



Northern Ireland Audit Office

Annual Report and Accounts 2013-2014

**Northern Ireland Audit Office Resource Accounts
For the year ended 31 March 2014**

Laid before the Northern Ireland Assembly by the
Department of Finance and Personnel under
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Audit (Northern Ireland) Order 1987

20 June 2014



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Foreword

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

In this time of financial constraint, we remain focused on realising efficiencies and cost reductions while delivering against a comprehensive programme of work without compromising standards. In this respect I consider that 2013-14 has been a year of considerable achievement for the Office. We audited almost 200 public sector accounts and published 13 reports covering the findings from our financial audit work and value for money examinations across government in areas such as health, education, regional development, justice and culture. We worked closely with audited bodies to promote good practice in governance arrangements and help combat fraud; continued to provide independent support to the Assembly, in particular the Public Accounts Committee in its sessions on eight of our VFM reports and one financial audit report; and pursued almost 100 concerns raised with us by elected representatives and members of the public.

It is essential that we respond to our external environment, and adapt and develop our outputs to meet the needs of our stakeholders. Developments in recent years, and part of our activity in 2013-14, have included, for example, involvement in the National Fraud Initiative, on which I have published a report this month; examining the legality and regularity of payments under the Single Farm Payment Scheme in accordance with a draft European Guideline; and placing an increasing emphasis on reporting on best practice in the public sector which will result in the publication of two new guides in 2014-15. Presently, we are preparing for the audit of the new council model for local government which will directly impact on the scope of our work and resources.

Because of the nature of what we do, it is important that we handle our own affairs to a high standard. In 2013-14, we were pleased to agree a Memorandum of Understanding with the Audit Committee of the Assembly, setting out our commitments to the Committee on the actions we will take to uphold transparency and manage public money effectively, and in doing so provide confidence to the Assembly and wider public regarding the arrangements for the governance and accountability of the NIAO.

I would take this opportunity to thank the staff of the NIAO for the high quality public audit service provided in 2013-14. Going forward, we will continue to focus on enhancing our performance as a public sector auditor to help the Assembly and the public sector maximise improvement in public services and the use of public funds.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

16 June 2014

Strategic Report

Introduction

We are pleased to present our first Strategic Report, as required under the 2013-14 Government Financial Reporting Manual issued by the Department of Finance and Personnel. This report sets out the role, strategic aims and principal activities of the Northern Ireland Audit Office (NIAO or Office) and its performance and use of resources in 2013-14.

About the NIAO

Our role

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

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

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

Our independence

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

Our accountability

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

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

In March 2014, the NIAO and the Audit Committee of the Assembly, which oversees NIAO performance, agreed a Memorandum of Understanding on the governance and accountability of the Office. The Memorandum sets out:

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

Our Strategic Aims

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

A primary focus for the Office in 2013-14 has been the delivery of its core activities of auditing the accounts of public sector bodies (financial audit) and examining how economically, efficiently and effectively they have used their resources (value for money audit). In addition, we have continued to concentrate on three areas where we can add value to the Northern Ireland Public Sector:

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

Our budget

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

Our work

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

The five dimensions to our work are shown below

Financial Audit	Forming an opinion on published accounts; assessing whether expenditure is regular and in accordance with the intention of the Assembly when it granted the money; and providing assurance on the Governance Statement.
Value for Money Audit	Independently examining and reporting to the 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 Assembly's Public Accounts Committee on evidence sessions based on our reports; providing support to Departmental committees; and responding to enquiries from elected representatives and disclosures from members of the public.
Comptroller Function	Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

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

Financial Audit

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

Central Government

The Comptroller and Audit General has a statutory responsibility to audit the financial statements of all Northern Ireland departments, executive agencies and other central government bodies, including Non-Departmental Public Bodies, health and social care bodies and some public sector companies 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 position, have been prepared in accordance with the relevant accounting requirements and that the transactions underlying the financial statements are in line with the intentions of the Assembly and other authorities.

In 2013-14 we certified 151 central government accounts (2012-13: 160). We also issued a general report 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 Audit General will qualify his opinion on the accounts. Of the 151 central government accounts certified in 2013-14, 20 were qualified (2012-13: 21). 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 the Public Accounts Committee (PAC).

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

During 2013-14 we continued to work 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 its behalf and support in respect of our audit methodology.

In addition to our core financial audit work, we once again accepted an invitation from the Department of Agriculture and Rural Development (DARD) to complete an audit under a draft European Guideline, examining the legality and regularity of payments made to farmers in accordance with the Single Farm Payment Scheme. We had also performed this audit for the previous scheme year. In September 2013 auditors from the EU Commission examined our audit and concluded the EU Commission could take reasonable assurance from the work completed. DARD are currently discussing with the EU Commission the results of the audit and general improvements it has made in its control systems and are hopeful this will lead to a reduction in disallowances furnished by the EU Commission.

Local Government

The Department of the Environment (DOE), with the consent of the Comptroller and Audit General, designates staff of the Office as local government auditors. These auditors are responsible for the audit of local government bodies (District 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 the Chief Local Government Auditor.

During 2013-14, we completed the audits of 47 local government accounts (2012-13: 45) and prepared a report "The exercise by local government auditors of their functions – In the year to 31 March 2013". The report examined a number of topics including absenteeism, prompt payment and good governance in local councils.

None of the local government accounts certified in 2013-14 were qualified (2012-13: nil).

Value for Money

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

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

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

In 2013-14, we published 11 VFM reports (2012-13: 11 VFM reports). These covered a wide range of topics across the Northern Ireland public sector in areas such as health, education, regional development, justice and culture. In these reports, we sought to measure performance; identify the factors underlying that performance; and offer practical recommendations aimed at adding value. For example:

- Borrowing through the Reinvestment and Reform Initiative and use of the Private Finance Initiative has helped deliver improvements to public services and infrastructure. However, both give rise to long-term contractual commitments against future years' budgets that have not yet been allocated or agreed. The Executive has, up to March 2013, accessed £2 billion of borrowing through the Reinvestment and Reform Initiative with annual repayments currently at £100 million and rising. In addition the current 39 operational PFI contracts have built up an estimated £7 billion of commitments against future years' departmental resource budgets, costing an average of £245 million each year until 2030. We reported on the long-term implications of paying commitments and borrowings and highlighted the need for more clarity, openness, transparency, and reporting on

these to the Assembly. The report also highlighted the need to test the cost and quality of services to ensure that value for money has been achieved during the life of a PFI contract.

- Our report on housing tenancy fraud estimated that there may be as many as 2,400 houses in Northern Ireland's social housing sector occupied fraudulently. We found that public bodies in Northern Ireland have not been sufficiently proactive in tackling this problem. We recommended that the Department for Social Development, the Housing Executive and Housing Associations adopt and apply the range of best practice that has been developed in Great Britain to tackle this type of fraud.
- Our follow up report recognised that levels of pupil attendance have improved marginally since statistics were first collected in 2007-08. However we considered that our education system needed to do more to ensure that children attend school regularly to make the most of their time in compulsory education. We advocated the need for greater focus on unauthorised absence, early intervention and prevention, leadership, targeted support for vulnerable groups and partnerships between communities and the education services.
- We examined the performance that the Account NI financial shared service centre delivers to its customers. We found that the speed and accuracy of its payment processing was of a very high standard. However, its costs were significantly higher than both international and local comparators. We also identified that Account NI had failed to benchmark its performance and had not produced sufficient evidence to support the achievement of planned financial and non-financial project benefits.
- We reported on sickness absence in the public sector. We estimated that the cost of sickness absence across the Northern Ireland Civil Service and the health and education sectors was £149 million in 2010-11, comprising £30 million for the Civil Service, £73 million for health trusts and £46 million for the education sector. The report noted that improvements had been made in each of the sectors in recent years but targets for reduction in sickness absence levels had not always been met and there is scope for further improvements and significant efficiency savings. The Civil Service reports on a comprehensive range of sickness absence data. However, we found that there were limitations in the information systems for management and reporting of sickness absence in the education and health sectors. There is a particular need to improve the quality of information on sickness absence of non-teaching staff in the education sector.

We present our value for money reports to the Assembly and the majority of these are considered by PAC at hearings in which it takes evidence from the senior departmental officials involved. During 2013-14, PAC held sessions on eight of our VFM reports, in addition to sessions on one of our financial audit reports, as follows:

Value for Money

Police Service of Northern Ireland: Use of Agency Staff

Department of Finance and Personnel — Collaborative Procurement and Aggregated Demand

Inquiry into Department of Culture, Arts and Leisure Management of Major Capital Projects

Northern Ireland Water's Response to a Suspected Fraud

Department for Regional Development: Review of an Investigation of a Whistleblower Complaint

The Agri-Food and Biosciences Institute (AFBI)

Account NI: Review of a Public Sector Financial Shared Service Centre (Department of Finance and Personnel Officials)

Inquiry into Improving Pupil Attendance: NIAO Follow-up Report

Financial Audit

NI Fire and Rescue Service: An Organisational Assessment and Review of Departmental Oversight and Report on Accounts 2011-12

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

Major Reports

Between April 2013 and March 2014 we published the following reports, copies of which can be obtained from our website at www.niauditoffice.gov.uk:

Central Government Reports

Date published

Value for Money

Sickness Absence in the Northern Ireland Public Sector	23 April 2013
Review of Continuous Improvement Arrangements in Policing	3 September 2013
The Agri-Food and Biosciences Institute (AFBI)	12 September 2013
Tackling Social Housing Tenancy Fraud in Northern Ireland	24 September 2013
Account NI: Review of a Public Sector Financial Shared Service Centre	1 October 2013
DOE Planning: Review of Counter Fraud Arrangements	15 October 2013
Department for Regional Development: Archaeological Claims Settlement	3 December 2013
Sport NI's Project Management and Oversight of the St Colman's Project	10 December 2013
The Future Impact of Borrowing and Private Finance Initiative Commitments	14 January 2014
Improving Pupil Attendance: Follow-Up Report	25 February 2014
Belfast Metropolitan College's Titanic Quarter Project	25 March 2014

Financial Audit

Financial Auditing & Reporting 2013	5 November 2013
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Local Government Audit Reports

The exercise by local government auditors of their functions in the year to 31 March 2013	19 November 2013
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Governance and Fraud Prevention

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

We also continued to be involved in providing training to both staff and non-executives through programmes developed by the Chief Executives' Forum. These programmes focussed on accountability and were aimed at a number of different groups including Accounting Officers, Senior Managers, Board Members and Audit Committee Members. As part of our promotion of good governance we produced a factsheet reflecting on the new form of Governance Statements produced by central government bodies for the first time in their 2012-13 Annual Reports. This factsheet reflected the good practice we observed when we examined the Governance Statements as well as making recommendations for further improvements to these important statements.

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

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

Since 2008 we have participated in the National Fraud Initiative (NFI), a UK wide initiative to combat fraud and error. In three exercises to date, almost £30 million of fraud and error has been identified. Our report on the third NFI exercise was published in June 2014. We continue to encourage public sector bodies to embed NFI into their core business and make it an intrinsic part of their counter fraud strategies. We continue to explore ways of developing the NFI further through the inclusion of additional public sector bodies and new data matches.

Support to the Northern Ireland Assembly and the Public

We provide independent support to the Assembly so that it can hold government to account for its financial management and the value for money it provides to the taxpayer for the public funds it spends. Our main engagement is through the support we provide to PAC. In addition, we have opportunities to offer the perspectives of public sector audit to the wider Assembly. For example, during 2013-14, we attended the Committee of Culture, Arts and Leisure to provide briefing on our report 'Sport NI's project management and objectives of the St Colman's project' which had been initiated following receipt of correspondence from a whistleblower. Our report identified that the business case underestimated the cost of the project while also containing a number of erroneous statements which, cumulatively, may have impacted on the decision for Sport NI to award funding to the St Colman's project. NIAO officials also briefed a number of other Committees on sickness absence in the public sector.

In addition, the Chief Local Government Auditor briefed the Committee of the Environment on the audit clauses contained in the Local Government Bill.

Where appropriate we pursue concerns raised with us by elected representatives or members of the public. In 2013-14, elected representatives raised 18 separate cases, all of which we have followed up (2012-13: 23 cases). Some remain under investigation.

MLA Queries

Category	2013-14	2012-13
Entitlement to/misuse of public funds	6	5
Expenses / T&S	–	1
Tender / contracts	3	6
Planning	–	1
Governance	4	6
Procurement	4	2
Outside NIAO remit	1	2
Total Cases:	18	23

In 2013-14, 80 disclosures were received about the use of public money from whistleblowers (2012-13: 68 cases). All approaches are encouraged, dealt with professionally and treated in confidence, as appropriate.

Whistleblowers

Category	2013-14	2012-13
Grant Related	-	3
Entitlement to/misuse of public funds	11	16
Procurement / Contracts	20	17
Conflict of interest	6	6
Expenses / T&S fraud	-	1
Failure to follow proper procedures	11	5
Planning issues	3	3
Benefit fraud	3	3
Governance issues	9	1
Other	13	8
Outside NIAO remit	4	5
Total Cases:	80	68

Of the 80 disclosures received in 2013-14, 22 related to our local government remit, four of which were received from Councillors. In 2012-13, 21 disclosures related to local government, one of which was received from a Councillor.

The Comptroller and Auditor General is a prescribed person under public interest legislation and part of the Office's counter fraud role is considering public interest concerns raised by, among others, public sector employees, contractors and the wider public. Such concerns can lead to significant pieces of work, such as the recent report 'DRD: Review of an Investigation of a Whistleblower Complaint, NIAO, February 2013' which was considered by PAC which reported in April 2014.

Comptroller Function

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

Our Performance

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

During 2013-14 quantified financial impacts of £22.1 million were achieved as a result of work of the Office and PAC (2012-13: £33.7 million). This figure has been independently validated by the Office's external auditor and represents 2.7 times the net resource outturn of the Office (2012-13: 4.2 times). The extent of savings achieved can fluctuate from year to year and is largely dependent on the nature of the studies undertaken in the value for money audit programme.

The following examples demonstrate the financial impact and/or the wider qualitative impacts such as service improvements, better programme and resource management or better outcomes for users of public services achieved during 2013-14.

Safeguarding Northern Ireland's Listed Buildings

Our March 2011 report on Safeguarding Northern Ireland's Listed Buildings found that DOE did not measure the effectiveness of its Historic Buildings grant scheme. We made a number of recommendations designed to ensure that the available grant funding was directed towards the most important buildings and towards those most at risk. This view was endorsed by PAC in its July 2012 report. The Committee urged DOE to encourage owners of listed buildings, especially 'at risk' buildings, to apply for grant aid. PAC also encouraged the Northern Ireland Environment Agency (NIEA) to be more willing take enforcement action in cases where persuasion and negotiation had clearly failed.

Since PAC reported, DOE has reviewed and prioritised the buildings which appear on its 'At Risk' register and is encouraging grant applications from the owners of those most at risk. In addition, extra funding from the Executive, via its Economy and Jobs Initiative, has enabled DOE to raise grant aid for repairs to most types of listed buildings to 45% which has been of direct help to 'At Risk' buildings. DOE also commissioned a baseline survey of the condition of all of Northern Ireland's Listed Buildings. The survey was completed in January 2014 and it will allow DOE to assess the effectiveness of future grant funding. DOE's increased grant rate and contact with owners has led to a 20 per cent increase in applications.

In addition, NIEA has increased the number of 'Urgent Works' notices it has issued since the publication of PAC's report.

Managing Criminal Legal Aid

Our June 2011 report on Managing Criminal Legal Aid made a number of recommendations. These included introducing new, tighter criteria for assigning two counsel in Crown Court cases as a matter of priority. While the need for new criteria had been identified by the Department of Justice, our work underlined the necessity to introduce the change as swiftly as possible.

Following the introduction of new procedures, the Department estimated that the number of cases in which two counsel were assigned would reduce from 55 per cent to 20 per cent, saving around £1.5 million per annum. The impetus that our work provided has contributed £500,000 of this saving in 2013-14.

Collaborative Procurement and Aggregated Demand

Following our September 2012 report, which examined the effectiveness of public sector procurement, DFP's Central Procurement Directorate (CPD) produced a Strategy for Collaborative Procurement (June 2013). The implementation of this Strategy will significantly expand collaborative procurement. Allied to this, the establishment of a Collaborative Contracts Board will ensure that contracts and agreements known as Collaborative Arrangements can be used widely by the public sector.

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 third National Fraud Initiative (NFI) exercise in Northern Ireland during 2012-13. For the two-year reporting period, the NFI identified fraud and error of £5.5 million, including late outcomes from the previous NFI exercise of over £760,000. In total, the NFI has identified £29.5 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.

In addition to measuring the financial impact of our audit work, we have a number of key performance measures to assist in demonstrating our productivity, quality of work and achievements in reducing costs. Performance achieved in 2013-14 against these key measures is as follows:

Measure	Target	Performance achieved in 2013-14
Ensuring ongoing efficiency in our work	Annual savings of at least 1.5 per cent in real terms in costs of financial audit work. ¹	3.7 per cent
	Annual savings of at least 1.5 per cent in real terms in costs of Value for Money work. ^{1,2}	11.6 per cent
Timeliness of our outputs	Financial Audit: at least 70 per cent of accounts audited within seven months of their year end.	75 per cent
	Financial Audit: at least 87 per cent of accounts audited within twelve months of their year end.	95 per cent
	VFM work: complete and report on 11 studies each year.	Eleven reports published.
Our work is of the highest quality	Financial Audit: Annual confirmation of compliance with our audit methodology and underlying professional standards.	Confirmation obtained.
	We monitor our quality control procedures to ensure our continued compliance with International Standard on Quality Control 1. Our procedures include performing 'cold reviews' of our financial audit work. In the period, a review of ten accounts was completed by teams independent of the audit team, including teams from the other UK public audit agencies.	All opinions were found to be sound but areas for improvement were identified. These have been included as training requirements for the year going forward to help improve the quality of our financial audit work.
	VFM work: We subject all of our VFM reports to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that our VFM reports maintain an average quality review score of at least three.	3.7

¹ Three year rolling average

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

Our People

NIAO's resources were used to employ an average full time equivalent of 132 staff including temporary appointments in 2013-14 (2012-13: 137).

The 127 permanent staff at 31 March 2014 comprised:

	Male	Female
Executive Team	2	2
Directors	7	3
Other Staff	53	60
Total	62	65

During 2013-14 we experienced an increase in staff turnover as opportunities arose in the wider Northern Ireland public sector for qualified accountants. It is important that we replenish our staff resources to ensure we have sufficient capacity to deliver a high quality public audit service to our stakeholders. Recently we have recruited three qualified Accounting Technicians, and five trainee accountants to study for the Chartered Institute of Public Finance and Accountancy professional qualification. We are also in the process of recruiting qualified accountants. In addition, we continue to run our Placement Student scheme, first introduced in 2011-12, offering a one-year work placement to two students studying for a degree in Accounting, Business Studies, Finance or Economics.

Learning and Development

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

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

Excluding formal accountancy training, staff, on average, undertook 6.61 days of structured training in 2013-14 (2012-13: 5.27 days) in areas such as technical updates, personal development and management skills. An important Office development has been the introduction of a new leadership and management programme in January 2014 which will be rolled out over a two year period.

Our Values

When carrying out our work:

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

The Office held a workshop for all staff in March 2014 to discuss these values and identify ways in which they could be incorporated into our daily work both at an individual and Office level.

Staff involvement

The Office consults the respective branches of the Northern Ireland Public Service Alliance and the Association of First Division Officers over matters affecting staff. Staff involvement is also actively encouraged as part of the day-to-day process of line management and information on financial results and current and prospective developments is disseminated through a range of means including the Office Intranet and a team brief process. Staff feedback is actively encouraged and to further enhance this, we are currently establishing a Staff Engagement Forum.

Diversity

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

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

Our Governance and Risk Management

Information on our governance and risk management arrangements can be found in the Governance Statement on pages 41 to 51.

Comptroller and Auditor General

Kieran Donnelly was appointed to the post of Comptroller and Auditor General in September 2009.

As head of the NIAO, and with primacy of authority vested in his statutory position as corporation sole, the office of Comptroller and Auditor General is responsible for putting in place an internal governance architecture to support him in the delivery of his functions.

Review of Governance Arrangements

In 2013-14, we reviewed the Office's governance arrangements which had been in place since June 2011. A primary focus of this review was to clarify responsibility between all parts of NIAO's governance structure, having full regard to the office of Comptroller and Auditor General's legal status and taking fully into consideration guidance in 'Corporate Governance in Central Governments: Code of Good Practice NI 2013', issued by the Department of Finance and Personnel. The outcome of the review:

- Affirmed the NIAO Executive Team, comprising the Comptroller and Auditor General and Assistant Auditors General, each of who head an operational unit within the NIAO, as responsible for the strategic and operational leadership of the Office. Subject to the Comptroller and Auditor General's statutory position, the team is the principle mechanism for decision making in the NIAO;
- Reconstituted the NIAO Advisory Board as the 'Comptroller and Auditor General's Advisory Group in September 2013; and
- Extended the terms of reference of the NIAO Audit Committee's role, which comprises solely non-executives, to include oversight of NIAO strategic financial management and budgeting processes.

Members of the NIAO's governance structures are listed in the Directors' Report on pages 29 to 32.

Risk Management

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

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

Health and Safety

Our health and safety policy is regularly reviewed to ensure any changes in legislation are incorporated, and that these changes are brought to the attention of staff. A member of the Executive Team chairs the Office's Health and Safety Committee, which comprises staff trained in Health and Safety and representatives nominated by Trade Unions. During 2013-14 we recorded 3 minor incidents, none of which required a report under the reporting of injuries, diseases and dangerous occurrences regulations to the Health and Safety Executive for Northern Ireland.

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.

Sickness Absence

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

The average number of days for sickness absence was 10.2 days per employee in 2013-14 compared to 6.5 days per employee in 2012-13. There was a reduction in short-term absences but an increase in the number of cases and days lost through long term absences in 2013-14 compared with 2012-13. All cases of sick absence are actively managed by the Office, in accordance with its policy.

Complaints

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

In the 2013-14 year we received five complaints, three of which are ongoing. Further information on the monitoring of complaints can be requested from:

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

Sustainability, Environmental, Social and Community Matters

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

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

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

The Northern Ireland Civil Service's Cycle to Work scheme was also implemented in 2013-14, with four staff participating to date.

Our Accounts Payable Unit continues to issue electronic invoices and remittances to suppliers and staff, reducing paper and printing consumption and associated transport costs.

Resource Accounts 2013-14

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

The financial statements on pages 55 to 87 have been prepared by the Office on a resource basis in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel.

NIAO Estimate

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

As stated on page 5, the Office produces a Corporate Plan on an annual basis which sets out developments in the work programme for a three year rolling period and the related resource requirements. This plan is then presented to the Assembly Audit Committee, established under Section 66 of the Northern Ireland Act 1998. Once the Assembly Audit Committee has examined the Corporate Plan and endorsed the resource bid, the Office prepares its Estimate which, for the 2013-14 year, was considered by the Committee in February 2013. Following agreement by the Committee, the 2013-14 Estimate was included in the Budget Act which was approved by the Assembly in March 2013.

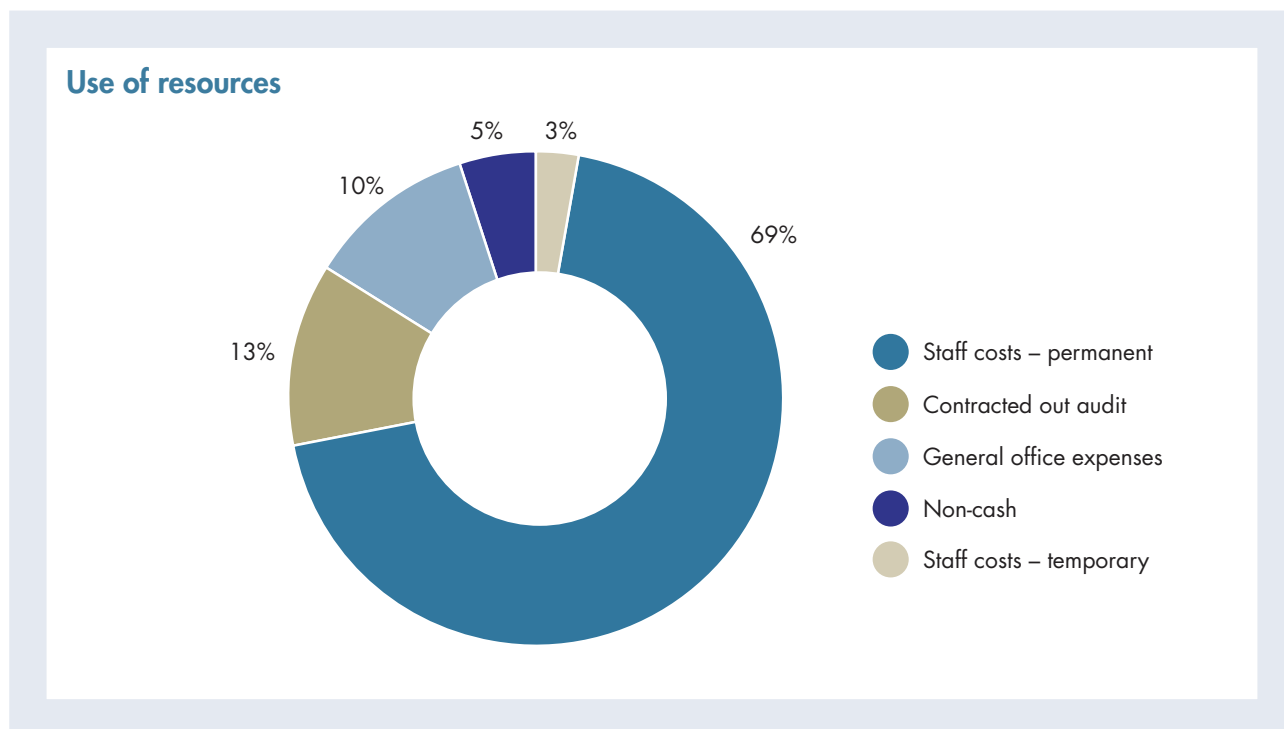
Resources

The resources used by the Office in pursuit of the above are set out in the following table:

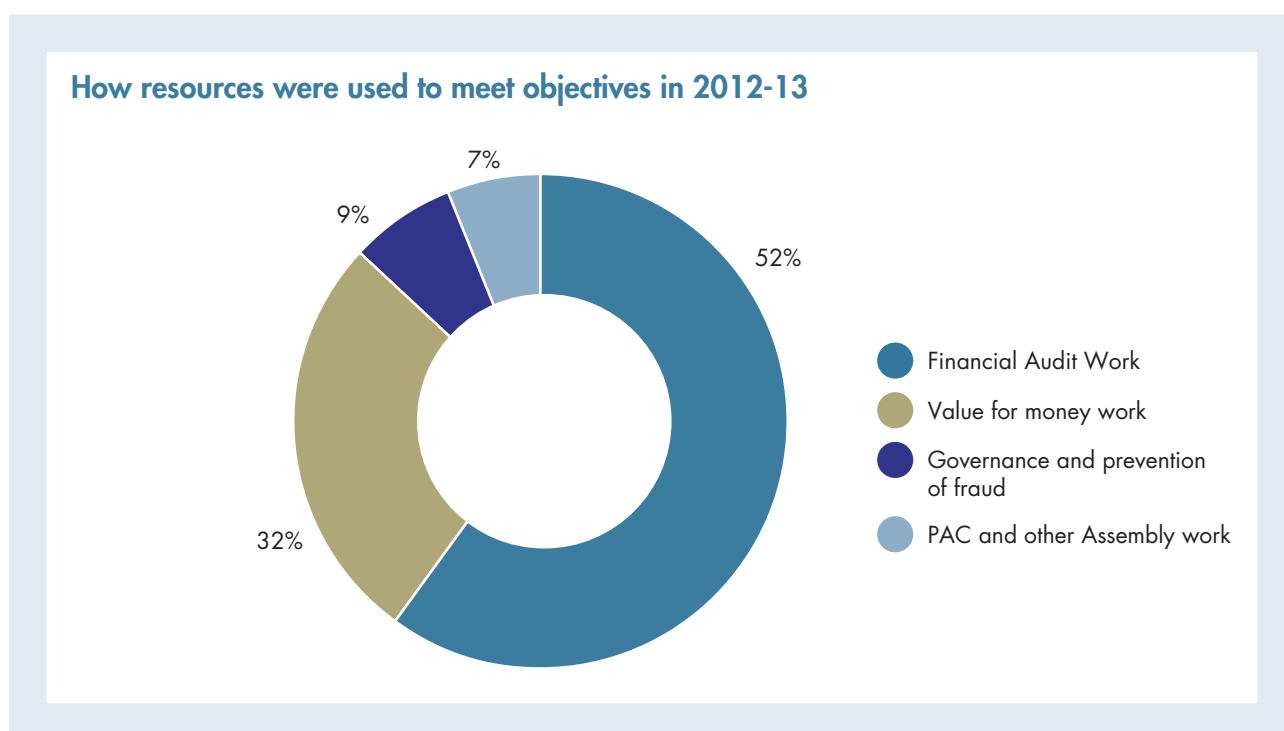
	Estimate	Outturn	Saving/(Excess)	
	£'000	£'000	£'000	%
Gross Resource Requirement	10,542	10,388	154	1.5
Income	2,215	2,215	–	–
Net Resource Requirement	8,327	8,173	154	1.8
Capital	160	136	24	15.0

In 2013-14 the Office took forward initiatives such as a major pay review and the outsourcing of its IT provision. It also required capacity in its budget, for example, to meet temporary resourcing requirements for financial audit commitments. The outcome of these, together with net savings across other areas of expenditure, resulted in a variance against the net resource requirement of 1.8 per cent.

As shown in the chart below, the largest area of expenditure in the Office continues to be in relation to our permanent staff costs (69 per cent):



Sixty percent of our resources were used on financial audit work and 27 percent were used on value for money work.



The cost of the Comptroller Function, which is de minimis, is shown at Note 2 to the Resource Accounts.

Income includes fees received from:

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

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

Any income in excess of the Estimate must be surrendered as Consolidated Fund Extra Receipts. In 2013-14, excess income of £60,000 was earned as a result of earlier completion of chargeable audit work than anticipated.

Capital expenditure is made up almost entirely of IT requirements, including software specific to our business needs and a limited amount of hardware to enhance operational efficiency and effectiveness.

Resources for 2013-14 incorporated a change to the method of delivery of the Office's Information and Communications Technology (ICT) requirements to support its business. This change impacted on both resource and capital expenditure. From a full in-house provision of the ICT function we outsourced the service to IT Assist, the Northern Ireland Civil Service's shared service provider.

Resources required in the future

The Corporate Plan covering the period 2014-15 to 2016-17 sets out the Office's strategic aims and how these will be delivered. The future development of our business is addressed on page 27.

The resources required by the Office to implement the Plan in 2014-15 were agreed in the Estimate approved by the Assembly Audit Committee in February 2014 and these are laid out in the table below:

	2014-15 £'000
Gross Resource Requirement	10,823
Income	2,623
Net Resource Requirement	8,200
Capital	40

The estimated Net Resource Requirement in 2014-15 represents a reduction of 1.5 per cent in cash terms compared to our Estimate in 2013-14 and a 0.3 percent increase compared with the 2013-14 outturn.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

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

	2013-14 £'000	2012-13 Re-stated ¹ £'000
Net Resource Outturn	8,173	8,093
Consolidated Fund Extra Receipts	(60)	(100)
Non supply expenditure	192	192
Net Operating Cost	8,305	8,185
Consolidated Fund Extra Receipts	3	1
Inter-departmental notional charge	(167)	(1)
Resource Budget Outturn of which	8,141	8,185
Department Expenditure Limits (DEL)	8,108	8,045
Annually Managed Expenditure (AME)	33	140

¹ 2012-13 Outturn re-stated following clarification regarding treatment of Consolidated Fund Extra Receipts

Payment of Suppliers

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

During 2013-14, the Office paid 96.88 per cent of bills (2012-13: 97.91 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 2013-14, we met this standard for 88.5 per cent of invoices received (2012-13: 91.58 per cent).

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

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

Future Development of the Business

Our strategic aims for the corporate planning period 2014-15 to 2016-17 remain as set out on page 5. These have been endorsed by the Audit Committee of the Assembly which wants to see the NIAO use its influence across the public sector to assist in identifying opportunities for reducing costs and improving productivity, efficiency and service delivery.

It is important that we respond to the external environment in which we operate, and while continuing to provide our core activities of financial and value for money audit, we will adapt and develop our outputs to respond to the needs of our stakeholders, including the Assembly and the bodies we audit.

The restructuring of public services and the establishment of new public entities will directly impact on the scope of the Office's audit work and resource requirements. A change that will have a significant impact is the new 11 council model for local government which will initially increase the extent of audit activity as a restructured local government is implemented and embedded. Also, it will extend the scope of the local government auditor's role to cover additional assurance work on performance improvement.

Over the past five years we have delivered a comprehensive programme of work within a reducing budget. In 2014-15 and beyond, we will continue to:

- implement our change management programme aimed at increasing the effectiveness of our audit through more proactive engagement with key stakeholders, greater cross-organisational working, continued development of our assurance services, and developing and empowering staff;

- update our ICT systems to provide our auditors with the tools they need to conduct audit work efficiently;
- develop our skills within our remit as a public sector auditor to ensure we are in a position to help the Assembly and the public sector maximise the provision of front line services while delivering real efficiency savings; and
- bring about efficiencies and cost reductions without compromising on the quality or scope of our work or the support we provide to the Northern Ireland Assembly.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

16 June 2014

Directors' Report

NIAO Governance

The Governance Statement on pages 41 to 51 sets out the NIAO's governance, risk management and control arrangements. Components of the governance arrangements in 2013-14 are stated below.

NIAO Executive Team

Subject to the C&AG's statutory role as corporation sole, the Executive Team is the principle mechanism for decision making in NIAO. It comprises the C&AG and the three Assistant Auditors General (see listing under Advisory Board/Advisory Group below).

NIAO Advisory Board, reconstituted as the Comptroller and Auditor General's Advisory Group

Providing objective and impartial advice to the Comptroller and Auditor General, and constructive challenge, 2013-14 membership was as follows:

Independent Non-Executives Members

Gary Martin (Chair)

Gary Martin, chairperson of the Advisory Group, is a senior lecturer in accounting at the University of Ulster, specialising in the fields of corporate governance and professional ethics. He is chair of the Audit Committee of the Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints.

Mary Halton

Mary Halton is the Managing Director of Align Consulting Ltd and previously served on the Governing Council of Chartered Accountants Ireland where she was also a member of its Audit & Risk Committee. She is also chair of the NIAO Audit Committee.

Daniel McLarnon

Before retiring Daniel McLarnon was Corporate Development Director of Moy Park where he had executive responsibilities for Human Resources, Internal Audit, Legal Services and Corporate Governance. He is a Fellow of the Institute of Directors. He resigned from the Advisory Group in February 2014.

Executive Members

Kieran Donnelly

Comptroller and Auditor General

Eddie Bradley

Assistant Auditor General

Eddie Bradley leads the team which has responsibility for producing value for money reports each year, the majority of which result in a PAC evidence session.

Louise Mason

Assistant Auditor General and Chief Local Government Auditor

Louise Mason is responsible for the financial audit services provided across the public sector and promoting good governance.

Janet Sides

Assistant Auditor General

Janet Sides is responsible for the Corporate Services function, which includes finance, Human Resources, communications, audit policy development and information and IT management.

The Advisory Board and the Advisory Group met on four and two occasions respectively in 2013-14. With the exception of Daniel McLarnon who resigned in February 2014, the members served throughout 2013-14.

No significant interests are currently held by the Advisory Group which may conflict with their management responsibilities.

NIAO Audit Committee

The NIAO Audit Committee supports the Comptroller and Auditor General as Accounting Officer in his responsibility for issues of risk, control and governance. It is composed solely of non-executives. In 2013-14 membership comprised the non-executives listed above, and Diane McGiffen, Chief Operating Officer, Audit Scotland.

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

Auditor of the NIAO

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

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

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

Pensions

Present and past employees of the Office are covered by the Northern Ireland Principal Civil Service Pension Scheme. The treatment of pension costs and liabilities is disclosed in the Remuneration Report. Notes 1.9, 1.10 and 3 to the Accounts provide information on how pension liabilities are calculated.

Review of Fair Pay

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

The banded remuneration of the highest-paid earner in NIAO in the financial year 2013-14 was £135,000 to £140,000 (2012-13: £135,000 to £140,000). This was 3.3 times (2012-13: 3.4) the median remuneration of the workforce, which was £41,615 (2012-13: £40,273).

Remuneration ranged from £12,187 to £140,000 (2011-12: £11,956 to £140,000).

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

The highest paid earner of the Office is the Comptroller and Auditor General who is also the Accounting Officer. However, as noted on page 33, the salary of the Comptroller and Auditor General is met from the Consolidated Fund rather than the Office's Supply Estimate.

'Off-Payroll' Engagements

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. In line with HM Treasury requirements, the Department of Finance and Personnel requires disclosure of such engagements that were in place during 2013-14 costing over £58,200 per annum. The Office had no off-payroll engagements commencing, ending or operating during 2013-14.

Personal Data related incidents

There were no protected personal data-related incidents. During the financial year, a routine IT Asset Register verification exercise identified 12 missing laptops. NIAO has taken steps to enhance control to prevent a recurrence. Further details are provided on page 50.

Events after the end of the financial year

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

Future developments in NIAO's business

Details are provided in the Strategic Report at page 27. In summary, we will continue to:

- respond to the external environment in which we operate, including restructuring of public services, and develop our outputs to respond to the needs of our stakeholders, including the Assembly and the bodies we audit; and
- enhance our performance and bring about real efficiency savings and cost reductions.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

16 June 2014

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 4 on page 74 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 Civil Service of Northern Ireland.

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

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

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

Remuneration and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Comptroller and Auditor General and members of the Northern Ireland Audit Office Executive Team. The information on pages 34 to 36 is covered by the audit opinion.

Remuneration (including salary) and pension entitlements (Audited)

	2013-14					2012-13				
	Salary	Bonus Payments	Benefits in kind (to nearest £'000)	Pension Benefits*	Total	Salary	Bonus Payments	Benefits in kind (to nearest £'000)	Pension Benefits*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Kieran Donnelly Comptroller and Auditor General	135-140	-	-	(1)	135-140	135-140	-	-	9	145-150
Louise Mason Assistant Auditor General	90-95	-	-	4	95-100	90-95	-	-	22	110-115
Janet Sides Assistant Auditor General	90-95	-	-	1	90-95	90-95	-	-	20	110-115
Eddie Bradley Assistant Auditor General	80-85	-	-	1	80-85	80-85	-	-	19	100-105
Band of Highest Earner's Total Remuneration	135-140					135-140				
Median Total Remuneration	41,615					40,273				
Ratio	3.3					3.4				

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

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

Salary costs shown above to not include an uplift for 2013-14. The Office carried out a review of its pay in 2013-14, and consideration had not been completed by the year end.

'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 2013-14.

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 2013-14 the following remuneration was payable to Non-Executives in undertaking their NIAO Advisory Board, Advisory Group and Audit Committee role duties:

	£'000
Gary Martin	2.5 - 5
Mary Halton	2.5 - 5
Daniel McLarnon	5 - 7.5

No remuneration was paid to Diane McGiffen from Audit Scotland.

Pension entitlements (Audited)

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

Name and Title	Accrued pension at pension age as at 31/3/14 £000	Real increase in pension £000	Accrued lump sum at pension age as at 31/3/14 £000	Real increase in lump sum £000	CETV at 31 March 2014 £000	CETV at 31 March 2013 £000	Real increase in CETV £000
Kieran Donnelly Comptroller and Auditor General	50-55	0-2.5	160-165	0-2.5	1,068	1,003	(2)
Louise Mason Assistant Auditor General	25-30	0-2.5	80-85	0-2.5	497	462	2
Janet Sides Assistant Auditor General	30-35	0-2.5	95-100	0-2.5	586	550	0
Eddie Bradley Assistant Auditor General	25-30	0-2.5	85-90	0-2.5	520	489	(1)

Pension Arrangements

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

Pension benefits for Office staff are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by 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 2014, public service pensions will be increased by 2.7% for pension which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings. The employee contribution rates for the 2014/15 year are as follows:

Members of **classic**:

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	1.50%
£15,001 - £21,000	3.00%
£21,001 - £30,000	4.48%
£30,001 - £50,000	5.27%
£50,001 - £60,000	6.06%
Over £60,000	6.85%

Members of **premium**, **nuvos** and **classic plus**:

Annual pensionable earnings (full-time equivalent basis)	2014 contribution rate before tax relief
Up to £15,000	3.50%
£15,001 - £21,000	5.00%
£21,001 - £30,000	6.48%
£30,001 - £50,000	7.27%
£50,001 - £60,000	8.06%
Over £60,000	8.85%

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.

Pension costs shown above do not include the impact of the 2013-14 salary uplift. As noted above, consideration regarding 2013-14 pay had not been completed by the year end.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, 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 2013-14.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

16 June 2014

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 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 Managing Public Money Northern Ireland published by the Department of Finance and Personnel.

Governance Statement

Introduction

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

This governance statement covers the period 1 April 2013 to 31 March 2014 and sets out the NIAO's governance, risk management and control arrangements and how these operate in practice.

The governance structure of the Northern Ireland Audit Office

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

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

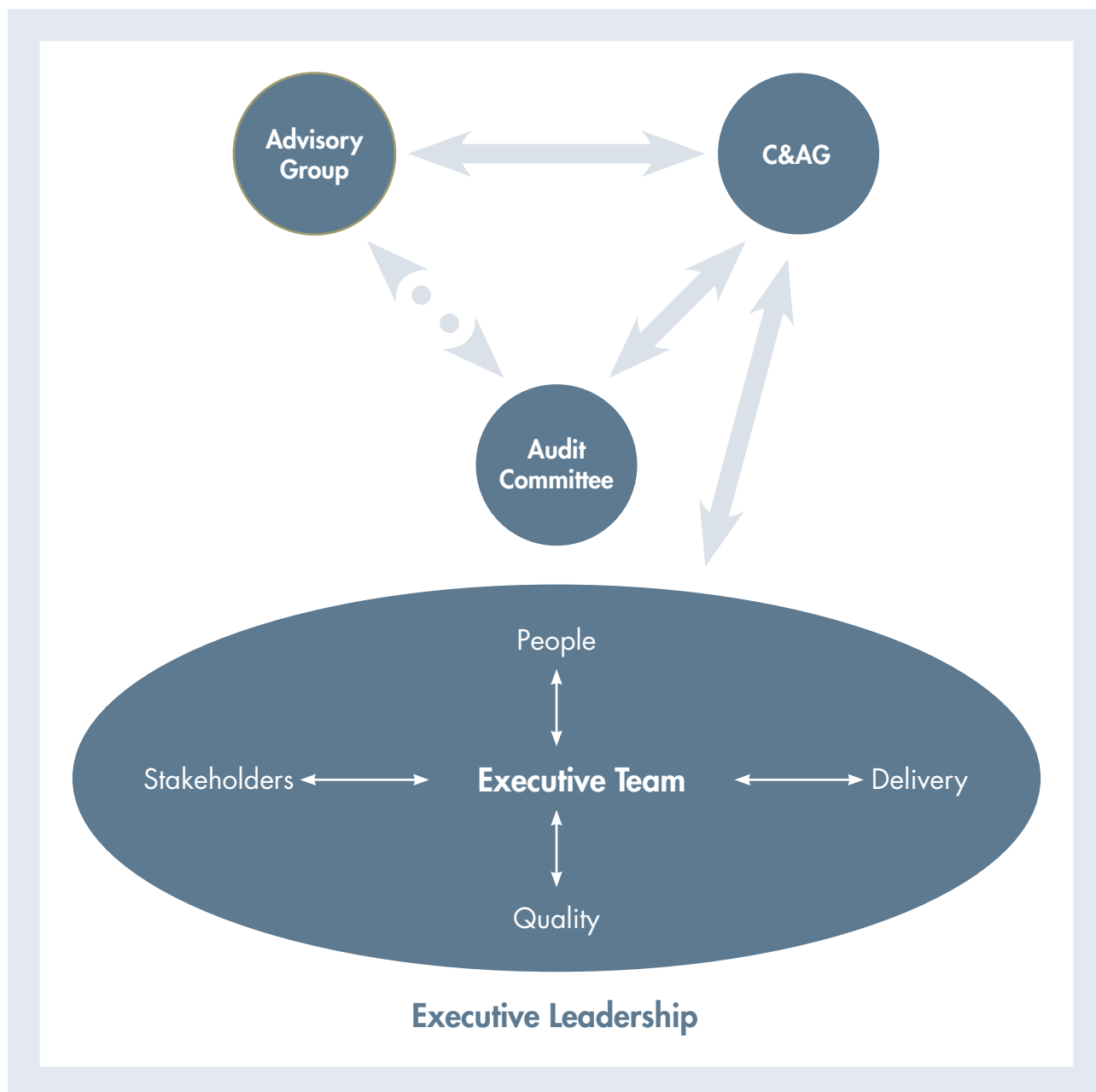
As the holder of this office, it is my responsibility to put in place internal governance architecture for the NIAO to support the delivery of my statutory functions. In so doing, I seek to implement a structure that embraces the spirit of the 'Corporate governance in central government departments: Code of good Practice NI 2013' (the Code) issued by the Department of Finance and Personnel (DFP) whilst also reflecting the legal reality of the office of Comptroller and Auditor General as corporation sole. The specific legal constitution of my position means that I cannot directly apply the Code arrangements to the NIAO. In particular there is no provision in legislation for the establishment of a board.

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

The internal governance arrangements of the NIAO, which I reviewed and updated in 2013-14, are contained in a 'Memorandum of Understanding on the Governance and Accountability Arrangements of

the Northern Ireland Audit Office' (MOU) agreed in March 2014 between the Audit Committee of the Assembly, which oversees the performance of the NIAO, and the NIAO (available at www.niassembly.gov.uk/Assembly-Business/Committees/Audit/).

The Office's internal governance arrangements, as revised in 2013-14, are illustrated below:



I am fully satisfied that the main responsibilities of a Board, in the particular sense as referred to in the Code, have been proactively managed through the Office's governance framework.

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

Review of governance arrangements

Internal governance is kept under continuous review to ensure best practice informs the arrangements. In 2013-14, together with the then Advisory Board, I undertook a holistic review of the Office's governance arrangements which had been in place since June 2011. A key focus was the role an Advisory Board could play in the context of the legal and statutory position of the Comptroller and General. The review considered:

- clarity of purpose and clarity of responsibility between all parts of NIAO's governance framework; and
- potential to reduce duplication of effort and increase value added from governance processes.

The outcome affirmed the Executive Team as responsible for the strategic and operational leadership of the Office, reconstituted the NIAO Advisory Board as the Comptroller and Auditor General's Advisory Group (Advisory Group), and expanded the Terms of Reference of the Audit Committee to include oversight of NIAO strategic financial management and budgeting.

In addition, the Office, in agreement with the Audit Committee of the Assembly (as set out in the MOU), further improved governance and accountability through:

- strengthening the independence of the process for appointing non-executives to the NIAO Audit Committee, who will be ex-officio members of the Advisory Group, by including a member of the Audit Committee of the Northern Ireland Assembly on the appointment panel; and
- enhancing NIAO accountability by depositing all substantive written responses to MLAs' questions relating to the business of the NIAO in the Assembly library.

Components of governance structure

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

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

I am satisfied that none of the non-executive or executive members of the Office's governance structures in 2013-14 held company directorships or significant interests which might conflict with their responsibilities.

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

The Office welcomes non-executives who have experience and involvement in other aspects of public life but this requires that we actively consider and discuss conflicts of interest on an on-going basis. In 2013-14, two of our existing non-executive members had roles in the wider Northern Ireland public sector, as set out below.

Dr Gary Martin, chair of the NIAO Advisory Board (reconstituted as the Advisory Group) and a member of the NIAO Audit Committee, is a senior lecturer at the University of Ulster, an entity for which I have access rights to examine the use of public funds. Dr Martin is not a member of the governance structures of the University. He is chair of the Audit Committee of the Assembly Ombudsman for Northern Ireland and Northern Ireland Commissioner for Complaints, for whom I am the statutory auditor.

Daniel McLarnon, a member of the NIAO Advisory Board (reconstituted as the Advisory Group) and the NIAO Audit Committee, took up an appointment as a member of the Board of the Regulation and Quality Improvement Authority, a body responsible for monitoring the availability and quality of health and social care services in Northern Ireland. I am the statutory auditor of this body. Daniel McLarnon resigned from his non-executive membership of the NIAO in February 2014 to avoid any perception of a potential conflict in relation to this other commitment.

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

NIAO Executive Team

The Executive Team, which comprises myself, as Chair, and the three Assistant Auditors General (listed on page 30), normally meets monthly. Its responsibilities cover the five areas of strategic clarity, commercial sense, talented people, results focus and management information set out in the Code issued by DFP. Its role includes formulating and implementing strategy, setting priorities, monitoring performance, and managing risk.

Functional committees were established in the final quarter of 2013-14 to support the Executive Team and enhance the strategic capacity of the NIAO. Each committee, which is chaired by a member of the Executive Team and comprises members from senior management, and other staff as required, has its own discrete area of responsibility. These areas currently comprise Delivery, People, Quality and Stakeholders.

The Executive Team met 12 times during the year. Of the 12 meetings two were convened for special purposes. There was full attendance at seven of the 12 meetings, and in relation to the other meetings at least three of the four members were in attendance, with a representative from the Office's wider senior management attending in the absence of the Team member. In addition relevant non-members were invited to attend for specific items over the course of the year.

The Executive Team has identified a need to ensure it receives information appropriate to its role, and that the Team should increase its focus on strategy. This will be actioned in 2014-15.

NIAO Advisory Board, reconstituted as Comptroller and Auditor General's Advisory Group

The Board, which was in place from June 2011 to September 2013, was advisory in nature and had no decision making authority. Its membership comprised three independent non-executive members, bringing an insight from their wider experience to inform the thinking of the NIAO, and four executive members, comprising the three Assistant Auditor Generals and myself (see pages 20 and 30 for commentary on members).

The Advisory Board's responsibilities included:

- providing me with objective and impartial advice to assist me in the discharge of my statutory functions;
- contributing to the strategic development of the Office;
- monitoring and scrutinising the performance of the Office, its financial management arrangements and use of resources, and its management of risk; and
- providing me with effective support in discharging my responsibilities as Accounting Officer.

As part of the review of governance, I considered the performance of the Advisory Board, and while providing value, I decided in September 2013 that, in relation to the primacy of authority vested in my position as a corporation sole, board governance arrangements were not the optimum arrangement for the NIAO. Consequently, under the current statutory position, a re-designation of the NIAO Advisory Board to the Advisory Group was considered appropriate to reflect more accurately the entity's role. The group's responsibilities will focus on the provision of objective and impartial advice, and constructive challenge. In 2013-14, its programme covered stakeholder engagement, strategic resourcing, governance and business improvement.

There were four meetings of the Advisory Board and two of the Advisory Group in 2013-14. Members attended in full, as shown below:

Members present	NIAO Advisory Board				C&AG's Advisory Group	
	12/04/13	07/06/13	01/08/13	13/09/13	08/11/13	13/02/14
Kieran Donnelly	✓	✓	✓	✓	✓	✓
Gary Martin (Chair)	✓	✓	✓	✓	✓	✓
Mary Halton	✓	✓	✓	✓	✓	✓
Daniel McLarnon	✓	✓	✓	✓	✓	✓
Louise Mason	✓	✓	✓	✓	✓	✓
Janet Sides	✓	✓	✓	✓	✓	✓
Eddie Bradley	✓	✓	✓	✓	✓	✓

NIAO Audit Committee

The Audit Committee consists solely of non-executive members (see commentary on page 30). There was full attendance by all four members at each of the six meetings of the Committee (one held by conference call) in 2013-14.

The Audit Committee's role is one of supporting me, as Accounting Officer, in my responsibility for issues of risk, control and governance by reviewing the comprehensiveness and reliability of assurances in meeting the Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances. This includes supporting and advising me on the planned activity and results of both internal audit and external audit and the adequacy of management response to issues identified by audit activity, including external audit's management letter. Internal Audit Services are provided by Mazars who were

appointed for a three year period from 2011-12, and whose appointment has been recently been extended for a further two year period. Details of external audit are provided at page 31. The Audit Committee's terms of reference are available at www.niauditoffice.gov.uk.

The Chair of the Audit Committee provides me with an annual report summarising the Committee's work for the year. The 2013-14 report covered:

- Committee members and attendees;
- Meetings in 2013-14;
- Risk management and internal control;
- Internal audit;
- External audit; and
- Future focus.

The Committee has reviewed its effectiveness, and is satisfied that it has discharged its duties as guided by its Terms of Reference, and taking account of the work of Internal and External Audit and assurances provided to the Committee, every effort was made to provide assurances to me, as Accounting Officer, in the discharge of my accountability obligations. Areas of focus for the Audit Committee in 2013-14, and the broader governance structures, are reported on page 49.

Risk and control

The NIAO assesses how the achievement of its policies, aims and objectives might be affected by the risks it faces, and a system of internal control is designed which mitigates those risks. The system is not designed to eliminate all risk but to strike a balance between control, cost of control and appropriate risk taking. A system of internal control has been in place for the whole of 2013-14.

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

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

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

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

During 2013-14, the Corporate Risk Register was a standing item at each meeting of the Executive Team and Audit Committee. Divisional risks were also considered by both. After each Audit Committee meeting, the Chair reported, for information, to the Advisory Board/Group on risk management matters.

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

- recruiting talented staff, providing professional accountancy qualifications, developing training programmes and providing development opportunities;
- appropriate financial and human resource management procedures and policies;
- developing, maintaining and communicating principles and policies for staff conduct, compliance with which is expected by all. Each year all staff sign a Code of Conduct. Breaches may lead to investigation and other action in accordance with NIAO disciplinary policy;
- appropriate methodologies for NIAO's work conforming with International Standards on Auditing;
- control over the quality of audits managed through a system of internal and external review. In particular the International Standard on Quality Control 1 is applied to financial audit engagements. The outcome of review processes are reported to the Audit Committee; and
- engagement with stakeholders, an area we are currently developing to ensure all stakeholders, both internally and externally, are appropriately engaged and communicated with in accordance with their potential importance to or influence on our work.

Corporate risk 2013-14 – Areas of focus

Areas of particular attention in 2013-14 were as follows:

IT

In 2012-13 IT was identified as a high risk area for the Office and a decision was taken to outsource it to IT Assist, the NI Civil Service shared service provider. The first phase of the plan was implemented in 2012-13 and the project was successfully completed in 2013-2014.

Financial Management

The Office's Net Resource Requirement has reduced in the five years up to 2013-14 by 20.5 per cent in real terms and 13.1 per cent in cash terms. This has been achieved through efficiencies and cost reductions. In 2013-14 the Office continued to robustly manage and monitor its finances to deliver its broad ranging programme of work within its Estimate (budget).

Human Resources

The risk of inadequate resources in terms of staff numbers and skills to deliver the Office's commitments was actively monitored in-year. This continues to remain under close scrutiny in 2014-15. As noted on page 18, in 2013-14 we experienced an increase in staff turnover, and are in the process of recruiting new staff. In response to this situation, and as a temporary measure, we have re-scheduled some financial audit work to ensure that quality is not impinged.

Business Improvement

The Office progressed its business improvement programme in 2013-14, encompassing the areas of leadership, workforce planning and resources, communications and learning and development, and this remained high on the agenda of the Executive Team and the Advisory Board/Group.

Statement of information risk

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

The NIAO has policies and controls in place to ensure that access to information is correctly managed and safeguarded throughout its life cycle including creation, storage, transmission and destruction. NIAO staff are made aware of these policies and controls, and awareness is reinforced through information security training. Checks for compliance with the Data Protection Act 1998 have been performed in 2013-14, and no significant weaknesses were identified.

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

Personal data-related incidents

There were no protected personal data-related incidents.

During the financial year, a routine IT Asset Register verification exercise identified missing laptops. In-depth investigation confirmed the figure at 12. All were due for destruction and thus no longer in use. The Office does not believe that any personal data has been placed at risk given the policies in place around the retention of data on hard drives and the multiple levels of security around laptop access. Nevertheless, as a precautionary measure, the incident was reported to the Information Commissioner's Office (ICO) which has decided not to take this matter further at this time. Unless further information regarding this case emerges or if the ICO is not satisfied with the improvement plan put in place by the Office in response to this incident, the ICO considers this case closed. NIAO has taken steps to enhance control to prevent a recurrence.

Review of effectiveness

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

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

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

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

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

Significant internal control weaknesses

I am able to report that there were no significant weaknesses in the NIAO's system of internal controls in 2013-14 which affected the achievement of the Office's key policies, aims and objectives.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

16 June 2014

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 2014 under the Audit (Northern Ireland) Order 1987. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash flows, Changes in Taxpayers' Equity and the related notes. We have also audited the Statement of Assembly Supply and related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

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

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

Opinion on Regularity

In our opinion, in all material respects:

- The Statement of Assembly Supply properly presents the Outturn against voted Assembly control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Audit Office's affairs as at 31 March 2014 and of its total comprehensive net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Audit (Northern Ireland) Order 1987 and the relevant Department of Finance and Personnel guidance.

Opinion on other matters

In our opinion:

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

Matters on which we report by exception

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

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

We have no observations to make on these financial statements.

Baker Tilly Mooney Moore

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

16 June 2014

FINANCIAL STATEMENTS

Statement of Assembly Supply

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

Summary of Resource Outturn 2013-14

		ESTIMATE			OUTTURN			Net total outturn compared with Estimate: saving/ (excess)	2012-13 Outturn
		Gross Expenditure	Accruing Resources	Net Expenditure	Gross Expenditure	Accruing Resources	Net Total		
	Note	£000	£000	£000	£000	£000	£000	£000	£000
Request for* resource A		10,542	2,215	8,327	10,388	2,215	8,173	154	8,093
Total resources	SOAS2	10,542	2,215	8,327	10,388	2,215	8,173	154	8,093
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 2013-14

		2013-14 £000		2012-13 £000	
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	SOAS3	8,535	7,359	1,176	8,230

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 2013-14		Outturn 2013-14	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Total	SOAS4	–	–	64	<i>135</i>

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

The notes on pages 67 to 87 form part of these accounts

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

SOAS1. Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual.

SOAS1.1 Accounting convention

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

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

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

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

SOAS2 Reconciliation of Net Resource Outturn to Net Operating Cost

	Note	2013-14 £000			2012-13 £000
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn		8,173	8,327	154	8,093
Non-supply income (CFERs)	SOAS	(60)	-	(60)	(100)
Non-supply expenditure	4	192	193	1	192
Net Operating Cost in Statement of Comprehensive Net Expenditure		8,305	8,520	215	8,185

SOAS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net Total Outturn compared with Estimate: saving / (excess) £000
Net Resource Outturn	SOAS2	8,327	8,173	154
Capital				
Acquisition of non-current assets	6,7	160	136	24
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	6,7	(240)	(275)	35
New provisions, and adjustments to previous provisions	14	(104)	(100)	(4)
Other non-cash items	4	(177)	(167)	(10)
Changes in working capital other than cash		500	(475)	975
Use of provision	14	69	67	2
Net Cash Requirement		8,535	7,359	1,176

SOAS4 Analysis of Income payable to the Consolidated Fund

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

	Forecast 2013-14 £000		Outturn 2013-14 £000	
	Income	Receipts	Income	Receipts
Operating income and receipts - excess Accruing Resources	—	—	57	<i>100</i>
Other Operating income and receipts not classified as Accruing Resources	—	—	3	<i>3</i>
	—	—	60	<i>103</i>
Amounts collected on behalf of the consolidated Fund	—	—	4	<i>32</i>
Total income payable to the Consolidated Fund	—	—	64	<i>135</i>

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

	Note	2013-14 £000	2012-13 £000
Operating Income	5	2,275	2,559
Income authorised to be used as Accruing Resources		<u>2,215</u>	<u>2,459</u>
Operating income payable to the Consolidated Fund	SOAS4	60	100

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2014

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

	Note	2013-14 £000	2012-13 £000
Administration costs			
Staff Costs	3	7,517	7,553
Other Administration costs	4	3,063	3,191
Operating Income	5	<u>(2,275)</u>	<u>(2,559)</u>
Net Operating Cost	SOAS2	8,305	8,185
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net (gain) on revaluation of Property, Plant and Equipment	6	(112)	(12)
Net (gain) on revaluation of Intangible Assets	7	<u>—</u>	<u>(9)</u>
Total Comprehensive Net Expenditure		8,193	8,164

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

The notes on pages 67 to 87 form part of these accounts

Statement of Financial Position as at 31 March 2014

	Note	31 March 2014		31 March 2013	
		£000	£000	£000	£000
Non-current Assets					
Property, plant and equipment	6	3,298		3,376	
Intangible Assets	7	126		75	
Total non-current assets			3,424		3,451
Current Assets					
Inventories	10	401		445	
Trade and other receivables	12	135		251	
Other current assets	12	52		126	
Cash and cash equivalents	11	226		—	
Total current assets			814		822
Total Assets			4,238		4,273
Current liabilities					
Trade and other payables	13	(1,202)		(735)	
Provisions	14	(77)		(69)	
Total current liabilities			(1,279)		(804)
Total assets less current liabilities			2,959		3,469
Non-current liabilities					
Provisions	14	(119)		(94)	
Total non-current liabilities			(119)		(94)
Total assets less liabilities			2,840		3,375
Taxpayers' equity:					
General Fund			296		932
Revaluation Reserve			2,544		2,443
Total equity			2,840		3,375



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

16 June 2014

The notes on pages 67 to 87 form part of these accounts

Statement of Cash Flows for the year ended 31 March 2014

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

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net operating cost		(8,305)	(8,185)
Adjustment for non-cash transactions	4	542	548
Decrease/(Increase) in trade and other receivables	12	190	(135)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(41)	(6)
Decrease/(Increase) in Inventories	10	44	(89)
Increase/(Decrease) in trade payables	13	478	(594)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(148)	544
Use of provisions	14	(67)	(19)
Net cash outflow from operating activities		(7,307)	(7,936)
Cash flows from investing activities			
Purchase of property, plant and equipment	6,13	(12)	(49)
Purchase of intangible assets	7	(129)	(53)
Net cash outflow from investing activities		(141)	(102)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		7,550	7,985
From the Consolidated Fund (Supply) – prior year		13	-
From the Consolidated Fund (non-Supply)	4	192	192
Net financing		7,755	8,177
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated fund		307	139
Receipts due to the Consolidated Fund which are outside the scope of NIAO's activities		32	-
Payments of amounts due to the Consolidated Fund		(101)	(398)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	11	238	(259)
Cash and cash equivalents at the beginning of the period	11	(12)	247
Cash and cash equivalents at the end of the period	11,13	226	(12)

The notes on pages 67 to 87 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2014

	Note	General Fund £000	Revaluation reserve £000	Total reserves £000
Balance at 31 March 2012		755	2,461	3,216
Net Assembly Funding- drawn down		7,985	–	7,985
Net Assembly Funding- deemed		232	–	232
Consolidated Fund Standing Services	4	192	–	192
Supply receivable adjustment	12	13	–	13
CFERs payable to the Consolidated Fund	SOAS4	(100)	–	(100)
Comprehensive Net Expenditure for the year		(8,185)	21	(8,164)
Non-Cash Adjustments				
Non-cash charges- notional costs	4	1	–	1
Movements in Reserves				
Transfers between reserves		39	(39)	–
Balance at 31 March 2013		932	2,443	3,375
Net Assembly Funding- drawn down		7,550	–	7,550
Consolidated Fund Standing Services	4	192	–	192
Supply payable adjustment	13	(191)	–	(191)
CFERs payable to the Consolidated Fund	SOAS4	(60)	–	(60)
Comprehensive Net Expenditure for the year		(8,305)	112	8,193
Non-Cash Adjustments				
Non-cash charges - notional costs	4	167	–	167
Movements in Reserves				
Transfers between reserves		11	(11)	–
Balance at 31 March 2014		296	2,544	2,840

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 tangible and intangible assets.

	Tangible Assets £000	Intangible Assets £000	Total £000
Balance at 1 April 2012	2,460	1	2,461
Net gain on revaluation	12	9	21
Transfer to General Fund	(31)	(8)	(39)
Balance at 31 March 2013	<u>2,441</u>	<u>2</u>	<u>2,443</u>
Net gain on revaluation	112	–	112
Transfer to General Fund	(9)	(2)	(11)
Balance at 31 March 2014	<u>2,544</u>	<u>–</u>	<u>2,544</u>

The notes on pages 67 to 87 form part of these accounts

Notes to the Resource Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with Article 6 of the Audit (Northern Ireland) Order 1987, as amended by the Government Resources and Accounts Act (Northern Ireland) 2001 which require the Northern Ireland Audit Office to prepare resource accounts. In meeting this requirement, the financial statements have been prepared in accordance with the 2013-14 *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 agreed by the Assembly Audit Committee and confirmed in the Budget Act. Income earned in excess of the approved level cannot be used in support of the Office's activities and is required to be paid over to the Consolidated Fund as excess Accruing Resources in accordance with the rules set out in Managing Public Money Northern Ireland.

1.3 Intangible assets

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

1.4 Property, plant and equipment

Land and buildings have been included on the basis of professional valuations performed by Land & Property Services (L&PS). The valuations provided by L&PS as at 31 October 2013 are open market value existing use, with the building now valued on the basis of fitted out accommodation rather than, as previously, solely as the shell of the building. Consequently certain items previously included with furniture and fittings have been reclassified as buildings.

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

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

1.5 Depreciation

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

Information Technology	3 to 7 years
Furniture	5 to 20 years

The building is depreciated over a 36 year estimated useful life. Land is not depreciated.

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

1.6 Inventory and work in progress

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

1.7 Operating income

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

1.8 Pensions

Past and present employees of the Northern Ireland Audit Office are covered by the provisions of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)). The defined benefit scheme is unfunded 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).

1.9 Early Departure Costs

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

1.10 Other provisions

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

1.11 Value Added Tax

Income and expenditure in the account is stated exclusive of irrecoverable value added tax. The Office can recover value added tax at a partial exemption rate. For 2013-14 this was a rate of 4 per cent (4 per cent in 2012-13) based on the percentage of business income over total income.

1.12 Staff costs

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

1.13 Financial instruments

The Northern Ireland Audit Office does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (Notes 12 and 13). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Northern Ireland Audit Office will be unable to collect an amount due in accordance with agreed terms.

1.14 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2014

Additional or revised accounting standards and new (or amendments to) interpretations contained within FReM 2013-14 have been considered. The adoption of these standards has not had a significant impact on the Office's financial position or results.

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

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

2. Statement of Operating Costs by Operating Segment

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

	2013-14			2012-13		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Financial Audit	6,334	2,209	4,125	5,563	2,302	3,261
Value for Money Audit	2,855	–	2,855	3,483	–	3,483
Governance and Fraud Prevention	783	21	762	927	238	689
Direct support to the NI Assembly and the public	595	45	550	758	19	739
Comptroller function	13	–	13	13	–	13
TOTAL	10,580	2,275	8,305	10,744	2,559	8,185

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.

3. Staff numbers and related costs

Staff costs comprise:

	2013-14 £000			2012-13 £000
	Permanently employed staff	Others	Total	Total
Wages and Salaries	5,567	295	5,862	5,851
Social Security Costs	482	–	482	497
Other Pension Costs	1,173	–	1,173	1,205
Total net costs	7,222	295	7,517	7,553

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. The most up to date actuarial valuation was carried out as at 31 March 2010. The pension scheme liability reported in the DFP Superannuation and Other Allowance Resource Accounts last year was as at 31 March 2010, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 2014.

For 2013-14, employers' contributions of £1,172,927 were payable to the PCSPS (NI) (2012-13 £1,204,592) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2014-15, the rates will remain in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2012-13 £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil (2012-13 £nil) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

No persons (2012-13: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil.

Average number of persons employed

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

2013-14			2012-13
Total	Permanent Staff	Others	Total
132	127	5	137

3.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band (total cost)
£50,000 - £100,000	0 (2012-13: 0)	1 (2012-13: 2)	1 (2012-13: 2)
Total number of exit packages by type	0 (2012-13: 0)	1 (2012-13: 2)	1 (2012-13: 2)
Total resource cost	0 (2012-13: 0)	£100,000 (2012-13: £159,000)	£100,000 (2012-13: £159,000)

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

4. Other Administration Costs

	Notes	2013-14 £000	2012-13 £000
Contracted Out Audits		1,313	1,267
Accommodation		380	356
National Fraud Initiative Costs		21	214
Recruitment and training		164	120
Consolidated Fund Standing Services (C&AG's salary)		192	192
Office Supplies/Equipment		81	103
Computer Services		94	172
Travel and Subsistence		93	96
Professional Services Bought In		45	19
Other Indirect Costs		51	45
Legal Fees		27	17
Internal Auditors' Fees		32	17
External Auditors' Fees - Audit		17	12
Rentals under operating leases		5	7
External Auditor's Fees - Other		5	5
Hospitality		<u>1</u>	<u>1</u>
		2,521	2,643
Non- cash items			
Depreciation	6,7	264	323
Impairment of fixed assets	6,7	11	65
Provision provided for in year	14	102	159
Provision not required written back	14	(2)	–
Notional Costs		<u>167</u>	<u>1</u>
		542	548
Total		<u>3,063</u>	<u>3,191</u>

During the year there was a change to the method of delivery of the Office's Information and Communications Technology (ICT) requirement from a full in-house provision to outsourcing to IT Assist, the Northern Ireland Civil Service's shared service provider. A notional cost has been included above for the services provided by IT Assist in 2013-14. Notional costs in 2012-13 related to services provided by Departmental Solicitors Office.

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, £5,000 (2012-13 £5,000).

In 2013-14 the Office paid £54,000 (2012-13 £25,000) to external consultants. This amount comprises £35,000 (2012-13 £15,000) included in Professional Services Bought In disclosed above and £19,000 (2012-13 £10,000) included within Other Staff Costs disclosed in Note 3 to the Accounts.

5. Operating Income

	2013-14 £000	2012-13 £000
Income from NAO	261	255
Other Audit Fees	1,945	2,046
NFI Receipts	21	238
Other Income	48	20
Total	2,275	2,559

5.1 Analysis of Income from services provided to clients

	2013-14 £000			2012-13 £000		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
Fee Income						
NAO Agency Fees	261	255	6	255	227	28
Other Financial Audit Fees	1,209	1,155	54	1,258	1,308	(50)
Local Government Audit Fees	736	734	2	788	789	(1)
NFI	21	21	–	238	238	–
	2,227	2,165	62	2,539	2,562	(23)
Other Income						
CFERs	3			1		
Income from secondments	45			19		
	2,275			2,559		

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

6. Property, plant and equipment

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

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

6. Property, plant and equipment (continued)

	Land £000	Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or Valuation					
At 1 April 2012	350	2,650	401	1,913	5,314
Additions	–	–	38	3	41
Disposals	–	–	(149)	–	(149)
Impairments	(25)	–	(77)	–	(102)
Revaluations	–	(75)	38	33	(4)
At 31 March 2013	325	2,575	251	1,949	5,100
Depreciation					
At 1 April 2012	–	–	276	1,399	1,675
Charged in year	–	70	68	121	259
Disposals	–	–	(149)	–	(149)
Impairments	–	–	(46)	–	(46)
Revaluations	–	(70)	27	28	(15)
At 31 March 2013	–	–	176	1,548	1,724
Carrying amount at 31 March 2012	350	2,650	125	514	3,639
Carrying amount at 31 March 2013	325	2,575	75	401	3,376
Asset Financing					
Owned	325	2,575	75	401	3,376
Carrying amount at 31 March 2013	325	2,575	75	401	3,376

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

7. Intangible Assets

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

7. Intangible Assets (continued)

	Software Licences £000
Cost or valuation	
At 1 April 2012	179
Additions	53
Disposals	(25)
Impairments	(25)
Revaluations	27
At 31 March 2013	209
Amortisation	
At 1 April 2012	95
Charged in year	64
Disposals	(25)
Impairments	(17)
Revaluations	17
At 31 March 2013	134
Carrying amount at 31 March 2012	84
Carrying amount at 31 March 2013	75
Asset Financing	
Owned	75
Carrying amount at 31 March 2013	75

8. Capital and other commitments

8.1 Capital Commitments

At the reporting date the Office has no capital commitments.

8.2 Commitments under leases

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

8.3 Other Financial Commitments

The Office had no other financial commitments as at 31 March 2014.

9. Financial Instruments

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

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

10. Inventories and work in progress

	2013-14 £000	2012-13 £000
Work in progress	401	445

11. Cash and cash equivalents

	2013-14 £000	2012-13 £000
Balance at 1 April	(12)	247
Net change in cash and cash equivalent balances	238	(259)
Balance 31 March*	226	(12)

*The above balance is held at a commercial bank

	2013-14 £000	2012-13 £000
Amounts falling due within one year		
Trade receivables	135	251
Other receivables	–	34
Prepayments	52	79
	187	364
Amounts due from the Consolidated Fund in respect of supply	–	13
Total	187	377

12. Trade receivables and other current assets

Within Other receivables there is £nil (2012-13: £28,000) 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.

12.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
Balances with central government bodies	93	216	—	—
Balances with local authorities	19	39	—	—
Balances with NHS bodies	—	14	—	—
<i>Subtotal: intra-government balances</i>	112	269	—	—
Balances with bodies external to government	75	108	—	—
Total receivables at 31 March	187	377	—	—

13. Trade payables and other current liabilities

	Note	2013-14 £000	2012-13 £000
Amounts falling due within one year			
Bank overdraft	11	–	12
VAT		35	35
Trade payables and Accruals		503	241
Employee benefits accrual		381	313
Total excluding amounts due to the Consolidated Fund		919	601
Amounts issued from the Consolidated Fund for supply but not spent at year end		191	–
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:			
Received		35	1
Receivable		57	128
Sub Total		1,202	730
Other payables: capital creditor		–	5
Total		1,202	735

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

13.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14 £000	2012-13 £000	2013-14 £000	2012-13 £000
Balances with central government bodies	344	195	–	–
<i>Subtotal: intra-government balances</i>	344	195	–	–
Balances with bodies external to government	858	540	–	–
Total payables at 31 March	1,202	735	–	–

14. Provisions for Liabilities and Charges

2012-13

	Early departure costs £000	Other £000	Total £000
Balance at 1 April 2012	23	—	23
Provided in the year	159	—	159
Provision utilised in the year	(19)	—	(19)
Balance at 31 March 2013	163	—	163

Analysis of Expected Timings

	Early departure costs £000	Other £000	Total £000
Not later than one year	69	—	69
Later than one year and not later than five years	94	—	94
Balance at 31 March 2013	163	—	163

2013-14

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

Analysis of Expected Timings

	Early departure costs £000	Other £000	Total £000
Not later than one year	75	2	77
Later than one year and not later than five years	119	–	119
Balance at 31 March 2014	194	2	196

14.1 Early departure costs

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

14.2 Other

This is a claim for a picture used in a report published in 2007. Based on legal advice a prudent provision of £2,000 has been made.

15. Contingent Liabilities

The Office had no contingent liabilities as at 31 March 2014.

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

16. 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.

17. 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 Advisory Group or Executive 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.

18. Events after the reporting period

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

Date of authorisation for issue

The Comptroller and Auditor General authorised the issue of these financial statements on 16 June 2014.



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