

Driver & Vehicle Agency
Annual Report and Statement of Accounts for the
year ended
31 March 2017

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

27 June 2017



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Chief Executive's Foreword

I am pleased to present the Annual Report and Accounts for the Driver & Vehicle Agency (DVA) for 2016-17, our first as part of the new Department for Infrastructure. This has been another challenging year in the public sector but one that has, nonetheless, seen us make positive strides on our journey of transforming our organisation into “a cohesive, modern and responsive organisation that provides effective regulation and accessible services to the public and transport industry.”

This will involve the introduction of new, fully integrated ICT systems across the organisation; a modernisation programme for the network of test centres; and the development of our people to equip them with the necessary skills and competences to manage the changing expectations and needs of the modern road user.

Much work has taken place across these three connected strands and much progress has been made, largely through the expert contributions of our staff.

I am delighted, once again, to report that our commitment to customer service has been recognised for a seventh consecutive year through our retention of the prestigious Customer Service Excellence® (CSE) standard. The fact that 97.4% of customers who responded to a recent independent survey said they were satisfied or very satisfied with our performance, confirms that we have done well in that regard.

In terms of overall performance, we achieved 7 of our 12 key performance targets in 2016-17. We have been very effective in delivering the full range of operational services, such as vehicle and driver testing, meeting customer service targets, and resource management.

We have, however, encountered some difficulties and complications in progressing our ambitious Business Transformation Programme as quickly as we had hoped, and in many instances this was caused by factors outside of our control. We had set very challenging targets for all elements of the Programme, but unfortunately fell short of these, in certain cases.

Nonetheless, I am very appreciative to all staff who have worked hard this past year and I thank them for their dedication and hard work.

I look forward, as always, with confidence and optimism, to the year ahead.



Paul Duffy
Chief Executive
20 June 2017

1. PERFORMANCE REPORT

1.1 Overview

Introduction

This commentary sets out the Agency's main objectives, comments upon the organisational context within which we operated and provides a detailed report on performance during 2016-17.

History and Statutory Background

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

The Chief Executive is the Agency Accounting Officer. From 1 April 2016 he reported through the Permanent Secretary of the Department of the Environment to the Minister for the Environment (DOE), and from 9 May 2016, through the Permanent Secretary of the Department for Infrastructure, to the Minister for Infrastructure.

Vision

The Agency's vision is '**Safer vehicles and safer drivers**'.

Mission Statement

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

Programme for Government

The Programme for Government is the anchor document for all Departmental Plans. It contains 14 outcomes and DVA contributes directly to the following 2:

- (1) **We promote a safer society; and**
- (2) **We deliver high quality public services.**

Strategic Objectives

The Agency's strategic objectives are to:

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

Values

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

- Integrity – putting the obligations of public service above personal interests;
- Honesty – being truthful and open;
- Objectivity – basing advice and decisions on rigorous analysis of the evidence; and
- Impartiality – acting solely according to the merits of the case and serving equally well Governments of different political persuasions.

What We Do

DVA is responsible for:

- vehicle and driver testing;
- driver licensing – issuing and, where appropriate, withdrawing licences in respect of drivers of cars, motorcycles, lorries, buses, etc;
- Driver Certificate of Professional Competence (DCPC) and taxi periodic training - assessing the suitability of applicants, checking tuition standards and taking appropriate action when training providers are identified as non-compliant;
- driving and riding instructor registration – assessing the suitability of applicants, checking tuition standards, the delivery of Compulsory Basic Training and taking appropriate action when instructors fail to meet required standards;
- passenger transport licensing – issuing and, where appropriate, withdrawing licences in respect of bus and taxi operators and taxi drivers, and licensing public service vehicles for both the bus and taxi industries;
- compliance audits and enforcement of licensing, roadworthiness and other legal requirements for goods and passenger carrying operators and their vehicles;
- other requirements in relation to vehicles including Transports Internationaux Routiers checks, collision investigations and checking repair work following defect/prohibition notices; and
- technical vehicle and driver standards – ensuring DVA fulfils its legal obligations in respect of the provision of statutory vehicle and driver tests, providing technical advice to Road Safety & Vehicle Regulation Division (RSVRD) to assist in the development of legislation, reviewing legislative changes that may affect the vehicle and driving testing environment, and developing and implementing appropriate standards.

Risk

We have a risk management policy in place which sets out our approach to risk management and risk appetite. The key risks that could have affected our ability to deliver on our key objectives were in relation to “Driver Licensing”, where performance issues associated with the implementation of the new ICT system could cause poor customer service; “Roller Door Failure”, where potential exists for door failures at test centres; and “Transformation Programme”, where implementation of the programme within target timescales is highly dependent on the performance of third parties and ensuring sufficient internal resources are devoted. Effective mitigation strategies are in place for each of these risks.

More detail on Agency risks is outlined in the Corporate Governance Report on page 23.

Overview of Performance

In broad terms, we met 7 of our 12 Key Performance targets.

4 of the 5 key targets that we did not achieve relate to various elements of our Business Transformation Programme. Whilst the targets were not met, our staff worked very hard to ensure that significant progress was made against each.

Much more detail on performance is provided in the following pages.

1.2 Performance Analysis

Our performance has been measured against the key targets in the 2016-17 Business Plan. These targets, together with details of how we performed in relation to each, are set out on page 9.

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

As stated, we met 7 of our 12 Key Performance targets.

Among the key targets achieved was the retention of the Customer Service Excellence® accreditation and the ISO 9001:2008 Quality Standard, both of which illustrate the priority we place on providing a high quality service to our customers.

We have made good progress this year in many areas, including in some of those areas where the business plan targets were not achieved. The 'failure', in many cases, can mask the hard work and effort that was invested and the level of progress that was achieved. In broad terms we have performed very well in our operational business delivery and have simultaneously made good progress in those areas that will serve us and our customers well in the future.

Sustainability Report

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

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

Our performance in relation to the key targets for 2016-17 is summarised in the table below:

1.3 Performance Summary

TARGET NUMBER	PERFORMANCE TARGET 2016-17	RESULT
1	To achieve 80% of Compliance and Enforcement performance targets	Achieved
2	To undertake a survey of goods vehicle compliance	Achieved
3	To implement the remaining elements of Taxi legislation	Achieved
4	To have a design phase of the Test Centre project completed	Not achieved
5	To implement 2016-17 elements of DVA's integrated ICT programme plan including business case approval	Not achieved
6	To develop and implement phase 1 elements of the new Driver Licensing System	Achieved
7	To develop a People Strategy	Not achieved
8	To retain CSE accreditation	Achieved
9	To achieve 6 out of 7 customer service targets	Not achieved
10	To introduce new online/mobile services	Not achieved
11	To achieve 95% customer satisfaction	Achieved
12	To manage finance, information and other resources effectively and efficiently within a strong corporate governance framework	Achieved

A detailed breakdown of performance against key targets and associated objectives is provided below. We have provided explanations as to why we failed to achieve some targets at Section 1.5 on page 12.

1.4 Detailed breakdown of Performance against Key Targets and Associated Objectives

KEY AGENCY TARGET 2016-17 (associated objectives are listed below each target)	OUTCOME
1. To achieve 80% of Compliance and Enforcement performance targets	ACHIEVED
To carry out checks on at least 2,500 HGV units (tractor or trailer)	Achieved
To carry out checks on at least 500 Buses	Achieved
To carry out checks on at least 1,700 Taxis	Achieved
To conduct 60 goods vehicle compliance assessments at operators' premises	Achieved
To conduct 60 bus operator compliance inspections at operators' premises	Achieved
To carry out 15 joint operations with PSNI to assess modified motorcars	Achieved
To carry out a minimum of 8 multi-agency cross border operations	Achieved
To complete a survey to assess compliance with Goods Vehicle Operator Licensing requirements	Achieved
To complete a survey to assess compliance with HGV Road User Levy requirements	Achieved
To review and update relevant enforcement policies & procedures in respect of new legislation introduced through the taxi reform programme	Achieved
2. To undertake a survey of goods vehicle compliance	ACHIEVED
3. To implement the remaining elements of Taxi legislation	ACHIEVED
Implement Taxi meter testing	Achieved
Production of plates	Achieved
Implement changes to the test	Achieved
4. To have a design phase of the Test Centre project completed	NOT ACHIEVED
5. To implement 2016-17 elements of DVA's integrated ICT programme plan including business case approval	NOT ACHIEVED
6. To develop and implement phase 1 elements of the new Driver Licensing System	ACHIEVED
7. To develop a People Strategy	NOT ACHIEVED
8. To retain CSE accreditation	ACHIEVED
9. To achieve 6 out of 7 customer service targets	NOT ACHIEVED
Driver Licensing – process 95% of complete applications within 10 working days	Not Achieved

KEY AGENCY TARGET 2016-17 (associated objectives are listed below each target)	OUTCOME
Appoint 92% of practical driving test applications within 28 days or, on request, at a later date	Not Achieved
Appoint 92% of vehicle test applications within 21 days or, on request, at a later date	Achieved
Reply to 97% of complaints within 10 working days	Achieved
Deal with 98% of written enquiries within 10 working days	Not achieved
Dispatch 95% of taxi plates within 5 working days of receipt of all documentation	Achieved
Dispatch 95% of taxi driver licences within 10 working days of receipt of all documentation	Achieved
10. To introduce new online/mobile services	NOT ACHIEVED
Test the feasibility of mobility solutions for elements of DVA business	Achieved
Implement online elements of phase 1 of the Driver Licensing system	Not achieved
11. To achieve 95% customer satisfaction	ACHIEVED
12. To manage finance, information and other resources effectively and efficiently within a strong corporate governance framework	ACHIEVED
To achieve an unqualified NIAO opinion on the Agency accounts for 2015-16 and lay them within prescribed deadlines	Achieved
Trading Fund financial targets (2015-16)	Achieved
Achieve Breakeven target	Achieved

1.5 Explanation for targets not achieved

Target 4

To have a design phase of the Test Centre project completed

The design phase has been substantially progressed. However the funding of a new network of Driver and Vehicle Test Centres is currently under consideration. As a result the project has been paused.

Target 5

To implement 2016-17 elements of DVA's integrated ICT programme plan including business case approval

Significant progress has been made on several ICT projects, including completion of a proof-of-concept for the use of mobile devices for Compliance Officers and Driving Examiners and the initiation of IT projects for roadside data capture and commercial transport. Whilst there has been business case approval for individual projects, overall business case approval for the programme has been hindered by uncertainties around future procurement options.

Target 7

To develop a People Strategy

Whilst work on the Agency's organisational design has contributed to the People Strategy, competing priorities and the lack of an expert resource has meant this target has not been achieved.

Target 9

To achieve 6 out of 7 of customer service targets

The number of driving test applications received in 2016-17 continued the trend of recent years and increased by 6% compared to 2015-16.

During the year, 18 new driving examiners were recruited and trained, ensuring that 91.4% of applications were appointed within 28 days against a target of 92%.

The Driver Licensing target of 95% of applications processed in 10 working days was not achieved. In November 2016, a new driver licensing IT system was introduced. The transition to the new system required a shutdown of the old system for one week to allow for migration of data to the new system creating a significant backlog of work. The implementation and settling down period for the new system added to that backlog and increased processing times from 10 to 20 working days, resulting in the performance being 75.9% at the end of the year. However, from April to 29 November 2016 the target was achieved. At the end of March 2017, processing times were 18 working days.

Our target in relation to responding to correspondence was not achieved. This was largely due to the implications of the introduction of the new driver licensing IT system, as detailed above.

Target 10

To introduce new online / mobile services

As part of the Replacement Drivers System (RDS) it was proposed to introduce a number of online services in 2016-17 - to allow customers to view their driving licence; track the status of an online application; and request either a renewal or duplicate of an ordinary driving licence. However, delays in the go-live date for the core system meant that implementation of online services has been deferred to the 2017-18 year.

The proof-of-concept project for the use of mobile services was completed, and this technology is now being implemented as part of the Roadside Data Capture project within DVA.

1.6 Performance Summary by Business Area

Driver Licensing

During 2016-17 a total of 276,092 driving licences were issued. The period of validity of a driving licence changed from 3 years to 10 years in 1985. This leads to a 3 year peak renewal period each mid decade – in this case from 1 January 2015 to 31 December 2017.

The Division continued to work closely with colleagues in DfI Road Safety and Vehicle Regulation Division (RSVRD) on changes to policy and legislation.

Driver Testing

We provided 61,892 driving test appointments, marking an increase of nearly 6% on the previous year. It is the third successive annual increase to be recorded since the five consecutive annual falls seen from 2008-09 to 2013-14.

Taxi Reform

Periodic training for taxi drivers came into effect in September 2015. This brings the taxi industry into line with other vocational driving sectors and requires taxi drivers to undertake 35 hours of industry related training every five years. The training must include at least 3.5 hours of disability awareness training and we worked with disability groups to develop suitable courses.

Vehicle Testing

We provided 1,077,910 vehicle test appointments across all vehicle testing categories, marking a small increase of 0.2% on 2015-16. The additional 2,524 appointments provided in the last year represents an increase of 180,415 on the figure of 897,495, which was recorded in 2008-09.

We continued to support RSVRD on the implementation of the Taxis Act (NI) 2008, and the provision of a new regulatory regime affecting the construction, testing and licensing of taxis. We have assisted in the development of new taxi vehicle legislation, and related construction and test criteria affecting standard taxis, special occasion taxis and accessible taxis. This legislation will also help to provide disabled people with an enhanced opportunity to access public transport. In addition, we are preparing for the introduction of a taximeter approval and testing scheme, in support of the new taxi licensing scheme. We also extended the Vehicle Licensing ID inspection service, carried out on behalf of the Driver and Vehicle Licensing Agency (DVLA), to include a more enhanced inspection and reporting service.

Passenger Transport Licensing

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

The remaining elements of the Taxis Act which relate to Taxi Licensing were successfully implemented. This included the introduction of new style taxi plating materials.

In addition, we developed new processes to implement parts of the Immigration Act 2016 relating to right to work requirements for applicants applying for a taxi driver or taxi operator licence. Legislative changes were also introduced to allow the revocation of licences where it has been proven that the licence holder has no right to work. We will continue to work closely with the Home Office to monitor this scheme.

The first phase of development of a new Commercial Transport IT System has been completed. This work will be progressed further during 2017-18 and will, when fully implemented, provide the bus and taxi industries with access to enhanced and streamlined facilities via an online portal and will introduce some self-service facilities.

Compliance and Enforcement

We continued to target our resources against the most non-compliant operators, drivers and vehicles using information received from a wide variety of sources together with profiles developed from compliance and enforcement history captured by the Agency.

We carried out a number of successful multi-agency operations in conjunction with PSNI, HMRC and other enforcement bodies. We also worked closely with the Road Safety Authority in Ireland and the Driver and Vehicle Standards Agency in Great Britain to carry out co-ordinated checks on goods vehicles and buses travelling between jurisdictions.

We continued to support the Transport Regulation Unit (TRU) and Passenger Transport Licensing Division (PTLD) with the delivery of their operator licensing and regulation functions, by providing a range of services including operator repute checks, referrals and briefing material for Public Inquiries and Case Panels.

We delivered a programme of compliance inspections at bus operator and goods vehicle operator premises in response to serious infringements detected at the roadside or as requested by the respective regulator. The inspection process assesses the full range of transport management systems and controls put in place by the operator, such as vehicle maintenance arrangements and the management of drivers' hours requirements, and assists the operator to comply with the requirements by providing advice, guidance and recommendations where shortcomings are identified. The intention is to raise compliance standards across the industry by tackling non-compliance at its source.

The first release of development of a new ICT system to support roadside operations and case management was completed during 2016-17. This built upon initial development work already completed to introduce electronic data capture at the roadside using integrated hand-held tablet devices and will eventually phase out existing manual processes and back office processing to deliver a more efficient and effective service.

Business Transformation

During 2016-17 the Business Transformation Programme continued the detailed planning, analysis and design stages required prior to the implementation of a major change programme.

In addition to the implementation of the Replacement Drivers System, the 'core system' of which went live in November 2016, with work to develop a range of 'online' services being progressed in 2017-18, development began on new Commercial Transport and Compliance Roadside Data Capture ICT systems. Progress was also made on developing a corporate data structure for the Agency – this will allow all DVA data to be held in one location and updated in real-time, and should ensure that the Agency's data is as accurate and up-to-date as possible.

The 'People' strand of Transformation will influence how other areas of the Programme will be taken forward, including a resource management plan which will be required for the new test centre network. A piece of work was completed to consider DVA's current organisational design and how the organisation could be better aligned to implement the changes which Transformation will bring.

The 'Infrastructure' strand continued to progress the design and build of a new test centre network. Significant progress has been made in relation to identifying potential new sites and in the design of the new test centres. The funding of the new network is currently under consideration and, as a result, the project has been paused.

Customer Service

Delivering excellent customer service is very important to us and we continually look for new and better ways to serve our customers, whether through our regular reviews of policies and procedures or through the Staff Focus Groups we have set up. We also believe it is important to measure how satisfied our customers are with what we provide. So, in late 2016 we commissioned an independent customer satisfaction survey of our customers. We ensured that a representative sample of all customer segments was surveyed and that a statistically robust sample responded. This survey showed that the overwhelming majority (97.4%) of those who responded were satisfied or very satisfied with the service they received from us. The results of the survey will be considered as part of the Customer Contact Strategy that is being developed.

In addition, we were assessed against the very demanding and prestigious Customer Service Excellence® standard, and were delighted to achieve the standard, for the seventh consecutive year, with the highest score we have achieved to date.

We also took part in a benchmarking exercise in relation to our customer satisfaction levels, where our scores were compared with those achieved by 48 public sector organisations in GB. Of the 13 customer satisfaction categories tested, we scored highest in all 13.

As part of the Transformation Programme, significant work was undertaken to analyse our contact with customers and how this could be improved. This included working closely with NI Direct, who deal with some customer telephone calls on our behalf, to enable them to resolve more customer calls at first contact, thus ensuring fewer calls come through to DVA business areas. In addition, we have been encouraging customers to use the online booking service rather than the Test Centre counter service and this has resulted in a marked increase in online booking usage.

External Recognition

Aside from the retention of the CSE standard (referred to under 'Customer Service' above) we have also been assessed as fully conformant with ISO 9001:2008 in the Vehicle and Driver Testing business areas respectively.

National Statistics

Many of the key business volumes reported in the DVA Annual Report and Accounts were sourced from DfI National Statistics published on 25 May 2017, in 'DfI Driver, Vehicle, Operator and Enforcement Statistics 2016-17'. This is the latest annual reporting of DfI National Statistics for 2016-17, which is available from the Department's website at:

<https://www.infrastructure-ni.gov.uk/articles/driver-vehicle-agency-activity-statistics>

1.7 Financial Performance

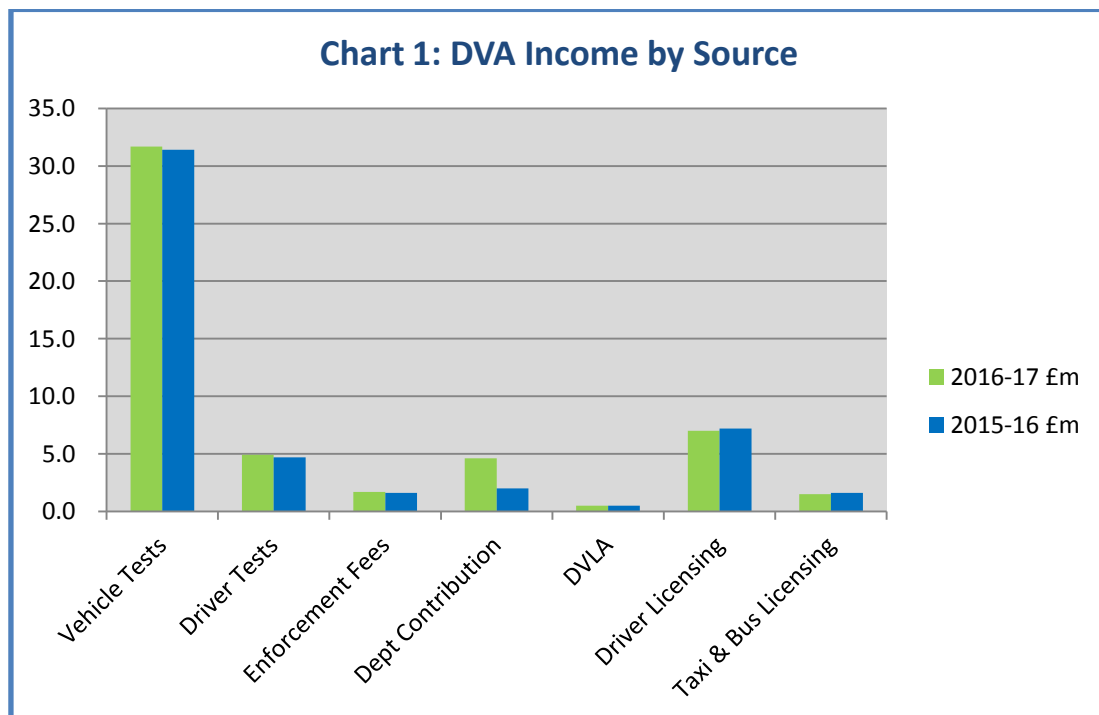
Prior to 1 April 2016 DVA's operations were partly funded under a Trading Fund Order and partly funded by Assembly Supply. As a result of this dual funding arrangement, DVA was required to produce and publish two sets of financial statements: one for DVA Testing covering testing and enforcement activities; and one for DVA Licensing covering licensing activities.

The Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 2016 came into effect on 1 April 2016. This transferred DVA's activities which were previously funded by Assembly Supply into the Trading Fund. As a single funding regime from 1 April 2016, DVA is required to produce one set of financial statements for the whole Agency for the year ended 31 March 2017. The figures in the accounts for 2016-17 show the income, expenditure, assets, liabilities and reserves of all of the Agency's testing, licensing and enforcement functions.

All transfers of functions reported by Trading Funds are accounted for as Transfers by Absorption and the previous year's accounts are not restated to include the additional functions which have transferred into the Trading Fund. Consequently the comparative figures in the 2016-17 accounts are those from DVA Testing's 2015-16 financial statements and exclude the income, expenditure, assets, liabilities and reserves of DVA Licensing. To facilitate comparison of the current and previous years' operational performance, DVA's Statement of Comprehensive Income and Statement of Financial Position for the year ended 31 March 2016 have been reproduced at Appendix A to the accounts on pages 87 and 88. This additional presentation combines the primary statements in DVA Licensing's and DVA Testing's 2015-16 accounts.

Income

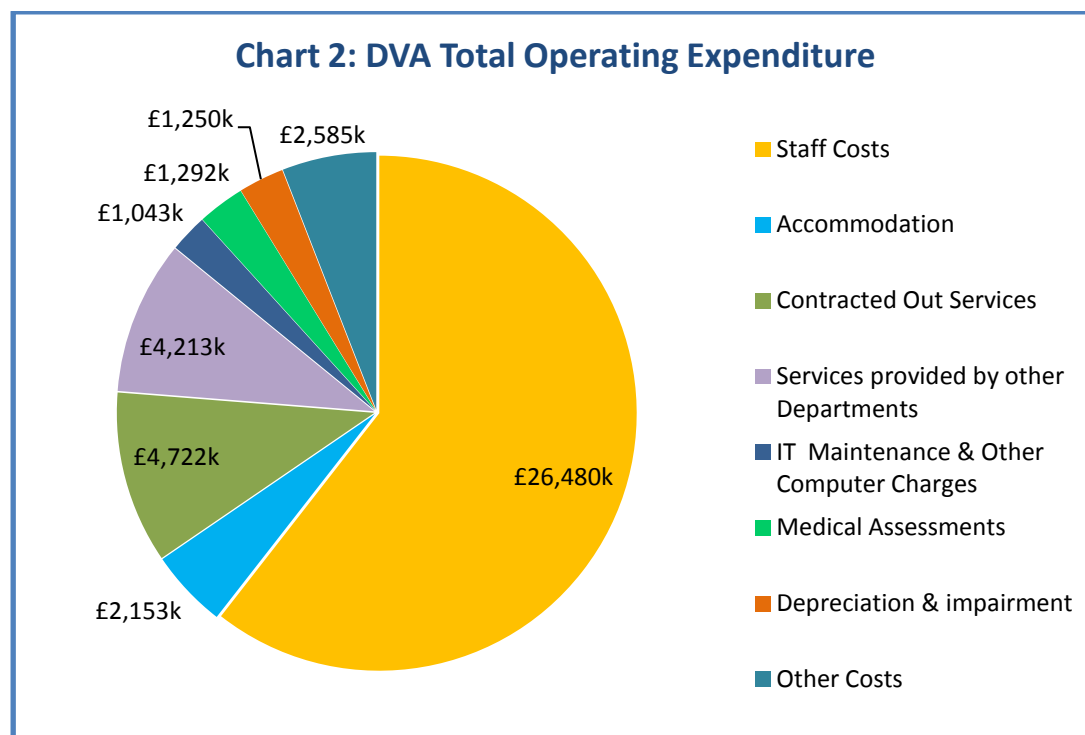
DVA received income of £52.0m during the year, a slight increase on the previous year's income of £51.5m (DVA Testing £42.2m and DVA Licensing £9.3m). A breakdown of income received across our business areas this year is shown in Note 4 to the accounts and in Chart 1 below.



Expenditure

Total operating expenditure during the year totalled £43.7m compared with £47.3m in 2015-16 (DVA Testing £36.1m and DVA Licensing £11.2m). A detailed breakdown of operating expenditure is shown in Notes 5 and 6 to the accounts.

Chart 2 shows the split of 2016-17 total operating costs by key expenditure types.



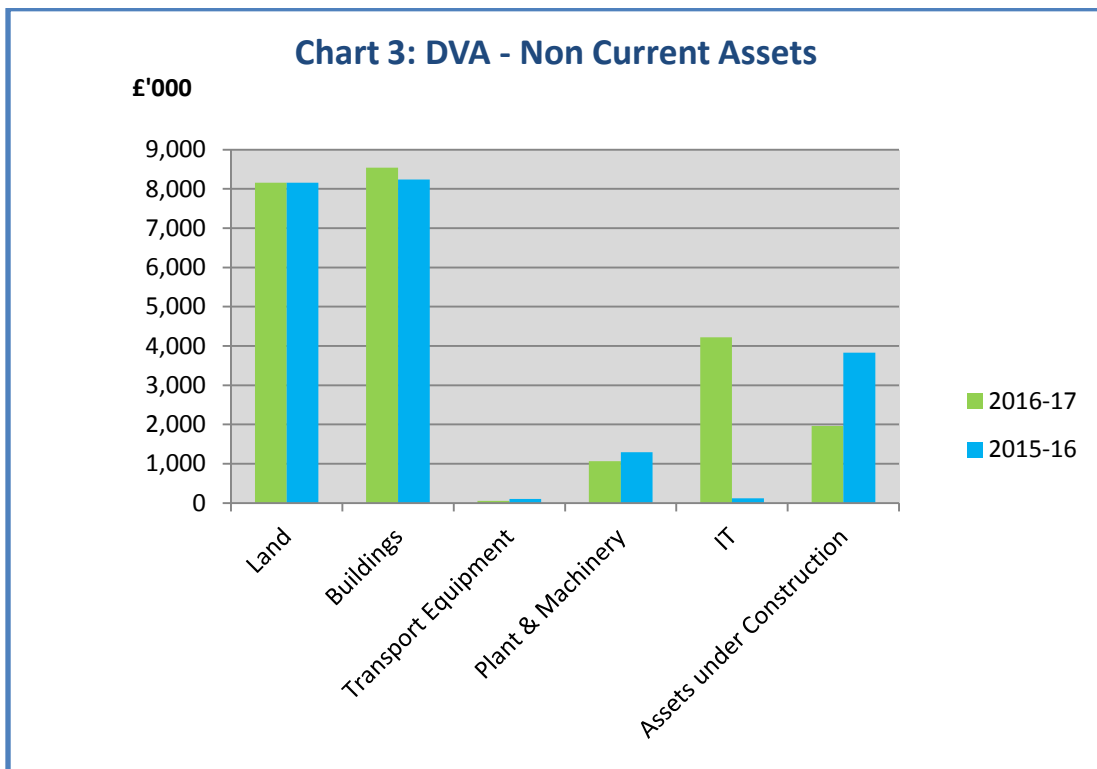
Total operating expenditure was £3.6m lower in 2016-17 than the total for both DVA Testing and DVA Licensing in 2015-16. This decrease was primarily due to savings in contracted out services as customers opt for on-line rather than telephone booking and reduced electricity costs under a new NICS-wide contract. In addition last year's expenditure included one-off costs paid to staff who left through a voluntary exit scheme in 2015-16.

Operating Surplus

The Agency made a surplus for the year of £7m compared with £5.2m in the previous year. This increase was primarily due to funding received from the Department of £1.6m for IT system development, which is included in income but the related expenditure is included in non-current asset additions.

Non- Current Assets

Our combined non-current asset book value at the year-end was £24.0m compared with £21.7m at the end of the previous financial year (DVA Testing £18m and DVA Licensing £3.7m). The Agency does not believe that there is any material difference between the market and book value of its property, plant and equipment and intangible assets. Movements in property, plant and equipment and intangible assets are disclosed in notes 8 and 9 of the Accounts. The non-current asset breakdown is shown in Chart 3.



Key Corporate Financial Targets

DVA is required to break even after interest and dividends taking one year with another. We are also required to achieve a return of at least 3.5% per year on capital employed, calculated by expressing the operating surplus on ordinary activities as a percentage of average net assets employed. A return of 19.8% was achieved during the year compared with 22.95% for 2015-16.

Partnerships

We continued to build on the working relationships already established with our private sector partners for the delivery of services. These include:

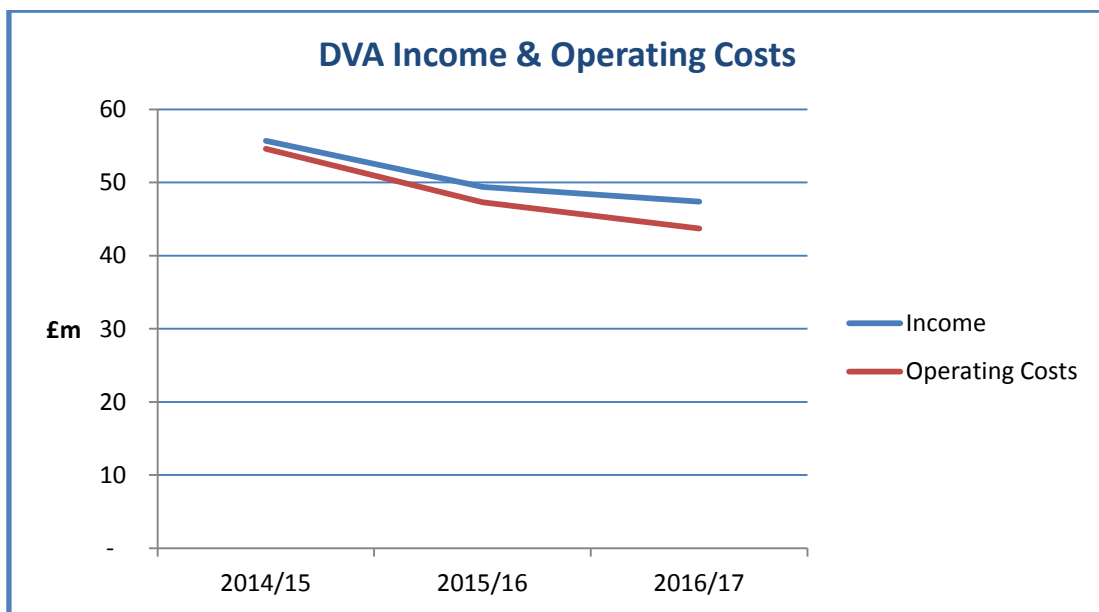
- Maha Ireland Ltd for the maintenance of vehicle test equipment;
- Pearson VUE for the delivery of the theory test service;
- British Telecom through the NI Direct contract for the delivery of the new driver licensing system which went live in November 2016;
- Capita Managed IT Solutions for the provision of booking systems, including telephone and internet booking services, and IT services in support of vehicle testing; and
- The Joint Approvals Unit for Periodic Training for the administration, approval and quality assurance of training providers for the Driver Certificate of Professional Competence.

Long Term Expenditure Trends

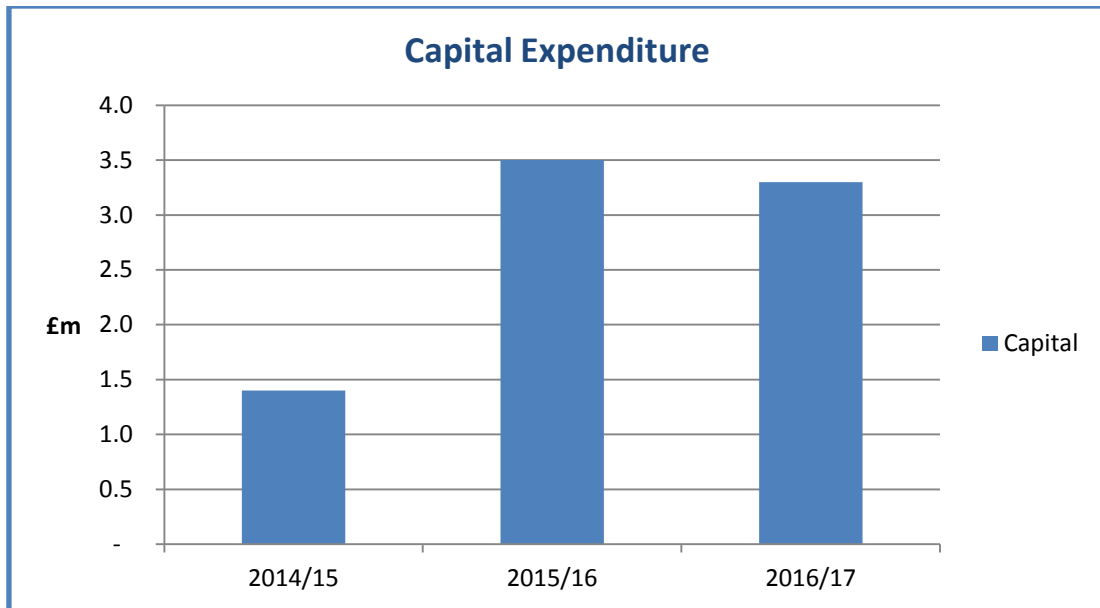
Since 1 April 1996, driver and vehicle testing activities have operated under the provisions of the Driver & Vehicle Testing Agency Trading Fund (Northern Ireland) Order 1996. On 1 April 2016 the Trading Fund Order was extended to include all DVA's operations. This means that all expenditure must be recovered from the fees charged to customers or centrally funded by the Department to match the costs incurred for defined activities. As a trading fund, the Agency is able to increase its expenditure in response to increases in demand and, conversely, is expected to reduce its expenditure in response to falling demand. The Agency plans on the basis that revenue should cover its outgoings.

We are currently working through a major Transformation Programme over the next five years that will upgrade the IT systems and replace the test centres. The capital cost of the Programme will be financed through retained earnings and future borrowing. The Programme aims to deliver efficiencies and improved customer experience.

The following table shows the fees and charges income (excluding subsidies received from the parent Department) and operating expenditure trends over the last three years. The reduction in 2015-16 relates to the loss of vehicle licensing income and related costs following the Department for Transport's decision to centralise vehicle licensing services in GB.



The following table shows the capital expenditure trends over the last three years. Expenditure in the current and previous financial year is primarily due to the development of new IT systems.



Paul Duffy

Chief Executive and Agency Accounting Officer

20 June 2017

2 ACCOUNTABILITY REPORT

2.1 Corporate Governance Report

Directors' Report

Strategic Management Board (SMB)

Agency performance is managed and monitored by the SMB, which met regularly and was responsible for the overall direction and management of the Agency's business. As civil servants, the remuneration of members of the SMB was determined by the normal Northern Ireland Civil Service (NICS) pay arrangements. See the Remuneration and Staff Report on page 42.

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

Paul Duffy	Chief Executive and Agency Accounting Officer
Mike Beare	Director of Transformation
Pat Delaney	Director of Operations
James Hutchinson	Director of Compliance and Enforcement

In addition to the Agency Directors who are members of SMB, Shannon Caldwell also sits on SMB as an independent member.

From the start of the reporting year until 9 May 2016, when the Department for Infrastructure (DfI) was created, the Minister of the Environment was Mark H. Durkan MLA, and the Permanent Secretary was Leo O'Reilly. From the creation of the new Department on 9 May 2016, the DfI Permanent Secretary has been Peter May. Chris Hazzard MLA was appointed Minister for Infrastructure on 25 May 2016 and remained in post to 2 March 2017 when the election for a new Assembly took place. As an Executive has not been formed, no Minister has been in place since 2 March 2017.

Directors' Interests

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

Scope of Accounts

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

Financial Instruments

In accordance with International Financial Reporting Standard 7 - "Financial Instruments: Disclosures" details of the impact of financial instruments on the Agency's risk profile are disclosed at Note 21 of the accounts on page 86.

Audit

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

The audit of the financial statements for 2016-17 resulted in a fee of £22,500 (2015-16: £15,000 for DVA Testing (hard charged) and £9,000 for DVA Licensing (notionally charged)). No remuneration was paid to the external auditor for non-audit work.

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

Pension Liabilities

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are therefore not reflected in these accounts. Details of the scheme are included within the Remuneration and Staff Report which starts on Page 42.

Payments to Suppliers

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

During the year to 31 March 2017, DVA paid 97.4% of the 6,881 invoices (2015-16: 97.2% of 6,443 invoices) received within 30 days and 89.9% (2014-15: 93.1%) within 10 days.

Employee Engagement

We understand the importance of keeping our staff involved in and updated on key issues such as key organisational and policy changes, and progress on the various elements of our Business Transformation Programme.

This engagement is achieved in a number of ways.

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

We have a Business Transformation Newsletter that issues to all staff, keeping them abreast of developments. We actively involve staff in the design and testing of new services and products through workshops and ongoing consultation and this process will continue through the life of

the Transformation Programme.

During this year we have set up a number of Staff Focus Groups, with the purpose of identifying and addressing issues that affect staff. This has been a useful vehicle for providing staff with real opportunities to have an influence on the future of our organisation.

Managers also hold monthly team briefs, to discuss important issues with staff and to find solutions to issues that are raised.

Equal Opportunities

As a government employer, the Agency follows employment best practice by adhering to the NICS Equal Opportunities Policy that states that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. In adhering to its Section 75 responsibilities under the NI Act 1998, the Agency is committed to achieving its aims within the Department's Equality Scheme. In September 2013, the Equality Commission produced a best practice document in which DVA featured as a positive case study, citing both the Theory test and Practical Driving test as good equality practice.

Health and Safety

The health and safety of staff and customers remains paramount and therefore we seek to ensure that the highest standards of health and safety are integrated with improved business performance. The Agency considers Health & Safety legislation as a minimum standard and has established processes in line with the Health and Safety Executive's "Leading Health & Safety at Work" (INDG417) and "Successful Health & Safety Management" (HSG65) to ensure the continual improvement of our Health and Safety Management System. During 2016-17 the Agency undertook a major Noise and Air Quality monitoring programme at Vehicle Test Centres and a review of the Generic Risk Assessments relating to Compliance and Roadside Enforcement activities. The Health and Safety Management System was audited across Operations Testing HQ, Driver Standards, Driver Licensing, Passenger Transport Licensing, Governance & Standards and Business Transformation with an overall compliance rating of 86%. Audit Review exercises were also conducted at Test Centres, to review the implementation of the recommendations within the 2015-16 Audits, and these indicated a compliance rating increase from 88% to 96%. There was also a further decrease in reported accidents at work for the 5th consecutive year.

Corporate Social Responsibility

The Agency continued to support the Northern Ireland Blood Transfusion Service by including leaflets with provisional licences, encouraging people to drive safely and to donate blood. A number of staff also engaged in voluntary and fund-raising work to support the environment and local charities/communities.

Complaints and Compliments

We increased our complaints response target this year – from '95% replied to within 10 working days' to a very challenging 97%. During the year from 1 April 2016 to 31 March 2017 we dealt with 333 complaints and received 135 compliments. We attained a performance level of 98.2% against our complaints target.

The complaints process is managed by our Customer Services team, which produces an annual complaints report containing statistics, analysis, any trends arising, and any lessons learned

that may improve our procedures or the customer experience. This report is made available on the DfI website.

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

Year	Complaints	Performance against target
2016-17	333	98.2%
2015 -16	388	99.23%
2014 -15	337	99.7%

Future Developments and Trends

Business Transformation

The first phase of the new Driver Licensing system was introduced in November 2016. In addition to delivering service efficiencies, additional facilities for citizens will be introduced in 2017-18, such as the ability to renew their licences and view their details online. Development has begun on other DVA systems, which will include the ability for compliance officers to complete operational duties at the roadside and the development of an online application and management system for commercial transport operators.

The Transformation Programme will continue the modernisation of DVA property and services. The development of new ICT systems will improve the management of DVA corporate information, which will enhance services for customers and stakeholders whilst providing organisational efficiencies. The design and development of new test centres will allow DVA to meet its future demands and the increasing complexity of MoT testing, whilst the People strategy will ensure that we have a multi-skilled, well-trained workforce. Significant progress has been made in relation to identifying potential new sites and in the design of the new test centres. The funding of the new network is currently under consideration and, as a result, the project has been paused. We are now updating the analysis of future demand at test centres which we initially conducted in 2015.

Programme of training and logbook

The Road Traffic Act 2016 received Royal Assent on 19 March 2016 and included a package of measures to reform the learner and restricted driver schemes and to introduce Graduated Driver Licensing (GDL). A project team led by DVA was established to take this work forward, which included the development of a programme of training and the logbook. To assist with this work DVA set up a stakeholder group made up of industry representatives, disability groups, the Gaelic Athletic Association (GAA), Young Farmers Clubs of Ulster (YFCU), insurance companies and PSNI. DVA also engaged directly with schools and driving and motorcycle instructors to seek their views prior to setting them out in a public consultation.

Review of Driver Testing and Training

To complement the introduction of GDL a review of the driving test has been included in the GDL project. The review is being carried out in parallel with the introduction of GDL. The review will look at aspects of the test that could be changed that are seen as essential and / or highly desirable for the delivery of GDL. These possible changes were brought to stakeholders for views prior to them being brought to public consultation where further views will be sought.

Events after the Reporting Period

No important events affecting the Agency have occurred since the end of the financial year.

Personal Data Related Incidents

There were 3 minor data breaches against DVA during the year. No loss of data resulted. These were dealt with in accordance with the DfI Information Loss Handling Plan.

Statement of the Accounting Officer's Responsibilities

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

In preparing the accounts the Accounting Officer is required to:

- observe the accounts direction issued by DoF, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual (FRM) have been followed, and disclose and explain any material departures in the accounts/financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

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

Governance Statement

INTRODUCTION

Managing Public Money NI (MPMNI) and the Financial Reporting Manual (FRoM) require that I, as Accounting Officer, provide a statement on how I have discharged my responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of the DVA's objectives, while safeguarding the public funds and assets for which I am responsible.

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

DVA was an executive agency of the Department of the Environment (DOE) until 9 May 2016 when its functions transferred to the Department for Infrastructure (DfI). The Agency's overall aim is to deliver improved road safety and better regulation of the transport sector. DVA is responsible for driver and vehicle testing, driver licensing and passenger transport licensing, and regulation and enforcement within the transport sector in Northern Ireland.

During the year the Agency progressed its Business Transformation Programme, for which the vision is *"to transform the Agency into a more cohesive, modern and responsive organisation that provides effective regulation and accessible services to the public and transport industry"*. The Programme is currently estimated to have a 5-7 year duration and comprises of three main strands:

- **ICT Strand:** This will include the development of integrated ICT solutions, in line with the NI Executive's Digital First strategy. To date, the ICT architecture design has been agreed and six projects under the ICT Programme have been initiated. The first of these projects to deliver on-line services to the citizen will be the new driver licence system, the initial phase of which was introduced in 2016-17. The Agency aims to complete the entire ICT programme by the end of 2019.
- **Infrastructure Strand:** This strand is looking at the Agency's facilities to ensure it has sufficient testing capacity for the future and the ability to meet its statutory and regulatory requirements *and* reduce its carbon footprint. It is considering infrastructure requirements for the driver and vehicle testing, compliance and enforcement and corporate teams. This includes the provision of testing facilities and office accommodation as well as reviewing how the Agency interacts with its customers. Significant progress has been made in identifying new sites and developing the test centre design and network requirements. An external Integrated Design Team (IDT) has substantially progressed the new test centre and site designs that will help to ensure delivery of the construction phase in due course.

- People Strand: This will include the development of a People Strategy which will look at how ways of working can be optimised in line with the changes flowing from the ICT and Infrastructure strands of the Transformation Programme. To date the Agency has undertaken initial research and staff engagement activities, and an external professional services provider has undertaken an analysis of the current people and information challenges impacting the Infrastructure and ICT strands, and developed a roadmap for the People strand.

In broad terms, the Agency met 7 of its 12 key performance targets in 2016-17. It has been quite effective in delivering the full range of operational services, such as vehicle and driver testing, meeting customer service targets, and resource management. However, some difficulties and complications were encountered in progressing the Business Transformation Programme as quickly as had been expected, and, whilst good progress has been made, some targets were not achieved.

The Agency is committed in 2017-18 to make further progress against the Business Transformation targets, and the 'customer service' targets associated with processing Driver Licensing applications and appointing practical driving test applications.

GOVERNANCE STRUCTURES

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

The Minister approves the policy framework within which the Agency operates and the scope of its activities. The Minister approves the resources to be made available to the Agency, approves its Corporate & Business Plan, sets key performance targets and will be advised on the Agency's performance.

The Minister is accountable to the Northern Ireland Assembly on all matters concerning the Department and accordingly retains the right to intervene in the operations of the Agency. The Minister does not normally become involved in the day-to-day operation of the Agency but expects to be consulted by the Chief Executive on the handling of operational matters which could give rise to significant public concern.

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

The Permanent Secretary is the Minister's principal advisor on all driver and vehicle policy matters and, as Principal Accounting Officer, must be satisfied that the Agency has adequate financial systems and procedures in place to promote the efficient and economical conduct of its business and to safeguard financial propriety and regularity.

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

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

DVA Governance Structure



DVA Strategic Management Board

The Strategic Management Board, which I chair, comprised:

- Director of Operations;
- Director of Compliance and Enforcement;
- Director of Transformation; and
- An Independent Board Member.

Representatives from the Department's HR and Finance Divisions also attend to support the Board. An Independent Board Member was appointed to the DVA Board on 28 April 2016. The Board provides the strategic and operational leadership to the Agency, takes responsibility for performance, and provides me with support and advice to the Minister and Permanent Secretary on the implications and effectiveness of policy proposals. The day-to-day operational matters are the responsibility of the Directors, operating within agreed policy frameworks under my direction and control. The Strategic Management Board meets formally each month to consider:

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

The papers produced for the Board are owned by a presenting Director and this role includes ensuring the information contained is robust and adequate. The Board reviews the effectiveness of internal controls, progress on the implementation of audit recommendations and the corporate risk register quarterly.

The Board complied with the Department of Finance and Personnel’s Corporate Governance in central Government Departments: *Code of Good Practice (NI) 2013*. DVA reviewed its Corporate Governance Framework in 2016 and found it fit for purpose.

The Agency undertook a Board Effectiveness Evaluation, led by the DVA Board Secretary. A questionnaire was completed, focusing on Board engagement within the Agency, Board engagement with external stakeholders and Board agenda and forward plan. The findings of the effectiveness evaluation were presented to the Board and agreement was reached on developing an action plan to address areas for improvement. An Action Plan was prepared and the Board agreed to its implementation in May 2016.

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

Executive Members	Position	Meetings attended out of the meetings eligible to attend
Paul Duffy	Chief Executive	12/12
James Hutchinson	Director of Compliance and Enforcement	12/12
Pat Delaney	Director of Operations	11/12
Mike Beare	Director of Transformation	11/12
Shannon Caldwell	Independent Board Member	10/12
Attendees		
Finance Division Representation		11/12
HR Division Representation		12/12

DVA Audit and Risk Assurance Committee

I am supported by the DVA Audit and Risk Assurance Committee, which is a sub-committee of the Board with no executive powers. The Audit and Risk Assurance Committee has formally agreed Terms of Reference, and its principal function is to assist me in the execution of my responsibilities as Agency Accounting Officer for issues of corporate governance and risk management. This includes reviewing the comprehensiveness of assurances provided to it, and reviewing the reliability and integrity of these assurances and whether they are sufficient to support me in my accountability obligations. In accordance with HM Treasury’s Audit and Risk Assurance Committee Handbook (March 2016), the Audit and Risk Assurance Committee Chair provides me with an Annual Report on the work of the Committee. The Audit and Risk Assurance Committee has three independent members, one of which is an Independent Board Member of DVA. During the reporting period Kathryn Hill was appointed as a new Independent

Member, Mike Brooks retired as Chair and Shannon Caldwell, an Independent Board Member, was appointed Chair of the Committee. The Agency is currently seeking to appoint another Independent Member to the Committee. The Committee is also attended by Internal Audit and the Northern Ireland Audit Office (NIAO). The Audit and Risk Assurance Committee undertook a review of its effectiveness using the National Audit Office's 'The Committee Self Assessment Checklist', facilitated by Internal Audit in 2015. The overall review was positive with some minor actions regarding members' training and annual performance review.

Some of the key issues discussed at the Audit and Risk Assurance Committee meetings during the 2016-17 financial year included: the internal audit strategy and annual report; corporate governance issues, including risk management and assurance reporting; the Transformation Programme; accounting implications of the reform of central government departments and the extension of the trading fund; and the NIAO report to those charged with governance and audit strategy.

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

Audit and Risk Assurance Committee Members	Position	Meetings attended out of the meetings eligible to attend
Mike Brooks	Chair of Audit and Risk Assurance Committee (Retired June 2016)	2/2
Shannon Caldwell	Independent Member of Audit and Risk Assurance Committee until June 2016 and appointed Chair from October 2016	4/4
Kathryn Hill	Independent Member of Audit and Risk Assurance Committee from Department of Health (Appointed May 2016)	4/4
Attendees		
Paul Duffy	Chief Executive	3/3
James Hutchinson	Director of Compliance and Enforcement	3/3
Lucia O'Connor	Head of DVA Financial Management and Governance, DfI	3/4
Shirley Archibald	Head of DVA Systems and Accounts	3/4
Internal Audit Representation		3/3
External Audit Representation		3/3

Transformation Programme Board

The Transformation Programme Board is subordinate to the Strategic Management Board and has no executive powers. The Programme Board manages the strategic direction of the Transformation Programme, resolves strategic issues between projects, and ensures robust governance of the Programme. The Board is convened at key stages of the Programme where approval is required and it ensures the Programme delivers against the Programme plan within agreed boundaries for time, cost and benefits. The Transformation Programme Board consists of Paul Duffy (Senior Responsible Owner), Moira Doherty (DfI Director of Public Transport Division), Stewart Heaney (DoF Central Procurement Directorate), James Hutchinson (Director of Compliance and Enforcement) and Pat Delaney (Director of Operations). Fiona McCandless (DfI Deputy Secretary) left the Board after the September 2016 meeting.

Corporate Services

The corporate services functions, including Finance, IT and HR, are provided to the DVA by the Department. The costs of these services are charged to the Agency. The responsibility for the delivery of these services falls to either the Director of Finance or the Director of Human Resources. I have noted that Internal Audit assigned a satisfactory assurance rating to the review of HR Services across the Department and the review of Financial Management within the Department and its agencies in 2015-16. This has reassured me in regard to the robustness of the arrangements between HR and Finance and DVA. In addition, during the reporting period Internal Audit assigned a satisfactory assurance rating to Professional & Technical Personnel across the Department and the review of Financial Management – AccountNI Processing within the Department and its agencies. This has given me further reassurance in respect of these arrangements.

Conflicts of Interest

Strategic Management Board and Audit and Risk Assurance Committee Members are required to declare all interests which might be thought to give rise to a conflict of interest. At Board and Committee meetings a standing agenda item on declarations of interest is included and brought to the attention of Members by the Chair to ensure efficient management of potential conflicts. No conflicts of interest were identified or managed during 2016-17 in line with this agreed procedure. The Agency reviewed its Conflict of Interest Policy and Code of Conduct Policy in line with best practice during the reporting period and revised policies were approved by the Agency's Strategic Management Board in March 2017.

RISK MANAGEMENT AND CONTROL FRAMEWORK

Approach to Risk

DVA accepts that risk is inherent in all its activities and has developed its risk management strategy to minimise the impact of adverse risks while maximising the benefits to the DVA. This allows the DVA to meet its objectives, use its resources effectively and take advantage of all positive opportunities. The system of risk management identifies the risks associated with the achievement of DVA objectives. DVA's approach is to assign risks to those best placed to manage them whilst maintaining clear accountability. A governance unit acts as a central point for coordinating and monitoring of the Agency Risk Register and lower level risk registers. The Corporate Risk Register contains those risks that could have a significant impact on the Agency. Risks that can be managed at operational level remain within the respective directorate. This assists with embedding of risk management into the activities of each directorate.

The risk management cycle is a "top-down" and "bottom-up" exercise that allows risks to be identified and managed at Agency and divisional levels and to be escalated as appropriate. Significant risks are escalated to the Department. Each business area prioritises risk against standardised risk impact/likelihood descriptors to reduce subjectivity in assessing risk. Corporate risks and directorate risks were documented in risk registers and reviewed formally four times during the year. The Board formally discusses the Corporate Risk Register quarterly, concentrating on progress with actions to avoid and mitigate the key risks. The effectiveness of the Agency's risk management process was reviewed by Internal Audit during the 2015-16 year which confirmed that a robust system was in place.

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

- Reputation: Averse (preference for safe option with low degree of residual risk)
- Operational: Averse
- Financial: Open (willing to consider all potential delivery options and choose one most likely to result in success)
- Compliance: Averse
- Corporate Governance: Averse
- Change: Open
- Health and Well Being: Averse

This is refreshed at least annually by the Board.

The Corporate Risk Register has currently eight key risks covering:

- Finance;
- Fraud;
- Procurement & Contract Management;
- Data Security;

- Health and Safety;
- Transformation Programme;
- Roller Door Failure; and
- Driver Licensing Division.

The key risks above relating to Finance, Fraud and Health and Safety are inherent risks that the Agency always needs to monitor. The Agency continually monitors these risks and puts in place a number of actions to mitigate such risks from occurring.

The key risks that could have affected our ability to deliver on our key objectives were in relation to the 'Driver Licensing Division', 'Roller Door Failure' and the 'Transformation Programme'.

Our Driver Licensing IT System was originally due to be replaced by 31 March 2016. However, due to the complexities of the rules and regulations governing the issue of driving licences, and the difficulties in writing them into the business rules of the new system, the system went live in November 2016. The introduction of the new system and work practices has increased the turnaround times for processing driver licences, resulting in a backlog of applications. A number of steps have been taken to address the backlog and improve overall performance.

There were significant failures with the roller shutter doors at a number of test centres. However, through effective management of the door maintenance contractor, ongoing monitoring and the implementation of a scheduled maintenance regime, we have mitigated the risk of staff or customers being injured, vehicles damaged or services disrupted.

The implementation of the Business Transformation Programme within target timescales is highly dependent on the performance of third parties and ensuring sufficient internal resources are devoted to the Programme without compromising existing high standards of operational service. To achieve this we have put strong governance arrangements in place, ensured heads of business are closely involved in resource allocation, and that there is appropriate involvement of the Department of Finance's Central Procurement Directorate and Digital Transformation Service in the Programme to help develop and improve the management of relevant third party contracts.

Controls and Assurance Framework

The DVA's system of internal control is designed to provide a governance structure for decision-making and provide proper controls to ensure the safeguarding of resources and the achievement of value for money. This system of internal control was in place for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts.

In preparing the Governance Statement and reviewing the effectiveness of the system of internal control, I seek to place reliance on information and assurances. The approach taken is similar to the 'Three Lines of Defence' model which illustrates that assurance can come from

both within and outside the DVA and can be derived from a variety of sources, with differing levels of objectivity and independence. All assurances contribute to the overall picture on how well the DVA is managing the delivery of its objectives and the risks that could put those objectives in jeopardy. Assurance can be obtained using different sources such as management assurance statements, risk management framework, Audit and Risk Assurance Committee and Internal Audit.

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

Internal Audit provided me with a ‘Satisfactory Opinion’ regarding the adequacy and effectiveness of the risk management, control and governance process within the Agency.

During 2016-17, the following Internal Audit assignments were completed:-

Area of Activity	Report Status	Audit Opinion
DVA Financial Management – Compensation Payments	Final	Satisfactory
Procurement and Contract Management within DVA	Final	Satisfactory
Driver & Vehicle Testing - Operations	Final	Satisfactory
Corporate Governance within DVA	Final	Satisfactory

Testing Quality Unit

The Testing Quality Unit, utilising a range of quality control and quality assurance processes including those associated with ISO accreditation, assists in maintaining and reviewing the effectiveness of the system of internal control. It conducts a programme of audits at test centres covering the administration, supervision and delivery of the practical driving test and vehicle inspection activities for Private Cars and Goods Vehicles, in accordance with statutory requirements.

STEWARDSHIP OF RESOURCES

Financial Management

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

Data Handling, Security and Information Risk

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

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

Information management is among the range of control issues covered by Board members' assurance statements. The completion of these statements provides assurance that information used for operational purposes is handled appropriately, particularly where it is used by third parties or other parts of government, and that information risks are being managed effectively within the DVA. There were 3 minor data breaches and no incidents of data loss during the year.

Fraud Arrangements

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

Whistle Blowing/Wrongdoing Policy

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

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

During the reporting period, there were 8 actual, 8 attempted but prevented, and 1 suspected case of fraud regarding allegations from a whistleblower that a named vehicle examiner was receiving cash for vehicle test pass certificates. All cases were reported to the NI Audit Office and 6 cases were reported to the PSNI.

SIGNIFICANT ISSUES

Driver Licensing System

The go-live date for implementation of the Replacement Drivers System was delayed due to the complexities of the driver licensing legislation, and the system was implemented on 28 November 2016. It has taken some time for the new system and the changes in operational procedures to bed in and as a result processing times for applications has increased.

A number of steps have been taken to improve processing times, including allocating additional staff to process applications and answer telephone enquiries. As a consequence of these measures, the backlog is steadily reducing and DVA is confident that the delays currently being experienced will soon be resolved. The issue is also expected to be alleviated as a result of the following:

- The proposed implementation of online services in 2017-18 should reduce workloads within the Division and increase the available time staff have to process applications; and
- The 3 year peak renewal period is due to end in December 2017, reducing the number of renewal applications received by the Agency.

Progress of Business Transformation Programme

The Agency encountered difficulties and complications in progressing its Business Transformation Programme. This had a significant impact on the achievement of key performance targets during the reporting period, with 4 of the 5 targets not achieved relating to this Programme.

The target concerned with completing the design phase of the Test Centre project has been substantially progressed, however, the network and funding proposals remain under consideration and, as a result, the design phase of the project has been paused. Failure to progress with the new test centre project on a timely basis could result in the Agency not having sufficient capacity to meet the growing demand for its services, and/or the flexibility required to provide compliant services in the future.

The implementation of the ICT elements of the Business Transformation Programme within target timescales is highly dependent on the performance of third parties. In the period ahead the Agency will have restricted use of the NI Direct Contract to progress the ICT Programme, and as such, completion within target timescales will be dependent on the timely procurement of appropriate external ICT services. The Agency aims to complete the entire ICT programme by the end of 2019, taking account of the need to undertake the necessary procurement activities.

2.2 Remuneration and Staff Report

Remuneration Report

Remuneration Policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) to allow progression through the pay scales within a reasonable period of time.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

Salary and Pension Entitlements

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

Senior Management Remuneration [audited information]

Officials	2016 - 2017					2015 - 2016				
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Pension Benefits *	Total	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Pension Benefits *	Total
	£'000	£'000	£100)	£'000	£'000	£'000	£'000	£100)	£'000	£'000
Mr P Duffy Chief Executive	65 - 70	-	-	37	105 - 110	65 - 70	-	-	38	105 - 110
Mr P Delaney Director	60 - 65	-	-	29	85 - 90	55 - 60	-	-	27	85 - 90
Mr J Hutchinson Director	60 - 65	-	-	27	85 - 90	60 - 65	-	-	34	95 - 100
Mr M Beare Director	55 - 60	-	-	27	85 - 90	55 - 60	-	-	27	80 - 85

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

	At March 2017 £	At March 2016 £
Band of highest paid Director's total remuneration	70,000 - 75,000	65,000 - 70,000
Median total remuneration	23,963	23,603
Ratio	3.03	2.86

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

The banded remuneration of the highest paid director in DVA at March 2017 was £70,000-75,000 (March 2016: £65,000-70,000). This was 3.03 times (March 2016: 2.86) the median remuneration of the workforce, which was £23,963 at the same date (March 2016: £23,603).

In 2016-17, no (2015-16: none) employees received remuneration in excess of the highest-paid director. Remuneration as at 31 March 2017 ranged from £17,000 to £71,000 (2015-16: £16,000 to £68,000).

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

Salary

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

Benefits in Kind

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

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2016-17 relate to performance in 2016-17 and the comparative bonuses reported for 2015-16 relate to the performance in 2015-16.

Pensions Entitlements [audited information]

Officials	Accrued pension at pension age as at 31/03/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/17 or date of leaving if earlier	CETV at 31/03/16**	Real Increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest
Mr P Duffy Chief Executive	25 - 30 plus 70 - 75	0 - 2.5 plus 0 - 2.5	441	402	19	-
Mr P Delaney Director	25 - 30 plus 80 - 85	0 - 2.5 plus 2.5 - 5	573	523	26	-
Mr J Hutchinson Director	15 - 20 plus 40 - 45	0 - 2.5 plus 0 - 2.5	267	243	11	-
Mr M Beare Director	20 - 25 plus 70 - 75	0 - 2.5 plus 2.5 - 5	506	460	25	-

** The GMP has been applied as an annual value for both years.

Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. 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 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the cost of living.

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the cost of living.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 – 31 March 2018 are as follows:

Scheme Year 1st April 2017 to 31st March 2018

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – Classic members or classic members who have moved to Alpha	Contribution rates – All other members
From	To	From 1 April 2017 to 31 March 2018	From 1 April 2017 to 31 March 2018
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,422.99	4.6%	4.6%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65.

Further details about the NICS pension schemes can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in the factors and focuses only on the increase that is funded by the employer.

Compensation for Loss of Office

No compensation payments were made or are due to any of the senior management for DVA under Civil Service Compensation Scheme (Northern Ireland) (CSCS (NI)) in the year ending 31 March 2017 (2015-16: none).

Staff Report

Staff costs comprise: [audited information]

	2016-17 £'000 Permanently Employed Staff	2016-17 £'000 Others	2016-17 £'000 Total	2015-16 £'000 Total
Wages and Salaries	19,683	825	20,508	20,343
Social Security Costs	1,881	-	1,881	1,352
Other Pension Costs	4,091	-	4,091	4,090
Early Departure Costs	-	-	-	2,122
Total Cost	25,655	825	26,480	27,907

The Northern Ireland Civil Service pension schemes are unfunded multi-employer defined benefit schemes but DVA is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2017.

For 2016-17, employers' contributions of £4,084,044 were payable to the NICS pension schemes (2015-16: £4,085,041) at one of four rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2017-18, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £6,512 (2015-16: £4,973) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015-16: 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £266, 0.5% (2015-16: £332, 0.5%) of pensionable pay, were payable to the NICS Pension Schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the reporting period date (2015-16: none). No contributions were prepaid at that date (2015-16: none).

Two people (2015-16: six people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £9,387 (2015-16: £23,065).

Average number persons employed

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

	2016-17 Number Permanent Staff	2016-17 Number Others	2016-17 Number Total	2015-16 Number Total
Directly Employed	758	-	758	773
Other	-	47	47	22
Total	758	47	805	795

Reporting of compensation and exit packages for all staff 2016-17 [audited information]

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
	2016-17	2016-17	2016-17	2015-16
<£10,000	-	1	1	3
£10,000 - £25,000	-	-	-	20
£25,000 - £50,000	-	-	-	37
£50,000 - £100,000	-	-	-	7
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages	-	1	1	67
Total resource cost £'000	-	6	6	2,129

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

The table below shows the actual number of staff in post in the Agency at 31 March 2017, the full-time equivalent number and the gender breakdown, and for comparison purposes, the statistics at 31 March 2016.

Actual Staff in post within DVA at 31 March 2017:

	31 March 2017			
	Male	Female	Total	FTE
Business Transformation				
Permanent	16	18	34	33.07
Temporary	-	-	-	-
Total (Permanent + Temporary)	16	18	34	33.07
Reduced hours	2	-	2	1.17
Compliance & Enforcement				
Permanent	62	54	116	113.44
Temporary	9	3	12	7.5
Total (Permanent + Temporary)	71	57	128	120.94
Reduced hours	2	7	9	6.62
Operations				
Permanent	498	141	639	617.99
Temporary	9	18	27	27
Total (Permanent + Temporary)	507	159	666	644.99
Reduced hours	15	42	57	36.93
DVA Total				
Total (Permanent + Temporary)	594	234	828	799

Actual Staff in post within DVA at 31 March 2016:

	31 March 2016			
	Male	Female	Total	FTE
Business Transformation				
Permanent	16	22	38	36.67
Temporary	-	-	-	-
Total (Permanent + Temporary)	16	22	38	36.67
Reduced hours	3	2	5	3.67
Compliance & Enforcement				
Permanent	60	49	109	107.23
Temporary	-	-	-	-
Total (Permanent + Temporary)	60	49	109	107.23
Reduced hours	1	6	7	5.23
Operations				
Permanent	494	144	638	617
Temporary	-	-	-	-
Total (Permanent + Temporary)	494	144	638	617
Reduced hours	15	50	65	44
DVA Total				
Total (Permanent + Temporary)	570	215	785	760.9

Sick Absence

In 2016-17 DVA achieved an overall average of 12.1 days of sick absence per staff member, as compared to an average of 14.1 days per person in 2015-16.

The 2016-17 figure equates to a total of 9,177 days (2015-16: 10,956 days) lost due to staff illness.

We are continuing to work closely with colleagues in Human Resources to reduce the level of absence.

Learning and Development

We continued to invest significantly in our people during the year, with some 2,464 days of training and development delivered across the Agency. This included 2,051 days of technical training for our Testing teams, and an estimated 134 days of computer based learning for all staff.

Training and development needs were met by various delivery methods, covered a wide range of business areas and all grades and disciplines.

Expenditure on consultancy

There was no consultancy expenditure in 2016-17.

2.3 Assembly Accountability and Audit Report

This Assembly Accountability and Audit Report is produced to comply with the requirements of the Financial Reporting Manual (FReM) 2016-17.

Accounts Direction

The financial statements have been prepared in accordance with the 2016-17 Financial Reporting Manual (FReM) issued by the Department of Finance (DoF). The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

Business Activity Attracting Fees and Charges [audited information]

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

	2016-17			2015-16			Objective
	Income	Cost	Annual (Surplus)/ Deficit	Income	Cost	Annual (Surplus)/ Deficit	
	£'000	£'000	£'000	£'000	£'000	£'000	
Vehicle testing	(31,686)	27,217	(4,469)	(31,429)	27,579	(3,850)	
Driver testing	(4,946)	4,084	(862)	(4,843)	4,472	(371)	
Enforcement	(1,665)	3,833	2,168	(1,629)	3,420	1,791	(3)
Other activities	(120)	261	141	(2,219)	1,811	(408)	
Driver Licensing	(7,007)	6,836	(171)	(7,223)	6,779	(444)	(1)
Vehicle Licensing Court Prosecution	(483)	483	-	(501)	501	-	Full cost Recovery
Taxi Licensing	(1,304)	1,706	402	(1,357)	1,772	415	Full cost Recovery (2)
Road Transport Licensing	(186)	192	6	(209)	201	(8)	Full cost Recovery
	(47,397)	44,612	(2,785)	(49,410)	46,535	(2,875)	
DFI resource subsidy	(2,954)	-	(2,954)	(1,791)	-	(1,791)	(3)
DFI capital subsidy	(1,600)	-	(1,600)	(258)	-	(258)	(3)
Activities not attracting fees & charges	(44)	654	610	(6)	1,924	1,918	(4)
Adjustment for notional insurance	-	(285)	(285)	-	(309)	(309)	
Total	(51,995)	44,981	(7,014)	(51,465)	48,150	(3,315)	

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

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

(3) The 2015-16 Enforcement subsidy was previously included in Enforcement income. This has been adjusted to show the subsidy separately in line with the 2016-17 presentation.

(4) The decrease in deficit for other activities not attracting fees and charges from £1,918k to £610k is due to 2015-16 VES costs, surplus vehicle staff costs and a one-off accommodation provision funded by the Department.

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

Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS37, the agency also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. As at the 31st March 2017, the agency had no remote contingent liabilities.



Paul Duffy

Chief Executive and Agency Accounting Officer

20 June 2017

DRIVER AND VEHICLE AGENCY

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

I certify that I have audited the financial statements of the Driver and Vehicle Agency for the year ended 31 March 2017 under the Financial Provisions (Northern Ireland) Order 1993. The financial statements comprise the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability & Audit Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Financial Provisions (Northern Ireland) Order 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff 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 Driver and Vehicle Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Driver and Vehicle Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Driver and Vehicle Agency's affairs as at 31 March 2017 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Financial Provisions (Northern Ireland) Order 1993 and Department of Finance directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited have been properly prepared in accordance with the Department of Finance directions made under the Financial Provisions (Northern Ireland) Order 1993; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



KJ Donnelly

Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
23 June 2017

3. FINANCIAL STATEMENTS

Statement of Comprehensive Income

for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Income			
Operating income	4	(51,995)	(42,169)
Expenditure			
Staff costs	5	26,480	22,661
Other operating costs	6	17,258	13,425
Total operating expenditure		43,738	36,086
Operating surplus before finance income		(8,257)	(6,083)
Finance income		(44)	(48)
Finance costs		108	-
Net finance costs/(income)		64	(48)
Operating surplus after finance costs/income		(8,193)	(6,131)
Dividends	7	1,179	935
Retained surplus for the year		(7,014)	(5,196)

Other Comprehensive Income

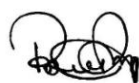
	Note	2016-17 £'000	2015-16 £'000
Net gain on revaluation of property, plant and equipment	8	(142)	(267)
Net gain on revaluation of intangibles assets	9	(84)	-
Comprehensive net income for the year		(7,240)	(5,463)

The notes on pages 63 to 86 form part of these accounts

Statement of Financial Position

as at 31 March 2017

	Note	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Property, plant and equipment	8	18,242	17,787
Intangible assets	9	5,742	238
Total non-current assets		23,984	18,025
Current assets			
Inventories	10	35	24
Trade and other receivables	11	726	1,030
Cash and cash equivalents	12	27,308	22,206
Total current assets		28,069	23,260
Total assets		52,053	41,285
Current liabilities			
Trade and other payables	13	(8,252)	(7,052)
Provisions for liabilities and charges	14	(321)	(295)
Total current liabilities		(8,573)	(7,347)
Total assets less current liabilities		43,480	33,938
Non-current liabilities			
Financial liabilities	13	(3,130)	-
Provisions for liabilities and charges	14	(710)	(800)
Total non-current liabilities		(3,840)	(800)
TOTAL ASSETS LESS TOTAL LIABILITIES		39,640	33,138
Taxpayers' equity and other reserves			
Public dividend capital		3,927	2,100
Revaluation reserve		6,906	6,808
Retained earnings		28,807	24,230
TOTAL EQUITY		39,640	33,138



Paul Duffy

Chief Executive and Agency Accounting Officer

20 June 2017

The notes on pages 63 to 86 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17	2015-16
		£'000	£'000
Cash flows from operating activities			
Retained surplus for the year		7,014	5,196
Adjustments for non-cash transactions		1,005	1,375
<i>Adjustment for items not relating to operations</i>			
Finance income		(44)	(48)
Finance costs		108	
Dividends	7	1,179	935
Decrease/(increase) in trade and other receivables	11	304	(224)
Increase in inventories	10	(11)	(2)
Increase/(decrease) in trade payables	13	1,200	(96)
<i>Less movements in payables relating to items not passing through the SoCI</i>			
(Increase)/decrease in capital accrual		(497)	273
Decrease/(increase) in dividend accrual	13	487	(100)
Increase in interest receivable		-	1
<i>Adjustment for non-cash movements on extension of trading fund at 1 April 2016</i>			
Net tangible assets transferred in		(45)	-
Net intangible assets transferred in		(3,667)	-
Provisions transferred in		1,218	-
Increase in Loan term loan		3,130	-
Revaluation reserve transferred in		5	-
Increase in Public Dividend Capital		1,827	-
Decrease in retained earnings		(2,570)	-
Use of provisions	14	(1,037)	(231)
Net cash inflow from operating activities		9,606	7,079

The notes on pages 63 to 86 form part of these accounts

Statement of Cash Flows (continued)

for the year ended 31 March 2017

	Note	2016-17 £'000	2015-16 £'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,543)	(425)
Purchase of intangible assets		(1,231)	(236)
Interest received		44	47
Net cash outflow from investing activities		(2,730)	(614)
Cash flows from financing activities			
Dividends paid		(1,666)	(835)
Interest paid		(108)	-
Net cash outflow from financing activities		(1,774)	(835)
Net increase in cash and cash equivalents in	12	5,102	5,630
Cash and cash equivalents at the beginning of	12	22,206	16,576
Cash and cash equivalents at the end of the	12	27,308	22,206

The notes on pages 63 to 86 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	Note	Retained Earnings £'000	Revaluation Reserve £'000	Public Dividend Capital £'000	Total Equity £'000
Balance as at 1 April 2015		18,929	6,646	2,100	27,675
Net gain on revaluation of property, plant and equipment		-	267	-	267
Transfer between reserves for realised depreciation		105	(105)	-	-
Retained surplus for the year		5,196	-	-	5,196
Balance as at 31 March 2016		24,230	6,808	2,100	33,138
Adjustments on extension of Trading Fund at 1 April 2016		(2,570)	5	1,827	(738)
Net gain on revaluation of property, plant and equipment	8	-	142	-	142
Net gain on revaluation of intangible assets		-	84	-	84
Transfer between reserves for realised depreciation		133	(133)	-	-
Retained surplus for the year		7,014	-	-	7,014
Balance as at 31 March 2017		28,807	6,906	3,927	39,640

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

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FReM) issued by the Department of Finance (DoF). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

1.1 Application of newly issued accounting standards

The International Accounting Standards Board (IASB) issued new and amended standards that are effective for the first time in 2016-17. These have been reviewed and the assessment is that their adoption has not had any significant impact on the amounts reported in these financial statements. There have been no substantial updates to the FReM as a result of these changes.

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

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out but a decision has yet to be made by the Executive. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALB's apply IFRS in full and their consolidation boundary may change as a result of the new Standards.

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

1.2 Accounting convention

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

1.3 Property, plant and equipment

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

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

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

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

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

1.4 Intangible assets

Intangible assets comprise software development and software licenses.

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

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

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

1.5 Depreciation and amortisation

Freehold and long leasehold land are not depreciated.

Depreciation and amortisation is provided at rates calculated to write down the valuation of property, plant and equipment and intangible assets to the estimated residual value by equal instalments over their estimated useful lives. The estimated useful economic lives are normally in the following ranges:

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

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

1.6 Operating income

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

1.7 Employee benefits including pensions

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

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

1.8 Value added tax (VAT)

Most of the activities of DVA are outside the scope of VAT and VAT is reclaimed centrally by the Department of Finance. All items in the Statement of Comprehensive Income are therefore exclusive of VAT.

1.9 Leases

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

1.10 Provisions

DVA provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Department of Finance.

1.11 Contingent liabilities

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

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

1.12 Financial instruments

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

1.13 Inventories

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

1.14 Return on capital employed

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

1.15 Finance income and finance costs

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

1.16 Notional charges

Prior to 1 April 2016 notional amounts were charged to the Statement of Comprehensive Income in respect of services provided free of charge by other Government bodies to DVA's Enforcement function in order to reflect the full cost of these services. From 1 April 2016 DVA pays for all services provided by Government bodies and there are no notional charges in the accounts.

1.17 Public dividend capital

Under Article 5(2) of the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 1996, Public Dividend Capital (PDC) of £2,100,000 was created in order to facilitate commencement of operations of the Driver & Vehicle Testing Agency. On 1 April 2016 the Department transferred further operations into the Trading Fund under the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 2016 creating additional PDC of £1,826,948 to facilitate an extension of operations, bringing total PDC to £3,926,948.

Under the requirements of IAS 39 Financial Instruments: Recognition and Measurement, as interpreted by FREM, PDC is reported at historic cost less impairment.

2 Extension of the Trading Fund

Prior to 1 April 2016 DVA's operations were partly funded under a Trading Fund Order and partly funded by Assembly Supply. As a result of this dual funding arrangement DVA was required to produce and publish two sets of financial statements: one for DVA Testing covering testing and enforcement activities; and one for DVA Licensing covering licensing activities.

The Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 2016 came into effect on 1 April 2016. This transferred DVA's activities which were previously funded by Assembly Supply into the Trading Fund. As a single funding regime from 1 April 2016, DVA is required to produce one set of financial statements for the whole Agency for the year ended 31 March 2017. The figures in the accounts for 2016-17 show the income, expenditure, assets, liabilities and reserves of all of the Agency's testing, licensing and enforcement functions.

All transfers of functions reported by Trading Funds are accounted for as Transfers by Absorption and the previous year's accounts are not restated to include the additional functions which have transferred into the Trading Fund. Consequently the comparative figures in the 2016-17 accounts are those from DVA Testing's 2015-16 financial statements and exclude the income, expenditure, assets, liabilities and reserves of the licensing activities. To facilitate comparison of the current and previous years' operational performance, DVA's Statement of Comprehensive Income and Statement of Financial Position for the year ended 31 March 2016 have been reproduced at Appendix A to the accounts on pages 87 and 88. This additional presentation combines the primary statements in DVA Licensing's and DVA Testing's 2015-16 accounts.

3 Segmental reporting

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

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

The Strategic Management Board review financial information at this level for decision making purposes.

3 Segmental reporting (continued)

2016-17	Testing Division	Enforcement Division	Driver Licensing & PTLD	Vehicle Licensing	Total
	2016-17 £'000	2016-17 £'000	2016-17 £'000	2016-17 £'000	2016-17 £'000
Gross Expenditure	31,285	3,833	9,380	483	44,981
Income	(36,785)	(3,833)	(10,894)	(483)	(51,995)
Net Income	(5,500)	-	(1,514)	-	(7,014)

2015-16	Testing Division	Enforcement Division	Total
	2015-16 £'000	2015-16 £'000	2015-16 £'000
Gross Expenditure	33,554	3,419	36,973
Income	(38,491)	(3,678)	(42,169)
Net Income	(4,937)	(259)	(5,196)

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

4 Operating income

	2016-17	2015-16
	£'000	£'000
Operating income		
Vehicle test fees	31,686	31,429
Practical driving test fees	3,028	2,886
Driving theory test fees	1,918	1,835
Other fees and licences ¹	164	730
Enforcement fees	1,665	1,629
Subsidy from parent department ²	4,554	2,049
VES Contribution from parent department	-	1,611
Driver licensing fees ²	7,007	-
Vehicle licensing enforcement ²	483	-
Taxi licensing fees ²	1,071	-
Taxi operator fees ²	233	-
Road transport licensing fees ²	186	-
Total income	51,995	42,169

¹ In 2001 DVA entered into a PFI contract for the provision of a vehicle testing service which was due to expire in 2018. On 2 May 2013 an early exit was secured from the PFI contract through an agreed Settlement Agreement with all parties. Under that agreement, upon the winding up of the PFI provider, any cash balance remaining in the provider's bank account was to be repaid to the Department in full. Included in other fees and licenses for 2015-16 above is an amount of £588k which was the available balance once all payments, costs and liabilities had been discharged as part of the winding up of the provider.

² Operating income for 2016-17 includes income from all of the Agency's testing, licensing and enforcement activities and the subsidy received from the Department for both Licensing and Enforcement. The comparative figures for 2015-16 exclude income from the Agency's licensing activities and the Departmental subsidy for Licensing. More detail on the comparative figures in this year's accounts is provided in Note 2 above.

5 Staff costs

Staff costs comprise:

	2016-17 £'000	2015-16 £'000
Wages and salaries	20,508	16,573
Social security costs	1,881	1,123
Other pension costs	4,091	3,354
NICS Voluntary Exit Scheme	-	1,611
Total cost ¹	26,480	22,661

¹ Staff costs for 2016-17 comprise the cost of staff employed on all of the Agency's testing, licensing and enforcement activities. The comparative figures for 2015-16 exclude the cost the Agency's licensing activities. More detail on the comparative figures in this year's accounts is provided in Note 2 above.

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report on page 49. The comparative figures for 2015-16 in the Staff Report include the cost of staff employed on all of the Agency's testing, licensing and enforcement activities.

6 Other operating costs

	2016-17 £'000	2015-16 £'000
Travel and subsistence	304	313
Rates and accommodation costs	2,153	1,812
IT system maintenance and other computer charges	1,043	538
Office services	822	529
Contracted out services:		
- Driving theory test	991	962
- Vehicle testing service charge	1,465	1,543
- Booking system service charge	1,258	1,501
- Security, cleaning and other	379	314
- Licence card production	629	-
Medical costs	1,292	-
Plant, equipment and vehicle costs	318	144
Bank and credit card charges	500	490
Auditor's remuneration*	23	15
Other expenditure	863	427
Services provided by parent department	2,850	2,629
Services provided by other NI government departments	1,363	1,542
<i>Non-cash items:</i>		
Depreciation and amortisation:		
- Property, plant and equipment	1,010	978
- Intangible assets	203	289
Impairment	37	148
Provisions:		
- Provided in year	143	87
- Provisions written back	(388)	(127)
<i>Notional charges deducted:</i>		
Enforcement costs**	-	(709)
Total other operating costs	17,258	13,425

6 Other operating costs (continued)

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

** Some of the costs included in Services provided by other NI government departments for 2015-16 are notional costs in respect of services provided to DVA's Enforcement operations. These are included to show the full cost of services provided to DVA and are deducted as only hard charges can be included in accounts of the Trading Fund. Since 1 April 2016 DVA pays a hard charge for all services provided by other government bodies consequently there are no notional costs for 2016-17.

7 Dividends

	2016-17 £'000	2015-16 £'000
Interim dividend paid	1,166	435
Final dividend payable	13	500
Total dividends	1,179	935

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

8 Property, plant and equipment

	Land	Buildings	Plant & Machinery	Transport Equipment	IT	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 31 March 2016	8,155	8,234	6,747	505	671	24,312
Transferred in from parent Department on extension of trading fund on 1 April 2016	-	-	63	-	660	723
Additions	-	612	307	-	412	1,331
Adjustment to prior year additions	-	-	-	(16)	-	(16)
Disposals	-	-	-	-	(251)	(251)
Revaluation	-	(126)	87	3	33	(3)
Impairment	-	(177)	(2)	-	-	(179)
At 31 March 2017	8,155	8,543	7,202	492	1,525	25,917
Depreciation						
At 31 March 2016	-	-	5,477	400	648	6,525
Transferred in from parent Department on extension of trading fund on 1 April 2016	-	-	39	-	639	678
Charged in year	-	358	561	38	53	1,010
Disposals	-	-	-	-	(251)	(251)
Revaluation	-	(216)	64	2	5	(145)
Impairment	-	(142)	-	-	-	(142)
At 31 March 2017	-	-	6,141	440	1,094	7,675
Net book value at 31 March 2017	8,155	* 8,543	1,061	52	431	18,242
Net book value at 31 March 2016	8,155	8,234	1,270	105	23	17,787
Asset financing:						
Owned	8,155	8,543	1,061	52	431	18,242
Net book value at 31 March 2017	8,155	8,543	1,061	52	431	18,242

* The net book value of DVA's buildings includes capitalised expenditure incurred on the design of a network of new Test Centres as part of the Agency's on-going Transformation Programme, which is not included in the valuation of the existing Test Centre buildings by Land and Property Services detailed on page 77.

8 Property, plant and equipment (continued)

	Land	Buildings	Plant & Machinery	Transport Equipment	IT	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2015	8,155	8,344	6,677	488	671	24,335
Additions	-	135	1	16	-	152
Revaluation	-	44	65	1	-	110
Impairment	-	(285)	-	-	-	(285)
Reclassifications	-	(4)	4	-	-	-
At 31 March 2016	8,155	8,234	6,747	505	671	24,312
Depreciation						
At 1 April 2015	-	-	4,927	363	551	5,841
Charged in year	-	338	506	37	97	978
Revaluation	-	(197)	40	-	-	(157)
Impairment	-	(137)	-	-	-	(137)
Reclassifications	-	(4)	4	-	-	-
At 31 March 2016	-	-	5,477	400	648	6,525
Net book value at 31 March 2016	8,155	8,234	1,270	105	23	17,787
Net book value at 31 March 2015	8,155	8,344	1,750	125	120	18,494
Asset financing:						
Owned	8,155	8,234	1,270	105	23	17,787
Net book value at 31 March 2016	8,155	8,234	1,270	105	23	17,787

8 Property, plant and equipment (continued)

Property valuation

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

DVA's properties associated with Testing operations were revalued by Land and Property Services (LPS) on 29 March 2017 at £13,490,000 (2016 £13,490,000) on an existing use basis. This valuation includes freehold land not depreciated of £4,420,000 (2016 £4,420,000) and long leasehold land not depreciated of £2,420,000 (2016 £2,420,000).

DVA's properties associated with Enforcement operations (including the weighbridges) were valued by LPS on 29 March 2017 at £2,593,696 (2016 £2,627,163) on a depreciated replacement cost basis. This valuation includes weighbridge land not depreciated of £1,315,000 (2016 £1,315,000).

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

LPS is a related party to DVA as it is itself a Government Agency

9 Intangible assets

	Information Technology £'000	Software Licences £'000	POA & AUC £'000	Total £'000
Cost or valuation				
At 31 March 2016	653	125	236	1,014
Transferred in from parent Department on extension of trading fund on 1 April 2016	5,759	176	3,595	9,530
Additions	476	78	1,402	1,956
Revaluation	85	3	-	88
Reclassification	3,276	-	(3,276)	-
At 31 March 2017	10,249	382	1,957	12,588
Amortisation				
At 31 March 2016	653	123	-	776
Transferred in from parent Department on extension of trading fund on 1 April 2016	5,726	137	-	5,863
Charge in year	175	28	-	203
Revaluation	4	-	-	4
At 31 March 2017	6,558	288	-	6,846
Net Book Value at 31 March 2017	3,691	94	1,957	5,742
Net Book Value at 31 March 2016	-	2	236	238
Asset financing:				
Owned	3,691	94	1,957	5,742
Net Book Value at 31 March 2017	3,691	94	1,957	5,742

9 Intangible assets (continued)

	Information Technology £'000	Software Licences £'000	POA & AUC £'000	Total £'000
Cost or valuation				
At 1 April 2015	653	125	-	778
Additions	-	-	236	236
At 31 March 2016	653	125	236	1,014
Amortisation				
At 1 April 2015	369	118	-	487
Charge in year	284	5	-	289
At 31 March 2016	653	123	-	776
Net Book Value at 31 March 2016	-	2	236	238
Net Book Value at 31 March 2015	284	7	-	291
Asset financing:				
Owned	-	2	236	238
Net Book Value at 31 March 2016	-	2	236	238

10 Inventories

	31 March 2017 £'000	31 March 2016 £'000
Fuel stock	35	24
Total inventories	35	24

11 Trade and other receivables

	31 March 2017 £'000	31 March 2016 £'000
Amounts due within one year:		
Other receivables	134	339
Prepayments and accrued income	195	454
VAT	397	237
Total receivables	726	1,030

12 Cash and cash equivalents

	31 March 2017 £'000	31 March 2016 £'000
Balance as 1 April	22,206	16,576
Net change in cash and cash equivalent balances	5,102	5,630
Balance at 31 March	27,308	22,206
Commercial banks and cash in hand	3,358	1,210
Short term investments	23,950	20,996
Balance at 31 March	27,308	22,206

13 Trade and other payables

	31 March 2017 £'000	31 March 2016 £'000
Amounts falling due within one year:		
Trade payables	1,176	268
Other payables	25	189
Deferred income	2,950	2,096
Accruals	4,088	3,999
Final dividend payable	13	500
	8,252	7,052
Amounts falling due after more than one year:		
Loan from parent Department	3,130	-
	11,382	7,052

14 Provisions for liabilities and charges

2016-17	Employee Liability £'000	Public Liability £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Accomm Costs £'000	Dilapidation Costs £'000	Total £'000
Balance at 31 March 2016	112	29	633	8	313	-	-	1,095
Transferred in on extension of trading fund on 1 April 2016	35	-	-	5	-	720	458	1,218
Provided in the year	62	19	28	-	34	-	-	143
Provisions not required written back	(43)	(6)	-	-	-	(309)	(30)	(388)
Provisions utilised in the year	(39)	(6)	(131)	(6)	(16)	(411)	(428)	(1,037)
Balance at 31 March 2017	127	36	530	7	331	-	-	1,031

Analysis of expected timing of provisions:

2016-17	Employee Liability £'000	Public Liability £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Accomm Costs £'000	Dilapidation Costs £'000	Total £'000
Not later than one year	127	36	133	7	18	-	-	321
Later than one year and not later than five years	-	-	354	-	70	-	-	424
Later than five years	-	-	43	-	243	-	-	286
Balance at 31 March 2017	127	36	530	7	331	-	-	1,031

14 Provisions for liabilities and charges (continued)

2015-16	Employee Liability £'000	Public Liability £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Total £'000
Balance at 1 April 2015	213	54	793	8	298	1,366
Provided in the year	13	23	-	-	51	87
Provisions not required written back	(63)	(48)	(16)	-	-	(127)
Provisions utilised in the year	(51)	-	(144)	-	(36)	(231)
Balance at 31 March 2016	112	29	633	8	313	1,095

Analysis of expected timing of provisions:

	Employee Liability £'000	Public Liability £'000	Early Departure £'000	Equal Pay £'000	Injury Pension £'000	Total £'000
Not later than one year	112	29	129	8	17	295
Later than one year and not later than five years	-	-	408	-	65	473
Later than five years	-	-	96	-	231	327
Balance at 31 March 2016	112	29	633	8	313	1,095

Employee/Public Liability

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

Early Departure Costs

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

14 Provisions for liabilities and charges (continued)

Equal Pay

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

Injury Pensions

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

Accommodation Costs

This provision represents the costs DVA had to pay for rent of vacated premises up to 31 December 2016.

Dilapidation Costs

DVA was required to meet the costs of returning premises it vacated back to their condition prior to DVA's occupation. A number of buildings were vacated during the 14-15 year following the cessation of Vehicle Licensing Operations and DoF have provided the dilapidation costs for these buildings.

15 Contingent liabilities disclosed under IAS 37

There were two disputed Employer/Public Liability cases at year end with a total value of £19,500. (2016: none)

16 Capital commitments

At 31 March 2017, DVA had £1,337,449 (2016: £1,332,095) of contracted capital commitments not otherwise included within the accounts.

17 Commitments under leases

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

Other	31 March	31 March
	2017	2016
	£'000	£'000
Not later than one year	1,285	1,014
Later than one year and not later than five years	1,356	305
Balance at 31 March	2,641	1,319

18 Other financial commitments

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

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	600	-
Later than one year and not later than five years	826	-
Balance at 31 March	1,426	-

19 Corporate financial target

	2017 Actual	2017 Target	2016 Actual	2016 Target
Return on average capital employed	19.8%	3.5%	22.95%	3.5%

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

20 Related-party transactions

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

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

21 Financial instruments

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

22 Events after the reporting period

There are no events after the reporting period that impact on these financial statements.

23 Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 23 June 2017.

ADDITIONAL DISCLOSURE OF PRIOR YEAR STATEMENTS

Statement of Comprehensive Income

for the year ended 31 March 2016

	DVA Testing 2015-16 £'000	DVA Licensing 2015-16 £'000	Total DVA 2015-16 £'000
Income			
Operating income	(42,169)	(9,296)	(51,465)
Expenditure			
Staff costs	22,661	5,246	27,907
Other operating costs	13,425	5,931	19,356
Total operating expenditure	36,086	11,177	47,263
Operating (surplus)/cost before finance income	(6,083)	1,881	(4,202)
Finance income	(48)	-	(48)
Finance costs	-	-	-
Net finance income	(48)	-	(48)
Operating (surplus)/cost after finance income	(6,131)	1,881	(4,250)
Dividends	935	-	935
Retained (surplus)/cost for the year	(5,196)	1,881	(3,315)

ADDITIONAL DISCLOSURE OF PRIOR YEAR STATEMENTS

Statement of Financial Position

as at 31 March 2016

	DVA Testing 31 March 2016 £'000	DVA Licensing 31 March 2016 £'000	Total DVA 31 March 2016 £'000
Non-current assets			
Property, plant and equipment	17,787	45	17,832
Intangible assets	238	3,667	3,905
Total non-current assets	18,025	3,712	21,737
Current assets			
Inventories	24	-	24
Trade and other receivables	1,030	666	1,696
Cash and cash equivalents	22,206	1,780	23,986
Total current assets	23,260	2,446	25,706
Total assets	41,285	6,158	47,443
Current liabilities			
Trade and other payables	(7,052)	(2,548)	(9,600)
Provisions for liabilities and charges	(295)	(1,218)	(1,513)
Total current liabilities	(7,347)	(3,766)	(11,113)
Total assets less current liabilities	33,938	2,392	36,330
Non-current liabilities			
Provisions for liabilities and charges	(800)	-	(800)
Total non-current liabilities	(800)	-	(800)
TOTAL ASSETS LESS TOTAL LIABILITIES	33,138	2,392	35,530
Taxpayers' equity and other reserves			
Public dividend capital	2,100	-	2,100
Revaluation reserve	6,808	5	6,813
Retained earnings	24,230	2,387	26,617
TOTAL EQUITY	33,138	2,392	35,530

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