



Northern Ireland Audit Office

**Annual Report
and Accounts
2010-2011**

**Northern Ireland Audit Office Resource Accounts
For the year ended 31 March 2011**

Laid before the Northern Ireland Assembly by the
Department of Finance and Personnel under
paragraph 4(2) of Schedule 2 to the
Audit (Northern Ireland) Order 1987

on

1 July 2011

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Key results and achievements

- Audited 209 accounts of Departments, Agencies and other public sector bodies, including public sector companies limited by guarantee and North South bodies.
- Successfully audited International Financial Reporting Standards (IFRS) based central government accounts for the first time.
- Provided shadow audit opinions on 26 IFRS based local council accounts and played a key role in ensuring successful preparation for the conversion to IFRS.
- Continued to work with Departments to improve corporate governance in the public sector.
- Dealt with 16 enquiries from elected representatives and a further 46 other disclosures from members of the public.
- Produced 14 central government value for money reports to the Northern Ireland Assembly.
- Produced three local government reports including a public interest report on the sale of an abattoir site by Ards Borough Council.
- Assisted the Public Accounts Committee (PAC) in producing their landmark report on procurement breaches and governance arrangements in Northern Ireland Water.
- Reported on the findings of the 2008-09 National Fraud Initiative, highlighting that so far in excess of £11 million of fraud, error and overpayments had been identified.
- Achieved quantified financial savings as a result of our recommendations of £16.6 million.

The Comptroller and Auditor General's overview

2010-11 has been a year where we have overcome significant challenges and recognised numerous successes in pursuing our strategic objectives.

In the past year we successfully audited 209 accounts from a broad range of public bodies including government departments, executive agencies, arms length bodies and district councils. We have provided independent assurance, information and advice to both the taxpayer and ratepayer on the proper accounting for and use of public resources. At this time of significant financial pressures, our financial audit work is an important check that the financial and risk management processes which public bodies have in place are safeguarding public resources.



In 2010-11 we published 14 value for money reports on issues ranging from the management of substitution cover for teachers to the uptake of benefits by pensioners. We continued to report on how economically, efficiently and effectively audited bodies have used resources and have included recommendations to encourage bodies to improve their performance in achieving value for money and implementing policy. We also reported on the results of the inaugural data matching exercise, which identified in excess of £11 million of fraud, error and overpayments.

We have worked closely with the Assembly's Public Accounts Committee, facilitating nine evidence sessions and providing support on their examination of procurement breaches and governance arrangements in Northern Ireland Water during 2010-11. Our reports have helped elected representatives hold senior government officials to account and effect positive change in public service delivery.

At a time of significant reduction in the size of the Northern Ireland block grant it is important that we lead by example and reduce our own costs without lowering the quality of our work or the support we provide to the Assembly. Our Corporate Plan 2011-12 to 2013-14 sets out our plans to reduce our net expenditure by 11.5 per cent in cash terms (17.2 per cent in real terms) over the next three years. We have already begun this process by streamlining our senior management structure, curtailing our use of temporary appointments and implementing a two year pay freeze.

I am proud of our achievements during 2010-11 and am thankful to my staff for their continued hard work and commitment. I look forward to leading the Office through this challenging period of financial restraint, and providing effective support to the Assembly in holding public bodies to account for their use of public money.

A handwritten signature in black ink that reads "Kieran J Donnelly". The signature is written in a cursive style.

Kieran Donnelly

21 June 2011

Comptroller and Auditor General for Northern Ireland

Annual Report

Our role

The service we provide

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

Our independence

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

He is responsible for the appointment of the staff of the Northern Ireland Audit Office who, together with the C&AG, are wholly independent of government.

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

Value for money reports

In 2010-11 we published 14 value for money reports for the Assembly. Our value for money work aims to:

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

Our value for money studies focus on specific areas of government expenditure, and seek to make a judgement on how well government has managed its resources and delivered services. We seek to promote better value for money by highlighting and demonstrating to audited bodies ways in which they could:

- make improvements to realise financial savings or reduce costs;
- guard against the risk of fraud, irregularity and impropriety;

- provide a better quality of service;
- strengthen and enhance their management, administration and organisational processes; and
- achieve their aims and objectives more cost effectively.

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

We are continually seeking to develop our value for money reports to ensure that they continue to meet the expectations of our various stakeholders and remain a powerful force for beneficial change in government. During 2010-11 we published a handbook entitled 'Value For Money Standards'. This handbook provides up-to-date advice and guidance about how we can ensure the continued quality of our reports and sets out the key standards that support effective delivery of the Office's value for money programme.

NIAO value for money studies are subjected to a range of quality assurance controls in order to maintain and improve the quality of published reports. Each study is reviewed at three stages internally by staff who are independent of the study. In addition each published report is assessed by a four person external review panel who rate the report's presentation, technical content and quality of recommendations. For the reports published in 2010-11, ratings averaged at 3.6 on a scale of 1 to 5 (5 representing outstanding). The final rating for individual reports is published on our website (www.niauditoffice.gov.uk). This year, we have also added a new peer review process where a sample of our reports are circulated to our colleagues in other UK audit agencies for their assessment. Finally, at the end of each study, the study team is required to complete its own lessons learned review. Where our reports culminate in a PAC evidence session, we also take feedback from the Chair of the Committee to ensure our reports effectively support the Committee's scrutiny activities.

The responsibility for the audits of policing and justice bodies within Northern Ireland transferred from the National Audit Office (NAO) to this Office on 12 April 2010 following devolution of policing and justice powers. On the financial audit side this does not represent significant change as the Office has, for many years, conducted the financial statement audits of these bodies on NAO's behalf. Value for money work on policing and justice bodies in Northern Ireland, however, was limited prior to devolution. It is our intention to significantly increase the extent of value for money work in this area. In 2010-11 we reported on developments in organised crime since the Northern Ireland Affairs Committee report in 2006.

Financial Audit

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

Central Government

The Comptroller and Auditor General has a statutory responsibility to audit the financial statements of all Northern Ireland departments, executive agencies and other central government bodies, including some public sector companies limited by guarantee incorporated under the Companies Act, and to report the results to the Assembly.

The purpose of our financial audit is to provide independent assurance that the accounts of an audited body give a true and fair view of its financial situation, have been prepared in accordance with the relevant accounting requirements and that the transactions underlying the financial statements are in line with the intentions of the Assembly and other authorities. During 2010-11 we audited 163 central government accounts. We also issued three general reports on the results of our financial audit work. If during an audit we consider that the accounts do not present a true and fair view, or that expenditure and income have not been incurred in line with Assembly intentions, then the Comptroller and Auditor General will qualify his opinion on the accounts. Of the 163 accounts audited in 2010-11, 17 were qualified. In these cases, and in other cases where there are significant issues arising, we make a report to the Assembly which can be considered by PAC.

In early 2010-11 we successfully completed our audits of 2009-10 central government accounts, which were, for the first time, prepared in accordance with the requirements of International Financial Reporting Standards (IFRS). These new requirements represented a significant change in public sector reporting.

A key issue we faced during the year was preparing for the changes required by revised International Standards on Auditing (ISA) which were issued during 2009 by the Auditing Practices Board and will be effective for the audit of all 2010-11 accounts. The clarification of these standards has increased the volume of mandatory audit procedures. To meet this challenge we have revised our audit methodology to incorporate the new ISA requirements and embed best practices of efficiency and quality. Training has been provided to financial audit staff on the revised audit methodology to ensure that we are well placed to apply the requirements of the clarified ISAs in the audit of all 2010-11 accounts.

Local Government

The Department of the Environment for Northern Ireland (DOE), with the consent of the Comptroller & Auditor General, designates staff of the Office as local government auditors, who are responsible for the audit of local government bodies (the 26 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 Local Government Auditor.

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

During 2010-11 we completed the audits of 46 local government accounts (on one of which we qualified our opinion) and reported on the exercise by local government auditors of their functions, absenteeism in local councils and, for the first time in the form of a Public Interest Report, the sale of an abattoir site by Ards Borough Council.

IFRSs apply to local government accounts from 2010-11, one year behind the introduction of the new standards for central government. In preparation for this we have successfully carried out 'dry run' audits of 26 2009-10 local council accounts, restated on an IFRS basis. Our experience from the 'dry run' audits will be of great benefit in the coming year in which we will work together with local government to achieve the first time publication of IFRS based local government accounts.

Improving governance and combating fraud

The Office continues to work closely with audited bodies to provide guidance to improve governance arrangements and help combat fraud. It is our view that good governance structures which are well embedded in organisations are a key attribute to achieving corporate goals and are crucial in times of financial constraint. During this financial year we attended audit committees for all our audited bodies, providing support, advice and guidance to both non-executive and senior staff in these organisations. We also continued to be involved in providing training to both staff and non-executives through programmes developed by the Chief Executives' Forum, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Department of Finance and Personnel. During the year we also gathered information on the risk management processes within the government bodies for the purposes of producing a good practice guide in risk management which was published on 8 June 2011. We hope this guide will assist all of our audited bodies in further developing and enhancing their risk management processes to focus priority on the key risks facing them.

During 2010-11 we worked closely with the PAC on their examination of procurement breaches and governance arrangements in Northern Ireland Water. The examination culminated in a landmark report exposing serious failings in procurement, inappropriate and ineffective governance arrangements and a failure to observe the high standards expected of senior public officials. The significant recommendations included in the PAC report promote good governance throughout the public sector and are intended to prevent a reoccurrence of the failings identified in Northern Ireland Water.

The Office also has an important role to play in supporting public sector bodies in combating fraud. At a time when public services are facing unprecedented budgetary pressures, it is of particular importance that public bodies continue to use every means at their disposal to prevent and detect misuse of public funds. In our promotion of better use of public money the Office maintains a small counter fraud unit which reviews and monitors the arrangements in departments for the prevention, detection, investigation and reporting of fraud.

This work includes:

- participating in the National Fraud Initiative (NFI) – the C&AG has statutory power to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud. The first such data matching exercise was undertaken as part of the Audit Commission's NFI 2008-09. In February 2011 the C&AG reported on the findings of the exercise, results of which are set out on page 14. We are currently participating in NFI 2010-11;

- working with those engaged in counter fraud activities across the public sector including bodies such as the Audit Commission, the National Audit Office, HM Revenue and Customs, departmental counter fraud units, and internal auditors;
- organising and hosting counter fraud workshops and seminars;
- promoting and participating in workshops and seminars to increase fraud awareness and disseminate good practice;
- encouraging whistleblowers to voice their concerns; and
- providing formal advice and guidance on the review of draft departmental papers on counter fraud measures, including fraud strategies, fraud and whistleblowing policies and fraud response plans.

People, resources and performance

Northern Ireland Audit Office resources were used to employ an average of 135 staff (full time equivalent), to contract out some of our work to private sector accountancy firms and to meet the infrastructure and support costs necessary for a modern public audit business.

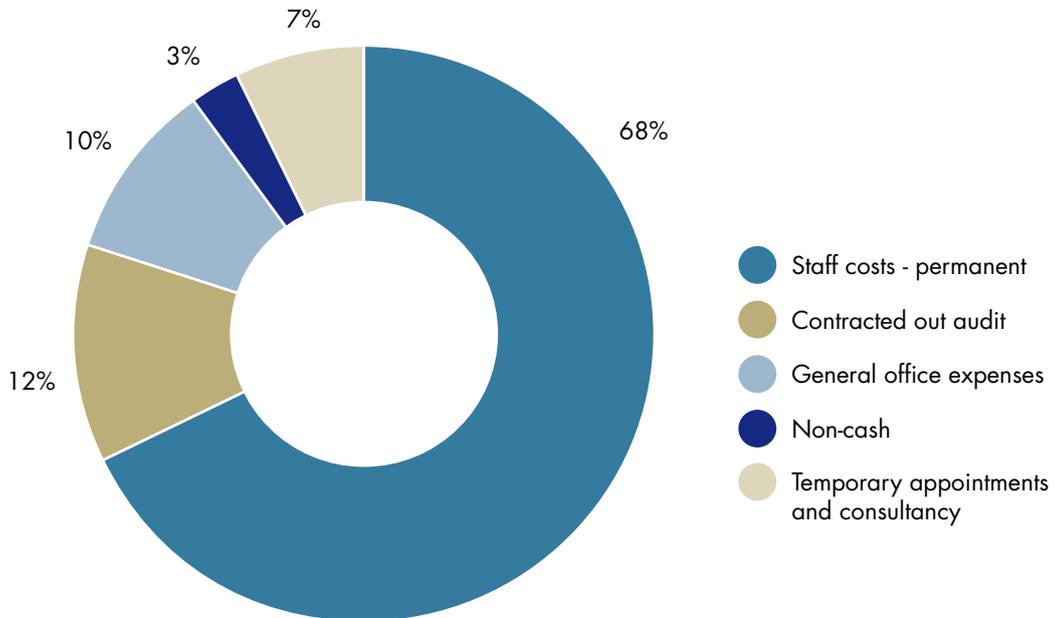
For a number of years now we have been able to generate efficiency savings through changes in the way we work, particularly through the increasing use of IT in our audits. This is evidenced by our performance in financial audit where we have consistently achieved annual efficiency savings, as shown on page 13. These achievements contributed, in large measure, to the revision in year of the Office's estimate. The net resource requirement in the Office's original Estimate for 2010-11, authorised by the Assembly, was £9.0 million. This was revised by way of Supplementary Estimate to £8.4 million.

The Office consumed some £10.7 million of resources in providing audit and other assurance work in 2010-11. After allowing for £2.8 million of income generated from fee paying work the net resource requirement of the Office amounted to £7.9 million. Savings arose from:

- the implementation of a pay scale freeze for all NIAO staff;
- restricting promotion/recruitment to essential vacant posts;
- keeping the cost of temporary appointments to a minimum by taking advantage of a competitive market to ensure that costs were low; and
- reducing training costs, for example by holding more courses in-house and ensuring that the more competitive market resulted in reduced costs being charged by external providers.

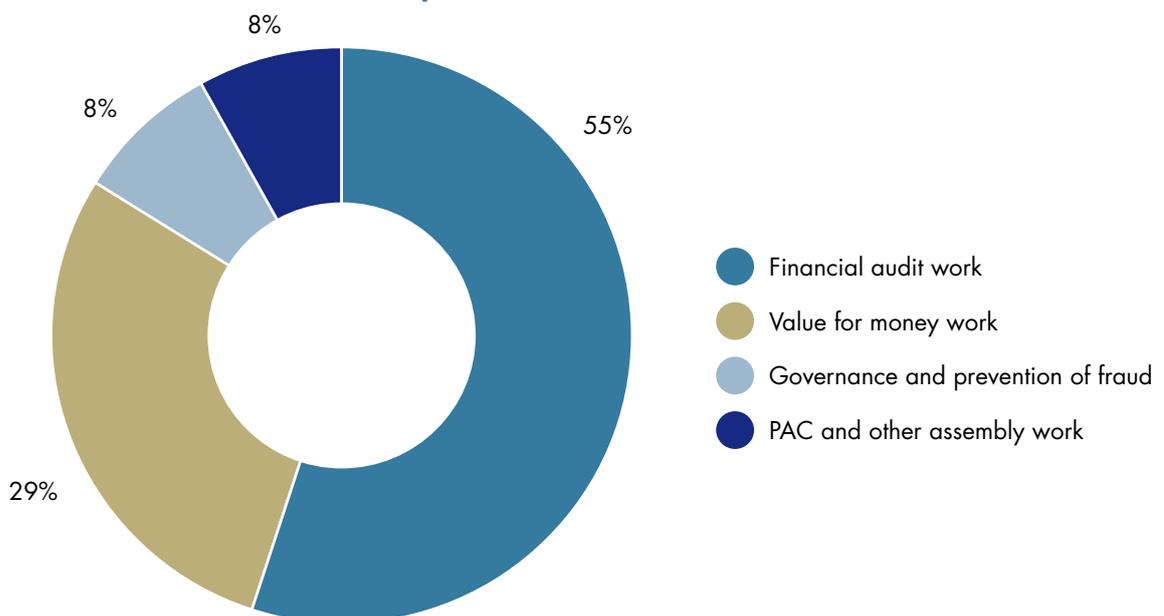
As shown in the chart right, by far the largest area of expenditure in the Office continues to be in relation to our permanent staff costs (68 per cent):

Use of resources



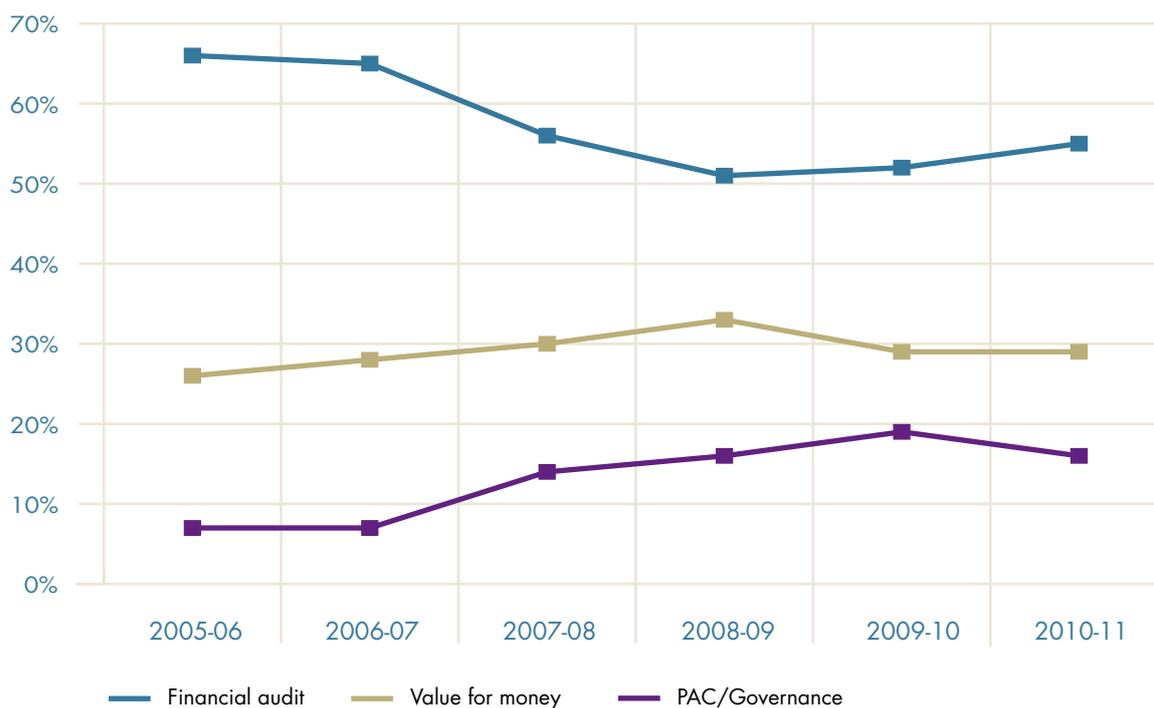
As in previous years more than half of our resources were used on financial audit work and around a third were used on value for money work.

How resources were used to meet objectives in 2010-11



Additional resources were directed to financial audit work in 2010-11 because of the implementation of IFRSs, in full form for central government accounts and in shadow form for local government accounts. The changes in our workload are shown in the chart below:

Change in how resources are used

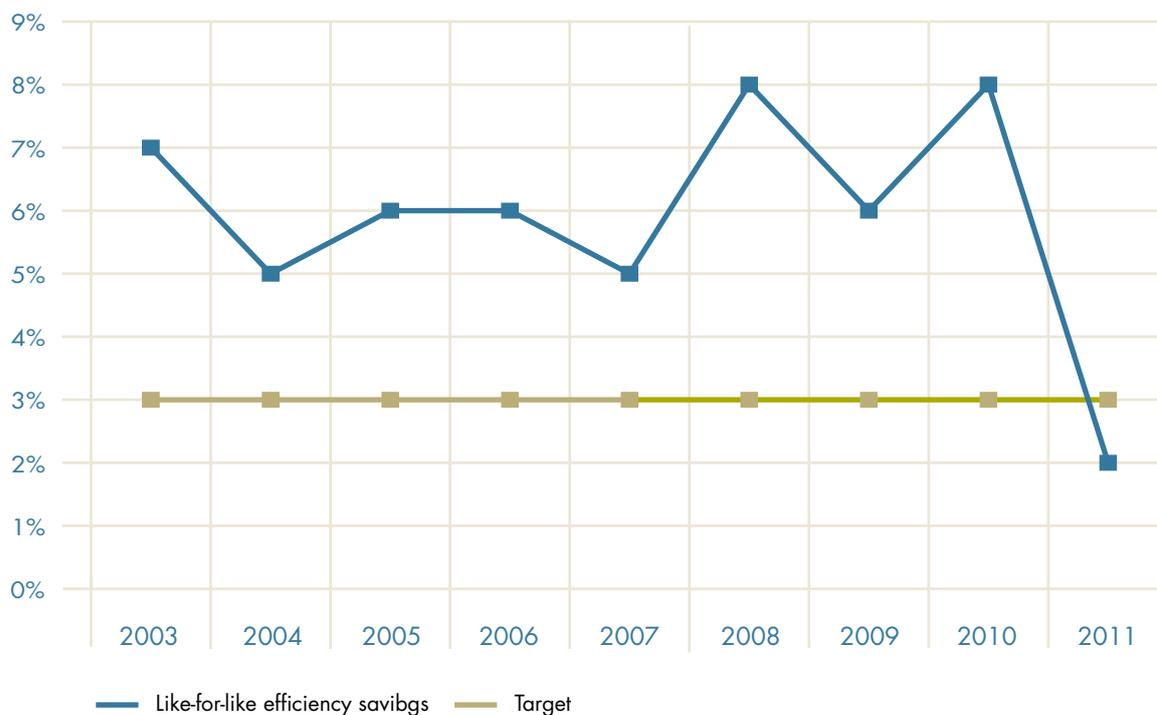


Efficiency and other cost reductions

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

- For those accounts where like-for-like comparisons can be made, we have a target of reducing the cost of audit annually by an average of 3 per cent in real terms. The chart opposite shows that like-for-like savings generated on financial audits have been consistently in excess of this target up to 2009-10. In respect of audits completed in 2010-11 (incorporating for the first time local government audits as well as central government audits), savings of 2 per cent were realised. This decrease in annual efficiency savings arose primarily in our central government audits and was due to auditing more complex accounts under IFRS (see page 7) and, given the efficiencies already achieved in recent years, the reducing scope to generate savings without compromising audit quality.

Like-for-like efficiency savings



- There are inherent difficulties in monitoring efficiency in our value for money work. The nature of value for money reports means that it is difficult to compare the cost of one report to another because reports are based on topics that will be of different degrees of complexity. Whilst recognising these difficulties the Office does monitor the average cost of its reports and has set a target of producing reports with an average cost between £130,000 and £150,000. In 2010-11 the average cost of a published report was £149,008 (2009-10: £139,756).

The variability of average report costs limits the value of year on year comparisons of efficiency savings. To address this we have calculated a three year rolling average of report costs which shows that average report costs have fallen by around 7 per cent in real terms over the last five years.

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

We have a responsibility to provide value for money on the services we provide to our stakeholders. One way in which we do this is by identifying the quantifiable financial savings resulting from the work we undertake. This is a measure of the return on investment in the Office that the Northern Ireland Assembly

and the taxpayer can expect. During 2010-11 quantified financial savings as a result of the work of the Office and PAC of £16.6 million were achieved. This figure has been independently validated, and represents around 2 times the net resource outturn of the Office. The extent of savings achieved fluctuates from year to year and is largely dependent on the nature of the studies undertaken in the value for money audit programme. We have a number of value for money reports in our forward programme which we anticipate will generate significant savings in the coming years.

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

Example 1 – National Fraud Initiative

Following the receipt of new powers in 2008 to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud, the Comptroller and Auditor General took part in the Audit Commission’s National Fraud Initiative 2008-09. In February 2011 we publicly reported that Northern Ireland’s participation in this Initiative had resulted in over £11 million of savings arising from fraud and error and that total savings were expected to reach £16 million with the investigation of remaining matches. Significant savings arose from the identification of fraud and overpayments in housing benefit, and the identification of non-payment in domestic rates.

Example 2 – Effective use of Laboratory and Pharmacy Centre at Altnagelvin

One of the recommendations contained in the Public Accounts Committee’s 2008 report ‘Delivering Pathology Services: The PFI Laboratory and Pharmacy Centre at Altnagelvin’ was that the Northern Health and Social Care Trust should make the most effective use of the new facilities at The PFI Laboratory and Pharmacy Centre at Altnagelvin, through maximising networking opportunities to provide such services outside the Trust’s area in Northern Ireland, Donegal and the other border counties. Since the report the Trust has developed Cytology, Andrology, Microbiology and Pharmacy (including Aseptic manufacturing) opportunities across Northern Ireland and in border regions. The cumulative income generated up to 31 March 2011 from these initiatives has been £110,000.

Example 3 – Waste in Campsie office units

Our report on Campsie Office Accommodation discovered major waste on office rental. In the early 1990's the Industrial Development Board for Northern Ireland (IDB) entered into separate 25-year leasing agreements for two office units at Campsie. IDB had an 'option to break' from the leases at the end of the initial four years if the prospect of finding tenants appeared remote. This was an important clause as the annual rent for the first four years would increase substantially to £45,000 for the remaining 21 years. IDB did not exercise its 'option to break', meaning that it was committed to the full 25-year leases for both buildings.

Both units remained vacant for many years and eventually, in 2008 and 2010, Invest NI (IDB's successor) agreed surrender premiums (releasing Invest NI from the leases) amounting to £405,000 to the property developers. This cost together with rents paid after the break clause was missed (£1,070,882) represents a waste of public funds of £1,475,882.

Example 4 – Waste in the provision of School Meals

Our report 'Promoting Good Nutrition through Healthy School Meals' found substantial waste in the provision of school meals. In April 2000, in order to maximise resources available for direct classroom use, the Department of Education removed subsidies to the school meals service, requiring the charge for any meal to be sufficient to cover the full cost of production.

The report found that across the Education and Library Boards subsidies of £2,700,000 and £3,750,000 were provided in 2008-09 and 2009-10 respectively for the provision of school meals. These subsidies, which should have been recovered through charges for meals, represent a waste of public funds of £6,450,000.

Example 5 – 'Non attendance' rates for clinical outpatient appointments

Our report 'Outpatients: Missed appointments and cancelled clinics' estimated that there is scope for substantial savings if 'Do- Not-Attends' (DNAs) are reduced. Data from DHSSPS shows a DNA rate for outpatient appointments of 10.3 per cent in 2009-10 (172,877 appointments). The corresponding DNA rate at the time of our report in 2007 was 11.6 per cent.

The report showed that a 1 per cent reduction in DNAs could yield savings of £1 million. As a result of our report and subsequent Departmental action a saving of £1.3 million has been generated through a reduction in the outpatient DNA rate between 2005-06 and 2009-10.

Example 6: 'The Management of Substitution Cover for Teachers – Follow-up Report'

PAC recommended the introduction of a flat-rate of pay for teachers providing substitution cover. The Department told the Committee in March 2011 that it proposes to introduce a flat-rate for prematurely retired teachers who work in a substitution role. The flat-rate would be based on the salary payable to a newly qualified teacher. The Department of Education estimates that, if the re-employment of prematurely retired teachers were to continue at current levels, adopting a flat-rate for such teachers would yield a saving of around £4.75 million a year. The Office will monitor how this proposal plays out in practice over the coming years and claim as an impact if there is a positive outcome.

In addition to identifying quantifiable financial savings, the Office monitors the implementation of recommendations, qualitative and quantitative, arising from its outputs and PAC reports. In respect of PAC recommendations made in 2009-10 and 2010-11, audited bodies had accepted 99 per cent by 31 March 2011, of which 34 per cent had been achieved.

Public bodies are facing serious financial challenges and pressures in the short to medium term. We have a duty to promote good practice and lead the drive to improve efficiency and productivity across the public sector. In May 2010, working with Audit Scotland and the Wales Audit Office, we published 'Improving public sector efficiency – Good practice checklist for public bodies'. The checklist is designed to facilitate a self assessment of public bodies' approach to delivering efficiency, challenge existing arrangements and promote improvements.

We recognise procurement as an area where there is scope for public bodies to realise significant efficiency savings. Around £2 billion a year is spent by central government bodies in Northern Ireland procuring goods and services ranging from stationary to major construction projects. In supporting the public sector in procuring goods and services efficiently, and protecting against fraud and corruption, we co-hosted, together with the Central Procurement Directorate and the Chief Executives' Forum, a major conference on procurement entitled "Intelligent Procurement – Lessons and Pitfalls". This conference was attended by 190 delegates drawn from the public, private and voluntary sectors who heard a range of speakers update them on best practice in procurement and contract management.

Our staff

Staff are our most valuable asset - it is through their skills, expertise and cumulative experience that we are able to deliver high quality services to the Assembly.

Some 63 per cent of staff have professional accountancy qualifications and a further 12 per cent are studying to become qualified. Our graduate trainees study for the Chartered Institute of Public Finance and Accountancy (CIPFA) qualification and consistently achieve a pass rate higher than the national average. In 2011 one of our final year trainees, Stephanie McCoy, was awarded the CIPFA NI Student of the year award.

To achieve cost reductions we have temporarily suspended recruitment to our graduate trainee accountant programme. However we will reinstate this as soon as practicable so that the Office has the necessary skilled resources for the continued success of its work.

It is important that we ensure the personal and professional development of all staff. During 2010-11 our staff undertook a total of 964 days of formal training (other than professional accountancy training). This represented an average of over 7 days of training for each member of staff. This year an important element of training was ensuring that all financial audit staff had sufficient in-depth knowledge of clarified ISAs and our revised audit methodology.

We are committed to providing an excellent place to work, where our staff are highly motivated, professional and take pride in what they do. We are currently taking forward a Change Management Programme, encompassing governance, leadership and management, communication, human resources and learning and development. The views and suggestions of staff have been particularly valued in the development and implementation of this programme.

Corporate responsibility

Diversity

It is the policy of the Northern Ireland Audit Office 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). The Office's corporate values include equality and it carries out staff training to raise general awareness of equality issues.

Health and safety

The Health and Safety at Work (Northern Ireland) Order 1978 applies to the Office. This entails ensuring, so far as it is reasonably practicable, the health, safety and welfare of its employees at work and for others who may be affected by its operations. In addition, there is a duty to ensure that the discharge of these responsibilities shall be an integral part of the duties and objectives of the Office.

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

In terms of staff welfare all staff have access to an independent and confidential counselling, support and advice service. This counselling support is free to staff at the point of use and is totally external to the Office.

Staff absence arising as a result of physical or mental illness including injuries, disability or other health problems was approximately 7.9 days per employee in 2010-11 compared to 7.8 days per employee in 2009-10 and 9.5 days in 2008-09.

Sustainability

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

In seeking to reduce our environmental footprint we have adopted a number of initiatives, for example:

- reducing electricity use by replacing a number of old air conditioning units with more energy efficient units;
- reducing paper consumption by using paperless audit files;
- replacing bottled water coolers with filtered mains drinking water;
- reducing paper consumption by use of double sided printing on photocopiers; and
- providing bins for waste paper, cans, plastic and glass to be collected and recycled.

One further sustainability initiative going forward is the reduction of electricity consumption by replacing halogen lighting with lower energy alternatives.

Our value for money work audit division has a unit dedicated to environmental matters, examining areas where sustainability and environmental issues have been identified. For example our value for money report on 'Safeguarding Northern Ireland's Listed Buildings' charted progress against a number of targets set by the NI Sustainable Development Strategy and our value money report on 'Measuring the Performance of NI Water' reported on the quality of waste water discharges from treatment works and leakage levels across Northern Ireland.

The forward value for money programme will also examine Northern Ireland's progress towards meeting the 2020 target for reducing greenhouse gas emissions.

Major reports

Published from April 2010 to March 2011

Value for Money Reports	Date published
Organised Crime: Developments since the Northern Ireland Affairs Committee Report 2006	1 April 2010
The Management of Substitution Cover for Teachers: Follow-up Report	26 May 2010
Measuring the Performance of NI Water	16 June 2010
Schools' Views of their Education and Library Board 2009	28 June 2010
School Design and Delivery	25 August 2010
Review of the Health and Safety Executive for Northern Ireland	8 September 2010
Creating Effective Partnerships between Government and the Voluntary and Community Sector	15 September 2010
CORE: A case study in the management and control of a local economic development initiative	27 October 2010
Arrangements for Ensuring the Quality of Care in Homes for Older People	8 December 2010
Compensation Recovery Unit – Maximising the Recovery of Social Security Benefits and Health Service Costs from Compensators	26 January 2011
Uptake of Benefits by Pensioners	23 February 2011
Safeguarding Northern Ireland's Listed Buildings	2 March 2011
Reducing Water Pollution From Agricultural Sources	9 March 2011
Promoting Good Nutrition through Healthy School Meals	16 March 2011
Financial Audit Reports	
General Report on the Health and Social Care Sector by the Comptroller and Auditor General for Northern Ireland - 2009	30 June 2010
Financial Auditing and Reporting – Report to the Northern Ireland Assembly by the Comptroller and Auditor General 2009	7 July 2010
General Report by the Comptroller and Auditor General for Northern Ireland - 2010	22 December 2010

Local Government Audit Reports

The exercise by local government auditors of their functions – In the year to 31 March 2010	23 June 2010
Report in the Public Interest: Sale of Former Abattoir Site, Newtownards	12 November 2010
Absenteeism in Northern Ireland Councils 2009-10	26 November 2010

Fraud Reports

National Fraud Initiative 2008-09	16 February 2011
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Management Commentary

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

The Office is structured into Divisions. During 2010-11 the number of Divisions was reduced from four to three with the merger of local government audit into the Financial Audit Division. The other Divisions are Value for Money Audit and Central Support Services.

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

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

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

The financial statements on pages 44 to 71 have been prepared by the Office on a resource basis in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel.

Aim and Objectives

During 2010-11 the Office's aim was to promote accountability and the best use of public money. The main activities relating to this aim were to:

- provide objective information, advice and assurance on the use of public funds; and
- encourage:
 - beneficial change in the provision of public services;
 - the highest standards in financial management and reporting; and
 - good governance and propriety in the conduct of public business.

The Office's activities were attributed to the following five strategic objectives:

- 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 members of the public – working closely with the Public Accounts Committee on evidence sessions based on our reports; providing support to Departmental committees; and responding to enquiries from elected representatives and disclosures from members of the public; and
- Comptroller Function - authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

The gross expenditure, and any associated income, of the Office's work in meeting each of these objectives are shown in the Statement of Operating Costs by Objectives on page 51.

Comptroller and Auditor General for Northern Ireland

Under the Northern Ireland Act 1998, the office of the Comptroller and Auditor General for Northern Ireland is a Crown appointment made on the nomination of the Northern Ireland Assembly. Under the Audit (Northern Ireland) Order 1987, the holder of the office is a Corporation Sole. Kieran Donnelly is the current Comptroller and Auditor General for Northern Ireland.

Assembly Audit Committee

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

Accounting Officer

The Department of Finance and Personnel has appointed Kieran Donnelly, the Comptroller and Auditor General, as the Accounting Officer for the Northern Ireland Audit Office. His responsibilities as the Accounting Officer and for the Office's system of internal control are set out on pages 38 to 41.

Auditors of the Northern Ireland Audit Office

The Department of Finance and Personnel appointed Baker Tilly Mooney Moore as the auditors of the Northern Ireland Audit Office for a three year term from April 2008. In addition to their work to form an opinion on the financial statements the auditors also review the Office's estimate of the level of savings generated by audit activity (known as the statement of financial impacts) that are reported within this report on page 13. Details of the cost of the work done by the external auditors are disclosed in note 8 to the accounts.

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

Corporate governance in 2010-11

The following arrangements operated during the year:

Management Board

The first tier of corporate governance arrangements was the Management Board, whose role was to advise the Comptroller and Auditor General on the discharge of his statutory duties.

The Management Board was chaired by the Comptroller and Auditor General and also comprised the Assistant Auditor General with responsibility for corporate services, the other Assistant Auditors General (who joined the Board in October 2010) and two non-executive members, one of whom completed his term during the year.

The Management Board, which met four times during 2010-11, was responsible for the following:

- Corporate Planning;
- Budget, profiling and monitoring of expenditure in year;
- Human resource planning;
- Resource Accounts;
- Consideration of reports from the Management Team and Audit Committee;
- Consideration of the risk register and the NIAO's own corporate governance procedures;
- Equality and diversity issues; and
- Ad hoc reports which the Board decides it should have sight of.

The Management Board members during 2010-11 were:

Comptroller and Auditor General	Kieran Donnelly
Assistant Auditor General	John Buchanan (from 1 October 2010 to 31 January 2011)
Assistant Auditor General	Louise Mason (from 1 October 2010)
Assistant Auditor General	Janet Sides
Assistant Auditor General	Eddie Bradley (from 1 October 2010)
Non Executive Member	Gary Martin
Non-Executive Member	Gerry Smyth (to 14 June 2010)

All meetings had full attendance of members in post.

Management Team

The second tier of corporate governance arrangements was the Management Team. This Team comprised the Comptroller and Auditor General (Chair) and the Assistant Auditors General who head up the Divisions in the Office. Directors attended in a non-decision making capacity.

In support of the Management Board to whom it reported, the Management Team met on a monthly basis and was responsible for a range of strategic and operational matters including:

- Budget monitoring;
- Assessing the status of key risks;
- Human Resources;
- Quality and impact of audit work;
- Review of work progress by each division; and
- IT and security.

The management team members during 2010-11 were:

Comptroller and Auditor General	Kieran Donnelly
Assistant Auditor General	John Buchanan (to 31 January 2011)
Assistant Auditor General	Louise Mason
Assistant Auditor General	Janet Sides
Assistant Auditor General	Eddie Bradley

The number of Assistant Auditor Generals was reduced by one following John Buchanan's retirement and the subsequent amalgamation of the central government and local government financial audit divisions within the Office.

None of the Board members or Management Team held company directorships or significant interests which might conflict with their management responsibilities.

Audit Committee

The Audit Committee supports the Office's Board. The Committee was chaired by Gerry Smyth, a Director of the Office of the Comptroller and Auditor General in the Republic of Ireland, up until the completion of his term in June 2010. Gary Martin, a senior lecturer in accounting at the University of Ulster, was appointed as the new Chairman. The Committee also comprised Colette Kane, a Director of the Northern Ireland Audit Office.

The Committee, which met four times during 2010-11, provided the Comptroller and Auditor General with advice and assurance on the adequacy of internal control and risk management within the Office, including the framework of internal control, risk management processes, and the quality and reliability of financial reporting.

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

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

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

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

Review of Corporate Governance arrangements

The Office's corporate governance arrangements are subject to regular review to ensure they are working effectively and in line with best practice.

In the past year the Office has examined its governance structures resulting in changes that will take effect in June 2011. A key change will be an increase in the number of non-executive members on the Board and the Audit Committee. The latter will solely consist of non-executives.

Risk management

The position we occupy as the NI public sector auditor means that we have to maintain the highest standards of propriety and regularity, make effective use of our resources and produce quality, value adding, pieces of work. Anything short of the highest standard would damage our reputation and the confidence placed in us by our stakeholders. We manage this risk through the recruitment of highly

talented staff, the provision of professional accountancy qualifications, development training programmes, quality assurance arrangements for all types of audit work and close monitoring of operations.

The Office has a well developed risk management system, most recently reviewed during 2009-10. Each of the three Divisions within the Office (Financial Audit, Value for Money and Central Services) has its own risk register and from these an overall corporate risk register is produced. The corporate register is then prepared on the basis of an assessment of the risks impacting on the achievement of the Office's objectives as laid out in its Corporate Plan.

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

Each of the registers is subjected to regular review by senior management.

Staff issues

The Office consults the respective branches of the Northern Ireland Public Service Alliance and the Association of First Division Officers over matters affecting staff. To ensure effective operation of this policy, a Joint Negotiating and Consultative Committee is in place. Staff involvement is also actively encouraged as part of the day-to-day process of line management and information on financial results and current and prospective developments is widely disseminated.

Pensions and Early Departure costs

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

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

In addition to information contained within the Remuneration Report, notes 1.10, 1.11 and 7 to the accounts provide further detail on how pension liabilities are calculated.

Payment of suppliers

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

During 2010-11 the Northern Ireland Audit Office paid approximately 96.82 per cent of bills (2009-10: 97.29 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 2010-11 we met this standard for approximately 90.00 per cent of invoices received (2009-10: 90.16 per cent).

Personal data related incidents

There have been no personal data related incidents during the year.

Financial planning

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

The Northern Ireland Audit Office produces a Corporate Plan on an annual basis which sets out developments in its work programme for a three year rolling period and the related resource requirements. This plan is then presented for the review and approval of the Assembly Audit Committee. The plan can be obtained from the Office's website, at www.niauditoffice.gov.uk/about/corpdocs.asp.

The resources for the Office are obtained via Supply Estimates which are the means by which authority is sought from the Assembly for spending each year. Once the Assembly Audit Committee has examined the Corporate Plan and endorsed the resource bid, the Office prepares its Estimate which, for the 2010-11 year, was considered in March 2010. Following approval by the Assembly Audit Committee the 2010-11 Estimate was included in the Budget Act which was approved by the Assembly in June 2010.

Review of performance

Financial Audit

During 2010-11 we audited 209 accounts (2009-10: 212), including central government accounts prepared on an IFRS basis for the first time. A number of longstanding backlog audits were successfully progressed and certified during the year. Furthermore, in anticipation of the move to IFRS in local government for 2010-11 accounts, we carried out shadow audits of 26 2009-10 local government accounts on an IFRS basis.

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

We continued to develop reciprocal arrangements with the Wales Audit Office and National Audit Office for the quality assurance of financial audits. All financial audits of 2009-10 accounts sampled during the year were found to be largely compliant with ISAs and no audit opinions given by the Comptroller and Auditor General were found to be at risk.

Value For Money Audit

Our Value for Money auditors once again exceeded their report publication target by producing 14 reports (2009-10: 12) on value for money and governance issues in central government. The reports published covered topics as diverse as developments in organised crime, school design and delivery, the arrangements for ensuring the quality of care in homes for older people and actions taken to reduce water pollution from agricultural sources. Details of the reports published in 2010-11 can be obtained from www.niauditoffice.gov.uk/pubs/reports.asp.

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

We continue to welcome enquiries made to us by elected representatives and public interest disclosures by members of the public. During the year we handled 16 enquiries from elected representatives (2009-10: 19) and 46 other disclosures by members of the public (2009-10: 43). All approaches are encouraged, dealt with professionally and treated in confidence.

Use of resources

The resources used by the Northern Ireland Audit Office in pursuit of the above are set out in the following table. The table compares the Office's financial outturn for 2010-11 with its Estimate:

	Estimate £'000	Outturn £'000	Saving/(Excess) £'000	%
Gross Resource Requirement	11,261	10,712	549	4.9
Income	2,852	2,803	49	1.7
Net Resource Requirement	8,409	7,909	500	5.9
Capital	240	236	4	1.7

The above gross expenditure is made up of:

- Salaries of permanent staff (68% of gross expenditure);
- Temporary appointments and consultants (7%);
- Expenditure on audits which are contracted out (12%);

- d. Non cash costs such as depreciation and provisions (3%); and
- e. A number of smaller items of expenditure such as professional training, travel costs, general office supplies and other running costs such as rates, electricity and maintenance (10%).

This year gross expenditure was less than estimated. This is largely explained by the following reasons:

- the implementation of a pay scale freeze for all NIAO staff;
- restricting promotion/recruitment to essential vacant posts;
- keeping the cost of temporary appointments to a minimum by taking advantage of a competitive market to ensure that costs were low; and
- reducing training costs by, for example, holding more courses in-house and ensuring that the more competitive market resulted in reduced costs being charged by external providers.

The income consists of fees received:

- a. from some central government bodies and North South bodies in respect of the audit of their accounts;
- b. from the National Audit Office for audits we carry out on its behalf;
- c. from Local Councils for the audit of their accounts; and
- d. from work carried out as part of the National Fraud Initiative and recharged to those bodies participating.

Each element of income and the costs associated with it are shown in note 6.

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

Resources required in the future

The Corporate Plan covering the period 2011-12 to 2013-14 provides detail on the Northern Ireland Audit Office's strategic issues.

Over the corporate planning period there will be considerable pressure on finances and public sector bodies will be required to make significant cost savings. At this time the need for good financial management across the public sector will be of increased importance. Through our value for money reports and financial audits we will continue to make recommendations where financial management can be improved. We will continue to hold public sector bodies to account for achieving more efficient and effective ways of working while ensuring that important internal controls have not been compromised.

Following the devolution of policing and justice powers to the Assembly we now have responsibility for carrying out value for money studies on the various policing and justice bodies. Prior to devolution of powers the policing and justice bodies had been subject to a limited value for money programme. Over the planning period we will allocate significant resource to increasing the coverage of the value for money audit programme in this area.

The resources required by the Office to enable it to deal with these strategic issues in 2011-12 were agreed in the Estimate approved by the Assembly Audit Committee in February 2011 and these figures are laid out in the table below:

	2011-12 £'000
Gross Resource Requirement	10,622
Income	2,080
Net Resource Requirement	8,542
Capital	360

Adjusting the 2010-11 estimates for non-recurring NAO income in 2011-12 following the transfer of policing and justice audits to the Office, the estimated net resource requirement in 2011-12 represents a reduction compared to our original estimate in 2010-11 of 9 per cent in cash terms and 11 per cent in real terms.

At this time when unprecedented financial restraint will need to be shown across the public sector we have committed to reducing our own costs. Following detailed analysis of our costs we have identified efficiencies we can take advantage of in the future while still maintaining the same quality and extent of service to the Assembly that we have offered in recent years.

We believe that savings can be generated over the planning period by:

- reducing our outsourcing costs by ensuring optimal use of staff at peak times;
- suspending our graduate trainee accountant programme and only recruiting to fill essential vacant posts; and
- implementing a two year pay scale freeze.

Reconciliation of Resource Expenditure Between Estimates, Accounts and Budgets

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

	2010-11 £'000	2009-10 £'000
Net Resource Outturn	7,909	8,555
Less Prior year adjustment*	-	(467)
Less Consolidated Fund Extra Receipts	(1)	(136)
Add Non supply expenditure	191	189
Net operating cost	8,099	8,141
Add profit on disposal of fixed assets	-	-
Less Inter-departmental notional charge	(4)	(10)
Budget Outturn	8,095	8,131

*£304,000 relates to the IFRS prior period adjustment, as disclosed in the 2009-10 annual report and accounts. An explanation for the remaining element of the prior period adjustment of £163,000 is given in note 1.2 of this year's accounts.

Remuneration Report

Remuneration Policy

Comptroller and Auditor General

Under the provisions of the Northern Ireland Act 1998 the office of the Comptroller and Auditor General for Northern Ireland is a Crown appointment made on the nomination of Northern Ireland Assembly. The Audit (Northern Ireland) Order 1987 provides for the remuneration of the Comptroller and Auditor General for Northern Ireland and for it to be met from the Consolidated Fund for Northern Ireland. The remuneration and associated pension and national insurance contributions are disclosed in note 8 on page 63 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. In line with the Executive's decision in Budget 2011-15 to mirror the Coalition Government's commitments to impose pay restraint, members of the Management Team have taken a voluntary freeze on senior pay in respect of the 2010-11 pay award.

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 Management Team and Board. The information on pages 34 to 35 is covered by the audit opinion.

Remuneration

	2010-11			2009-10		
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Salary	Bonus Payments	Benefits in kind (to nearest £100)
Kieran Donnelly Comptroller and Auditor General	135-140	-	-	75-80 (135-140 full year equivalent)	-	-
John Buchanan Assistant Auditor General (to 31 January 2011)	90-95	-	-	90-95	-	-
Louise Mason Assistant Auditor General	90-95	-	-	90-95	-	-
Janet Sides Assistant Auditor General	85-90	-	-	80-85 (85-90 full year equivalent)	-	-
Eddie Bradley Assistant Auditor General	75-80	-	-	35-40 (75-80 full year equivalent)	-	-

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

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.

'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 2010-11.

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

Non-Executive Members

During 2010-11 the Office had two non-executive members:

- Mr G Smyth from the Office of the Irish Comptroller and Auditor General (to 14 June 2010). Mr Smyth attended Board meetings and chaired the Audit Committee. No payment was made to Mr Smyth for attendance at these meetings.
- Mr G Martin from the University of Ulster. Mr Martin attends Board meetings and was appointed the new Chairman of the Audit Committee. During the year Mr Martin was paid £1,250.

Pension entitlements

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

Name and Title	Accrued pension at age 60 at 31 March 2011 (£'000)	Real increase in annual pension (£'000)	Accrued lump sum at age 60 at 31 March 2011 (£'000)	Real increase in lump sum (£'000)	CETV at 31 March 2011 (£'000)	CETV at 31 March 2010** (£'000)	Real increase in CETV (£'000)
Kieran Donnelly Comptroller and Auditor General	45-50	0-2.5	145-150	0-2.5	865	792	3
John Buchanan Assistant Auditor General (to 31 January 2011)	45-50	(0-2.5)	145-150	(0-2.5)	1,156	1,111	(8)
Louise Mason Assistant Auditor General	20-25	0-2.5	70-75	0-2.5	367	332	5
Janet Sides Assistant Auditor General	25-30	0-2.5	80-85	0-2.5	445	406	3
Eddie Bradley Assistant Auditor General	25-30	0-2.5	75-80	0-2.5	388	355	2

** The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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

Pension benefits for Office staff are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an 'earned pension' 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%. Earned pension benefits are increased annually in line with increases in the CPI. For 2011, public service pensions will be increased by 3.1% with effect from 11 April.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

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

The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the RPI to the CPI as the measure used to uprate Civil Service pensions. This means that the CETV in this year's report for 31/03/10 will not be the same as the corresponding figure shown in last year's report.

Real increase in CETV

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

Compensation for loss of office

No members of senior management lost office during 2010-11. John Buchannan retired during the year, having reached retirement age.



Kieran Donnelly

21 June 2011

Comptroller and Auditor General for Northern Ireland

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, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

The Comptroller and Auditor General for Northern Ireland's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the Northern Ireland Audit Office's finances for which he is answerable, for keeping of proper records and for safeguarding the Northern Ireland Audit Office's assets, are set out in Chapter 3 of Managing Public Money Northern Ireland issued by the Department of Finance and Personnel.

Statement on Internal Control

1. Scope of Responsibility

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

The Audit Committee of the Northern Ireland Assembly considers the Office's Corporate Plan and Estimate and lays the annual Estimate before the Northern Ireland Assembly. The work of the Office is supported by its Board and Management Team and I chair both of these. There is a comprehensive reporting and accountability system provided through the Management Team, Board and Audit Committee who together with the work of Internal and External audit support me in my role as Accounting Officer.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Office policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Northern Ireland Audit Office for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts and accords with DFP guidance.

3. Capacity to Handle Risk

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

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

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

4. The Risk and Control Framework

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

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

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

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

The Northern Ireland Audit Office has access to data and information to enable it to perform its statutory audit tasks, and to assist with the everyday running of the Office. The Office continues to review its procedures for handling personal data to confirm that they are in line with best practice and the Data Protection Act 1998. During 2010-11 our key information system policies were revised and training was provided to all staff on information technology security. The hard drives of all laptops, together with storage pens provided to staff, are encrypted to provide additional security.

5. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditor and the Assistant Auditors General within the Northern Ireland Audit Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the systems of internal control by the Management Board and the Audit Committee and plans to address weaknesses and ensure continuous improvement of the system are in place.

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

The Audit Committee, which is chaired by a Non-Executive Board member, has monitored the Office's risk management and internal controls on a regular basis during the financial year. The Committee met four times during the 2010-11 financial year to consider internal control and risk arrangements. It approves Internal Audit plans and reviews reports from both Internal and External Auditors.

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

Significant internal control weaknesses

An Internal Audit review identified limitations in the extent of compliance with documented project management arrangements for value for money studies. The Office immediately put in place new project management arrangements and a subsequent follow up review by Internal Audit found that their high priority recommendations had been fully implemented. I am satisfied that the issues raised in the original review have been satisfactorily addressed.



Kieran Donnelly
21 June 2011
Comptroller and Auditor General for Northern Ireland

The Certificate and Report of the Auditor 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 2011 under the Audit (Northern Ireland) Order 1987. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Taxpayers' Equity, the Statement of Operating Costs by Objectives and the 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 auditors

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 the financial statements in accordance with the Audit (Northern Ireland) Order 1987. We conducted our audit in accordance with 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 other financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any material misstatements or inconsistencies we consider the implications for our report.

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

Opinion on Regularity

In our opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Audit Office's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn, total comprehensive expenditure, net operating costs applied to objectives, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Audit (Northern Ireland) Order 1987 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Audit (Northern Ireland) Order 1987; and
- the information given in the Management Commentary, People, Resources and Performance, and Corporate Responsibility sections of the Annual 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 are not in agreement with the accounting records; or
- we have not received all of the information and explanations we require for our audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

We have no observations to make on these financial statements.

Baker Tilly Mooney Moore

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

22 June 2011

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

		ESTIMATE			OUTTURN			Net total outturn compared with estimate: saving \ (excess)	2009-10 Outturn
	Notes	Gross Expenditure £'000	AR £'000	Net Expenditure £'000	Gross Expenditure £'000	AR £'000	Net Total £'000		
Request for resource A*	2	11,261	2,852	8,409	10,712	2,803	7,909	500	8,555
Total resources		11,261	2,852	8,409	10,712	2,803	7,909	500	8,555
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 2010-11

				2010-11 £000	2009-10
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: Saving/(excess)	Outturn
Net Cash Requirement	3	8,339	7,786	553	8,078

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 2010-11		Outturn 2010-11
		Income £000	Receipts £000	Income £000	Receipts £000
Total	4	-	-	1	<i>140</i>

Explanations of variances between estimate and outturn figures are given in the management commentary.

The notes on pages 52 to 71 form part of these accounts

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Administration costs			
Staff Costs	7	7,688	7,648
Other Administration costs	8	3,215	3,101
Operating Income	9	(2,804)	(2,608)
Net Operating Cost		8,099	8,141
Other Comprehensive Expenditure			
Net (gain)/loss on revaluation of Property Plant and Equipment	10	841	(97)
Net (gain)/loss on revaluation of Intangibles	11	1	(3)
Total Comprehensive Expenditure		8,941	8,041

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

The figures in 2009-10 have been restated to reflect the removal of the cost of capital charge from the accounts (see note 1.2).

The notes on pages 52 to 71 form part of these accounts

Statement of Financial Position as at 31 March 2011

	Note	31 March 2011		31 March 2010	
		£000	£000	£000	£000
Non-current Assets					
Property, plant and equipment	10	3,742		4,743	
Intangible Assets	11	<u>45</u>		<u>38</u>	
Total non-current assets			3,787		4,781
Current Assets					
Inventories	13	366		400	
Trade receivables	14	219		320	
Other Current Assets	14	117		135	
Cash and cash equivalents	15	87		239	
Total current assets			789		1,094
Total Assets			4,576		5,875
Current liabilities					
Trade and other payables	17	(915)		(1,146)	
Total current liabilities			(915)		(1,146)
Total assets less current liabilities			3,661		4,729
Non-current liabilities					
Provisions	18	<u>(68)</u>		<u>(174)</u>	
Total non-current liabilities			(68)		(174)
Assets less liabilities			3,593		4,555
Taxpayers' equity:					
General fund			1,208		1,327
Revaluation reserve			2,385		3,228
Total taxpayers' equity			3,593		4,555



Kieran Donnelly
21 June 2011
Comptroller and Auditor General for Northern Ireland

The notes on pages 52 to 71 form part of these accounts.

Statement of cash flows for the year ended 31 March 2011

		2010-11	2009-10
	Note	£'000	£'000
Cash flows from operating activities			
Net operating cost		(8,099)	(8,141)
Adjustment for non-cash transactions	8	378	321
(Increase)/Decrease in trade and other receivables	14	119	(322)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	14	(11)	43
(Increase)/Decrease in Inventories	13	34	117
Increase/(Decrease) in trade payables	17	(231)	291
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	17	254	(140)
Use of provisions	18	(92)	(62)
Net cash outflow from operating activities		<u>(7,648)</u>	<u>(7,893)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10,17	(136)	(192)
Purchase of intangible assets	11	(57)	(23)
Net cash outflow from investing activities		<u>(193)</u>	<u>(215)</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		7,630	8,200
From the Consolidated Fund (non-Supply)	8	191	189
Net financing		<u>7,821</u>	<u>8,389</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated fund		(20)	281
Receipts due to the Consolidated Fund which are outside the scope of NIAO's activities	4	4	-
Payments of amounts due to the Consolidated Fund	4	(136)	(162)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	15	<u>(152)</u>	<u>119</u>
Cash and cash equivalents at the beginning of the period	15	239	120
Cash and cash equivalents at the end of the period	15	<u>87</u>	<u>239</u>

The notes on pages 52 to 71 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2011

	Note	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 31 March 2009		1,286	3,168	4,454
Changes in Accounting Policy		-	-	-
Balance at 1 April 2009		1,286	3,168	4,454
Net Parliamentary Funding – drawn down		8,200	-	8,200
Net Parliamentary Funding – deemed		116	-	116
Consolidated Fund Standing Services	8	189	-	189
Supply payable/(receivable) adjustment	17	(237)	-	(237)
CFERs payable to the Consolidated Fund	5	(136)	-	(136)
Restated Comprehensive Expenditure for the year		(8,141)	-	(8,141)
Non-Cash Adjustments				
Non-cash charges – notional costs	8	10	-	10
Movements in Reserves				
Recognised in Statement of Comprehensive Expenditure – gain/(loss) on revaluation		-	100	100
Transfers between reserves – realised revaluation		40	(40)	-
Balance at 31 March 2010		1,327	3,228	4,555
Net Parliamentary Funding – drawn down		7,630	-	7,630
Net Parliamentary Funding – deemed		237	-	237
Consolidated Fund Standing Services	8	191	-	191
Supply payable/(receivable) adjustment	17	(82)	-	(82)
CFERs payable to the Consolidated Fund	5	(1)	-	(1)
Comprehensive Expenditure for the year		(8,099)	-	(8,099)
Non-Cash Adjustments				
Non-cash charges – notional costs	8	4	-	4
Movements in Reserves				
Recognised in Statement of Comprehensive Expenditure – gain/(loss) on revaluation		-	(842)	(842)
Transfers between reserves – realised revaluation		1	(1)	-
Balance at 31 March 2011		1,208	2,385	3,593

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

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

	Tangibles £'000	Intangibles £'000	Total £'000
Balance at 1 April 2009	3,133	35	3,168
Net gain/(loss) on revaluation	97	3	100
Realised Revaluation Reserve	(5)	(35)	(40)
Balance at 31 March 2010	3,225	3	3,228
Net gain/(loss) on revaluation	(841)	(1)	(842)
Realised Revaluation Reserve	(1)	-	(1)
Balance at 31 March 2011	2,383	2	2,385

The notes on pages 52 to 71 form part of these accounts.

Statement of Operating Costs by Objectives for the year ended 31 March 2011

	2010-11			2009-10		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Objective 1 Financial audit	5,967	2,502	3,465	5,541	2,580	2,961
Objective 2 Value for money audit	3,201	6	3,195	3,134	28	3,106
Objective 3 Governance and fraud prevention	832	296	536	1,430	-	1,430
Objective 4 Direct support to the Northern Ireland Assembly and members of the public	897	-	897	635	-	635
Objective 5 Comptroller function	6	-	6	9	-	9
Net Expenditure	10,903	2,804	8,099	10,749	2,608	8,141

The notes on pages 52 to 71 form part of these accounts

Notes to the Financial Statements

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 2010-11 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 two additional primary statements. The Statement of Parliamentary Supply and supporting notes showing outturn against the Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Costs by Objectives and supporting notes analyse the Northern Ireland Audit Office's income and expenditure by objective.

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 Change in Accounting Policy

In accordance with central government capital accounting rules, each year a cost of capital charge, reflecting the cost of capital utilised by the Office, was included in operating costs. The charge was calculated at the real rate set by HM Treasury (3.5 per cent) on the average carrying amount of net assets.

As part of implementing the first stage of the 'Alignment (Clear Line of Sight) Project', Treasury, through FReM, have removed cost of capital as a notional cost from Estimates and Accounts in 2010-11. In accordance with Department of Finance guidance the removal of the Cost of Capital accounting policy is being treated as a Prior Period Adjustment (PPA).

IAS 1.39 requires the presentation of a statement of financial position as at the beginning of the earliest comparative period when a prior period adjustment is made. As the removal of the cost of

capital charge has no effect on the Office's statement of financial position it has been agreed with the Department of Finance and Personnel's Accountability and Financial Management Division that the Office can depart from the requirement of IAS 1.39.

The effect of this change in accounting policy on the Operating Cost statement for 2009-10 is as follows.

	2009-10 £'000
Net Operating Cost	8,304
Adjustments for:	
Removal of the cost of capital charge	(163)
Adjusted Net Operating Cost	<u>8,141</u>

In line with Department of Finance and Personnel advice, PPAs arising from the removal of the cost of capital charge were not included in Spring Supplementary Estimates for 2010-11 on the basis that the PPA numbers could have been misleading. The removal of cost of capital charge has the following effect on Resource outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated for this effect.

	2009-10 £'000
Net Resource Outturn (Statement of Parliamentary Supply)	8,555
Adjustments for:	
Removal of the cost of capital charge	(163)
Adjusted Net Resource Outturn	<u>8,392</u>

1.3 Financing

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

Over 20 per cent of the Office’s resource requirement is met by charging fees for certain financial audit assignments and other services. The level of income that the Office may use in support of its activities (known as Accruing Resources) is also approved by the Assembly Audit Committee and confirmed in the Budget Act. Income earned in excess of the approved level cannot be used in support of the Office’s activities and is required to be paid over to the Consolidated Fund as excess Accruing Resources in accordance with the rules set out in Managing Public Money Northern Ireland.

1.4 Intangible assets

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

1.5 Property, plant and equipment

Land and buildings have been included on the basis of professional valuations performed by Land and Property Services who have provided an updated valuation of the land and building open market value existing use as at 31 March 2011. Information technology and furniture and fittings have been restated using valuation techniques 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.

1.6 Depreciation

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

Information Technology	3 years
Furniture and fittings	5-20 years

The building is depreciated over a 39 year estimated useful life. Land is not depreciated.

1.7 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.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Office. It principally comprises fees and charges for services provided by statute or by agreement with the National Audit Office (NAO) and client organisations. Income represents the amounts derived from the provision of completed work for clients during the year and includes an appropriate allowance for work in progress on assignments which will be completed in the following year, including six North South Implementation Bodies. For 2010-11 a proportion of operating income relates to National Fraud Initiative fees which are recharged to participating bodies. It includes not only income appropriated in aid of the Estimate but also income to the Consolidated Fund which, in accordance with FReM, is treated as operating income. Operating income is stated net of VAT.

1.9 Operating leases

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

1.10 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).

1.11 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.

1.12 Other provisions

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

1.13 Value Added Tax

All 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 2010-11 this was a rate of 8 per cent (8 per cent in 2009-10) based on the percentage of business income over total income.

1.14 Staff costs

Under IAS 19 Employee Benefits legislation, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end. The cost of untaken leave has been determined on the basis of a questionnaire issued to all staff.

1.15 Financial instruments

The Northern Ireland Audit Office does not hold any complex financial instruments. The only financial instruments included in the accounts are receivable and payables (notes 14 and 17). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Northern Ireland Audit Office will be unable to collect an amount due in accordance with agreed terms.

1.16 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2011

Additional or revised accounting standards and new (or amendments to) interpretations contained within the FReM 2010-11 have been considered. The removal of Cost of Capital charging, as outlined in chapter 11 of FReM, is the only amendment that has an effect on the Office's financial position. Details of the financial impact of this amendment are contained in note 1.2.

The Office has reviewed the remaining standards, interpretations and amendments to published standards that became effective during 2010-11 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the Office's financial position or results.

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

The Office has considered the additional or revised accounting standards and new (or amendments to) interpretations contained within the FReM 2011-12. Other than as outlined in the table below, the Office considers that these changes are not relevant to operations.

Chapter in FReM 2011-12	Area affected	Description of revision	Comments
Ch 3	Statement of Parliamentary Supply	Estimates from 2011-12 should be based on departmental budgets. Structure of the Estimates should reflect the split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME), requiring adjustments to the Statement of Parliamentary Supply.	Not applicable to Northern Ireland bodies in 2011-12 due to different alignment timetable with Great Britain.

The application date for these FReM changes is 1 April 2011.

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Office's accounting periods beginning on or after 1 April 2011 or later periods, but which the Office has not adopted early. Other than as outlined in the table below, the Office considers that these standards are not relevant to its operations.

Standard	Description of revision	Application date	Comments
IFRS 9	The IASB intend that IFRS 9 will replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> in its entirety. IFRS 9 simplifies the classification and measurement of financial assets, removing the numerous categories of financial asset specified in IAS 39, and resulting in one impairment method.	Annual periods beginning on or after 1 January 2013	Unlikely to have a significant impact on the Office's non complex financial instruments.
IFRS 7	Explains the reason for providing qualitative and quantitative disclosures on risks and the benefits to users of financial statements of being able to link the two.	Annual periods beginning on or after 1 January 2011	Unlikely to have a significant impact given the Office's non complex financial instruments.

1.18 Machinery of Government Change – transfer of functions

Following devolution of policing and justice powers on 12 April 2010, responsibility for the audit of various policing and justice bodies transferred from the National Audit Office (NAO) to this Office. From 2011-12 onwards we will no longer receive payment from the NAO for these audits, but instead have agreed a transfer of budget from the NAO. This will have no material effect on the 2011-12 accounts.

2. Reconciliation of Net Resource Outturn to Net Operating Cost

				2010-11 £000	2009-10 Restated £000
	Notes	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn		7,909	8,409	500	8,555
Prior period adjustment		-	-	-	(467)
Non-supply income (CFERs)	4	(1)	-	1	(136)
Non-supply expenditure	8	191	189	(2)	189
Net Operating Cost		8,099	8,598	499	8,141

3. Reconciliation of Net Resource Outturn to Net Cash Requirement

			2010-11 £000	2010-11 £000
	Notes	Estimate	Outturn	Net Total Outturn Compared with Estimate: Saving/(excess)
Net Resource Outturn	2	8,409	7,909	500
Capital				
Acquisition of non-current assets	10, 11	240	236	4
Accruals adjustments				
Non-cash items	8	(410)	(378)	(32)
Changes in working capital other than cash		-	(73)	73
Use of provision	18	100	92	8
Net Cash Requirement		8,339	7,786	553

4. Analysis of Income payable to the Consolidated Fund

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

	Forecast 2010-11 £000		Outturn 2010-11 £000	
	Income	Receipts	Income	Receipts
Operating income and receipts – excess AR	-	-	-	135
Other Operating income and receipts not classified as ARs	-	-	1	1
Operating income payable to the Consolidated Fund	-	-	1	136
Non-operating income and receipts not classified as AR	-	-	-	4
Total income payable to the Consolidated Fund	-	-	1	140

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

	Note	2010-11 £000	2009-10 £000
Operating Income	9	2,804	2,608
Income authorised to be used as ARs		2,803	2,472
Operating income payable to the Consolidated Fund	4	1	136

6. Analysis of Income from services provided to clients

	2010-11			2009-10		
	Income £000	Full Cost £000	Surplus/ (deficit) £000	Income £000	Full Cost £000	Surplus/ (deficit) £000
NAO Agency fees	796	803	(7)	921	919	2
Other financial audit fees	749	862	(113)	694	847	(153)
Local Government audit fees	956	945	11	965	965	-
CFERS	1	1	-	1	1	-
Income from secondments	6	6	-	27	27	-
NFI	296	296	-	-	-	-
	2,804	2,913	(109)	2,608	2,759	(151)

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.

7. Staff numbers and related costs

	2010-11			2009-10		
	Total £000	Permanently employed staff £000	Others £000	Total £000	Permanently employed staff £000	Others £000
Wages and Salaries	6,034	5,590	444	6,405	5,736	309
Social Security Costs	466	466	-	479	479	-
Other Pension Costs	1,188	1,188	-	1,124	1,124	-
Total Costs	7,688	7,244	444	7,648	7,339	309

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

The Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS (NI)] is an unfunded multi-employer defined benefit scheme but the Northern Ireland Audit Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March

2007. Details can be found in the PCSPS (NI) resource accounts www.dfpni.gov.uk/pub-ps-what-we-spend-resource_accounts

For 2010-11, employers' contributions of £1,187,876 were payable to the PCSPS (NI) (2009-10 £1,124,224) at one of four rates in the range 18 to 25 percent of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2011-12, the contribution rate will be in the range 18% to 25%. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account which is a stakeholder pension with an employer contribution. Employers' contributions of £3,022 (2009-10 £2,960) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil, 0.8% of pensionable pay, were payable to the PCSPS (NI) to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Compensation and exit packages for all staff during 2010-11

No compensation and exit packages were provided to staff during 2010-11. Details of compensation and exit packages provided to staff over the last two years are as follows:

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<£10,000	-	-	-	2	-	2
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	-	-	-	-	-
£50,000 - £100,000	-	-	-	1	-	1
Total number of exit packages	-	-	-	3	-	3

Year	Cost of compulsory redundancies £		Cost of other departures agreed £		Total cost of exit packages £	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Resource cost	-	-	-	66,665*	-	66,665

* In 2009-10 we provided £80,950 for early departures. One person exercised their entitlement to commute part of their pension meaning that the actual value of the exit package provided by us was reduced by £14,295.

Exit 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. All exit costs relate to agreed flexible early retirements. All additional costs for early retirements are borne by the Office and not the Civil Service pension scheme until the individual is the age of 60. We account for the total exit cost in the year of departure.

Average number of persons employed

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

	2010-11 Number			2009-10 Number		
	Total	Permanently employed staff	Others	Total	Permanently employed staff	Others
1. Financial audit	89	84	5	83	80	3
2. Value for money audit	37	37	-	39	38	1
3. Governance and fraud prevention	6	6	-	10	10	-
4. Direct support to the Northern Ireland Assembly and members of the public	8	8	-	5	5	-
5. Comptroller function	-	-	-	-	-	-
Total	140	135	5	137	133	4

8. Other Administration Costs

	Notes	2010-11		2009-10 Restated	
		£000	£000	£000	£000
Rentals under operating leases		7		5	
Office running costs		381		365	
Professional Services Brought In		52		40	
National Fraud Initiative costs		252		-	
Travel, Subsistence, Hospitality		86		87	
Recruitment and training		222		256	
Office Supplies/Equipment		136		171	
Other Indirect costs		36		52	
Computer Services		135		136	
Consolidated Fund Standing Services (C&AG's salary)		191		189	
Contracted Out Audits		1,278		1,431	
Legal Fees		29		16	
Internal Auditor's Fees		16		13	
External Auditor's Fees - Audit		12		15	
External Auditor's Fees - Other		4		4	
			2,837		2,780
Non-cash items:					
Depreciation	10,11	388		380	
Provision provided for in year	18	-		81	
Provision not required written back	18	(14)		(150)	
Notional Costs		4		10	
			378		321
Total			3,215		3,101

9. Income

	2010-11 £000	2009-10 £000
Income from NAO	796	921
Other Audit Fees	1,705	1,659
NFI Receipts	296	-
Other Income	7	28
Total	2,804	2,608

10. Property, plant and equipment

	Land £000	Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or Valuation:					
At 1 April 2010	1,000	2,900	456	1,868	6,224
Additions	-	-	123	56	179
Disposals	-	-	(132)	(8)	(140)
Revaluations	(650)	(250)	(2)	(27)	(929)
At 31 March 2011	350	2,650	445	1,889	5,334
Depreciation					
At 1 April 2010	-	-	295	1,186	1,481
Charged in year	-	68	147	124	339
Disposals	-	-	(132)	(8)	(40)
Revaluations	-	(68)	(1)	(19)	(88)
At 31 March 2011	-	-	309	1,283	1,592
Net Book Value					
At 31 March 2011	350	2,650	136	606	3,742
At 31 March 2010	1,000	2,900	161	682	4,743
Asset Financing					
Owned	350	2,650	136	606	3,742
Net book value at 31 March 2011	350	2,650	136	606	3,742

	Land £000	Buildings £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or Valuation:					
At 1 April 2009	1,000	2,900	401	1,786	6,087
Additions	-	-	133	60	193
Disposals	-	-	(121)	(4)	(125)
Revaluations	-	-	43	26	69
At 31 March 2010	1,000	2,900	456	1,868	6,224
Depreciation					
At 1 April 2009	-	-	253	1,055	1,308
Charged in year	-	72	135	119	326
Disposals	-	-	(121)	(4)	(125)
Revaluations	-	(72)	28	16	(28)
At 31 March 2010	-	-	295	1,186	1,481
Net Book Value					
At 31 March 2010	1,000	2,900	161	682	4,743
At 31 March 2009	1,000	2,900	148	731	4,779
Asset Financing					
Owned	1,000	2,900	161	682	4,743
Net book value at 31 March 2010	1,000	2,900	161	682	4,743

Details of the basis of valuation can be found in note 1.5 to the accounts.

11. Intangible Assets

	Software licences £000
Cost or Valuation:	
At 1 April 2010	176
Additions	57
Disposals	(85)
Revaluation	(1)
At 31 March 2011	147
Amortisation:	
At 1 April 2010	138
Charged in year	49
Disposals	(85)
Revaluations	-
At 31 March 2011	102
Net Book Value at 31 March 2010	38
Net Book Value at 31 March 2011	45
Cost or Valuation:	
At 1 April 2009	259
Additions	23
Disposals	(122)
Revaluation	16
At 31 March 2010	176
Amortisation:	
At 1 April 2009	194
Charged in year	53
Disposals	(122)
Revaluations	13
At 31 March 2010	138
Net Book Value at 31 March 2009	65
Net Book Value at 31 March 2010	38

12. Financial Instruments

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

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

13. Inventories and work in progress

	2010-11 £000	2009-10 £000
Work in progress	366	400

14. Trade receivables and other current assets

	2010-11 £000	2009-10 £000
Amounts relating to operating activities		
Trade receivables	219	320
Other receivables	38	48
Prepayments	79	87
	<u>336</u>	<u>455</u>
Amounts due from Consolidated Fund in respect of Supply	-	-
Total	336	455

Within work in progress and trade receivables there is nil (2009-10:£139k) that will be due to the Consolidated Fund once the receivables are collected and work in progress realised.

Within other receivables there is £32k (2009-10:£39k) of non-operating income and receipts not classified as accruing resources that will be due to the Consolidated Fund once collected.

15. Cash and cash equivalents

	2010-11 £000	2009-10 £000
Balance at 1 April	239	120
Net change in cash and cash equivalent balances	(152)	119
Balance at 31 March*	87	239

*The above balance is held at a commercial bank

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

	2010-11 £000	2009-10 £000
Net cash requirement	(7,786)	(8,078)
From the consolidated fund – current year	7,630	8,200
Amounts due to the Consolidated Fund received and not paid	5	1
Amounts due to the Consolidated Fund received in a prior year and paid in current year	(1)	(4)
Increase/(Decrease) in Cash	(152)	119

17. Trade payables and other current liabilities

	2010-11 £000	2009-10 £000
Amounts falling due within one year:		
VAT	40	72
Trade payables and accruals	330	315
Employee benefits accrual	378	338
Total excluding amounts due to Consolidated Fund	748	725
Amounts issued from the Consolidated Fund but not spent at year end	82	237
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
received	5	1
receivable	32	178
Subtotal	867	1,141
Other payables : capital creditor	48	5
Total	915	1,146

18. Provisions for Liabilities and Charges

	2010-11		2009-10
	£000 Early departure costs	£000 Total	£000 Total
Balance at 1 April	174	174	305
Provided in the year	-	-	81
Provisions not required and written back	(14)	(14)	(150)
Provision utilised in the year	(92)	(92)	(62)
Balance at 31 March	68	68	174

Early departure costs

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

19. Note to Statement of Operating Costs by Objectives

Staff and other direct job costs are allocated to objectives on the basis of costs recorded in the Northern Ireland Audit Office's time recording system. Non-direct job costs are allocated to objectives by apportioning them on a pro-rata basis to direct job costs.

The Northern Ireland Audit Office's capital is employed exclusively for administration purposes. Its distribution between objectives is therefore not markedly different from the distribution of the related gross administration cost.

20. Capital Commitments

At the reporting date the Office has no capital commitments.

21. Commitments under leases

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

	2010-11 £000	2009-10 £000
Obligations under operating leases comprise:		
Photocopiers		
Not later than one year	7	7
Later than one year and not later than five years	12	19
Later than five years	-	-
Total	19	26

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

22. Other Financial Commitments

The Northern Ireland Audit Office had no other financial commitments as at 31 March 2011.

23. Financial Guarantees, Indemnities and Letters of Comfort

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

24. Contingent liabilities disclosed under IAS 37

The Office had no Contingent liabilities as at 31 March 2011.

25. 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.

26. Related Party Transactions

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

None of the Management Board or Management Team or other related parties has undertaken any material transactions with the Northern Ireland Audit Office during the year.

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

27. Events after the reporting period

There were no reportable events between the end of the reporting period and the date the accounts were signed. The Comptroller and Auditor General authorised the financial statements for issue on 21 June 2011

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