senior staff in these organisations. We continue to work with bodies to further enhance their governance arrangements.

We also continued to be involved in providing training to both staff and non-executives through programmes developed by the Chief Executives' Forum. These programmes focussed on accountability and were aimed at a number of different groups including accounting officers, senior managers, board members and NIAO Audit Committee Members.

The Office continues to play an important role in supporting public sector bodies in their fight against fraud. Ongoing budgetary pressures mean it is of particular importance that public bodies use every means at their disposal to prevent and detect misuse of public funds in order to maximise frontline resources. In our promotion of better use of public money, the Office maintains a small counter fraud unit which reviews and monitors the arrangements in departments for the prevention, detection, investigation and reporting of fraud.

A key focus in recent years has been the prevention and detection of potential fraud and error through data matching. Data matching involves comparing pieces of data or information held by one body against other records held by the same or another body in order to highlight potentially fraudulent claims and payments.

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<sup>1</sup> National Audit Office, Audit Scotland and Wales Audit Office

<sup>2</sup> The Chief Executives' Forum is the association of chief executive officers of civil and wider public service bodies in Northern Ireland

Since 2008 we have participated in the National Fraud Initiative (NFI), a UK wide data matching initiative to combat fraud and error. In three exercises to date in Northern Ireland, almost £30 million of fraud and error has been identified. The fourth NFI exercise in Northern Ireland is currently underway and will be reported on in June 2016. We continue to encourage public sector bodies to make the NFI a key part of their counter fraud strategies. We also continue to explore ways of developing the NFI further through the inclusion of additional public sector bodies and new data matches. Three new organisations are participating in the current exercise.

## Support to the Northern Ireland Assembly and the Public

We provide independent support to the Assembly so that it can hold government to account for its financial management and the value for money it provides to the taxpayer for the public funds it spends.

We present our value for money reports to the Assembly and the majority of these are considered by PAC at hearings in which it takes evidence from the senior departmental officials involved. During 2014-15, PAC held sessions on six of our VFM reports, in addition to sessions on two of our financial audit reports, as follows:

### Value for Money

Tackling Social Housing Tenancy Fraud in Northern Ireland

The Future Impact of Borrowings and Private Finance Commitments

Belfast Metropolitan College's Titanic Quarter PPP Project

Primary Care Prescribing

Cross-border broadband initiative: The Bytel project

Managing and Protecting Funds held in Court

### Financial Audit Reports

Advanced Land Purchase

Northern Ireland Courts and Tribunals Service Trust Statement for the year ended 31 March 2013



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

In addition, we have opportunities to offer the perspectives of public sector audit to the wider Assembly. For example, during 2014-15, we gave evidence to the Committee for Social Development to provide briefing on its report inquiry into allegations, arising from a BBC NI Spotlight programme aired on 3 July 2013, of impropriety or irregularity relating to NIHE managed contracts and consideration of any resulting actions. Also during the year, the Committee for Finance and Personnel produced a report on Sickness Absence in the Public Sector which drew on evidence we provided to the Committee on this matter.

We also pursue concerns raised with us by elected representatives or members of the public. In 2014-15, elected representatives raised 22 separate cases, all of which we have followed up (2013-14: 17 cases). Some remain under investigation.

## MLA Queries

| Category of Concern                      | 2014-15   | 2013-14   |
|--|-----------|-----------|
| Entitlement to/misuse of public funds    | 9         | 6         |
| Abuse of Expenses / Travel & Subsistence | -         | -         |
| Tender / contracts                       | -         | 3         |
| Planning                                 | 1         | -         |
| Governance                               | 8         | 4         |
| Procurement                              | 4         | 4         |
| <b>Total Cases:</b>                      | <b>22</b> | <b>17</b> |

The C&AG and the Local Government Auditor are prescribed persons under public interest disclosure legislation and part of the Office's counter fraud role is considering public interest concerns raised by, among others, public sector employees, contractors and the wider public. Such concerns can lead to reports to the Public Accounts Committee, for example the report on the "Cross-border Broadband Initiative: the Bytel Project", which was published in March 2015.

In 2014-15, 47 disclosures about the use of public money were received from whistleblowers (2013-14: 76 cases). Disclosures from whistleblowers are encouraged, dealt with professionally and treated in confidence, as appropriate.

## Whistleblowers

| Category                                 | 2014-15   | 2013-14   |
|--|-----------|-----------|
| Grant Related                            | 1         | -         |
| Entitlement to/misuse of public funds    | 7         | 11        |
| Procurement / Contracts                  | 14        | 20        |
| Conflict of interest                     | 1         | 6         |
| Abuse of Expenses / Travel & Subsistence | 3         | -         |
| Failure to follow proper procedures      | 2         | 11        |
| Planning issues                          | 4         | 3         |
| Benefit fraud                            | -         | 3         |
| Governance issues                        | 5         | 9         |
| Other                                    | 10        | 13        |
| <b>Total Cases:</b>                      | <b>47</b> | <b>76</b> |

Of the 47 disclosures received in 2014-15, 21 related to our local government remit, three of which were received from Councillors. In 2013-14, 22 disclosures related to local government, four of which were received from Councillors.

## Comptroller Function

The Comptroller and Auditor General authorises the issue of public funds by the Department of Finance and Personnel from the Northern Ireland Consolidated Fund (NICF) to government departments and others. The NICF is the account into which payments and receipts to the Assembly flow. These include Block Grant, local revenues and other non-tax receipts. All payments out of the NICF must have legislative authority and must be made in accordance with the provisions of the Government Resources and Accounts Act (Northern Ireland) 2001.

## Our Performance

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

During 2014-15 quantified financial impacts of £26.6 million were achieved as a result of the work of the Office and PAC (2013-14: £22.1 million). This figure has been independently validated by the Office's external auditor and represents 3.4 times the net resource outturn of Office (2013-14: 2.7 times). The extent of savings achieved can fluctuate from year to year and is largely dependent on the nature of the studies undertaken in the value for money audit programme.

The following examples demonstrate the financial impact and/or the wider qualitative impacts such as service improvements, better programme and resource management or better outcomes for users of public services achieved during 2014-15.

### Department of Agriculture and Rural Development – Financial Savings in EU Disallowances

The Northern Ireland farming community benefits from Common Agricultural Policy subsidies, in the region of £300 million per annum under the European Agricultural Fund. Due to weaknesses in the Department's control systems identified during audits carried out by the EU Commission and the EU Court of Auditors, the Department faced disallowances of EU funding of approximately £78 million across Single Farm Payments for claim years 2004 to 2009.

In an attempt to mitigate the risk of future disallowances, the Department voluntarily implemented a new Commission guideline for "the reinforcement of assurance as to the legality and regularity of transactions at the level of final beneficiaries" (the guideline) in respect of the Single Farm Payment years 2011 and 2012. We were appointed as the Certifying Body to undertake the audit required under this guideline.

In October 2014, the Commission wrote to the Department setting out its proposals for disallowances across area-based schemes in respect of claim years 2010 to 2012. The Commission stated its initial view that in those years weaknesses in the Department's control systems still existed and that the nature of the weaknesses would generally require a 5 per cent flat rate correction in line with the scheme rules. However, instead the Commission has accepted that the Department's assessment of the error rate, as validated by the work completed under the guideline, represents a better assessment of the risk to the funds compared to the application of a flat rate correction. Consequently, the total disallowance for claim years 2010-12 is approximately £10.4 million, resulting in a financial saving to the Department of over £30 million. The Department has acknowledged we played a pivotal role in partnership with the Department in ensuring the saving was achieved. We estimate that the impact of our involvement in this work to be £15 million.

## **Tackling Social Housing Tenancy Fraud in Northern Ireland**

Our September 2013 report on Tackling Social Housing Tenancy Fraud highlighted a range of best practice that had not yet been adopted by social housing providers in Northern Ireland. Our recommendations included the creation and implementation of strategies to tackle tenancy fraud in Northern Ireland, improved management information on the investigation of frauds and the establishment of formal protocols with utilities around information sharing.

Following the introduction of new procedures, the number of social houses recovered by the Northern Ireland Housing Executive increased by around 65 per cent in the year 2014-15. Our report estimated that each social house recovered could save around £8,000 per annum in temporary accommodation costs for families who are homeless. The impact of our work has resulted in recoveries totalling more than £1.1 million to the end of 2014-15 and we expect more savings in the coming years.

## **Property Asset Management in Central Government**

Our November 2012 report examined the management of Northern Ireland's central government property assets. The report made a number of recommendations including the requirement for an over-arching strategic plan for the central government property estate; the introduction of central property controls, including exploiting co-location opportunities and exiting leases to release office space and reduce running costs; and introducing improvements to the clearing house system for the disposal of surplus properties. The implementation of these recommendations is contributing towards a step change in thinking around how departments and public bodies work collaboratively to deliver public services and having a structured and strategic approach to property asset management. The Executive has established an Asset Management Unit which is working with every department to maximise efficiencies across the Government estate. The Executive has approved an Asset Management Strategy and the first State Of The Estate Report was published in December 2013. A Reform of Property Management Project has been established to deal with these issues and progress is being made. Programme management and governance arrangements for asset management are now in place and a draft Programme Plan is due to be finalised in 2015.

### Collaborative Procurement

Our report recognised that increasing collaborative procurement has the potential to generate financial savings without impacting on front line service delivery. It can help achieve better value for money and reduce transaction costs harmonising specifications for common goods and services and aggregating demand. Central Procurement Directorate has reported significant savings in 2014-15 through the use of collaborative contracts and also via the operation of a Memorandum of Understanding with Crown Commercial Services through national arrangements. These initiatives have produced combined savings of £7.7 million in 2014-15.

### Key Performance Measures

In addition to measuring the financial impact of our audit work, we have a number of key performance measures to assist in demonstrating our productivity, quality of work and achievements in reducing costs. Performance achieved in 2014-15 against these key measures is as follows:

| Measure                                 | Target  | Performance achieved in 2014-15   |
|---|---|---|
| Ensuring ongoing efficiency in our work | Annual savings of 1.5 per cent in real terms in the costs of financial audit work. <sup>1</sup>   | 2.7 per cent  |
|   | Annual savings of 1.5 per cent in real terms in the costs of value for money work. <sup>1,2</sup>   | 13.9 per cent   |
| Timeliness of our outputs               | Financial Audit: at least 70 per cent of accounts audited within seven months of their year end.  | 72 per cent   |
|   | Financial Audit: at least 87 per cent of accounts audited within twelve months of their year end.   | 97 per cent   |
|   | Public Reports: complete and report on 12 studies each year (10 value for money reports and two good practice guides) each year.  | 12 reports published.   |
| Our work is of the highest quality      | Financial Audit:<br>Annual confirmation of compliance with our audit methodology and underlying professional standards. We monitor our quality control procedures to ensure our continued compliance with the International Standard on Quality Control. Our procedures include performing 'cold reviews' of our financial audit work. In the period, six accounts were reviewed by teams independent of the audit team. Four of the reviews were conducted by teams from the other UK public audit agencies. | All opinions were found to be sound. Some areas for improvement were identified and will be taken on board as part of 2015-16 audits. |
|   | VFM work:<br>We subject our VFM reports to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that our VFM reports maintain an average quality review score of at least three.   | 3.5   |

<sup>1</sup> Three year rolling average

<sup>2</sup> Individual VFM reports can differ significantly in their scale, scope and complexity. Consequently average study costs may vary significantly year on year

# Our People

## Our Values

When carrying out our work:

- our people will feel important, appreciated and enthused about our success;
- we will have respect for one another's needs, the needs of the Office and the contribution of colleagues is essential;
- we will do the right thing and we will do what we say we will do; and
- we will be open, honest and straightforward in all our dealings.

## Human Resources

NIAO's resources were used to employ an average full time equivalent of 131 staff, including temporary appointments, in 2014-15 (2013-14: 132).

The 126 permanent full time equivalent staff at 31 March 2015 (2013-14: 127) comprised:

|                | Male      | Female    |
|----------------|-----------|-----------|
| Executive Team | 1         | 2         |
| Directors      | 7         | 2         |
| Other Staff    | 51        | 63        |
| <b>Total</b>   | <b>59</b> | <b>67</b> |

We carry out an annual review of our workforce requirements to ensure that the Office has sufficient personnel with the capabilities, competence and commitment to ethical principles necessary to perform its functions. This also takes into account the impact of changes in public administration on our workload e.g. reduction in the number of councils and proposed changes to the number of central government departments.

The NIAO seeks to recruit and promote the best quality candidates to meet its current and future needs, based on the merit principle and compliance with equal opportunities requirements. Three qualified accountants and five graduate trainees were recruited in 2014-15; the latter were appointed on training contracts.

As with other public bodies, the Office is facing unprecedented cuts to its budget. This will impact on the level of permanent staffing that can be afforded. The Office launched a Voluntary Exit Scheme for staff in April 2015 which will result in letters of offer issuing in July 2015 (see pages 28, 35, and 51 for further comment).

## Learning and Development

It is through the skills, expertise and cumulative experience of our staff that we are able to deliver against a challenging programme of audit work. Currently, over 60 per cent of staff have professional accountancy qualifications and a further seven per cent are studying to become qualified. Other staff are qualified in other relevant disciplines.

We are committed to providing an environment in which people are given the necessary training and development to help maintain and develop their skills, and to maximise personal potential in the achievement of organisational objectives. The Office's performance management system encompasses a personal development plan for each member of staff which covers both structured training courses and work based learning. This system is currently under review.

Excluding formal accountancy training, staff, on average, undertook four days of structured training in 2014-15 (2013-14: 6.61 days) in areas such as technical updates, personal development and management skills.

Staff development is an important component of the Office's Business Restructuring Project (see page 22 and page 51), as illustrated by specific objectives of the project:

- greater flexibility and innovation in the use of resources to meet business needs;
- job enrichment, career development and succession planning; and
- autonomy, empowerment and enhanced decision making.

A particular focus is the development of a training programme to underpin increased flexible working across audit disciplines (financial audit and public reporting).

## Staff involvement

The Office consults the respective branches of the Northern Ireland Public Service Alliance and the Association of First Division Officers over matters affecting staff. Staff involvement is also actively encouraged as part of the day-to-day process of line management and information on all aspects of the business, including current and prospective developments, is disseminated through a range of means including the Office Intranet and a team brief process. Staff feedback is actively encouraged and this has been enhanced through the establishment of an Employee Engagement Forum in 2014-15.



## Diversity

It is the Office's policy that all eligible persons should have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. Procedures and practices are in place to prevent discrimination and to monitor the overall position.

We are fully committed to the fulfilment of equality obligations under section 75 of the Northern Ireland Act 1998 and section 49A of the Disability Discrimination Act 1995 (as amended by Article 5 of the Disability Discrimination (Northern Ireland) Order 2006). Our corporate values include equality and we carry out staff training to raise general awareness of equality issues.

# Our Governance and Risk Management

Information on our governance and risk management arrangements can be found in the Governance Statement on pages 44 to 53.

## Comptroller and Auditor General

Kieran Donnelly was appointed to the post of Comptroller and Auditor General in September 2009 and is accounting officer for the NIAO.

## Governance Arrangements

The NIAO is funded by the Northern Ireland Assembly and external oversight of the Office's performance is carried out by the Assembly Audit Committee.

As a corporation sole and head of the NIAO, the Comptroller and Auditor General has primacy in determining the strategy, staffing and structure of the Office and accordingly is responsible for designing and implementing an internal governance architecture to support him in the delivery of his functions. The components of the structure he has put in place include an Executive Team, NIAO Audit Committee and Advisory Group.

Members of the NIAO's governance structures are listed in the Directors' Report on pages 31 to 33.

## Business Restructuring

The NIAO is implementing a Business Restructuring project aimed at working towards greater co-ordination and integration in achieving the Office's purpose of promoting the better use of public money to make a difference for the people of Northern Ireland, and delivering the strategic objectives contained in its Corporate Plan.

A new business model was put in place in January 2015. The Office moved from a three Division structure (Financial Audit, Value for Money Audit and Corporate Services) to one containing four clusters: three audit clusters, each combining a portfolio of financial audit and public reporting activity, and one corporate support cluster.

## Risk Management

The Office has well-established planning, management and monitoring arrangements to address business risks.

The Corporate Risk Register is a standing item on the Executive Team meeting agenda and the NIAO Audit Committee meeting agenda. Strategic and operational risks which could affect the achievement of our policies, aims and objectives are considered.

### Health and Safety

The Office has a health and safety policy which is made available to all staff. A member of senior management chairs the Office's Health and Safety Committee, which comprises staff trained in health and safety and representatives nominated by Trade Unions.

During 2014-15 we recorded three minor incidents, none of which required a report to the Health and Safety Executive for Northern Ireland under the reporting of injuries, diseases and dangerous occurrences regulations.

The Office works closely with the Health and Safety Executive to identify and manage risk in line with the Executive's management standards. We have carried out a comprehensive staff survey and stress risk assessment and continue to monitor staff wellbeing on an ongoing basis. All staff have access to an independent and confidential counselling, support and advice service. This counselling support is free to staff at the point of use and is totally external to the Office.

### Complaints

We have a complaints process in place through which we aim to handle complaints carefully in an open and courteous way by investigating the matters raised thoroughly and replying as quickly as possible. The process has three stages, the details of which can be found on our website at [www.niauditoffice.gov.uk/index/contact\\_us/complaints\\_page.htm](http://www.niauditoffice.gov.uk/index/contact_us/complaints_page.htm).

In the 2014-15 year we received one external complaint. In addition, whistleblowing complaints were received (see also Governance Statement, Page 52). The Office received correspondence from one individual, while the NIAO Audit Committee received complaints from two individuals, and referrals from the Assembly Audit Committee. Some matters remain under consideration by the NIAO Audit Committee.

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

Information Manager  
Northern Ireland Audit Office  
106 University Street  
Belfast  
BT7 1EU  
028 9025 1068

## Sustainability, Environmental, Social and Community Matters

We are committed to sustainable practice and minimising our impact on the environment. We meet these commitments by disposing of waste carefully, recycling appropriate materials, and by conserving the energy we consume. For example, redundant electronic and electrical equipment is passed to an external contractor who expunges all data to a standard set by government and then recycles the hardware; redundant furniture is disposed of by way of re-use or environmental destruction; and electricity consumption has been reduced by replacing halogen lighting with lower energy alternatives and air conditioning units with more energy efficient units. Reprographic equipment replaced during the year will only print on the input of a personal code, reducing the amount of unnecessary printing and thus paper consumption.

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

In seeking to reduce its environmental footprint, the NIAO has introduced travel initiatives aimed at encouraging staff to avail of more sustainable modes of transport to travel to and from work. Translink's TaxSmart Scheme is an employer salary sacrifice scheme where the NIAO purchases travel passes for employees and the employee repays the NIAO from their gross salary, while Translink's Annual Commuter Travelcard involves an interest free loan to employees to allow them to purchase travelcards, with repayments made out of net salary.

The Northern Ireland Civil Service's Cycle to Work scheme was implemented in 2013-14 and to date 11 staff have participated.

Our Accounts Payable Unit continues to issue electronic invoices and remittances to suppliers and staff, reducing paper and printing consumption and associated postal charges. The introduction of iPads and tablets will further reduce consumption, by replacing papers used at various internal and external meetings.

# Resource Accounts 2014-15

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

The financial statements on pages 57 to 87 have been prepared by the Office on a resource basis in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by DFP.

## NIAO Estimate

The Audit (Northern Ireland) Order 1987 requires the Comptroller and Auditor General to prepare a Supply Estimate each financial year. Supply Estimates are the means by which authority is sought from the Assembly for spending.

As stated on page 5, the Office produces a Corporate Plan on an annual basis which sets out developments in the work programme for a three year rolling period and the related resource requirements. This plan is then presented to the Assembly Audit Committee, established under Section 66 of the Northern Ireland Act 1998. Once the Audit Committee has examined the Corporate Plan and endorsed the resource bid, the Office prepares its Estimate which, for the 2014-15 year, was considered by the Audit Committee in March 2014. Following agreement, the 2014-15 Estimate was included in the Budget Act which was enacted in July 2014.

## Resources

The resources used by the Office in 2014-15 are set out in the following table:

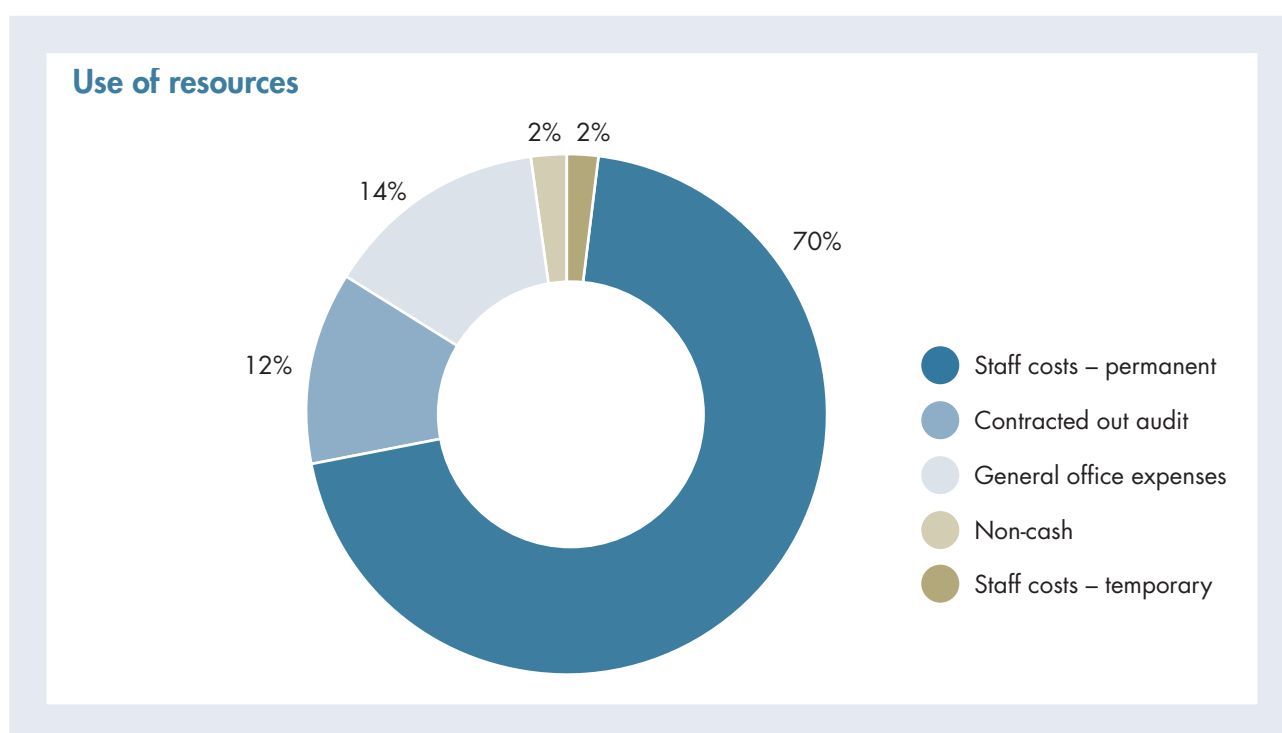
|                            | <b>Estimate</b> | <b>Outturn</b> | <b>Saving/(Excess)</b> |          |
|----------------------------|-----------------|----------------|------------------------|----------|
|                            | <b>£'000</b>    | <b>£'000</b>   | <b>£'000</b>           | <b>%</b> |
| Gross Resource Requirement | 10,723          | 10,362         | 361                    | 3.4      |
| Income                     | 2,623           | 2,623          | -                      | -        |
| Net Resource Requirement   | 8,100           | 7,739          | 361                    | 4.5      |
| Capital                    | 40              | 37             | 3                      | 7.5      |

The variance between the Estimate and Outturn Net Resource Requirement is mainly due to:

- a reduction in salaries arising from a reduced liability for employee benefits compared with forecast. This related to a higher than projected use of staff leave in the final quarter of 2014-15;

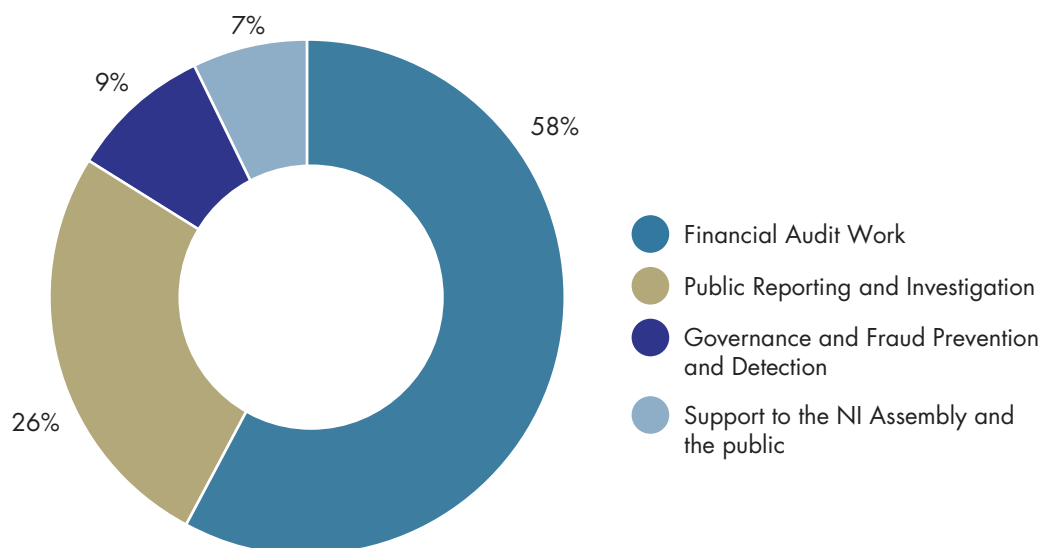
- the use of fewer temporary staff than planned in the final quarter of 2014-15 due to business restructuring, efficiencies in audit approach, and preparing for a significantly reduced resource provision for 2015-16; and
- constraints in specialist IT staff resources that led to some rescheduling of IT projects into 2015-16.

As shown in the chart below, the largest area of expenditure for the Office continues to be its permanent staff costs (70 per cent):



Fifty-eight per cent of our resources were used on financial audit work and 26 per cent were used on public reporting and investigation work.

### How resources were used to meet objectives in 2014-15



The cost for administering the Comptroller Function is shown at Note 2 to the Resource Accounts.

Income includes:

- fees received from:
  - some central government bodies and North South bodies in respect of the audit of their accounts;
  - the National Audit Office for audits we carry out on its behalf;
  - local government bodies for the audit of their accounts; and
  - central and local government bodies in respect of the National Fraud Initiative.
- recoupment of salary and associated costs for seconded staff.

Each element of income, and the costs associated with it, are shown in Note 5.1 to the Accounts.

Any income in excess of the Estimate must be surrendered as Consolidated Fund Extra Receipts. In 2014-15, excess income of £31,000 was earned as a result of earlier than anticipated completion of chargeable audit work.

Capital expenditure in 2014-15 related to our IT requirements, including software specific to our business needs and a limited amount of hardware to enhance operational efficiency and effectiveness.

## Resources required in the future

The Corporate Plan covering the period 2015-16 to 2017-18 sets out the Office's strategic aims and how these will be delivered. The future development of our business is addressed on page 30.

The resources required by the Office to implement the Plan in 2015-16 were considered by the Assembly Audit Committee in April 2015. The Audit Committee and the Comptroller and Auditor General have agreed the Estimate provision shown in the table below. The current Budget Bill for 2015-16 is passing through the Assembly at the date of this report.

|                            | <b>2015-16<br/>£'000</b> |
|----------------------------|--------------------------|
| Gross Resource Requirement | 10,084                   |
| Income                     | 2,398                    |
| Net Resource Requirement   | 7,686                    |
| Capital                    | 40                       |

The estimated Net Resource Requirement in 2015-16 represents a reduction of 5.1 per cent in cash terms compared with our Estimate in 2014-15 and a 0.6 per cent decrease compared with the 2014-15 outturn.

The NIAO Corporate Plan 2015-16 to 2017-18 sets out in detail our resource requirements for 2015-16. The Executive's Budget for 2015-16 provided the NIAO with a resource budget of £7,875,000, equating to a Net Resource Requirement of £7,686,000 (the agreed Estimate provision for 2015-16 as noted above). Having carried out an in-depth examination of all areas of expenditure for further cost savings, and recognising the need for short term expedients that would cut across the medium and longer term interests of the Office and value for money, NIAO has projected a Net Resource Requirement for 2015-16 of £7,986,000, based on current staffing levels. This is £300,000 more than available to the Office in the Executive's budget. Some 70 per cent of the Office's expenditure comprises salaries and therefore it has limited ability to realise further savings without reducing its pay bill. Some reduction has already been delivered through suppressing unfilled vacancies and placing on hold recruitment/appointment to our Graduate Trainee Accountant Scheme and Placement Student Scheme. However, in 2015-16 we will face further pressures as we absorb additional, inescapable costs relating to salaries and IT.

To reduce our permanent staff numbers to an affordable level, and help bridge the gap of £300,000 between the Estimate provision and projected resource requirement, the Office launched a Voluntary Exit Scheme in April 2015 closely based on that of the Northern Ireland Civil Service. At the time of reporting, uncertainties remain around the funding of this scheme.



## Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

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

|   | 2014-15<br>£'000 | 2013-14<br>£'000 |
|---|------------------|------------------|
| <b>Net Resource Outturn</b>             | <b>7,739</b>     | <b>8,173</b>     |
| Consolidated Fund Extra Receipts        | (31)             | (60)             |
| Non-supply expenditure                  | 194              | 192              |
| <b>Net Operating Cost</b>               | <b>7,902</b>     | <b>8,305</b>     |
| Consolidated Fund Extra Receipts        | -                | 3                |
| Inter-departmental notional charge      | (2)              | (167)            |
| <b>Resource Budget Outturn of which</b> | <b>7,900</b>     | <b>8,141</b>     |
| Department Expenditure Limits (DEL)     | 7,977            | 8,108            |
| Annually Managed Expenditure (AME)      | (77)             | 33               |

## Payment of Suppliers

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

During 2014-15, the Office paid 99.8 per cent of bills (2013-14: 96.9 per cent) within this standard.

In addition to this, the government has said that, wherever possible, public sector bodies should seek to pay suppliers within 10 working days of receipt of the invoice. In 2014-15, we met this standard for 99.5 per cent of invoices received (2013-14: 88.5 per cent).

## Contingent Liabilities requiring disclosure under assembly reporting requirements and not under IAS 37

There were no contingent liabilities requiring disclosure under Assembly reporting requirements.

## Future Development of the Business

Underpinning our purpose of promoting better use of public money, we have three strategic aims for the period 2015-16 to 2017-18:

- encouraging and supporting best practice in financial management;
- promoting the proper conduct of public business; and
- promoting improvement in the efficiency and quality of services provided to the public.

In achieving these, the Office will adapt and respond to the significant changes in the external landscape, including:

- significant budgetary pressures on the block grant;
- implementation of the Stormont House Agreement and Welfare Reform;
- local government reform; and
- restructuring of government departments.

Like the rest of the public sector, the NIAO is facing significant budgetary pressures. To manage its finances in 2015-16 and beyond, the Office has launched a Voluntary Exit Scheme which may release up to 10 per cent of staff in the second half of 2015-16. The Office will also drive forward its business restructuring programme and take any necessary steps to contain its costs within the approved 2015-16 estimate. A key challenge over the forthcoming period will be balancing our statutory financial audits and public reporting work within available resources to provide an acceptable level and quality of audit service to the Assembly, including support to the Public Accounts Committee.



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

**18 June 2015**

# Directors' Report

## NIAO Governance

The Governance Statement on pages 44 to 53 sets out the NIAO's governance, risk management and control arrangements. The main components of the governance arrangements in 2014-15 are stated below.

## NIAO Executive Team

Subject to the C&AG's statutory role as corporation sole, the Executive Team is the principal mechanism for decision making in the NIAO. It comprises the C&AG and the three Assistant Auditors General:

### **Kieran Donnelly**

Comptroller and Auditor General

### **Eddie Bradley**

#### **Assistant Auditor General**

Eddie Bradley, together with Louise Mason, has responsibility for the oversight and delivery of the corporate audit programme. He performs the role of Head of Public Reporting Discipline.

### **Louise Mason**

#### **Assistant Auditor General and Local Government Auditor**

Louise Mason, together with Eddie Bradley, has responsibility for the oversight and delivery of the corporate audit programme. She performs the role of Head of Financial Audit Discipline and has been designated by the Department of the Environment, with the consent of the Comptroller and Auditor General, as the Local Government Auditor.

### **Janet Sides**

#### **Assistant Auditor General**

Janet Sides is responsible for the central programme of work which includes finance, Human Resources, communications, audit policy development and information and IT management.

## NIAO Audit Committee

The NIAO Audit Committee supports the Comptroller and Auditor General as Accounting Officer in his responsibility for issues of risk, control and governance. It is composed solely of non-executives. In 2014-15 its membership was as follows:

### **Mary Halton**

Mary Halton, chairperson of the Audit Committee, is the Managing Director of Align Consulting Ltd and previously served on the Governing Council of Chartered Accountants Ireland where she was also a member of its Audit and Risk Committee. She is also a member of the Comptroller and Auditor General's Advisory Group. She served throughout 2014-15 and will stand down from the NIAO Audit Committee and Advisory Group in June 2015.

### **Diane McGiffen**

Diane McGiffen is Chief Operating Officer in Audit Scotland. She is responsible for the internal operations and business performance of Audit Scotland and chairs its Management Team. She served throughout 2014-15 and will stand down from the NIAO Audit Committee in June 2015.

### **Gary Martin**

Gary Martin is a senior lecturer in accounting at the University of Ulster, specialising in the fields of corporate governance and professional ethics. He is chair of the Audit Committee of the Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints. He stood down from the NIAO Audit Committee and the Advisory Group, of which he was chair, in September 2014, arising out of a new research project he was commencing as an academic that potentially could have conflicted with his role in the NIAO.

### **Áine Gallagher**

Áine Gallagher was appointed as a non-executive in November 2014. She is the Director of Finance and Corporate Services for the Northern Ireland Hospice and has previously worked as Director of Operations for Culture Company 2013 Ltd, as a member of the Corporate Finance Appraisal and Advisory Division in Invest NI and with PricewaterhouseCoopers, where she trained as a Chartered Accountant and worked for 10 years between the audit and advisory departments. She is also a member of the Comptroller and Auditor General's Advisory Group.

### **Paul Douglas**

Paul Douglas was appointed as a non-executive in November 2014. He has 28 years experience in a large public sector organisation, the PSNI, with 15 years as a senior manager, working closely with stakeholders to develop key strategic goals to reduce crime and build safer communities. He was accountable for all aspects of performance within his area and had responsibility for human resources and financial management. Between 2008 and 2010, he managed the strategic change process as the organisation moved from four districts to one. He currently serves as a Non Executive Director with the Safeguarding Board of Northern Ireland.

As set out in the Memorandum of Understanding agreed between the NIAO and the Audit Committee of the Assembly, each member will be appointed for a three year period, which may be extended for a maximum of a further three years by the Comptroller and Auditor General with the endorsement of the Audit Committee. The same periods apply to membership of the Advisory Group.

## Comptroller and Auditor General's Advisory Group

Providing objective and impartial advice to the Comptroller and Auditor General, the Group's membership in 2014-15 was as follows

| Executives      | Non-Executives                                |
|-----------------|---|
| Kieran Donnelly | Mary Halton                                   |
| Eddie Bradley   | Gary Martin (Chair) - April to September 2014 |
| Louise Mason    | Áine Gallagher - November 2014 to present     |
| Janet Sides     | Paul Douglas - November 2014 to present       |

No significant interests are currently held by the NIAO Audit Committee or Advisory Group members which may conflict with their responsibilities.

## Auditor of the NIAO

The Department of Finance and Personnel appointed Baker Tilly Mooney Moore as the external auditor of the NIAO for a three year term commencing with the audit of the 2013-14 accounts, with the option to extend for a further two years, on a year by year basis.

The Comptroller and Auditor General has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the Comptroller and Auditor General is aware, there is no relevant information of which the auditors are unaware.

In addition to its work to form an opinion on the financial statements, Baker Tilly Mooney Moore reviews the NIAO's statement of financial impact which is reported on page 15. Details of the cost of the work done by the external auditor are disclosed in Note 4 to the Accounts.

## Pensions

Present and past employees of the Office are covered by the Northern Ireland Principal Civil Service Pension Scheme. The treatment of pension costs and liabilities is disclosed in the Remuneration Report. Notes 1.8, 1.9 and 3 to the Accounts provide information on how pension liabilities are calculated.

## Review of Fair Pay

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

The banded remuneration of the highest-paid earner in NIAO in the financial year 2014-15 was £140,000 to £145,000 (2013-14: £135,000 to £140,000). This was 3.1 times (2013-14: 3.3) the median remuneration of the workforce, which was £45,286 (2013-14: £41,615).

Remuneration ranged from £5,000 to £140,300 (2013-14: £12,187 to £140,000).

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

The highest paid earner of the Office is the Comptroller and Auditor General who is also the Accounting Officer. However, as noted on page 36 and 38, the salary of the Comptroller and Auditor General is met from the Consolidated Fund rather than the Office's Supply Estimate.

## 'Off-Payroll' Engagements

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. In line with HM Treasury requirements, DFP requires disclosure of such engagements that were in place during 2014-15 costing over £58,200 per annum. The Office had no off-payroll engagements commencing, ending or operating during 2014-15.

## Sickness Absence

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

The average number of day's sickness absence was 8.2 days per employee in 2014-15 compared with 10.2 days per employee in 2013-14. In relation to short term absences, the number of cases and days lost reduced from 2009-10 to 2012-13. There was a reduction in the number of cases and days lost through long term absences in 2014-15 compared with 2013-14. All cases of sickness absence are actively managed by the Office, in accordance with its policy.

## Personal Data related incidents

There were no personal data-related incidents which required reporting to the Information Commissioner's Office.

## Events after the end of the financial year

As noted on page 28 the Assembly Audit Committee and the Comptroller and Auditor have agreed an Estimate provision for 2015-16. The agreed Net Resource Requirement of £7,686,000 is some £300,000 less than the Office's present projected Net Resource Requirement for the year of £7,986,000 based on current staffing levels.

To reduce our permanent staff numbers to an affordable level, and help bridge the gap of £300,000 between the agreed Estimate and projected resource requirement, the Office launched a Voluntary Exit Scheme (VES) on 13 April 2015. The closing date for applications was 8 May 2015. Letters of Offer, which will be conditional on funding being available from the Northern Ireland Executive's Transformation Fund, will be issued to staff on 20 July 2015, following which those selected will have up to 31 July 2015 to accept or withdraw. At this date it is not possible to quantify the value of this potential liability which has occurred since the reporting period end date.

The Northern Ireland Assembly has not approved the current Budget Bill for 2015-16 at the date of approval of the NIAO accounts for the year ended 31 March 2015. Uncertainty remains over the amount of funding that will be made available to the Office in 2015-16. The Office will devote its efforts to containing its costs within the approved 2015-16 funding provision.

## Future developments in the NIAO's business

Details are provided in the Strategic Report at page 30. In summary, we will continue to:

- respond to the external environment in which we operate, including the restructuring of public services, and develop our outputs to respond to the needs of our stakeholders, including the Assembly and the bodies we audit; and
- deliver a balanced programme of work within available resources.



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

**18 June 2015**

# Remuneration Report

## Remuneration Policy

### Comptroller and Auditor General

Under the provisions of the Northern Ireland Act 1998, the office of the Comptroller and Auditor General for Northern Ireland is a Crown appointment made on the nomination of the Northern Ireland Assembly. The Audit (Northern Ireland) Order 1987 provides for the remuneration of the Comptroller and Auditor General for Northern Ireland to be met from the Consolidated Fund for Northern Ireland. The remuneration and associated pension and national insurance contributions are disclosed in Note 4 Other Administration Costs on page 75 as Consolidated Fund Standing Services.

### Senior Management

The Audit (Northern Ireland) Order 1987 provides that the Comptroller and Auditor General shall appoint such staff as he considers necessary for assisting him in the discharge of his functions and for the purpose of Article 4 of the Local Government (Northern Ireland) Order 2005 (designation of staff as local government auditors).

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

Northern Ireland Audit Office staff normally hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

The pay award for senior management and all staff is a percentage uplift on basic pay, based on an annual assessment of staff performance reports.

### Remuneration and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Comptroller and Auditor General and members of the Northern Ireland Audit Office Executive Team. The information on pages 37 to 39 is covered by the audit opinion.



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

|   | 2014-15        |                |                                     |                   |         | 2013-14        |                |                                     |                   |         |
|---|----------------|----------------|-------------------------------------|-------------------|---------|----------------|----------------|-------------------------------------|-------------------|---------|
|   | Salary         | Bonus Payments | Benefits in kind (to nearest £'000) | Pension Benefits* | Total   | Salary         | Bonus Payments | Benefits in kind (to nearest £'000) | Pension Benefits* | Total   |
|   | £'000          | £'000          | £'000                               | £'000             | £'000   | £'000          | £'000          | £'000                               | £'000             | £'000   |
| <b>Kieran Donnelly</b><br>Comptroller and Auditor General | 140-145        | -              | -                                   | 28                | 165-170 | 135-140        | -              | -                                   | (1)               | 135-140 |
| <b>Louise Mason</b><br>Assistant Auditor General          | 95-100         | -              | -                                   | 41                | 135-140 | 90-95          | -              | -                                   | 4                 | 95-100  |
| <b>Janet Sides</b><br>Assistant Auditor General           | 95-100         | -              | -                                   | 49                | 140-145 | 90-95          | -              | -                                   | 1                 | 90-95   |
| <b>Eddie Bradley</b><br>Assistant Auditor General         | 90-95          | -              | -                                   | 114               | 205-210 | 80-85          | -              | -                                   | 1                 | 80-85   |
| <b>Band of Highest Earner's Total Remuneration**</b>      | <b>140-145</b> |                |                                     |                   |         | <b>135-140</b> |                |                                     |                   |         |
| <b>Median Total Remuneration</b>                          | <b>45,286</b>  |                |                                     |                   |         | <b>41,615</b>  |                |                                     |                   |         |
| <b>Ratio</b>  | <b>3.1</b>     |                |                                     |                   |         | <b>3.3</b>     |                |                                     |                   |         |

\* 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 include increases due to inflation and any increase or decrease due to a transfer of pension rights.

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

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

'Bonus payments' are not made to our staff. The performance appraisal process in the office is used to uplift basic pay within pay scales.

'Benefits in kind' cover any benefits provided by the Office and treated by HM Revenue and Customs as a taxable emolument. No such benefits were provided during 2014-15.

The Comptroller and Auditor General's salary is met from the Consolidated Fund. The Comptroller and Auditor General for Northern Ireland retains office unless removed by a resolution of the Northern Ireland Assembly supported by at least two thirds of members.

## Non-Executive Members

During 2014-15 the following remuneration was payable to non-executives in undertaking their NIAO Advisory Group and NIAO Audit Committee duties:

|                | £'000    |
|----------------|----------|
| Gary Martin    | 0 - 2.5  |
| Aine Gallagher | 0 - 2.5  |
| Paul Douglas   | 2.5 - 5  |
| Mary Halton    | 7.5 - 10 |

No remuneration was paid to Diane McGiffen from Audit Scotland.

## Pension entitlements (Audited)

The pension entitlements of the Comptroller and Auditor General and members of the Northern Ireland Audit Office Executive Team were as follows:

| Name and Title  | Accrued pension at pension age as at 31/3/15<br>£000 | Real increase in pension<br>£000 | Accrued lump sum at pension age as at 31/3/15<br>£000 | Real increase in lump sum<br>£000 | CETV* at 31 March 2015<br>£000 | CETV at 31 March 2014<br>£000 | Real increase in CETV<br>£000 |
|---|--|----------------------------------|---|-----------------------------------|--------------------------------|-------------------------------|-------------------------------|
| <b>Kieran Donnelly</b><br>Comptroller and Auditor General | 55-60  | 0-2.5                            | 165-170   | 2.5-5                             | 1,147                          | 1,068                         | 24                            |
| <b>Louise Mason</b><br>Assistant Auditor General          | 30-35  | 0-2.5                            | 90-95   | 5-7.5                             | 555                            | 497                           | 31                            |
| <b>Janet Sides</b><br>Assistant Auditor General           | 35-40  | 0-2.5                            | 105-110   | 5-7.5                             | 655                            | 586                           | 39                            |
| <b>Eddie Bradley</b><br>Assistant Auditor General         | 30-35  | 5-7.5                            | 100-105   | 15-17.5                           | 637                            | 520                           | 89                            |

\* CETV = cash equivalent transfer values

## Pension Arrangements

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

Pension benefits for Office staff are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). 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). These arrangements are unfunded with the cost of benefits met by monies voted by the

Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos 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 current rate is 2.3 per cent. CARE pension benefits are increased annually in line with increases in the CPI.

A new pension scheme, alpha, will be introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements will move to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were between 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 also 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 will be 2.32 per cent. CARE pension benefits are increased annually in line with increases in the CPI.

For 2015, public service pensions will be increased by 1.2 per cent for pensions which began before 6 April 2014. Pensions which began after 6 April 2014 will be increased proportionately.

Employee contribution rates for all members for the period covering 1 April 2015 to 31 March 2016 are as follows:

#### **Scheme Year 1 April 2015 to 31 March 2016**

| <b>Pay band – assessed each pay period</b> |             | <b>Contribution rates –<br/>Classic members</b> | <b>Contribution rates –<br/>classic plus,<br/>premium, nuvos<br/>and alpha</b> |
|--|-------------|---|--|
| <b>From</b>                                | <b>To</b>   | <b>From 01 April 2015<br/>to 31 March 2016</b>  | <b>From 01 April 2015<br/>to 31 March 2016</b>                                 |
| £0   | £15,000.99  | 3%  | 4.6%   |
| £15,001.00                                 | £21,000.99  | 4.6%  | 4.6%   |
| £21,001.00                                 | £47,000.99  | 5.45%   | 5.45%  |
| £47,001.00                                 | £150,000.99 | 7.35%   | 7.35%  |
| £150,001.00 and above                      |             | 8.05%   | 8.05%  |

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website [www.dfpni.gov.uk/civilservicepensions-ni](http://www.dfpni.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 CSP 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 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any

benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Compensation for loss of office

No members of senior management lost office during 2014-15.



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

**18 June 2015**

# Statement of Accounting Officer's Responsibilities

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

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

Under the Audit (Northern Ireland) Order 1987 the Department of Finance and Personnel has appointed the Comptroller and Auditor General for Northern Ireland as Accounting Officer for the Northern Ireland Audit Office with responsibility for preparing the Northern Ireland Audit Office's accounts.

In preparing these accounts, the Comptroller and Auditor General for Northern Ireland is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

# Governance Statement

## Introduction

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

This governance statement covers the period 1 April 2014 to 31 March 2015 and sets out the NIAO's governance, risk management and control arrangements and how these operate in practice.

## The governance structure of the Northern Ireland Audit Office

The NIAO's governance structure reflects the statutory position of the office of Comptroller and Auditor General, as set out in two key pieces of legislation:

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

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

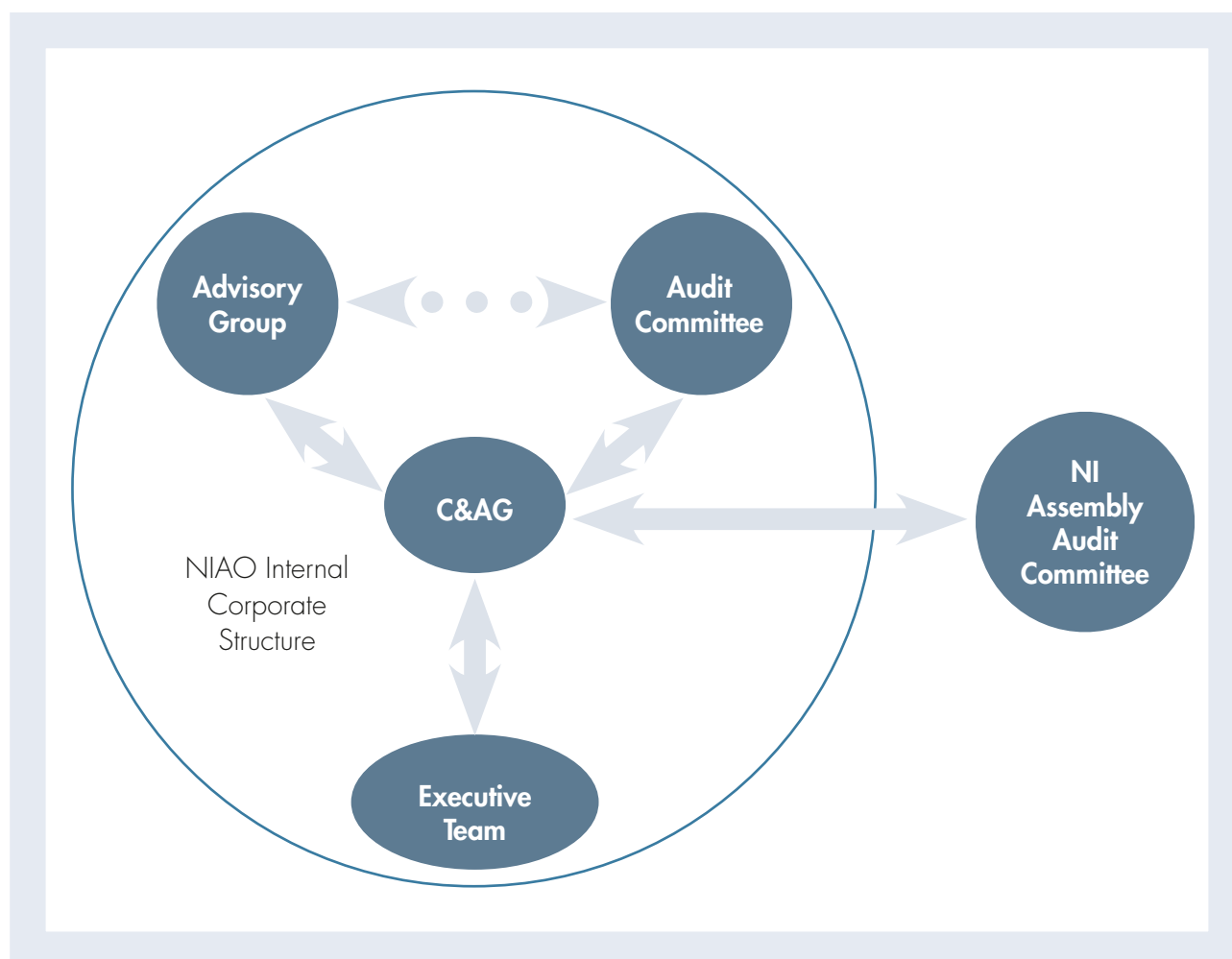
In making a proportionate and appropriate response to the 2013 Code, I have established arrangements which reflect the spirit of best practice which is contained in the guidance of the Code.

The internal governance arrangements of the NIAO, as illustrated below, are set out in a 'Memorandum of Understanding on the Governance and Accountability Arrangements of the Northern Ireland Audit



Office' (MOU) agreed between the Audit Committee of the Assembly, which oversees the performance of the NIAO, and the NIAO (available at [www.niassembly.gov.uk/Assembly-Business/Committees/Audit/](http://www.niassembly.gov.uk/Assembly-Business/Committees/Audit/)).

### NIAO Governance Structure



I carried out a major review of the Office's governance arrangements in 2013-14. The outcome affirmed the Executive Team as responsible for the strategic and operational leadership of the Office, reconstituted the NIAO Advisory Board as the Comptroller and Auditor General's Advisory Group, and expanded the Terms of Reference of the Audit Committee to include oversight of NIAO strategic financial management and budgeting. Internal governance is kept under continuous review to ensure best practice informs the arrangements.

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

## Components of governance structure

I am accountable to the Assembly via the Assembly Audit Committee, which has the role defined in section 66 of the Northern Ireland Act 1998. The Audit Committee's responsibilities include examining the NIAO Estimate and laying it before the Assembly, considering the NIAO's corporate plan, examining the NIAO annual report and accounts and reports received from the external auditor, providing advice to DFP on the appointment of the NIAO external auditor and tabling a motion in the Assembly in respect of the salary of the Comptroller and Auditor General.

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

Other than as set out below, none of the non-executive or executive members of the Office's governance structures in 2014-15 held company directorships or significant interests which might conflict with their responsibilities.

With regard to non-executives, the Office considers conflicts of interest whether real, perceived or potential, during the appointment process and the appointment period. 'Declaration of conflicts of interest' is a standing item at NIAO Audit Committee and Advisory Group meetings. In relation to each conflict of interest, consideration is given to whether it is manageable.

It is important to highlight that NIAO non-executives do not have a role in the development of the Office's programme of audit work, nor are they involved in any direct audit work.

Dr Gary Martin, who stood down as a non-executive member in September 2014, was chair of the Comptroller and Auditor General's Advisory Group and a member of the NIAO Audit Committee. He is a senior lecturer at the University of Ulster, an entity for which I have access rights to examine the use of public funds. Dr Martin is not a member of the governance structures of the University. He is chair of the Audit Committee of the Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints, for whom I am the statutory auditor. I am satisfied that Dr Martin was not conflicted in his role as a non-executive in the NIAO.

## NIAO Executive Team

The Executive Team, which comprises myself, as Chair, and the Assistant Auditors General (listed on page 31), normally meets monthly. It is responsible for the strategic and operational leadership of the Office. Subject to my statutory position as a corporation sole and head of the NIAO, the team is the principal mechanism for directing business and decision making in the Office. In alignment with the Code, the business of the Executive Team covers the five key areas of strategic clarity, commercial sense, talented people, results focus and management information. In 2014-15 the Executive Team was supported by a number of subgroups, involving members of senior management and other staff, focusing on the elements of the Office's Balanced Scorecard Framework - Delivery, Quality, Stakeholders and People. These subgroups are currently under review.

The Executive Team met 14 times during the year. Of the 14 meetings, two were convened for special purposes, one to address risk management and the other the annual report and accounts. There was full attendance by members at 12 of the 14 meetings, and in relation to the other two meetings at least three of the four members were in attendance. Relevant non-members were invited to attend for specific items over the course of the year.

In 2014-15, the Executive Team considered its information requirements appropriate to its role. The Office's corporate secretariat function has been restructured to help ensure that all elements of its governance structure are provided with an appropriate support service.

### **NIAO Audit Committee**

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

Each member is appointed for a three year period, which may be extended for a further three years by the C&AG with the endorsement of the Audit Committee of the Assembly. At least one member of the NIAO Audit Committee will have recent and relevant financial experience. (See pages 31 and 32 for commentary on members.)

The NIAO Audit Committee's role is one of supporting me, as Accounting Officer, in my responsibility for issues of risk, control and governance by reviewing the comprehensiveness and reliability of assurances in meeting the Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances. This includes supporting and advising me on the planned activity and results of both internal audit and external audit (see page 33) and the adequacy of management's response to issues identified by audit activity, including external audit's management letter. The NIAO Audit Committee's terms of reference are available at [www.niauditoffice.gov.uk](http://www.niauditoffice.gov.uk).

The NIAO Audit Committee normally meets at least five times a year. The NIAO Audit Committee may request the attendance of officials of the Office to assist with its discussions on any particular matter. Attendance of members in 2014-15 was as follows:

| Members present     | NIAO Audit Committee |          |          |          |          |
|---------------------|----------------------|----------|----------|----------|----------|
|                     | 01/05/14             | 13/06/14 | 12/09/14 | 28/11/14 | 05/02/15 |
| Gary Martin         | ✓                    | ✓        |          |          |          |
| Mary Halton (Chair) | ✓                    | ✓        | ✓        | ✓        | ✓        |
| Diane McGiffin      | ✓                    | ✓        | ✓        | ✓        | ✓        |
| Paul Douglas        |                      |          |          | ✓        | ✓        |
| Áine Gallagher      |                      |          |          | ✓        | ✓        |

In addition, NIAO Audit Committee members met informally on three occasions: 31 July 2014, in advance of an informal meeting with the Chair of the Assembly Audit Committee; 6 October 2014, in advance of a meeting with the Assembly Audit Committee; and 7 January 2015, by conference call.

The Chair of the NIAO Audit Committee is a contact point for internal whistleblowing concerns (see 'Whistleblowing' on page 52 below.)

On behalf of the NIAO Audit Committee, the Chair provides me with an annual report summarising the Committee's work for the year. The 2014-15 report covered:

- committee members and attendees;
- meetings in 2014-15;
- risk management and internal control;
- internal audit;
- external audit and NIAO annual report and accounts;
- whistleblowing; and
- future focus.

The NIAO Audit Committee's effectiveness has been reviewed. It is satisfied that it has discharged its duties as guided by its Terms of Reference, and taking account of the work of internal and external audit and assurances provided to the NIAO Audit Committee, every effort was made to review and oversee internal control and risk management arrangements and to provide assurances to me, as Accounting Officer, in the discharge of my accountability obligations. Areas of focus for the NIAO Audit Committee in 2014-15, and the broader governance structures, are reported on pages 51 to 53.

### Comptroller and Auditor General's Advisory Group

An Advisory Board, which had been established in June 2011, was reconstituted as the Comptroller and Auditor General's Advisory Group in September 2013 to reflect more accurately the entity's role given the primacy of authority vested in the office of the Comptroller and Auditor General as corporation sole. The Advisory Group is responsible for providing objective and impartial advice to assist me in the discharge of my functions. The group scrutinises the work of the NIAO in the five areas of strategic clarity, commercial sense, talented people, results focus and management information, as set out in the Code. It has no decision making authority.

The Advisory Group comprises both executives (C&AG and Assistant Auditors General) and non-executives, the latter bringing an independent and external perspective to the work of the group.

In 2014-15, its programme included business improvement, governance and emerging strategic issues.

There were four meetings of the Advisory Group in 2014-15. Attendance of members was as shown below:

| Members present                                  | Comptroller and Auditor General's Advisory Group |          |          |          |
|--|--|----------|----------|----------|
|  | 01/05/14   | 13/06/14 | 28/11/14 | 05/02/14 |
| Kieran Donnelly                                  | ✓  | ✓        | ✓ *      | ✓ *      |
| Gary Martin (Chair)<br>(Resigned September 2014) | ✓  | ✓        |          |          |
| Mary Halton                                      | ✓  | ✓        | ✓        | ✓        |
| Paul Douglas<br>(Appointed November 2014)        |  |          | ✓        | ✓        |
| Áine Gallagher<br>(Appointed November 2014)      |  |          | ✓        | ✓        |
| Eddie Bradley                                    | ✓  | ✓        | ✓        | ✓        |
| Louise Mason                                     | ✓  | ✓        | -        | ✓        |
| Janet Sides                                      | ✓  | ✓        | ✓        | ✓        |

\*Chaired meeting

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

## Risk and control

The NIAO assesses how the achievement of its policies, aims and objectives might be affected by the risks it faces, and a system of internal control is designed which mitigates those risks. The system is not designed to eliminate all risk but to strike a balance between control, cost of control and appropriate risk taking. A system of internal control has been in place for the whole of 2014-15.

The Office's approach to risk management is guided by professional best practice, and takes full cognisance of the context and environment in which it operates. The NIAO has a comprehensive risk management strategy, which includes formal agreement of our risk appetite with the NIAO Audit Committee, sets out roles and responsibilities and determines procedures for risk identification, monitoring, reporting and escalation of issues.

The Office focuses on proportionate risk management as an integral part of the way it undertakes business activities. For each identified risk, we respond in accordance with our tolerance to risk. Given what we do, our tolerance to risk in areas of professional judgement, regularity and propriety and financial management is low. In other areas, such as product range, we are prepared to accept more risk in order to take advantage of opportunities to pursue our objectives.

The Corporate Risk Register is compiled and managed by the Executive Team and facilitates the identification, assessment and ongoing monitoring of risks significant to the NIAO. Emerging risks are added as required, and mitigating actions are put in place and monitored.

Each operational unit of the Office develops a risk register ensuring significant risks in its area are identified, assessed and monitored. The Executive Team reviews the Corporate Risk Register in light of operational risk registers.

During 2014-15, the Corporate Risk Register was a standing item at each meeting of the Executive Team and NIAO Audit Committee. Risks at the operational level were also considered by both.

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

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

## Corporate risk 2014-15 – Areas of focus

Areas of particular attention in 2014-15 were as follows:

### Business Restructuring

The Office introduced a new business model from 1 January 2015, underpinned by a range of other developments including efficiencies in audit approach, reviewing learning and development and performance management strategies, staff training to enhance flexibility across the office, updating management information requirements, and upgrading IT. Risk has been, and continues to be, managed in relation to the delivery of the project, buy-in from staff and achievement of objectives.

### Resources: Finances

Over the past five years the Office has realised efficiencies and cost reductions enabling it to achieve its objectives within a reducing budget. In 2014-15, it continued to robustly manage and monitor its finances to deliver its broad ranging programme of work within its Estimate (budget).

As noted on page 28, the Assembly Audit Committee and the Comptroller and Auditor General have agreed an Estimate provision for 2015-16 which is five per cent lower than the net provision for 2014-15 and some £300,000 less than the Office's projected Net Resource Requirement for the year of £7,986,000 based on current staffing levels. The current Budget Bill for 2015-16 is passing through the Assembly at the date of this governance statement. There is uncertainty over the amount of funding that will be made available to the Office in 2015-16.

The Office will actively manage its current financial situation and will take all steps that it can to contain its costs within approved 2015-16 funding provision. While recognising that short term expedients may cut across the medium and longer term interests of the Office and value for money, I am confident that the Office can implement measures to bridge the funding gap noted above.

### Resources: Staff

Sufficiency of resources (staffing levels/skills) to deliver the Office's commitments was actively monitored in the 2014-15 year. While performance targets were achieved, the Office recognised the need for change in terms of how it delivered its work and developed staff. This has been built into the business improvement programme noted above. With budget pressures remaining to the fore, it also became evident that permanent staff numbers would have to be reduced to an affordable level. Accordingly, the Office launched a Voluntary Exit Scheme in April 2015. A key challenge arising from reductions to resources in 2015-16 and beyond, will be balancing our statutory financial audits and public reporting work within available resources to provide an acceptable level and quality of audit service to the Assembly, including support to the Public Accounts Committee.

## Whistleblowing

The Office reviewed its internal whistleblowing policy during the year and obtained professional advice which provided assurance that it is fit for purpose.

An increase in whistleblowing concerns involving the Office occurred in 2014-15. Where appropriate, these cases have been subject to external investigation. A report has been presented to the Audit Committee of the Assembly. With regard to completed investigations, no major issues have been identified: in one case, points around improving procurement documentation were highlighted; another contained a recommendation about the rotation of staff. Both matters had already been dealt with by the Office.

## Statement of information risk

Together with the staff of the NIAO, I have privileged and wide-ranging access to data and information to perform my statutory audit functions and ensure my reports to the Assembly are factual, accurate and complete. The NIAO has a duty to respect this privileged access and to ensure that the personal information entrusted to it is safeguarded properly.

The NIAO has policies and controls in place to ensure that access to information is correctly managed and safeguarded throughout its life cycle including creation, storage, transmission and destruction. NIAO staff are made aware of these policies and controls, and awareness is reinforced through information security training. Checks for compliance with the Data Protection Act 1998 have been performed in 2014-15, and no significant weaknesses were identified.

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

## Personal data-related incidents

There were no protected personal data-related incidents which required reporting to the Information Commissioner's Office.

## Review of effectiveness

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

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



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

Internal Audit provides an independent opinion on the adequacy and effectiveness of the Office's system of internal control, corporate governance and risk management, together with recommendations for improvement. All recommendations have been accepted by management and have been implemented, or are in the process of being implemented. The status of Internal Audit recommendations is regularly reported to the NIAO Audit Committee.

Based on the conclusions of its work, Internal Audit has provided substantial assurance in relation to the NIAO's arrangements for internal control, risk management and governance in areas where audit work was performed.

### Significant internal control weaknesses

I am able to report that there were no significant weaknesses in the NIAO's system of internal controls in 2014-15 which affected the achievement of the Office's key policies, aims and objectives.



**Kieran Donnelly**  
**Comptroller and Auditor General**

**18 June 2015**

# Independent Auditor's Report to the Northern Ireland Assembly

We certify that we have audited the financial statements of the Northern Ireland Audit Office for the year ended 31 March 2015 under the Audit (Northern Ireland) Order 1987. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash flows, Changes in Taxpayers' Equity and the related notes. We have also audited the Statement of Assembly Supply and related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Audit Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Audit Office; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic and Directors' Report sections of the Annual Report and within the unaudited part of the Remuneration Report to identify any material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We are required to obtain sufficient evidence to give reasonable assurance that the Statement of Assembly Supply properly presents the Outturn against voted Assembly Control totals and that those totals have not been exceeded.

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

## Opinion on Regularity

In our opinion, in all material respects:

- The Statement of Assembly Supply properly presents the Outturn against voted Assembly control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Audit Office's affairs as at 31 March 2015 and of its total comprehensive net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Audit (Northern Ireland) Order 1987 and the relevant Department of Finance and Personnel guidance.

## Opinion on other matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the guidance issued by the Department of Finance and Personnel; and
- the information given in the Strategic and Directors' Report sections of the Annual Report and within the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or

- we have not received all of the information and explanations we require for our audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

We have no observations to make on these financial statements.

*Baker Tilly Mooney Moore*

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

**18 June 2015**

# FINANCIAL STATEMENTS

## Statement of Assembly Supply

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

### Summary of Resource Outturn 2014-15

|                         |       | ESTIMATE          |                    |                 | OUTTURN           |                    |              | Net total outturn compared with Estimate: saving/ (excess) | 2013-14 Outturn |
|-------------------------|-------|-------------------|--------------------|-----------------|-------------------|--------------------|--------------|--|-----------------|
|                         |       | Gross Expenditure | Accruing Resources | Net Expenditure | Gross Expenditure | Accruing Resources | Net Total    |  |                 |
|                         | Note  | £000              | £000               | £000            | £000              | £000               | £000         | £000   | £000            |
| Request for resource A* | SOAS2 | 10,723            | 2,623              | 8,100           | 10,362            | 2,623              | 7,739        | 361  | 8,173           |
| <b>Total resources</b>  |       | <b>10,723</b>     | <b>2,623</b>       | <b>8,100</b>    | <b>10,362</b>     | <b>2,623</b>       | <b>7,739</b> | <b>361</b>   | <b>8,173</b>    |
| Non-Operating cost AR   |       | —                 | —                  | —               | —                 | —                  | —            | —  | —               |

**\*Request for Resource A: Providing objective information, advice and assurance on the use of public funds; encouraging beneficial change in the provision of public services, the highest standards in financial management and reporting and propriety in the conduct of public business; conducting data matching exercises for the purpose of assisting in the prevention and detection of fraud.**

## Net Cash Requirement 2014-15

|                             | Note  | 2014-15<br>£000 |  | 2013-14<br>£000 |
|-----------------------------|-------|-----------------|--|-----------------|
|                             |       | Estimate        | Outturn  | Outturn         |
|                             |       |                 | Net Total<br>outturn<br>compared<br>with<br>Estimate:<br>saving/<br>(excess) |                 |
| <b>Net Cash Requirement</b> | SOAS3 | 8,490           | 8,031  | 459             |
|                             |       |                 |  | 7,359           |

## Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the Northern Ireland Audit Office and is payable to the Consolidated Fund (cash receipts being shown in italics).

|              | Note  | Forecast<br>2014-15 |                  | Outturn<br>2014-15 |                  |
|--------------|-------|---------------------|------------------|--------------------|------------------|
|              |       | Income<br>£000      | Receipts<br>£000 | Income<br>£000     | Receipts<br>£000 |
| <b>Total</b> | SOAS4 | –                   | –                | 31                 | <i>57</i>        |

Explanations of variances between estimate and outturn figures are given in the Strategic Report.

The notes on pages 68 to 87 form part of these accounts

## Notes to the Departmental Resource Accounts (Statement of Assembly Supply)

### SOAS1. Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual.

#### SOAS1.1 Accounting convention

The Statement of Assembly Supply and related notes are presented consistently with Treasury budget control and Supply Estimates in Northern Ireland. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Assembly Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Assembly authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

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

|   | Note | 2014-15<br>£000 |                    |   | 2013-14<br>£000 |
|---|------|-----------------|--------------------|---|-----------------|
|   |      | Outturn         | Supply<br>Estimate | Outturn<br>compared<br>with<br>Estimate | Outturn         |
| Net Resource Outturn  |      | 7,739           | 8,100              | 361                                     | 8,173           |
| Non-supply income (CFERs)   | SOAS | (31)            | –                  | (31)                                    | (60)            |
| Non-supply expenditure  | 4    | 194             | 194                | –                                       | 192             |
| <b>Net Operating Cost in Statement of<br/>Comprehensive Net Expenditure</b> |      | <b>7,902</b>    | <b>8,294</b>       | <b>392</b>                              | <b>8,305</b>    |

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

|  | Note  | Estimate<br>£000 | Outturn<br>£000 | Net Total<br>Outturn<br>compared<br>with<br>Estimate:<br>saving /<br>(excess)<br>£000 |
|--|-------|------------------|-----------------|---|
| <b>Net Resource Outturn</b>                            | SOAS2 | 8,100            | 7,739           | 361   |
| <b>Capital</b>   |       |                  |                 |   |
| Acquisition of non-current assets                      | 6,7   | 40               | 37              | 3   |
| <b>Accruals to cash adjustments:</b>                   |       |                  |                 |   |
| <i>Adjustments to remove non-cash items:</i>           |       |                  |                 |   |
| Depreciation   | 6,7   | (220)            | (202)           | (18)  |
| New provisions, and adjustments to previous provisions | 13    | –                | 1               | (1)   |
| Other non-cash items                                   | 4     | (5)              | (2)             | (3)   |
| Changes in working capital other than cash             | –     | 500              | 382             | 118   |
| Use of provision                                       | 13    | 75               | 76              | (1)   |
| <b>Net Cash Requirement</b>                            |       | <b>8,490</b>     | <b>8,031</b>    | <b>459</b>  |



**SOAS4 Analysis of Income payable to the Consolidated Fund**

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

|   | Forecast 2014-15<br>£000 |          | Outturn 2014-15<br>£000 |                  |
|---|--------------------------|----------|-------------------------|------------------|
|   | Income                   | Receipts | Income                  | Receipts         |
| Operating income and receipts - excess Accruing Resources | –                        | –        | 31                      | <i>57</i>        |
| <b>Total income payable to the Consolidated Fund</b>      | <b>–</b>                 | <b>–</b> | <b>31</b>               | <b><i>57</i></b> |

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

|  | Note  | 2014-15<br>£000 | 2014-15<br>£000 |
|--|-------|-----------------|-----------------|
| Operating Income   | 5     | 2,654           | 2,275           |
| Income authorised to be used as Accruing Resources       |       | <u>2,623</u>    | <u>2,215</u>    |
| <b>Operating income payable to the Consolidated Fund</b> | SOAS4 | <b>31</b>       | <b>60</b>       |

## Statement of Comprehensive Net Expenditure

### For the year ended 31 March 2015

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

|  | Note  | 2014-15<br>£000 | 2013-14<br>£000 |
|--|-------|-----------------|-----------------|
| <b>Administration costs</b>  |       |                 |                 |
| Staff Costs  | 3     | 7,445           | 7,517           |
| Other Administration costs   | 4     | 3,111           | 3,063           |
| Operating Income   | 5     | <u>(2,654)</u>  | <u>(2,275)</u>  |
| <b>Net Operating Cost</b>  | SOAS2 | <b>7,902</b>    | <b>8,305</b>    |
| <b>Other Comprehensive Net Expenditure</b>                         |       |                 |                 |
| <b>Items that will not be reclassified to net operating costs:</b> |       |                 |                 |
| Net (gain) on revaluation of Property, Plant and Equipment         | 6     | (129)           | (112)           |
| Net (gain) on revaluation of Intangible Assets                     | 7     | <u>—</u>        | <u>(9)</u>      |
| <b>Total Comprehensive Net Expenditure</b>                         |       | <b>7,773</b>    | <b>8,193</b>    |

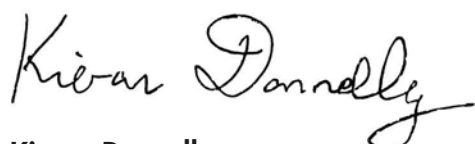
All income and expenditure are derived from continuing operations. There were no acquisitions or disposals in the year.

The notes on pages 68 to 87 form part of these accounts

## Statement of Financial Position as at 31 March 2015

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

|  | Note | 31 March 2015 |              | 31 March 2014 |                |
|--|------|---------------|--------------|---------------|----------------|
|  |      | £000          | £000         | £000          | £000           |
| <b>Non-current Assets</b>                    |      |               |              |               |                |
| Property, plant and equipment                | 6    | 3,277         |              | 3,298         |                |
| Intangible Assets                            | 7    | 111           |              | 126           |                |
| <b>Total non-current assets</b>              |      |               | <b>3,388</b> |               | <b>3,424</b>   |
| <b>Current Assets</b>                        |      |               |              |               |                |
| Inventories                                  |      | 359           |              | 401           |                |
| Trade and other receivables                  |      | 167           |              | 135           |                |
| Prepayments                                  |      | 49            |              | 52            |                |
| Cash and cash equivalents                    | 10   | 261           |              | 226           |                |
| <b>Total current assets</b>                  |      |               | <b>836</b>   |               | <b>814</b>     |
| <b>Total Assets</b>                          |      |               | <b>4,224</b> |               | <b>4,238</b>   |
| <b>Current liabilities</b>                   |      |               |              |               |                |
| Trade and other payables                     | 12   | (843)         |              | (1,202)       |                |
| Provisions                                   | 13   | (63)          |              | (77)          |                |
| <b>Total current liabilities</b>             |      |               | <b>(906)</b> |               | <b>(1,279)</b> |
| <b>Total assets less current liabilities</b> |      |               | <b>3,318</b> |               | <b>2,959</b>   |
| <b>Non-current liabilities</b>               |      |               |              |               |                |
| Provisions                                   | 13   | (56))         |              | (119)         |                |
| <b>Total non-current liabilities</b>         |      |               | <b>(56)</b>  |               | <b>(119))</b>  |
| <b>Total assets less liabilities</b>         |      |               | <b>3,262</b> |               | <b>2,840</b>   |
| Taxpayers' equity:                           |      |               |              |               |                |
| General Fund                                 |      |               | 589          |               | 296            |
| Revaluation Reserve                          |      |               | 2,673        |               | 2,544          |
| <b>Total equity</b>                          |      |               | <b>3,262</b> |               | <b>2,840</b>   |



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

18 June 2015

## Statement of Cash Flows for the year ended 31 March 2015

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

|   | Note  | 2014-15<br>£000 | 2013-14<br>£000 |
|---|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>   |       |                 |                 |
| Net operating cost  |       | (7,902)         | (8,305)         |
| Adjustment for non-cash transactions  | 4     | 203             | 542             |
| (Increase)/Decrease in trade receivables and prepayments  |       | (29)            | 190             |
| <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net</i>                                 |       | –               | (41)            |
| Decrease in Inventories   |       | 42              | 44              |
| (Decrease)/Increase in trade payables   | 12    | (359)           | 478             |
| <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>                        |       | (18)            | (148)           |
| Use of provisions   | 13    | (76)            | (67)            |
| <b>Net cash outflow from operating activities</b>   |       | <b>(8,139)</b>  | <b>(7,307)</b>  |
| <b>Cash flows from investing activities</b>   |       |                 |                 |
| Purchase of property, plant and equipment   | 6,12  | –               | (12)            |
| Purchase of intangible assets   | 7     | (28)            | (129)           |
| <b>Net cash outflow from investing activities</b>   |       | <b>(28)</b>     | <b>(141)</b>    |
| <b>Cash flows from financing activities</b>   |       |                 |                 |
| From the Consolidated Fund (Supply) – current year  |       | 8,100           | 7,550           |
| From the Consolidated Fund (Supply) – prior year  |       | –               | 13              |
| From the Consolidated Fund (non-Supply)   | 4     | 194             | 192             |
| <b>Net financing</b>  |       | <b>8,294</b>    | <b>7,755</b>    |
| <b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated fund</b>           |       | <b>127</b>      | <b>307</b>      |
| Receipts due to the Consolidated Fund which are outside the scope of NIAO's activities  |       | –               | 32              |
| Payments of amounts due to the Consolidated Fund  |       | (92)            | (101)           |
| <b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b> | 10    | <b>35</b>       | <b>238</b>      |
| <b>Cash and cash equivalents at the beginning of the period</b>   | 10    | 226             | (12)            |
| <b>Cash and cash equivalents at the end of the period</b>   | 10,12 | <b>261</b>      | <b>226</b>      |

The notes on pages 68 to 87 form part of these accounts

## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2015

This statement shows the movement in the year on the different reserves held by the Office analysed into 'general fund reserves' (ie. those reserves that reflect a contribution from the Consolidated Fund). Finance and the balance from the provision of services are recognised here. The Revaluation Reserve reflects the

|  | Note  | General Fund<br>£000 | Revaluation<br>reserve<br>£000 | Total<br>reserves<br>£000 |
|--|-------|----------------------|--------------------------------|---------------------------|
| <b>Balance at 31 March 2013</b>            |       | <b>932</b>           | <b>2,443</b>                   | <b>3,375</b>              |
| Net Assembly Funding- drawn down           |       | 7,550                |                                | 7,550                     |
| Consolidated Fund Standing Services        | 4     | 192                  |                                | 192                       |
| Supply payable adjustment                  | 12    | (191)                |                                | (191)                     |
| CFERs payable to the Consolidated Fund     | SOAS4 | (60)                 |                                | (60)                      |
| Comprehensive Net Expenditure for the year |       | (8,305)              | 112                            | 8,193                     |
| <b>Non-Cash Adjustments</b>                |       |                      |                                |                           |
| Non-cash charges- notional costs           | 4     | 167                  | –                              | 167                       |
| <b>Movements in Reserves</b>               |       |                      |                                |                           |
| Transfers between reserves                 |       | 11                   | (11)                           | –                         |
| <b>Balance at 31 March 2014</b>            |       | <b>296</b>           | <b>2,544</b>                   | <b>2,840</b>              |
| Net Assembly Funding- drawn down           |       | 8,100                | –                              | 8,100                     |
| Net Assembly Funding - deemed              |       | 191                  |                                | 191                       |
| Consolidated Fund Standing Services        | 4     | 194                  | –                              | 194                       |
| Supply payable adjustment                  | 12    | (261)                | –                              | (261)                     |
| CFERs payable to the Consolidated Fund     | SOAS4 | (31)                 | –                              | (31)                      |
| Comprehensive Net Expenditure for the year |       | (7,902))             | 129                            | (7,773)                   |
| <b>Non-Cash Adjustments</b>                |       |                      |                                |                           |
| Non-cash charges - notional costs          | 4     | 2                    | –                              | 2                         |
| <b>Movements in Reserves</b>               |       |                      |                                |                           |
| Transfers between reserves                 |       | 11                   | (11)                           | –                         |
| <b>Balance at 31 March 2015</b>            |       | <b>589</b>           | <b>2,673</b>                   | <b>3,262</b>              |

change in asset values that have not been recognised as income or expenditure. The Revaluation Reserve is analysed as follows between tangible and intangible assets. The Revaluation Reserve is analysed as follows between tangible and intangible assets.

|                                 | Tangible<br>Assets<br>£000 | Intangible<br>Assets<br>£000 | Total<br>£000 |
|---------------------------------|----------------------------|------------------------------|---------------|
| <b>Balance at 1 April 2013</b>  | <b>2,441</b>               | <b>2</b>                     | <b>2,443</b>  |
| Net gain on revaluation         | 112                        | –                            | 112           |
| Transfer to General Fund        | (9)                        | (2)                          | (11)          |
| <b>Balance at 31 March 2014</b> | <b>2,544</b>               | <b>–</b>                     | <b>2,544</b>  |
| Net gain on revaluation         | 129                        | –                            | 129           |
| <b>Balance at 31 March 2014</b> | <b>2,673</b>               | <b>–</b>                     | <b>2,673</b>  |

The notes on pages 68 to 87 form part of these accounts

## Notes to the Resource Accounts

### 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with Article 6 of the Audit (Northern Ireland) Order 1987, as amended by the Government Resources and Accounts Act (Northern Ireland) 2001 which require the Northern Ireland Audit Office to prepare resource accounts. In meeting this requirement, the financial statements have been prepared in accordance with the 2014-15 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

#### 1.1 Accounting convention

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

#### 1.2 Financing

Prior to the commencement of each financial year the Northern Ireland Audit Office prepares an estimate of its use of resources. This estimate is reviewed by the Audit Committee of the Northern Ireland Assembly which, having agreed any modifications with the Comptroller and Auditor General, then lays the estimate before the Assembly. The funds are then made available through the annual Northern Ireland Budget Act. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund.

Twenty five per cent of the Office's resource requirement is met by charging fees for certain financial audit assignments and other services. The level of income that the Office may use in support of its activities (known as *Accruing Resources*) is also agreed by the Assembly Audit Committee and confirmed in the Budget Act. Income earned in excess of the approved level cannot be used in support of the Office's activities and is required to be paid over to the Consolidated Fund as excess *Accruing Resources* in accordance with the rules set out in *Managing Public Money Northern Ireland*.



### 1.3 Intangible assets

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

### 1.4 Property, plant and equipment

Land and buildings have been included on the basis of professional valuations performed by Land & Property Services (L&PS). The valuations provided by L&PS as at 31 October 2014 are open market value existing use, with the building now valued on the basis of fitted out accommodation rather than, as previously, solely as the shell of the building. Consequently certain items previously included with furniture and fittings have been reclassified as buildings.

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

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

### 1.5 Depreciation

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

|                               |                      |
|-------------------------------|----------------------|
| <b>Information Technology</b> | <b>3 to 7 years</b>  |
| <b>Furniture</b>              | <b>5 to 20 years</b> |

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

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

## 1.6 Inventory and work in progress

Inventory consists of work in progress which is valued at the lower of cost, including appropriate overheads, and net realisable value.

## 1.7 Operating income

Operating income is income which relates directly to the operating activities of the Office. It principally comprises fees and charges for services provided by statute or by agreement with the National Audit Office (NAO) and client organisations. Income represents the amounts derived from the provision of completed work for clients during the year and includes an appropriate allowance for work in progress on assignments which will be completed in the following year. It includes not only income appropriated in aid of the Estimate but also income to the Consolidated Fund, which in accordance with FReM is treated as operating income. Operating income is stated net of Value Added Tax.

## 1.8 Pensions

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

## 1.9 Early Departure Costs

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

## 1.10 Other provisions

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

## 1.11 Value Added Tax

Income and expenditure in the account is stated exclusive of irrecoverable value added tax. The Office can recover value added tax at a partial exemption rate. For 2014-15 this was a rate of 5 per cent (4 per cent in 2013-14) based on the percentage of business income over total income.

## 1.12 Staff costs

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

## 1.13 Financial instruments

The Northern Ireland Audit Office does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (Notes 11 and 12). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Northern Ireland Audit Office will be unable to collect an amount due in accordance with agreed terms.

## 1.14 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2015

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2014-15 have been considered. The adoption of these standards has not had a significant impact on the Office's financial position or results.

## 1.15 Accounting standards, interpretations and amendments to published standards not yet effective

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

## 2. Statement of Operating Costs by Operating Segment

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

|   | 2014-15                   |                |                         | 2013-14                   |                |                         |
|---|---------------------------|----------------|-------------------------|---------------------------|----------------|-------------------------|
|   | Gross Expenditure<br>£000 | Income<br>£000 | Net Expenditure<br>£000 | Gross Expenditure<br>£000 | Income<br>£000 | Net Expenditure<br>£000 |
| Financial Audit                               | 6,176                     | 2,290          | 3,886                   | 6,334                     | 2,209          | 4,125                   |
| Public Reporting and Investigation            | 2,725                     | -              | 2,725                   | 2,855                     | -              | 2,855                   |
| Governance and Fraud Prevention and Detection | 930                       | 246            | 684                     | 783                       | 21             | 762                     |
| Support to the NI Assembly and the public     | 713                       | 118            | 595                     | 595                       | 45             | 550                     |
| Comptroller Function                          | 12                        | -              | 12                      | 13                        | -              | 13                      |
| <b>Total</b>                                  | <b>10,556</b>             | <b>2,654</b>   | <b>7,902</b>            | <b>10,580</b>             | <b>2,275</b>   | <b>8,305</b>            |

**Financial Audit** - Forming an opinion on published accounts; assessing whether expenditure is regular and in accordance with the intention of the Assembly when it granted the money; and providing assurance on the Governance Statement.

**Public Reporting and Investigation** - Independently examining and reporting to the Northern Ireland Assembly and Local Councils on economy, efficiency and effectiveness and performance improvement.

**Governance and Fraud Prevention and Detection** - Providing audited bodies with constructive advice to help them improve their corporate governance, financial control and risk management arrangements, and assisting in the prevention and detection of fraud by conducting and reporting on data matching exercises.

**Support to the Northern Ireland Assembly and the public** - Working closely with the Public Accounts Committee on evidence sessions based on our reports; providing support to Departmental committees; and responding to enquiries from elected representatives and disclosures from members of the public.

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

### 3. Staff numbers and related costs

Staff costs comprise:

|                        | 2014-15<br>£000                  |            |              | 2013-14<br>£000 |
|------------------------|----------------------------------|------------|--------------|-----------------|
|                        | Permanently<br>employed<br>staff | Others     | Total        | Total           |
| Wages and Salaries     | 5,517                            | 229        | 5,746        | 5,862           |
| Social Security Costs  | 507                              | –          | 507          | 482             |
| Other Pension Costs    | 1,192                            | –          | 1,192        | 1,173           |
| <b>Total net costs</b> | <b>7,216</b>                     | <b>229</b> | <b>7,445</b> | <b>7,517</b>    |

The salary and other costs of the C&AG are not included within the above costs as his remuneration is met directly from the Consolidated Fund for Northern Ireland. Further details can be found in the Remuneration Report.

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Office is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2015.

For 2014-15, employers' contributions of £1,192,114 were payable to the NICS pension arrangements (2013-14: £1,172,927) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2015-16, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2013-14: £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2013-14: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil, 0.8% (2013-14: £nil, 0.8%) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the reporting period date were £nil.  
Contributions prepaid at that date were £nil

No persons (2013-14: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2013-14: £nil).

### Average number of persons employed

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

| 2014-15 |                 |        | 2013-14 |
|---------|-----------------|--------|---------|
| Total   | Permanent Staff | Others | Total   |
| 131     | 128             | 3      | 132     |

### 3.1 Reporting of Civil Service and other compensation schemes - exit packages

| Exit package cost band        | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band (total cost) |
|-------------------------------|-----------------------------------|-----------------------------------|---|
| £50,000 - £100,000            | 0<br>(2013-14: 0)                 | 0<br>(2013-14: 1)                 | 0<br>(2013-14: 1)                                       |
| Total number of exit packages | 0<br>(2013-14: 0)                 | 0<br>(2013-14: 1)                 | 0<br>(2013-14: 1)                                       |
| Total cost                    | 0<br>(2013-14: 0)                 | 0<br>(2013-14: £100,000)          | 0<br>(2013-14: £100,000)                                |

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

#### 4. Other Administration Costs

|   | Notes | 2014-15<br>£000 | 2013-14<br>£000 |
|---|-------|-----------------|-----------------|
| Contracted Out Audits                               |       | 1,292           | 1,313           |
| Accommodation                                       |       | 371             | 380             |
| National Fraud Initiative Costs                     |       | 212             | 21              |
| Recruitment and training                            |       | 130             | 164             |
| Consolidated Fund Standing Services (C&AG's salary) |       | 194             | 192             |
| Office Supplies/Equipment                           |       | 73              | 81              |
| Computer Services                                   |       | 335             | 94              |
| Travel and Subsistence                              |       | 99              | 93              |
| Professional Services Bought In                     |       | 66              | 45              |
| Other Indirect Costs                                |       | 65              | 51              |
| Legal Fees  |       | 18              | 27              |
| Internal Auditors' Fees                             |       | 31              | 32              |
| External Auditors' Fees - Audit                     |       | 17              | 17              |
| Rentals under operating leases                      |       | -               | 5               |
| External Auditor's Fees - Other                     |       | 4               | 5               |
| Hospitality   |       | 1               | 1               |
|   |       | 2,908           | 2,521           |
| <b>Non- cash items</b>                              |       |                 |                 |
| Depreciation  | 6,7   | 202             | 264             |
| Impairment of fixed assets                          | 6,7   | -               | 11              |
| Provision provided for in year                      | 13    | 1               | 102             |
| Provision not required written back                 | 13    | (2)             | (2)             |
| Notional Costs                                      |       | 2               | 167             |
|   |       | 203             | 542             |
| <b>Total</b>  |       | <b>3,111</b>    | <b>3,063</b>    |

During 2013-14 the Office incurred a notional charge for the provision of our Information and

Communications Technology (ICT) requirements by IT Assist, the Northern Ireland Civil Service's shared service provider. In 2014-15 a hard charge was made for these services and this is included in Computer Services disclosed above.

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

Validation of Impacts of the Northern Ireland Audit Office, £4,000 (2013-14: £5,000).

In 2014-15 the Office paid £84,000 (2013-14: £54,000) to external consultants. This amount comprises £62,000 (2013-14: £35,000) included in Professional Services Bought In disclosed above and £22,000 (2013-14: £19,000) included within Other Staff Costs disclosed in Note 3 to the Accounts.

## 5. Operating Income

|                  | 2014-15<br>£000 | 2013-14<br>£000 |
|------------------|-----------------|-----------------|
| Income from NAO  | 363             | 261             |
| Other Audit Fees | 1,927           | 1,945           |
| NFI Receipts     | 246             | 21              |
| Other Income     | 118             | 48              |
| <b>Total</b>     | <b>2,654</b>    | <b>2,275</b>    |



## 5.1 Analysis of Income from services provided to clients

|                             | 2014-15<br>£000 |              |                       | 2013-14<br>£000 |              |                       |
|-----------------------------|-----------------|--------------|-----------------------|-----------------|--------------|-----------------------|
|                             | Income          | Full Cost    | Surplus/<br>(deficit) | Income          | Full Cost    | Surplus/<br>(deficit) |
| <b>Fee Income</b>           |                 |              |                       |                 |              |                       |
| NAO Agency Fees             | 363             | 358          | 5                     | 261             | 255          | 6                     |
| Other Financial Audit Fees  | 1,055           | 1,154        | (99)                  | 1,209           | 1,155        | 54                    |
| Local Government Audit Fees | 872             | 857          | 15                    | 736             | 734          | 2                     |
| NFI                         | 246             | 246          | -                     | 21              | 21           | -                     |
|                             | <b>2,536</b>    | <b>2,615</b> | <b>(79)</b>           | <b>2,227</b>    | <b>2,165</b> | <b>62</b>             |
| <b>Other Income</b>         |                 |              |                       |                 |              |                       |
| CFERs                       | -               |              |                       | 3               |              |                       |
| Income from secondments     | 118             |              |                       | 45              |              |                       |
|                             | <b>2,654</b>    |              |                       | <b>2,275</b>    |              |                       |

The Office has a target of recovering the full cost of undertaking fee paying work. The information here is provided solely to meet the requirements of the Department of Finance and Personnel's "Fees and Charges" guide and is not disclosed for the purpose of IFRS 8.

## 6. Property, plant and equipment

|   | Land<br>£000 | Buildings<br>£000 | Information<br>Technology<br>£000 | Furniture<br>and Fittings<br>£000 | Total<br>£000 |
|---|--------------|-------------------|-----------------------------------|-----------------------------------|---------------|
| <b>Cost or Valuation</b>                |              |                   |                                   |                                   |               |
| At 1 April 2014                         | 350          | 2,850             | 154                               | 186                               | 3,540         |
| Additions                               | -            | -                 | 9                                 | -                                 | 9             |
| Disposals                               | -            | -                 | (54)                              | (10)                              | (64)          |
| Revaluations                            | -            | -                 | 1                                 | -                                 | 1             |
| <b>At 31 March 2015</b>                 | <b>350</b>   | <b>2,850</b>      | <b>110</b>                        | <b>176</b>                        | <b>3,486</b>  |
| <b>Depreciation</b>                     |              |                   |                                   |                                   |               |
| At 1 April 2014                         | -            | -                 | 121                               | 121                               | 242           |
| Charged in year                         | -            | 128               | 16                                | 15                                | 159           |
| Disposals                               | -            | -                 | (54)                              | (10)                              | (64)          |
| Revaluations                            | -            | (128)             | -                                 | -                                 | (128)         |
| <b>At 31 March 2015</b>                 | <b>-</b>     | <b>-</b>          | <b>83</b>                         | <b>126</b>                        | <b>209</b>    |
| <b>Carrying amount at 31 March 2014</b> | <b>350</b>   | <b>2,850</b>      | <b>33</b>                         | <b>65</b>                         | <b>3,298</b>  |
| <b>Carrying amount at 31 March 2015</b> | <b>350</b>   | <b>2,850</b>      | <b>27</b>                         | <b>50</b>                         | <b>3,277</b>  |
| <b>Asset Financing</b>                  |              |                   |                                   |                                   |               |
| Owned                                   | 350          | 2,850             | 27                                | 50                                | 3,277         |
| <b>Carrying amount at 31 March 2015</b> | <b>350</b>   | <b>2,850</b>      | <b>27</b>                         | <b>50</b>                         | <b>3,277</b>  |

Details of the basis of valuation can be found in Note 1.4 to the accounts.

## 6. Property, plant and equipment (continued)

|   | Land<br>£000 | Buildings<br>£000 | Information<br>Technology<br>£000 | Furniture<br>and Fittings<br>£000 | Total<br>£000 |
|---|--------------|-------------------|-----------------------------------|-----------------------------------|---------------|
| <b>Cost or Valuation</b>                |              |                   |                                   |                                   |               |
| At 1 April 2013                         | 325          | 2,575             | 251                               | 1,949                             | 5,100         |
| Reclassification                        | -            | 1,744             | -                                 | (1,744)                           | -             |
| Additions                               | -            | -                 | 6                                 | 1                                 | 7             |
| Disposals                               | -            | -                 | (92)                              | (7)                               | (99)          |
| Impairments                             | -            | -                 | (11)                              | -                                 | (11)          |
| Revaluations                            | 25           | (1,469)           | -                                 | (13)                              | (1,457)       |
| <b>At 31 March 2014</b>                 | <b>350</b>   | <b>2,850</b>      | <b>154</b>                        | <b>186</b>                        | <b>3,540</b>  |
| <b>Depreciation</b>                     |              |                   |                                   |                                   |               |
| At 1 April 2013                         | -            | -                 | 176                               | 1,548                             | 1,724         |
| Reclassification                        | -            | 1,430             | -                                 | (1,430)                           | -             |
| Charged in year                         | -            | 131               | 46                                | 18                                | 195           |
| Disposals                               | -            | -                 | (92)                              | (7)                               | (99)          |
| Impairments                             | -            | -                 | (9)                               | -                                 | (9)           |
| Revaluations                            | -            | (1,561)           | -                                 | (8)                               | (1,569)       |
| <b>At 31 March 2014</b>                 | <b>-</b>     | <b>-</b>          | <b>121</b>                        | <b>121</b>                        | <b>242</b>    |
| <b>Carrying amount at 31 March 2013</b> | <b>325</b>   | <b>2,575</b>      | <b>75</b>                         | <b>401</b>                        | <b>3,376</b>  |
| <b>Carrying amount at 31 March 2014</b> | <b>350</b>   | <b>2,850</b>      | <b>33</b>                         | <b>65</b>                         | <b>3,298</b>  |
| <b>Asset Financing</b>                  |              |                   |                                   |                                   |               |
| Owned                                   | 350          | 2,850             | 33                                | 65                                | 3,298         |
| <b>Carrying amount at 31 March 2014</b> | <b>350</b>   | <b>2,850</b>      | <b>33</b>                         | <b>65</b>                         | <b>3,298</b>  |

Details of the basis of valuation can be found in Note 1.4 to the accounts.

## 7. Intangible Assets

|   | Software<br>Licences<br>£000 |
|---|------------------------------|
| <b>Cost or valuation</b>                |                              |
| At 1 April 2014                         | 258                          |
| Additions                               | 28                           |
| Disposals                               | (81)                         |
| Revaluations                            | 1                            |
| <b>At 31 March 2015</b>                 | <b>206</b>                   |
| <b>Depreciation</b>                     |                              |
| At 1 April 2014                         | 132                          |
| Charged in year                         | 43                           |
| Disposals                               | (81)                         |
| Revaluations                            | 1                            |
| <b>At 31 March 2015</b>                 | <b>95</b>                    |
| <b>Carrying amount at 31 March 2014</b> | <b>126</b>                   |
| <b>Carrying amount at 31 March 2015</b> | <b>111</b>                   |
| <b>Asset Financing</b>                  |                              |
| Owned                                   | 111                          |
| <b>Carrying amount at 31 March 2015</b> | <b>111</b>                   |

## 8. Capital and other commitments

|   | Software<br>Licences<br>£000 |
|---|------------------------------|
| <b>Cost or valuation</b>                |                              |
| At 1 April 2013                         | 209                          |
| Additions                               | 129                          |
| Disposals                               | (62)                         |
| Impairments                             | (18)                         |
| <b>At 31 March 2014</b>                 | <b>258</b>                   |
| <b>Depreciation</b>                     |                              |
| At 1 April 2013                         | 134                          |
| Charged in year                         | 69                           |
| Disposals                               | (62)                         |
| Impairments                             | (9)                          |
| <b>At 31 March 2014</b>                 | <b>132</b>                   |
| <b>Carrying amount at 31 March 2013</b> | <b>75</b>                    |
| <b>Carrying amount at 31 March 2014</b> | <b>126</b>                   |
| <b>Asset Financing</b>                  |                              |
| Owned                                   | 126                          |
| <b>Carrying amount at 31 March 2014</b> | <b>126</b>                   |

## 8.1 Capital Commitments

At the reporting date the Office has no capital commitments.

## 8.2 Commitments under leases

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

## 8.3 Other Financial Commitments

The Office had no other financial commitments as at 31 March 2015.

## 9. Financial Instruments

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

The Office has not identified any financial instruments which are complex or play a significant medium to long term role in its financial risk profile.

## 10. Cash and cash equivalents

|   | 2014-15<br>£000 | 2013-14<br>£000 |
|---|-----------------|-----------------|
| Balance at 1 April                              | 226             | (12)            |
| Net change in cash and cash equivalent balances | 35              | 238             |
| <b>Balance 31 March*</b>                        | <b>261</b>      | <b>226</b>      |

\*The above balance is held at a commercial bank

## 11. Trade receivables and Prepayments

### 11.1 Intra-Government Balances

|   | Amounts falling due within one year |                 |
|---|-------------------------------------|-----------------|
|   | 2014-15<br>£000                     | 2013-14<br>£000 |
| Balances with central government bodies     | 110                                 | 93              |
| Balances with local authorities             | 14                                  | 19              |
| Balances with NHS bodies                    | 8                                   | -               |
| <b>Subtotal: intra-government balances</b>  | <b>132</b>                          | <b>112</b>      |
| Balances with bodies external to government | 84                                  | 75              |
| <b>Total receivables at 31 March</b>        | <b>216</b>                          | <b>187</b>      |

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

## 12. Trade payables and other current liabilities

|  | 2014-15<br>£000 | 2013-14<br>£000 |
|--|-----------------|-----------------|
| <b>Amounts falling due within one year</b>                                     |                 |                 |
| VAT  | 52              | 35              |
| Trade payables and Accruals  | 205             | 503             |
| Employee benefits accrual  | 285             | 381             |
| <b>Total excluding amounts due to the Consolidated Fund</b>                    | <b>542</b>      | <b>919</b>      |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 261             | 191             |
| Consolidated Fund extra receipts due to be paid to the Consolidated Fund:      |                 |                 |
| Received   | -               | 35              |
| Receivable   | 31              | 57              |
| <b>Sub Total</b>   | <b>834</b>      | <b>1,202</b>    |
| Other payables: capital creditor   | 9               | -               |
| <b>Total</b>   | <b>843</b>      | <b>1,202</b>    |

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

### 12.1 Intra-Government Balances

|   | Amounts falling due within one year |                 |
|---|-------------------------------------|-----------------|
|   | 2014-15<br>£000                     | 2013-14<br>£000 |
| Balances with central government bodies     | 372                                 | 344             |
| Balances with bodies external to government | 471                                 | 858             |
| <b>Total payables at 31 March</b>           | <b>843</b>                          | <b>1,202</b>    |



### 13. Provisions for Liabilities and Charges

#### 2013-14

|  | Early<br>departure costs<br>£000 | Other<br>£000 | Total<br>£000 |
|--|----------------------------------|---------------|---------------|
| Balance at 1 April 2013                  | 163                              | -             | 163           |
| Provided in the year                     | 100                              | 2             | 102           |
| Provisions not required and written back | (2)                              | -             | (2)           |
| Provision utilised in the year           | (67)                             | -             | (67)          |
| <b>Balance at 31 March 2014</b>          | <b>194</b>                       | <b>2</b>      | <b>196</b>    |

#### Analysis of Expected Timings

|   | Early<br>departure costs<br>£000 | Other<br>£000 | Total<br>£000 |
|---|----------------------------------|---------------|---------------|
| Not later than one year                           | 75                               | 2             | 77            |
| Later than one year and not later than five years | 119                              | -             | 119           |
| <b>Balance at 31 March 2014</b>                   | <b>194</b>                       | <b>2</b>      | <b>196</b>    |

#### 2014-15

|  | Early<br>departure costs<br>£000 | Other<br>£000 | Total<br>£000 |
|--|----------------------------------|---------------|---------------|
| Balance at 1 April 2014                  | 194                              | 2             | 196           |
| Provided in the year                     | 1                                | -             | 1             |
| Provisions not required and written back | -                                | (2)           | (2)           |
| Provision utilised in the year           | (76)                             | -             | (76)          |
| <b>Balance at 31 March 2015</b>          | <b>119</b>                       | <b>-</b>      | <b>119</b>    |

## Analysis of Expected Timings

|   | Early departure costs<br>£000 | Other<br>£000 | Total<br>£000 |
|---|-------------------------------|---------------|---------------|
| Not later than one year                           | 63                            | –             | 63            |
| Later than one year and not later than five years | 56                            | –             | 56            |
| <b>Balance at 31 March 2015</b>                   | <b>119</b>                    | <b>–</b>      | <b>119</b>    |

### 13.1 Early departure costs

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

### 13.2 Other

This was a claim for a picture used in a report published in 2007. Based on legal advice a prudent provision of £2,000 had been made in 2013-14. There has been no action in relation to this claim since November 2013 and the Office considers a provision is no longer required.

## 14. Contingent Liabilities

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

## 15. Losses and Special Payments

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

## 16. Related Party Transactions

The Northern Ireland Audit Office is headed by the Comptroller and Auditor General for Northern Ireland and was established by the Audit (Northern Ireland) Order 1987.

None of the NAO Audit Committee, Advisory Group or Executive Team members or other related parties has undertaken any material transactions with the Northern Ireland Audit Office during the year.

The Northern Ireland Audit Office has had a number of transactions with the Department of Finance and Personnel.

### **17. Events after the reporting period**

As noted on page 29 of the Strategic Report preceding these financial statements, the Assembly Audit Committee and the Comptroller and Auditor General have agreed an Estimate provision for 2015-16. The agreed Net Resource Requirement of £7,686,000 is some £300,000 less than the Office's present projected Net Resource Requirement for the year of £7,986,000 based on current staffing levels.

To reduce our permanent staff numbers to an affordable level, and help bridge the gap of £300,000 between the agreed Estimate and projected resource requirement, the Office launched a Voluntary Exit Scheme (VES) on 13 April 2015. The closing date for applications was 8 May 2015. Letters of Offer, which will be conditional on funding being available from the Northern Ireland Executive's Transformation Fund, will be issued to staff on 20 July 2015, following which those selected will have up to 31 July 2015 to accept or withdraw. At this date it is not possible to quantify the value of this potential liability which has occurred since the reporting period end date.

The Northern Ireland Assembly has not approved the current Budget Bill for 2015-16 at the date of approval of these accounts. There remains uncertainty over the amount of funding that will be made available to the Office in 2015-16. The Office will, however, be devoting its efforts to containing its costs in 2015/16 to such a level that it can operate within the agreed 2015/16 Net Resource Requirement, and the Comptroller and Auditor General is confident that, having taken all necessary steps, the Office will be able to continue to meet all its liabilities as they fall due.

### **Date of authorisation for issue**

The Comptroller and Auditor General authorised the issue of these financial statements on 18 June 2015.







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