



Northern Ireland Audit Office

Annual Report and Accounts 2011-2012



Northern Ireland Audit Office Resource Accounts For the year ended 31 March 2012

Laid before the Northern Ireland Assembly by the
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on

6 July 2012

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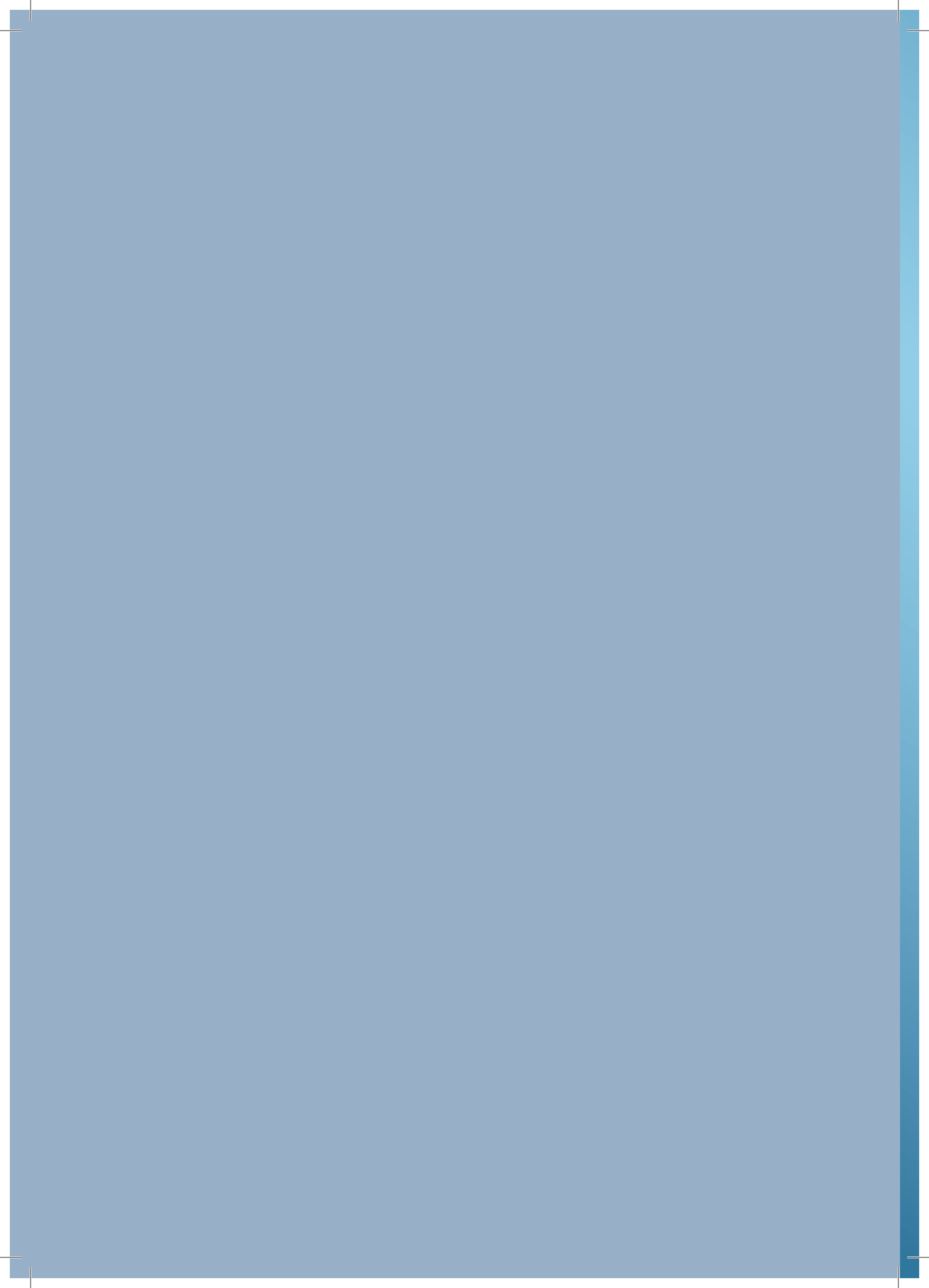
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Key results and achievements

- Certified 225 accounts of Departments, Agencies and other public sector bodies, including public sector companies limited by guarantee and North-South bodies.
- Achieved quantified financial savings as a result of our recommendations of £26.7 million.
- Produced 16 central government reports and one local government report.
- Dealt with 33 enquiries from elected representatives and a further 39 other disclosures from members of the public.
- Successfully audited International Financial Reporting Standards based local government accounts for the first time.
- Continued to work with Departments to improve corporate governance in the public sector.

The Comptroller and Auditor General's overview

I am pleased to report that the Northern Ireland Audit Office successfully delivered a challenging programme of work in 2011-12 in pursuance of its aim of providing objective information, advice and assurance on the use of public funds, promoting good practice and helping public bodies to improve.

We certified 225 public sector accounts, encompassing a number of accounts which had been outstanding from previous years. We published some 17 reports from across the spectrum of our responsibilities. Our value for money reports covered issues ranging from the use of locum doctors by Northern Ireland hospitals to the Bioscience and Technology Institute, and we produced a report on 'Good practice in risk management' which focused on practical experiences of managing risks effectively in public bodies in Northern Ireland.

We continued to work closely with the Northern Ireland Assembly's Public Accounts Committee, facilitating eight evidence sessions, and prepared a report for the Assembly's Environment Committee.

We have a responsibility to provide value for money on the services we provide to our various stakeholders. In 2011-12, financial savings arising from our work totalled £26.7 million and I am delighted with the outcome of our participation in the National Fraud Initiative 2010-11.

In these challenging times, it is important that the Office leads by example. In 2011-12 we continued to bring about internal efficiencies and reduce costs without compromising on the quality or scope of our work or the support we provide to the Northern Ireland Assembly. We have also reviewed our own internal governance arrangements and introduced new structures from June 2011.

I would like to thank my staff for the Office's continued delivery of a high-quality independent audit service.



Kieran J Donnelly

Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

12 June 2012

Annual Report

Our Role

The service we provide

The Northern Ireland Audit Office (NIAO or the Office) seeks to hold public bodies to account for the way they use public money. It aims to provide objective information, advice and assurance on how public funds have been used and to 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.

Our independence

The Comptroller and Auditor General is an Officer of the Northern Ireland Assembly (the Assembly) and is a Crown appointment made on the nomination of the Assembly.

He is responsible for the appointment of the staff of the Northern Ireland Audit Office who, together with the Comptroller and Auditor General, are wholly independent of government.

The Office's resources are approved each year by the Assembly through the estimates process, following approval of the Office's plans by the Assembly Audit Committee. The Assembly Audit Committee scrutinises our performance by challenging us in the same way we challenge others.

Value for Money reports

In 2011-12 we published 10 value for money reports for the Assembly. Our value for money work 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. We seek to promote better use of public money by highlighting and demonstrating to audited bodies ways in which they could:

- make improvements to realise financial savings or reduce costs;
- guard against the risk of fraud, irregularity and impropriety;
- provide a better quality of service;
- strengthen and enhance their management, administration and organisational processes; and
- achieve their aims and objectives more cost effectively.

We present our value for money reports to the Assembly and the majority of these are considered by the Public Accounts Committee (PAC) at hearings in which it takes evidence from the senior officials involved. Following consideration of the evidence, PAC publishes its own report and recommendations to the Assembly. The Executive is then required to respond to the Committee's recommendations, specifying the action the audited body intends to take in response. We monitor the action taken and may revisit the issue where we consider that insufficient progress has been made.

We place great emphasis on the quality of our value for money reports to ensure that they meet the needs of our various stakeholders and help promote positive change in the delivery of public services. We aim to adhere to high quality standards, as outlined in our handbook entitled 'Value for Money Standards'. Published in June 2011, this manual provides advice and guidance on how we plan our programme of work and undertake specific studies. In effect, it sets out the key standards that support effective delivery of the Office's value for money programme.

NIAO value for money studies are subjected to a range of quality assurance controls in order to maintain and improve the quality of our published reports. Each study is reviewed at three stages internally by staff who are independent of the study. In addition each published report is assessed by an external review panel who rate the report's presentation, technical content and quality of recommendations. For the reports published in 2011-12, ratings averaged at 4.0 on a scale of 1 to 5 (5 representing outstanding). In addition, we have a peer review process where a sample of our reports are circulated to our colleagues in other UK audit agencies for their assessment. Finally, at the end of each study, the study team is required to complete its own lessons learned review. Where our reports culminate in a PAC evidence session, we also take feedback from the Chair of the Committee to ensure our reports effectively support the Committee's scrutiny activities.

In April 2010, policing and justice powers were devolved to the Assembly, with audit responsibility transferring to this Office. Prior to this the audits of the financial statements was carried out by NIAO staff on behalf of the National Audit Office, with policing and justice bodies subject to a limited VFM programme at that time. In 2011-12 we published two reports on "Continuous improvement arrangements in the Northern Ireland Policing Board". Examination of continuous improvement arrangements is a statutory audit requirement under the Police (Northern Ireland) Act 2000. We also published a report "Managing Criminal Legal Aid" which was the subject of an evidence session by PAC.

Financial Audit

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

Central Government

The Comptroller and Auditor General has a statutory responsibility to audit the financial statements of all Northern Ireland departments, executive agencies and other central government bodies, including some public sector companies limited by guarantee incorporated under the Companies Act, 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 situation, 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. During 2011-12 we certified 179 central government accounts. We also issued two general reports on the results of our financial audit work.

If during 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 opinion on the accounts. Of the 179 accounts certified in 2011-12, 35 were qualified. In these cases, and in other cases where there are significant issues arising, we make a report to the Assembly which can be considered by PAC.

Local Government

The Department of the Environment for Northern Ireland, with the consent of the Comptroller and Auditor General, designates staff of the Office as local government auditors, who are responsible for the audit of local government bodies (the 26 Councils, Joint Committees, the Local Government Staff Commission and the Northern Ireland Local Government Officers' Superannuation Committee). The Assistant Auditor General of the Financial Audit Division is currently designated as Chief Local Government Auditor.

Fees are collected for local government audit work on accounts, grant claims and district policing partnerships on a full cost recovery basis.

During 2011-12 we completed the audits of 46 local government accounts and prepared a report "The exercise by local government auditors of their functions – in the year to 31 March 2011". The report included a summary of the main findings and recommendations on absenteeism in local councils which had been reported upon separately in previous years.

International Financial Reporting Standards were applied to local government bodies across the UK in 2010-11 and the local government accounts which we audited in 2011-12 were prepared on that basis.

Improving governance and combating fraud

The Office continues to work 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 audit committees for all our audited bodies, providing support, advice and guidance to both non-executive and senior staff in these organisations. We also continued to be involved in providing training to both staff and non-executives through programmes developed by the Chief Executives' Forum, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department of Finance and Personnel. In June 2011 we published a report, "Good practice in risk management". This focused on the practical experiences of managing risks effectively in public bodies in Northern Ireland. A good practice guide, the report included case studies from several organisations, with suggestions for improvements to existing practices and a self-assessment checklist which bodies can use to evaluate their own risk management arrangements. The report was well-received by public bodies and we continue to respond to requests for further information and guidance in this important aspect of public sector management.

The Office also has an important role to play in supporting public sector bodies in combating fraud. At a time when public services are facing unprecedented budgetary pressures, it is of particular importance that public bodies continue to use every means at their disposal to prevent and detect misuse of public funds. 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.

This work includes:

- participating in the National Fraud Initiative (NFI) – the Comptroller and Auditor General has statutory power to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. The first such data matching exercise was undertaken as part of the Audit Commission's NFI 2008-09. We also participated in the NFI 2010-11;
- working with those engaged in counter fraud activities across the public sector including bodies such as the Audit Commission, the National Audit Office, HM Revenue and Customs, departmental counter fraud units, and internal auditors;
- organising and hosting counter fraud workshops and seminars;
- promoting and participating in workshops and seminars to increase fraud awareness and disseminate good practice;
- encouraging whistleblowers to voice their concerns; and
- providing formal advice and guidance on the review of draft departmental papers on counter fraud measures, including fraud strategies, fraud and whistleblowing policies and fraud response plans.

Resources, Performance and People

Resources

NIAO's resources were used to employ an average of 137 staff (full time equivalent), to contract out some of our work to private sector accountancy firms and to meet the infrastructure and support costs necessary for a modern public audit business.

Over a number of years we have been successful in generating significant efficiency savings from our work and these have released resources to enable us to do considerably more work across a number of areas, such as servicing PAC and other committees of the Assembly. In 2011-12 these savings were achieved through continued focus on good project management and efficient use of resources.

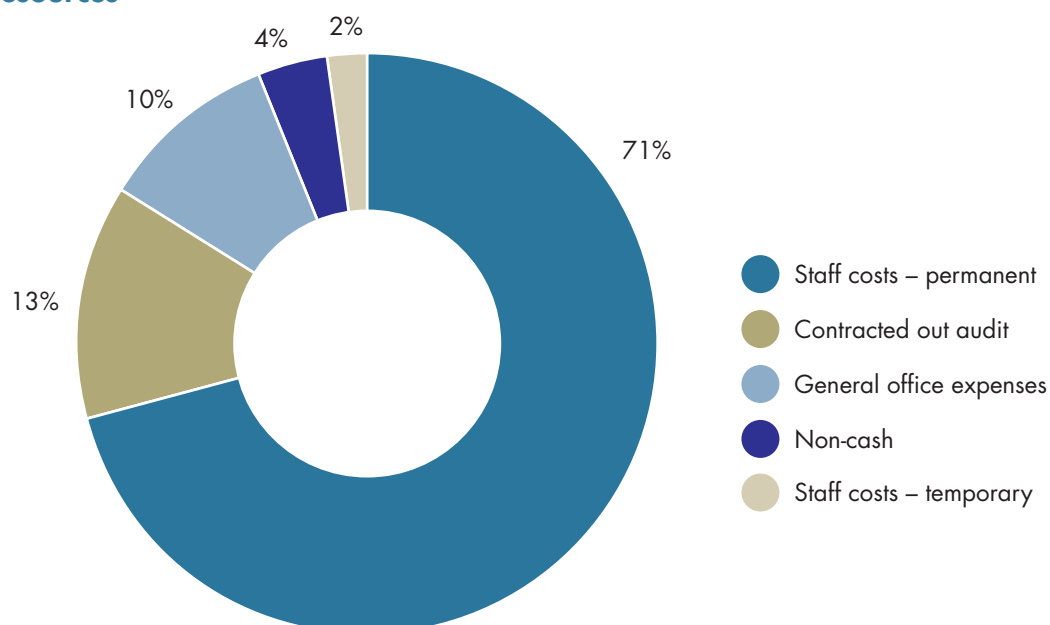
The net resource requirement in the Office's Main Estimate for 2011-12, authorised by the Assembly, was £8.5 million. This was revised by way of Supplementary Estimate to £8.4 million, representing a reduction of around 13 per cent in real terms from the previous year based on the 2010-11 Main Estimate.

The Office's Gross Resource Requirement for the provision of audit and other assurance work in 2011-12 was £10.2 million. After allowing for £2.1 million of income generated from fee paying work the Net Resource Requirement of the Office amounted to £8.1 million. Savings mainly arose from:

- less use of outsourced resources than estimated due, for example, to the rescheduling and reprioritisation of work, and projected additional work on a financial audit assignment no longer being required; and
- unanticipated reductions in areas with a reactive component, for example response maintenance of the building and legal fees.

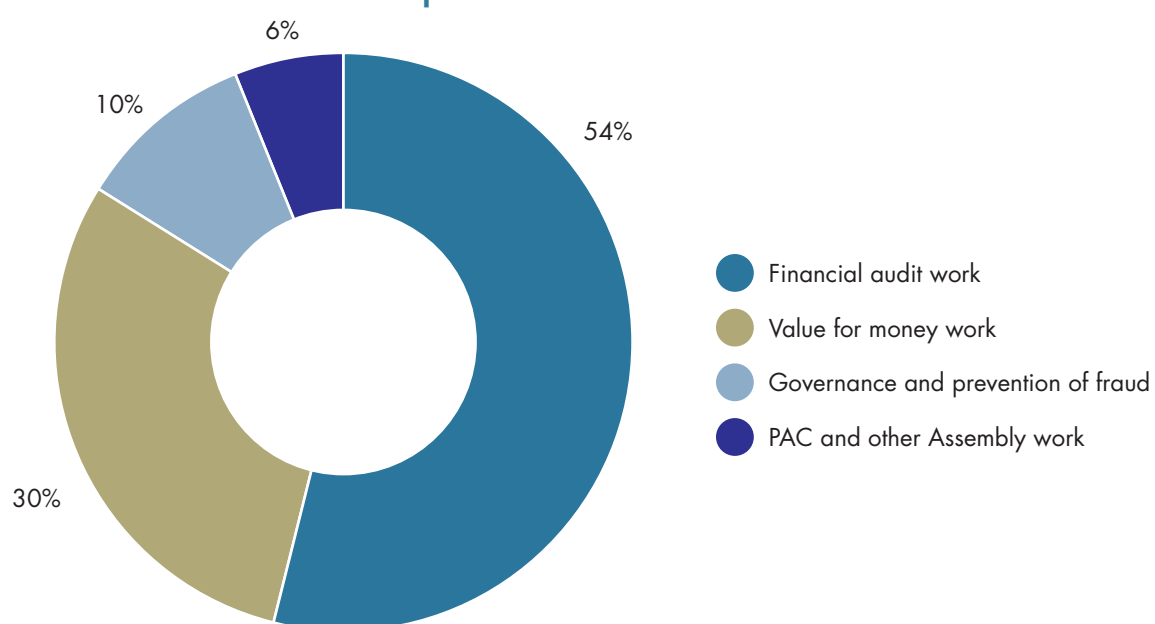
As shown in the chart overleaf, the largest area of expenditure in the Office continues to be in relation to our permanent staff costs (71 per cent):

Use of resources



As in previous years more than half of our resources were used on financial audit work and approximately a third were used on value for money work.

How resources were used to meet objectives in 2011-12



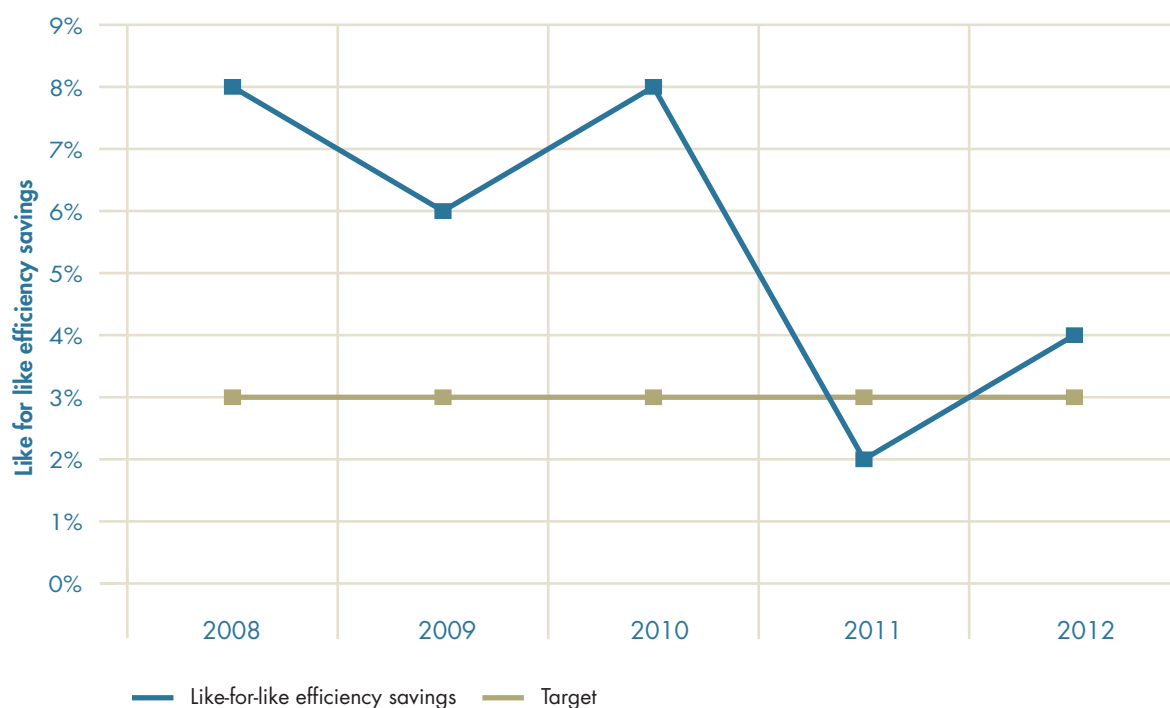
Additional resources were directed to financial audit work in 2011-12 because of the implementation of International Financial Reporting Standards in full form for local government accounts and clearance of backlog audits.

Performance

As the body charged with examining the value for money of government activities it is right that we pay particular attention to our own efficiency. Over the next few years there will be significant pressure on public finances and it is important that the Office can be seen to lead by example. In order to monitor our efficiency we have a number of performance metrics in place across the Office. In 2011-12 these included the following:

- For those accounts where like-for-like comparisons can be made, we had a target of reducing the cost of audit annually by an average of 3 per cent in real terms. The chart below shows the like-for-like savings generated on financial audits. The scope to generate savings without compromising audit quality has reduced given the efficiencies achieved in previous years and the fact that we are auditing more complex accounts under International Financial Reporting Standards. However, savings of 4 per cent were realised for 2011-12.

Like-for-like efficiency savings



- There are inherent difficulties in monitoring efficiency in our value for money work. The nature of value for money reports means that it is difficult to compare the cost of one report to another because reports are based on topics that will be of different degrees of complexity. Whilst recognising these difficulties the Office does monitor the average cost of its reports and had set a target of producing reports with an average cost between £130,000 and £150,000. The average cost of a published report in 2011-12 was £140,589 (2010-11: £149,008).

The variability of average report costs limits the value of year on year comparisons of efficiency savings. To address this we have calculated a three year rolling average of report costs which shows that average report costs have fallen by around 4 per cent in real terms over the last five years.

- In our Corporate Services Division, which provides a range of support functions and systems for the Office as a whole, we benchmark various aspects of our corporate services, including human resources and finance, against those of other audit agencies. Monitoring and scrutinising costs against budgets, outsourcing work when better value for money can be achieved and setting tight targets are all part of ensuring that the Division is as cost efficient as possible.

In 2011-12 we undertook a review of how we measure our performance. This resulted in some new measures which will be introduced from 2012-13 and assist in demonstrating our productivity and achievement in reducing costs. Our performance measures are set out in the NIAO Corporate Plan 2012-13 to 2014-15 which can be obtained from the Office's website at www.niauditoffice.gov.uk.

We have a responsibility to provide value for money on the services we provide to our stakeholders. One way in which we do this is by identifying the quantifiable financial savings resulting from the work we undertake. This is a measure of the return on investment in the Office that the Northern Ireland Assembly and the taxpayer can expect. During 2011-12 quantified financial savings as a result of the work of the Office and PAC of £26.7 million were achieved. This figure has been independently validated, and represents over three times the net resource outturn of the Office. The extent of savings achieved fluctuates from year to year and is largely dependent on the nature of the studies undertaken in the value for money audit programme. We have a number of value for money reports in our forward programme which we anticipate will generate significant savings in the coming years.

The following examples of financial impact and waste identified are given to demonstrate the impact of our work.

Managing Criminal Legal Aid – Delay in amending legislation led to wasteful expenditure

Our report 'Managing Criminal Legal Aid' highlighted that Very High Cost Cases (VHCCs) set up to control costs appeared to be doing the opposite. VHCC certificates were awarded for the most complex cases where the trial was likely to last in excess of 25 days, and consequently attracted higher fees. However, since their introduction in 2005 only 11 per cent of VHCCs actually proceeded to trial lasting more than 25 days. Of the remaining cases, 52 per cent went to trial but lasted less than 25 days while 37 per cent never went to trial at all. This may happen where the defendant pleads guilty or where the prosecution withdraws the charges. In these circumstances, there was no power to revoke the VHCC certificate, or reduce the level of fees payable.

Based on a random sample of VHCCs, we calculated that up to an additional £23 million may have been paid in respect of cases which failed to go to trial lasting in excess of 25 days. Following the completion of our fieldwork, new statutory rules were introduced that removed VHCCs. The Department of Justice estimates that this will save around £18 million a year.

National Fraud Initiative

Under powers to conduct data matching for the purposes of preventing and detecting fraud and error, the Comptroller and Auditor General required over 100 public bodies to take part in the second National Fraud Initiative (NFI) exercise in Northern Ireland during 2010-11. NFI identified fraud and error of £5.1 million. In addition, since our last Annual Report, late outcomes from the first NFI exercise in 2008-09 have amounted to £7.4 million. In total, NFI has identified £24 million of fraud and error in the Northern Ireland public sector since 2008. The main areas where fraud and error have been identified are housing benefit, domestic rates and pensions.

Not only has the Office's work directly contributed to financial savings for public sector bodies but, by identifying underpayments of benefit entitlements, it has also had a positive financial impact for service users.

Social Security Agency (SSA) Fraud and Error

In its 2008 report on Social Security Fraud and Error, the Public Accounts Committee drew attention to the high level of over and underpayments resulting from staff error. It welcomed the SSA's initiatives, taken in response to NIAO findings, to strengthen its staff training programmes and achieve a greater degree of accuracy. In the two years since the report, over and underpayments due to staff error have reduced by a total of £7 million.

Public bodies are facing serious financial challenges and pressures in the short to medium term. We have a duty to promote good practice and lead the drive to improve efficiency and productivity across the public sector. We see major benefits in partnerships with other audit agencies and will continue with this kind of joint working. To this end, working with the National Audit Office and the audit offices of the other devolved administrations, we are currently engaged in a joint review of healthcare performance across the UK. The review aims to: map out existing comparable health performance data; outline trends, similarities and differences; and set out the findings in a way that can be used by stakeholders to help drive improvements in efficiency and effectiveness. At a time when healthcare funding is under greater pressure than ever, we see such a joint exercise as providing the foundation for constructive discussions, locally, on the size and nature of the challenges and changes required to ensure that healthcare services are fit for purpose.

People

Staff continue to be our most valuable asset. It is through their skills, expertise and cumulative experience that we are able to deliver high quality services to our stakeholders. Some 63 per cent of staff have professional accountancy qualifications and a further 8 per cent are studying to become qualified. To achieve cost reductions we had temporarily suspended recruitment to our Graduate Trainee Accountant programme. However we intend to reinstate this in 2012-13.

During 2011-12 we introduced a Placement Student scheme for the first time, offering a one-year work placement to two students studying for a degree in Accounting, Business Studies, Finance or Economics. A further two students will take up post from 1 August 2012.

We are committed to providing an environment where people enjoy their work, feel valued, supported and are given the necessary training to help maintain and develop their skills. To help achieve this, during 2011-12, we have:

- taken forward actions in the areas of workforce planning, learning and development and internal communications;
- introduced a new performance appraisal system;
- reviewed a number of HR policies and procedures; and
- maintained a safe and healthy working environment for all.

Corporate Responsibility

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.

Health and safety

The Office is committed to effective health and safety management and has established procedures to ensure that this is the case. This includes having a designated Health and Safety Officer responsible for considering and advising on whether the Office policy statement on Health and Safety and the organisation and arrangements for carrying out that policy fulfil the requirements of the relevant legislation and regulations in force at any time. A Health and Safety Committee has also been established under the Chairmanship of an Assistant Auditor General and is comprised of the Health and Safety Officer and Health and Safety representatives nominated by the Trade Unions. Staff are encouraged to bring health and safety matters to the attention of these individuals.

In terms of staff welfare 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.

The average number of days for sickness absence was 9.9 days per employee in 2011-12 compared to 7.9 days per employee in 2010-11 and 7.8 days in 2009-10. This increase is due to an increase in the number of long term sick leave cases, each of which was managed in accordance with comprehensive attendance management procedures.

Sustainability

We are committed to promoting sustainability through our work by both reducing our own environmental footprint and by addressing sustainability issues where relevant in our value for money programme. While economies of scale limit the impact that an Office our size can have on sustainability we seek to comply with best practice on sustainable development. Moreover we strive to achieve high levels of environmental performance that supports sustainable development.

In seeking to reduce our environmental footprint we have adopted a number of initiatives in recent years, for example reducing electricity consumption by replacing halogen lighting with lower energy alternatives and old air conditioning units with more energy efficient units and recycling waste paper and other items.

Major Reports

Published from April 2011 to March 2012

Central Government Reports	Date published
Continuous improvement arrangements in the Northern Ireland Policing Board	25 May 2011
Survey of Property Asset Management in Central Government	1 June 2011
Good Practice in Risk Management	8 June 2011
Value For Money Standards	10 June 2011
Use of External Consultants by NI Departments - Follow up Report	15 June 2011
Managing Criminal Legal Aid	29 June 2011
The use of locum doctors by Northern Ireland Hospitals	1 July 2011
Financial Auditing and Reporting General Report by the Comptroller and Auditor General for Northern Ireland - 2011	25 October 2011
The Transfer of Former Military and Security Sites to the Northern Ireland Executive	22 November 2011
DETI: The Bioscience and Technology Institute	29 November 2011
General Report on the Health and Social Care Sector	6 December 2011
NIAO Report to the Environment Committee	8 December 2011
Northern Ireland Tourist Board - Review of the Signature Projects	13 December 2011
Northern Ireland Fire and Rescue Service: An Organisational Assessment and Review of Departmental Oversight	20 December 2011
Continuous improvement arrangements in the Northern Ireland Policing Board	20 March 2012
Invest NI: a performance review	27 March 2012
Local Government Audit Reports	
The exercise by local government auditors of their functions – In the year to 31 March 2011	9 December 2011

Management Commentary

The Northern Ireland Audit Office is headed by the Comptroller and Auditor General for Northern Ireland, an Officer of the Northern Ireland Assembly appointed to carry out the external audit of Northern Ireland departments, executive agencies and other central government bodies. In addition, the Assistant Auditor General in the Financial Audit Division is designated as Chief Local Government Auditor, responsible for the audit of local government bodies. The Comptroller and Auditor General and the Office are wholly independent of government.

The Office is structured into three Divisions: Financial Audit, Value for Money Audit and Corporate Services.

The work of the Office is explained in detail in our annual Corporate Plan, which is available on our website at www.niauditoffice.gov.uk. This plan provides a three year rolling programme for the Office together with the related resources.

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.

The Office is committed to fulfilling its obligations under section 75 of the Northern Ireland Act 1998 in relation to the promotion of equality of opportunity and good relations in all its policies and procedures.

The financial statements on pages 40 to 68 have been prepared by the Office on a resource basis in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel.

Aim and Objectives

The NIAO seeks to hold public bodies to account for the way they use public money. It aims to provide objective information, advice and assurance on the use of public funds, promote good practice and help public bodies to improve. Its main activities comprise:

- Financial audit - auditing and reporting on the annual accounts of public bodies;
- Value for money audit – independently examining and reporting to the Northern Ireland Assembly on whether public bodies spend taxpayers' money economically, efficiently and effectively;
- Governance and Fraud prevention - 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; and
- Comptroller Function - authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

The gross expenditure, and any associated income, of the Office's work in meeting each of these objectives are shown in Note 6 to the Accounts on page 53.

Comptroller and Auditor General for Northern Ireland

Under 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. Under the Audit (Northern Ireland) Order 1987, the holder of the office is a Corporation Sole. Kieran Donnelly is the current Comptroller and Auditor General for Northern Ireland.

Assembly Audit Committee

Section 66 of the Northern Ireland Act 1998 made provision for the establishment of a committee of members of the Northern Ireland Assembly, known as the Audit Committee. The current membership of the Audit Committee consists of the Chairman of the Public Accounts Committee and four other members of the Assembly. The Audit Committee is responsible for the approval of the Northern Ireland Audit Office's Supply Estimate and Corporate Plan.

Accounting Officer

The Department of Finance and Personnel has appointed Kieran Donnelly, the Comptroller and Auditor General, as the Accounting Officer for the Northern Ireland Audit Office. His responsibilities as the Accounting Officer and for the Office's system of internal control are set out on pages 33 to 36.

Auditors of the Northern Ireland Audit Office

The Department of Finance and Personnel appointed Baker Tilly Mooney Moore as the auditors of the Northern Ireland Audit Office for a three year term from April 2008, with the option to extend for a further two years. The contract was extended for one year to cover the audit of the 2011-12 accounts. In addition to forming an opinion on the financial statements the auditors also review the Office's estimate of the level of savings generated by audit activity (known as the statement of financial impacts) that is reported within this report on page 12. Details of the cost of the work done by the external auditors are disclosed in Note 8 to the Accounts.

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.

Corporate governance in 2011-12

Following a review of its governance arrangements, the Office implemented changes with effect from June 2011.

April 2011 to May 2011

During this period, the following structures were in place:

- Management Board: its role was to advise the Comptroller and Auditor General on the discharge of his statutory duties. Its members comprised:

Comptroller and Auditor General	Kieran Donnelly (Chair)
Assistant Auditor General	Louise Mason
Assistant Auditor General	Janet Sides
Assistant Auditor General	Eddie Bradley
Non-Executive Member	Gary Martin

One meeting of the Management Board was held.

- Management Team: In support of the Management Board to whom it reported, the team had responsibility for a range of strategic and operational matters. It comprised the Comptroller and Auditor General (Chair) and the three Assistant Auditors General who head up the Divisions in the Office. Directors attended in a non-decision making capacity.
- Audit Committee: Members comprised Gary Martin (Chair) and Colette Kane, a Director of the Northern Ireland Audit Office. No meetings were held.

June 2011 to March 2012

The following arrangements were introduced in June 2011 and remain in operation.

NIAO Advisory Board

The NIAO Advisory Board (the Board) provides objective and impartial advice to the Comptroller and Auditor General in the discharge of his statutory duties.

Non-Executive Members

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.

Mary Halton

Mary Halton is the Managing Director of Align Consulting Ltd and serves on the Governing Council of Chartered Accountants Ireland where she is also a member of its Oversight Board and Audit and Risk Committee.

Daniel McLarnon

Daniel McLarnon, recently retired, was Corporate Development Director of Moy Park where he had executive responsibilities for HR, Internal Audit, Legal Services and Corporate Governance. He is a Fellow of the Institute of Directors.

Executive Members

Kieran Donnelly, Comptroller and Auditor General

See commentary on pages 17 and 18.

Louise Mason

Louise Mason is the Assistant Auditor General responsible for the financial audit services the Office provides to central government. She is also the designated Chief Local Government Auditor.

Janet Sides

Janet Sides is the Assistant Auditor General responsible for the Corporate Services function, and is the Office's Principal Finance Officer.

Eddie Bradley

Eddie Bradley is the Assistant Auditor General responsible for leading the Office's value for money programme.

The Board was chaired by the Comptroller and Auditor General until 31 December 2011. Gary Martin became Chair with effect from 1 January 2012.

Mary Halton and Daniel McLarnon took up their role as non-executive members in June 2011.

The Board, which met four times during 2011-12, advised the Comptroller and Auditor General on the following:

- Strategic Development;
- Performance Measurement;
- Financial Management and Use of Resources;
- Risk and Internal Control; and
- Any other matter deemed appropriate.

Executive Team

Having full regard to the advice of the NIAO Advisory Board, the Executive Team is responsible for the running of the Office. The Executive Team comprises the Comptroller and Auditor General and the three Assistant Auditors General and normally meets monthly. Its responsibilities include developing and implementing strategy, setting priorities, monitoring performance and managing risk.

Audit Committee

The Audit Committee consists solely of non-executive members. Membership from June 2011 has comprised:

- Gary Martin
- Mary Halton
- Daniel McLarnon
- Diane McGiffen

Gary Martin held the post of chair until it transferred to Mary Halton with effect from 10 February 2012.

Diane McGiffen is Chief Operating Officer in Audit Scotland.

The Committee, which met four times during 2011-12, provides the Board and Comptroller and Auditor General with advice and assurance on the adequacy of internal control and risk management within the Office, including the framework of internal control, risk management processes, and the quality and reliability of financial reporting.

The Committee is authorised by the Comptroller and Auditor General to investigate any activity within its terms of reference, and to seek any information it requires to carry out its duties. It is also authorised to obtain independent legal or other professional advice, and to secure the attendance at meetings of staff or other individuals with relevant experience and expertise, as it considers necessary.

The Audit Committee advises the Comptroller and Auditor General on the effectiveness of internal and external audit, considers the results of internal audit reviews and monitors the implementation of internal audit recommendations.

Other main duties of the Audit Committee include receiving external audit management letters following the audit of the resource account, other reports produced by the external auditors and any other reports relating to significant internal control matters.

It also reviews the adequacy and effectiveness of the mechanisms for identifying, evaluating and managing significant risks to the Northern Ireland Audit Office and considers whether appropriate risk management, control and review processes are in place to support the Statement on Internal Control.

None of the non-executive members or executive members of the NIAO governance structures in 2011-12 held company directorships or significant interests which might conflict with their responsibilities.

Code of Conduct

The Office places great importance on the standards of conduct of its employees. The Code of Conduct explains the values and standards at the heart of the Office's business, and sets out our professional and ethical standards. All Northern Ireland Audit Office staff are required to sign the code on an annual basis.

Risk management

The position we occupy as the Northern Ireland public sector auditor means that we have to maintain the highest standards of propriety and regularity, make effective use of our resources and produce quality, value adding, pieces of work. Anything short of the highest standard would damage our reputation and the confidence placed in us by our stakeholders. We manage this risk through the recruitment of highly talented staff, the provision of professional accountancy qualifications, development training programmes, quality assurance arrangements for all types of audit work and close monitoring of operations.

The Office has a well developed risk management system. Each of the three Divisions within the Office (Financial Audit, Value for Money and Corporate Services) has its own risk register and from these an overall corporate risk register is produced. The corporate register is prepared on the basis of an assessment of the risks impacting on the achievement of the Office's objectives as laid out in its Corporate Plan.

Each risk register includes details of how the risk is managed or what needs to be done to further improve controls, together with target dates and the names of individuals responsible for ensuring that the risk is managed. Early identification of new risks in response to business developments is important and these risks may be added to the risk register during the year.

Risk management is subject to regular review by the Office's governance structures.

Staff issues

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 financial results and current and prospective developments is widely disseminated.

Pensions and Early Departure Costs

Present and past employees of the Office are covered by the Northern Ireland Principal Civil Service Pension Scheme (PCSPS(NI)). We meet the costs of pensions provided for our staff by the payment of charges called Accrued Superannuation Liability Charges. This is charged to the Statement of Comprehensive Net Expenditure on an accrued basis annually.

We also meet the additional cost of benefits beyond the normal PCSPS (NI) benefits in respect of staff who retire early. We provide in full for this cost, charged against the Statement of Comprehensive Net Expenditure when the early retirement programme has been announced.

In addition to information contained within the Remuneration Report, Notes 1.9, 1.10 and 7 to the Accounts provide further detail on how pension liabilities are calculated.

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 of the goods and services, whichever is later.

During 2011-12 the Office paid 96.02 per cent of bills (2010-11: 96.82 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 2011-12 we met this standard for 84.50 per cent of invoices received (2010-11: 90.00 per cent).

Personal Data Related Incidents

There were no protected personal data related incidents that required reporting to the Information Commissioner's Office in the year to 31 March 2012.

Financial planning

The Office's workload and resource needs are influenced by the value and type of public expenditure and revenue under scrutiny, the financial and value for money risks likely to arise, changes in the way that services are delivered and the expectations of the Assembly and other stakeholders.

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 for the review and approval of the Assembly Audit Committee. The plan can be obtained from the Office's website.

The resources for the Office are obtained via Supply Estimates which are the means by which authority is sought from the Assembly for spending each year. Once the Assembly Audit Committee has examined the Corporate Plan and endorsed the resource bid, the Office prepares its Estimate which, for the 2011-12 year, was considered by the Committee in March 2011. Following approval by the Committee, the 2011-12 Estimate was included in the Budget Act which was approved by the Assembly in June 2011.

Review of performance

Financial Audit

During 2011-12 we certified 225 accounts (2010-11: 209), including local government accounts prepared on an International Financial Reporting Standards basis for the first time. A number of longstanding backlog audits were successfully progressed and certified during the year.

Throughout the year we worked closely with the Office of the Comptroller and Auditor General in Dublin on the shared audit and certification of the six North-South bodies. We also continued to have close working arrangements with the National Audit Office for the accounts we audit on their behalf and support in respect of our audit methodology.

We continued to develop reciprocal arrangements with the Wales Audit Office and National Audit Office for the quality assurance of financial audits. All financial audits of 2010-11 accounts sampled during the year were found to be largely compliant with International Standards on Auditing (ISA) and no audit opinions given by the Comptroller and Auditor General were found to be at risk.

Value for Money Audit

Our Value for Money auditors produced 10 reports (2010-11: 14) on value for money and governance issues in central government. The reports published covered topics as diverse as managing criminal legal aid, the use of locum doctors in Northern Ireland hospitals and the transfer of former military and security sites to the Northern Ireland Executive. Details of the reports published in 2011-12 can be obtained from www.niauditoffice.gov.uk.

A key measure of our effectiveness is the extent to which our VFM reports are subjected to PAC evidence sessions. The Committee took evidence in eight sessions during the year and we offered support and advice to members as required.

We continue to welcome enquiries made to us by elected representatives and public interest disclosures by members of the public. During the year we handled 33 enquiries from elected representatives (2010-11: 16) and 39 other disclosures by members of the public (2010-11: 46). All approaches are encouraged, dealt with professionally and treated in confidence.

Use of resources

The resources used by the Office in pursuit of the above are set out in the following table. The table compares the Office's financial outturn for 2011-12 with its Estimate:

	Estimate £'000	Outturn £'000	Saving/(Excess) £'000 %	
Gross Resource Requirement	10,502	10,211	291	2.8
Income (Accruing Resources)	2,080	2,080	-	-
Net Resource Requirement	8,422	8,131	291	3.5
Capital	260	240	20	7.7

Outturn Accruing Resources shown above are as per the Estimate as any excess must be surrendered as Consolidated Fund Extra Receipts (CFERS). In 2011-12 CFERS arose from a new assignment for the Department of Agriculture and Rural Development and from the clearance of a number of accounts which had been outstanding from previous years.

The Gross Resource Requirement is made up of:

- Salaries of permanent staff (71% of Gross Resource Requirement);
- Other Staff costs (2%);
- Expenditure on audits which are contracted out (13%);
- Non-cash costs such as depreciation and provisions (4%); and
- A number of smaller items of expenditure such as professional training, travel costs, general office supplies and other running costs such as rates, electricity and maintenance (10%).

This year Gross Resource Requirement was less than estimated. This is largely explained by the following:

- less use of outsourced resources than estimated due, for example, to the rescheduling and reprioritisation of work, and projected additional work on a financial audit assignment no longer being required; and

- unanticipated reductions in areas with a reactive component, for example response maintenance of the building and legal fees.

The income consists of fees received:

- from some central government bodies and North-South bodies in respect of the audit of their accounts;
- from the National Audit Office for audits we carry out on its behalf; and
- from local government bodies for the audit of their accounts.

Each element of income and the costs associated with it are shown in Note 9 to the Accounts.

The capital expenditure is made up of the replacement of laptops, servers and other pieces of hardware and software in accordance with our rolling programme for replacement, and the replacement of air conditioning units.

Resources required in the future

The Corporate Plan covering the period 2012-13 to 2014-15 provides detail on the Office's strategic issues. The resources required by the Office to enable it to deal with these strategic issues in 2012-13 were agreed in the Estimate approved by the Assembly Audit Committee in February 2012 and these figures are laid out in the table below:

	2012-13 £'000
Gross Resource Requirement	10,873
Income	2,459
Net Resource Requirement	8,414
Capital	240

The estimated net resource requirement in 2012-13 represents a reduction compared to our estimate in 2011-12 of 1.5 per cent in cash terms.

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 figure. This table is given below:

	2011-12 £'000	2010-11 £'000
Net Resource Outturn	8,131	7,909
Less Consolidated Fund Extra Receipts	(384)	(1)
Add Non Supply expenditure	192	191
Net Operating Cost	7,939	8,099
Add profit on disposal of non-current assets	-	-
Less Inter-departmental notional charge	-	(4)
Budget Outturn	7,939	8,095

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 the Northern Ireland Audit Office in the financial year 2011-12 was £135k-£140k (2010-11, £135k-£140k). This was 3.4 times (2010-11, 3.5) the median remuneration of the workforce, which was £40,878 (2010-11, £39,482).

Remuneration ranged from £11,750 to £140,000 (2010-11, £14,980 to £140,000).

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

The highest paid earner of the Northern Ireland Audit Office is the Comptroller and Auditor General who is also the Accounting Officer. However, as noted on page 28, the salary of the Comptroller and Auditor General is met from the Consolidated Fund rather than the Office's Supply Estimate.

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 Northern Ireland Assembly. The Audit (Northern Ireland) Order 1987 provides for the remuneration of the Comptroller and Auditor General for Northern Ireland and for it to be met from the Consolidated Fund for Northern Ireland. The remuneration and associated pension and national insurance contributions are disclosed in Note 8 on page 56 as Consolidated Fund Standing Services under Other Administration Costs.

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 Northern Ireland Civil Service.

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 29 and 30 is covered by the audit opinion.

Remuneration

	2011-12			2010-11		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Kieran Donnelly Comptroller and Auditor General	135-140	-	-	135-140	-	-
John Buchanan Assistant Auditor General (to 31 January 2011)	-	-	-	90-95	-	-
Louise Mason Assistant Auditor General	90-95	-	-	90-95	-	-
Janet Sides Assistant Auditor General	85-90	-	-	85-90	-	-
Eddie Bradley Assistant Auditor General	80-85	-	-	75-80	-	-
Band of Highest Earner's Total Remuneration	135-140			135-140		
Median Total Remuneration	40,878			39,482		
Ratio	3.4			3.5		

'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 2011-12.

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 2011-12 the following remuneration was payable to Non-Executives for attendance at meetings of the NIAO Advisory Board and Audit Committee:

	£000
Gary Martin	0-2.5
Mary Halton	0-2.5
Daniel McLarnon	0-2.5

No remuneration was paid to Diane McGiffen from Audit Scotland.

Pension entitlements

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 age 60 at 31 March 2012 £'000	Real increase in annual pension £'000	Accrued lump sum at age 60 at 31 March 2012 £'000	Real increase in lump sum £'000	CETV at 31 March 2012 £'000	CETV at 31 March 2011* £'000	Real increase in CETV £'000
Kieran Donnelly Comptroller and Auditor General	50-55	(0-2.5)	150-155	(0-2.5)	945	886	(16)
Louise Mason Assistant Auditor General	20-25	0-2.5	75-80	0-2.5	427	393	1
Janet Sides Assistant Auditor General	25-30	(0-2.5)	85-90	(0-2.5)	507	471	(3)
Eddie Bradley Assistant Auditor General	25-30	(0-2.5)	80-85	(0-2.5)	450	416	(2)

* The actuarial factors used to calculate Cash Equivalent Transfer Values (CETVs) were changed in 2011-12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors, for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure shown in last year's report which was calculated using the previous factors.

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 Parliament 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%. CARE pension benefits are increased annually in line with increases in the CPI. For 2012, public service pensions will be increased by 5.2% with effect from 9 April.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% 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. Further details about the CSP arrangements can be found at the website 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.

The actuarial factors that are used in the CETV calculation were changed during 2011. This means that the CETV in this year's report for 31/03/11 will not be the same as the corresponding figure shown in last year's report.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

No members of senior management lost office during 2011-12.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

12 June 2012

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 resource 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, the net resource outturn, 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 to be responsible as Accounting Officer for the Northern Ireland Audit Office with responsibility for preparing the Northern Ireland Audit Office's accounts and for transmitting them to the auditor.

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 Chapter 3 of Managing Public Money Northern Ireland issued by the Department of Finance and Personnel.

Statement on Internal Control

1. Scope of Responsibility

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

The Audit Committee of the Northern Ireland Assembly considers the Office's Corporate Plan and Estimate and lays the annual Estimate before the Northern Ireland Assembly. The work of the Office is supported by its Advisory Board which is now chaired by a Non-Executive Member. There is a comprehensive reporting and accountability system provided through the Executive Team, Board and Audit Committee who together with the work of Internal and External audit support me in my role as Accounting Officer.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Office policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Ireland Audit Office for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts and accords with DFP guidance.

3. Capacity to Handle Risk

The Northern Ireland Audit Office has well-established corporate planning and management arrangements which address business risks. The key elements are:

- A three year Corporate Plan approved by the Northern Ireland Assembly's Audit Committee;
- Agreed programmes and allocation of resources to Divisions; and
- Regular monitoring of outputs and inputs by the Executive Team and Advisory Board.

The Office also has well-established approaches to managing the quality of its outputs through internal and external quality assurance, the results of which are reported to the Executive Team and Advisory Board. The Office has a risk management strategy that has been formulated by senior management and communicated to all staff. This strategy outlines the Office's approach to risk management and internal control and sets out key priorities, the role of individual members of staff and monitoring and reporting arrangements.

4. The Risk and Control Framework

Risk assessment and management is an ongoing process in the Office. The key strategic risks are set out in the Corporate Risk Register. Assistant Auditors General are responsible for the risk management within their own Division, covering the individual areas of:

- Corporate Services;
- Financial Audit; and
- Value for Money Audit.

The Assistant Auditors General, together with their Divisional management teams, regularly review their areas in order to identify risk and ensure it is appropriately evaluated and considered. Part of the evaluation will consider whether an area risk also presents a strategic risk. Each of the risks identified are assessed based on how likely they are to actually occur, bearing in mind the controls already in place, and the potential impact on the Office if they occurred. For each risk, the Office has identified controls which help to manage the risk and also the actions required to ensure the controls are operating effectively or to improve the control environment further. The results of this work are reported to the Executive Team and then to the Audit Committee and Advisory Board.

The Assistant Auditors General regularly report to the Executive Team and Advisory Board the extent to which assurance can be given that their area risks are being managed effectively. If necessary the report will set out remedial action being taken where a risk has crystallised. Risks to information are managed and controlled as part of this process. A member of the Executive Team has overall responsibility for information management.

The Northern Ireland Audit Office has access to data and information to enable it to perform its statutory audit tasks, and to assist with the everyday running of the Office. The Office continues to review its procedures for handling personal data to confirm that they are in line with best practice and the Data Protection Act 1998. All staff have received training on information technology security. The hard drives of all laptops, together with storage pens provided to staff, are encrypted to provide additional security.

5. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditor and the Assistant Auditors General within the Northern Ireland Audit Office 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. I have been advised on the implications of the results of my review of the effectiveness of the systems of internal control by the Advisory Board and the Audit Committee and plans to address weaknesses and ensure continuous improvement of the system are in place.

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 Audit Committee and Advisory Board.

The Audit Committee, which since June 2011 has been comprised entirely of non-executive members, has monitored the Office's risk management and internal controls on a regular basis during the financial year. The Committee met four times during the 2011-12 financial year to consider internal control and risk arrangements. It approves Internal Audit plans and reviews reports from both Internal and External Auditors.

An Internal Audit service operating to the Government Internal Audit Standards was provided by Mazars during the year. Internal Audit submit regular reports to the Audit Committee and to me as Accounting Officer. These include an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the Office's system of internal control, corporate governance and risk management, together with recommendations for improvement. Recommendations for improvements to the system of internal control are addressed by management continuously. Based on the conclusions of their work, Internal Audit provided substantial assurance in relation to the Office's arrangements for internal control, risk management and governance.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

12 June 2012

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 2012 under the Audit (Northern Ireland) Order 1987. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. 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 Resources, Performance and People, Corporate Responsibility and Management Commentary 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 to identify any material inconsistencies with the audited financial statements. If we become aware of any 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 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 reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In 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 2012 and shows that those totals have not been exceeded; and
- the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In 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 2012 and of its total comprehensive 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.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Audit (Northern Ireland) Order 1987; and
- the information given in the Resources, Performance and People, Corporate Responsibility and Management Commentary 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 Statement on Internal Control 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

12 June 2012

Statement of Assembly Supply

Summary of Resource Outturn 2011-12

		ESTIMATE			OUTTURN			Net total outturn compared with estimate: saving/ (excess)	2010-11 Outturn
		Gross Expenditure	AR	Net Expenditure	Gross Expenditure	AR	Net Total		
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for resource A*	2	10,502	2,080	8,422	10,211	2,080	8,131	291	7,909
Total resources		10,502	2,080	8,422	10,211	2,080	8,131	291	7,909
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:**

the costs of administration and other support services including associated non-cash items of the Northern Ireland Audit Office in 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 2011-12

				2011-12 £000	2010-11 £000
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: Saving/(excess)	Outturn
Net Cash Requirement	3	8,587	7,677	910	7,786

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).

			Forecast 2011-12		Outturn 2011-12
		Income £000	Receipts £000	Income £000	Receipts £000
Total	4	-	-	394	11

Explanations of variances between estimate and outturn figures are given in the Management Commentary.

The notes on pages 47 to 68 form part of these accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Administration costs			
Staff Costs	7	7,532	7,688
Other Administration costs	8	2,871	3,215
Operating Income	9	(2,464)	(2,804)
Net Operating Cost		7,939	8,099
Other Comprehensive Expenditure			
Net (gain)/loss on revaluation of Property, Plant and Equipment	10	(77)	841
Net (gain)/loss on revaluation of Intangibles	11	1	1
Total Comprehensive Expenditure		7,863	8,941

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

The notes on pages 47 to 68 form part of these accounts.

Statement of Financial Position as at 31 March 2012

	Note	31 March 2012		31 March 2011	
		£000	£000	£000	£000
Non-current Assets					
Property, plant and equipment	10	3,639		3,742	
Intangible Assets	11	<u>84</u>		<u>45</u>	
Total non-current assets			3,723		3,787
Current Assets					
Inventories	13	356		366	
Trade and other receivables	14	102		219	
Other Current Assets	14	140		117	
Cash and cash equivalents	15	247		87	
Total current assets			845		789
Total Assets			4,568		4,576
Current liabilities					
Trade and other payables	17	(1,329)		(915)	
Provisions	18	(19)		(45)	
Total current liabilities			(1,348)		(960)
Total assets less current liabilities			3,220		3,616
Non-current liabilities					
Provisions	18	<u>(4)</u>		<u>(23)</u>	
Total non-current liabilities			(4)		(23)
Assets less liabilities			3,216		3,593
Taxpayers' equity:					
General fund			755		1,208
Revaluation reserve			2,461		2,385
Total taxpayers' equity			3,216		3,593



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

12 June 2012

The notes on pages 47 to 68 form part of these accounts.

Statement of cash flows for the year ended 31 March 2012

		2011-12	2010-11
	Note	£'000	£'000
Cash flows from operating activities			
Net operating cost		(7,939)	(8,099)
Adjustment for non-cash transactions	8	380	378
Decrease in trade and other receivables	14	94	119
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	(10)	(11)
Decrease in Inventories	13	10	34
Increase/(Decrease) in trade payables	17	414	(231)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	17	(497)	254
Use of provisions	18	(45)	(92)
Net cash outflow from operating activities		(7,593)	(7,648)
Cash flows from investing activities			
Purchase of property, plant and equipment	10,17	(175)	(136)
Purchase of intangible assets	11	(100)	(57)
Net cash outflow from investing activities		(275)	(193)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		7,827	7,630
From the Consolidated Fund (non-Supply)	8	192	191
Net financing		8,019	7,821
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated fund		151	(20)
Receipts due to the Consolidated Fund which are outside the scope of NIAO's activities	4	10	4
Payments of amounts due to the Consolidated Fund	4	(1)	(136)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	15	160	(152)
Cash and cash equivalents at the beginning of the period	15	87	239
Cash and cash equivalents at the end of the period	15	247	87

The notes on pages 47 to 68 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2012

	Note	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 31 March 2010		1,327	3,228	4,555
Changes in Accounting Policy		-	-	-
Balance at 1 April 2010		1,327	3,228	4,555
Net Assembly Funding – drawn down		7,630	-	7,630
Net Assembly Funding – deemed		237	-	237
Consolidated Fund Standing Services	8	191	-	191
Supply payable adjustment	17	(82)	-	(82)
CFERs payable to the Consolidated Fund	5	(1)	-	(1)
Comprehensive Net Expenditure for the year		(8,099)	-	(8,099)
Non-Cash Adjustments				
Non-cash charges – notional costs	8	4	-	4
Movements in Reserves				
Recognised in Statement of Comprehensive Expenditure – gain/(loss) on revaluation		-	(842)	(842)
Transfers between reserves – realised revaluation		1	(1)	-
Balance at 31 March 2011		1,208	2,385	3,593
Net Assembly Funding- drawn down		7,827	-	7,827
Net Assembly Funding- deemed		82	-	82
Consolidated Fund Standing Services	8	192	-	192
Supply payable adjustment	17	(231)	-	(231)
CFERs payable to the Consolidated Fund	5	(384)	-	(384)
Comprehensive Net Expenditure for the year		(7,939)	-	(7,939)
Non-Cash Adjustments				
Non-cash charges- notional costs	8	-	-	-
Movement in Reserves				
Recognised in Statement of Comprehensive Expenditure- gain/(loss) on revaluation		-	76	76
Transfers between reserves- realised revaluation		-	-	-
Balance at 31 March 2012		755	2,461	3,216

The General Fund is the chief operating fund and is used to account for all financial resources except those required to be accounted for in another fund. The Revaluation Reserve records the unrealised gain/loss on revaluation of assets.

The Revaluation Reserve is analysed as follows between tangibles and intangibles.

	Tangibles £'000	Intangibles £'000	Total £'000
Balance at 1 April 2010	3,225	3	3,228
Net gain/(loss) on revaluation	(841)	(1)	(842)
Realised Revaluation Reserve	(1)	-	(1)
Balance at 31 March 2011	2,383	2	2,385
Net gain/(loss) on revaluation	77	(1)	76
Realised Revaluation Reserve	-	-	-
Balance at 31 March 2012	2,460	1	2,461

The notes on pages 47 to 68 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 2011-12 *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.

Over 20 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 approved 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 three 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 and Property Services who have provided a valuation of the land and building open market value existing use as at 31 March 2012. Information technology and furniture and fittings 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:

Information Technology	3 years
Furniture and Fittings	5-20 years

The building is depreciated over a 38 year estimated useful life. Land is not depreciated.

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, including six North/South Implementation Bodies. 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 VAT.

1.8 Operating leases

The total cost of operating leases is expensed in equal instalments over the life of the lease.

1.9 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 and is non-contributory except in respect of dependent's benefits. 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 PCSPS (NI).

1.10 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.

1.11 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.

1.12 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 2011-12 this was a rate of 3 per cent (8 per cent in 2010-11) based on the percentage of business income over total income.

1.13 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. The cost of untaken leave has been determined on the basis of a questionnaire issued to all staff.

1.14 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 14 and 17). 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.

1.15 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2012

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2011-12 have been considered. The adoption of these standards has not had a significant impact on the Office's financial position or results.

1.16 Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Office's accounting periods beginning on or after 1 April 2012 or later periods, but which the Office has not adopted early. Other than as outlined in the table below, the Office considers that these standards are not relevant to its operations.

Standard	Description of revision	Application date	Comments
IAS 19	The IASB intend to amend the requirements of how pension benefits are disclosed and how	Annual periods beginning on or after 1 January 2013	Disclosure impact only as termination benefits are unlikely in the Office's operation.
IFRS 9	<p>The IASB intend that IFRS 9 will replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> in its entirety.</p> <p>IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, and resulting in one impairment method.</p>	Annual periods beginning on or after 1 January 2015	Unlikely to have a significant impact on the Office's non complex financial instruments.

2. Reconciliation of Net Resource Outturn to Net Operating Cost

				2011-12 £000	2010-11 Restated £000
	Notes	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn		8,131	8,422	291	7,909
Non-supply income (CFERs)	4	(384)	-	384	(1)
Non-supply expenditure	8	192	192	-	191
Net Operating Cost		7,939	8,614	675	8,099

3. Reconciliation of Net Resource Outturn to Net Cash Requirement

			2011-12 £000	2011-12 £000
	Notes	Estimate	Outturn	Net Total Outturn Compared with Estimate: Saving/(excess)
Net Resource Outturn	2	8,422	8,131	291
Capital				
Acquisition of non-current assets	10,11	260	240	20
Accruals adjustments				
Non-cash items	8	(395)	(380)	(15)
Changes in working capital other than cash		253	(359)	612
Use of provision	18	47	45	2
Net Cash Requirement		8,587	7,677	910

4. Analysis of Income payable to the Consolidated Fund

In addition to Accruing Resources, the following income related to the Office and is payable to the Consolidated Fund

	Forecast 2011-12 £000		Outturn 2011-12 £000	
	Income	Receipts	Income	Receipts
Operating income and receipts – excess AR	-	-	383	-
Other Operating income and receipts not classified as ARs	-	-	1	1
Operating income payable to the Consolidated Fund	-	-	384	1
Non-operating income and receipts not classified as ARs	-	-	10	10
Total income payable to the Consolidated Fund	-	-	394	11

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

	Note	2011-12 £000	2010-11 £000
Operating Income	9	2,464	2,804
Income authorised to be used as ARs		2,080	2,803
Operating income payable to the Consolidated Fund	4	384	1

6. Statement of Operating Costs by Operating Segment

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

	2011-12			2010-11		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Financial Audit	5,652	2,418	3,234	5,476	2,501	2,975
Value for Money Audit	3,128	46	3,082	3,280	7	3,273
Governance and Fraud Prevention	978	-	978	1,065	296	769
Direct support to the NI Assembly and the public	635	-	635	1,072	-	1,072
Comptroller function	10	-	10	10	-	10
TOTAL	10,403	2,464	7,939	10,903	2,804	8,099

Financial Audit - Auditing and reporting on the annual accounts of public bodies.

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

Governance and Fraud Prevention - 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.

Direct 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.

The method used to apportion costs to operating segments is different from that used in previous years to apportion costs to objectives. Both 2010-11 and 2011-12 costs have been apportioned using the revised method.

7. Staff numbers and related costs

Staff costs comprise:

	2011-12			2010-11		
	Total £000	Permanently employed staff £000	Others £000	Total £000	Permanently employed staff £000	Others £000
Wages and Salaries	5,842	5,630	212	6,034	5,590	444
Social Security Costs	490	490	-	466	466	-
Other Pension Costs	1,200	1,200	-	1,188	1,188	-
Sub Total	7,532	7,320	212	7,688	7,244	444
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total Costs	7,532	7,320	212	7,688	7,244	444

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 Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS (NI)] is an unfunded multi-employer defined benefit scheme but the Northern Ireland Audit Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. In accordance with FReM, full actuarial valuations should be carried out every four years. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pension provision. The primary purpose of the formal valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the PCSPS (NI) resource accounts www.dfpni.gov.uk/pub-ps-what-we-spend-resource_accounts.

For 2011-12, employers' contributions of £1,200,202 were payable to the PCSPS (NI) (2010-11 £1,187,876) at one of four rates in the range 18 to 25 percent of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full

scheme valuation. From 2012-13, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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 which is a stakeholder pension with an employer contribution. Employers' contributions of £1,928 (2010-11 £3,022) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 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% of pensionable pay, were payable to the PSCPS (NI) to cover the cost of 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 (2010-11: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2010-11 £nil).

Average number of persons employed

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

			2011-12	2010-11
Total	Permanent Staff	Others		Total
140	137	3		140

7.1 Reporting of Civil Service and other compensation schemes- exit packages

No compensation and exit packages were provided to staff during 2011-12 (2010-11, nil).

8. Other Administration Costs

	Notes	2011-12		2010-11	
		£000	£000	£000	£000
Contracted Out Audits		1,306		1,278	
Office running costs		350		381	
National Fraud Initiative Costs		-		252	
Recruitment and training		135		222	
Consolidated Fund Standing Services (C&AG's salary)		192		191	
Office Supplies/Equipment		136		136	
Computer Services		131		135	
Travel and Subsistence		96		85	
Professional Services Bought In		35		52	
Other Indirect Costs		42		36	
Legal Fees		18		29	
Internal Auditor's Fees		24		16	
External Auditor's Fees - Audit		13		12	
Rentals under operating leases		7		7	
External Auditor's Fees - Other		5		4	
Hospitality		1		1	
			2,491		2,837
Non-cash items					
Depreciation and amortisation	10, 11	380		388	
Provision not required written back	18	-		(14)	
Notional Costs		-		4	
			380		378
Total			2,871		3,215

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, £5k (2010-11 £4k).

In 2011-12 the Office paid £41k to external consultants. This amount comprises £31k included within "Professional Services Bought In" disclosed above and £10k included within other staff costs disclosed in Note 7 to the Accounts.

9. Income

	2011-12 £000	2010-11 £000
Income from NAO	253	796
Other Audit Fees	2,164	1,705
NFI Receipts	-	296
Other Income	47	7
Total	2,464	2,804

9.1 Analysis of Income from services provided to client

	2011-12 £000			2010-11 £000		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
Fee Income						
NAO Agency Fees	253	232	21	796	803	(7)
Other Financial Audit Fees	1,198	1,287	(89)	749	862	(113)
Local Government Audit Fees	966	938	28	956	945	11
NFI	-	-	-	296	296	-
	2,417	2,457	(40)	2,797	2,906	(109)
Other Income						
CFERs	1			1		
Income from secondments	46			6		
	2,464			2,804		

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. Information for IFRS 8 purposes is included in Note 6 of these accounts.

10. Property, plant and equipment

	Land £000	Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or Valuation:					
At 1 April 2011	350	2,650	445	1,889	5,334
Additions	-	-	118	22	140
Disposals	-	-	(159)	(27)	(186)
Revaluations	-	-	(3)	29	26
At 31 March 2012	350	2,650	401	1,913	5,314
Depreciation					
At 1 April 2011	-	-	309	1,283	1,592
Charged in year	-	70	128	122	320
Disposals	-	-	(159)	(27)	(186)
Revaluations	-	(70)	(2)	21	(51)
At 31 March 2012	-	-	276	1,399	1,675
Carrying amount at 31 March 2012	350	2,650	125	514	3,639
Carrying amount at 31 March 2011	350	2,650	136	606	3,742
Asset Financing					
Owned	350	2,650	125	514	3,639
Carrying amount at 31 March 2012	350	2,650	125	514	3,639

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

	Land £000	Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or Valuation					
At 1 April 2010	1,000	2,900	456	1,868	6,224
Additions	-	-	123	56	179
Disposals	-	-	(132)	(8)	(140)
Revaluations	(650)	(250)	(2)	(27)	(929)
At 31 March 2011	350	2,650	445	1,889	5,334
Depreciation					
At 1 April 2010	-	-	295	1,186	1,481
Charged in year	-	68	147	124	339
Disposals	-	-	(132)	(8)	(140)
Revaluations	-	(68)	(1)	(19)	(88)
At 31 March 2011	-	-	309	1,283	1,592
Carrying amount at 31 March 2011	350	2,650	136	606	3,742
Carrying amount at 31 March 2010	1,000	2,900	161	682	4,743
Asset Financing					
Owned	350	2,650	136	606	3,742
Carrying amount at 31 March 2011	350	2,650	136	606	3,742

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

11. Intangible Assets

	Software Licences £000
Cost or valuation	
At 1 April 2011	147
Additions	100
Disposals	(66)
Revaluations	(2)
At 31 March 2012	179
Amortisation	
At 1 April 2011	102
Charged in year	60
Disposals	(66)
Revaluations	(1)
At 31 March 2012	95
Carrying amount at 31 March 2011	45
Carrying amount at 31 March 2012	84
Asset Financing	
Owned	84
Carrying amount at 31 March 2012	84

	Software Licences £000
Cost or valuation	
At 1 April 2010	176
Additions	57
Disposals	(85)
Revaluations	(1)
At 31 March 2011	147
Amortisation	
At 1 April 2010	138
Charged in year	49
Disposals	(85)
Revaluations	-
At 31 March 2011	102
Carrying amount at 31 March 2010	38
Carrying amount at 31 March 2011	45
Asset Financing	
Owned	45
Carrying amount at 31 March 2011	45

12. 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.

13. Inventories and work in progress

	2011-12 £000	2010-11 £000
Work in progress	356	366

14. Trade receivables and other current assets

	2011-12 £000	2010-11 £000
Amounts falling due within one year		
Trade receivables	102	219
Other receivables	28	38
Prepayments	112	79
	<u>242</u>	<u>336</u>
Amounts due from Consolidated Fund in respect of Supply	-	-
Total	<u>242</u>	<u>336</u>

Within work in progress and trade receivables there is £nil (2010-11: £nil) that will be due to the Consolidated Fund once the receivables are collected and work in progress realised.

Within other receivables there is £22k (2010-11: £32k) of non-operating income and receipts not classified as accruing resources that will be due to the Consolidated Fund once collected.

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

14.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
Balances with central government bodies	68	3	-	-
Balances with local authorities	28	178	-	-
Balances with NHS bodies	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<i>Subtotal: intra-government balances</i>	96	181	-	-
Balances with bodies external to government	146	155	-	-
Total receivables at 31 March	242	336	-	-

15. Cash and cash equivalents

	2011-12 £000	2010-11 £000
Balance at 1 April	87	239
Net change in cash and cash equivalent balances	160	(152)
Balance at 31 March*	247	87

*The above balance is held at a commercial bank

16. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2011-12 £000	2010-11 £000
Net cash requirement	(7,677)	(7,786)
From the Consolidated Fund (Supply) current year	7,827	7,630
Amounts due to the Consolidated Fund received and not paid over	11	5
Amounts due to the Consolidated Fund received in a prior year and paid in current year	(1)	(1)
Increase/(Decrease) in Cash	160	(152)

17. Trade payables and other current liabilities

	2011-12 £000	2010-11 £000
Amounts falling due within one year:		
VAT	46	40
Trade payables and accruals	256	330
Employee benefits accrual	363	378
Total excluding amounts due to Consolidated Fund	665	748
Amounts issued from the Consolidated Fund for supply but not spent at year end	231	82
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	15	5
Receivable	405	32
Subtotal	1,316	867
Other payables: capital creditor	13	48
Total	1,329	915

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

17.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
Balances with central government bodies	733	265	-	-
Balances with local authorities	-	-	-	-
Balances with NHS bodies	-	-	-	-
Balances with public corporations and trading funds	1	1	-	-
<i>Subtotal: intra-government balances</i>	734	266	-	-
Balances with bodies external to government	595	649	-	-
Total payables at 31 March	1,329	915	-	-

18. Provisions for Liabilities and Charges

	2011-12		2010-11
	£000 Early departure costs	£000 Total	£000 Total
Balance at 1 April 2011	68	68	174
Provided in the year	-	-	-
Provisions not required and written back	-	-	(14)
Provision utilised in the year	(45)	(45)	(92)
Balance at 31 March 2012	23	23	68

Analysis of Expected Timings

	2011-12		2010-11
	£000 Early departure costs	£000 Total	£000 Total
Not later than one year	19	19	45
Later than one year and not later than five years	4	4	23
Later than five years	-	-	-
Balance at 31 March	23	23	68

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.

19. Capital and other commitments

19.1 Capital Commitments

At the reporting date the Office has no capital commitments.

19.2 Commitments under leases

19.2.1 Operating Leases

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

	2011-12 £000	2010-11 £000
Obligations under operating leases for the following periods comprise:		
Photocopiers:		
Not later than one year	7	7
Later than one year and not later than five years	5	12
Later than five years	-	-
Total	12	19

The contract for the lease of photocopiers will run for four years from January 2010. In addition to the minimum lease payments other amounts are payable based on the usage of the equipment.

19.2.2 Finance Leases

The Northern Ireland Audit Office does not hold any finance leases.

19.3 Other Financial Commitments

The Northern Ireland Audit Office had no other financial commitments as at 31 March 2012.

20. Financial Guarantees, Indemnities and Letters of Comfort

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

21. Contingent liabilities disclosed under IAS 37

The Office had no Contingent liabilities as at 31 March 2012.

22. 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.

23. 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 Management Board or Management Team 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.

24. Events after the reporting period

There were no reportable events between the end of the reporting period and the date the accounts were signed. The Comptroller and Auditor General authorised the financial statements for issue on 12 June 2012.



Northern Ireland Audit Office

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