

**Driver and Vehicle Agency Annual Report
and Statement of Accounts
For the year ended 31 March 2018**

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 5 July 2018



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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 2017-18. This year we have achieved our key operational targets as well as progressing our ambitious Digital Transformation Programme, which is a credit to the staff across DVA and our delivery partners. We have continued to provide a range of excellent public services, ensuring our customers are at the heart of everything we do.

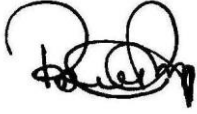
Following seven consecutive years of meeting the externally assessed Customer Service Excellence® standard, this year we decided to bring a fresh perspective to our customer policies, procedures and delivery, and applied for recognition by the European Foundation for Quality Management, through their Gold Star Service Excellence standard. I was delighted that we not only met the standard, but were granted the top award of Role Model status. This reflects the extra contribution made by many of our staff who, on a day to day basis, deliver a high standard of service that goes beyond customers' expectations.

Through our Digital Transformation Programme we are aiming to provide a *Fast, Easy and Secure* digital service, improving the customer and employee experience. The implementation of a new Driver Licensing System has allowed us to offer the first phase in online services, which includes the facility to Renew your Driving Licence, Replace your Driving Licence (for a lost or stolen licence) and Change your Address. We received almost 11,000 online applications in the first two months of go-live, demonstrating the demand for alternative channels to access our services. We are currently developing more online services for our driver licensing customers.

In addition to meeting our customer expectations, we are focussed on ensuring our people are properly equipped to provide an effective and efficient service. We have piloted and will roll out the use of mobile technology for our enforcement teams to enable better targeting of our resources towards those most non-compliant. We will also be introducing mobile devices for our driving examiners to validate and assess candidates and provide a seamless end-to-end service from testing to licensing.

This successful year has been achieved through the dedication and commitment of staff. As we look to next year, we will work to ensure that we have a clear vision for the way forward, we are clear on our values as an organisation and we continue to seek ways to engage our staff effectively.

I look forward to working with colleagues on what no doubt will be a challenging but exciting year ahead.

A handwritten signature in black ink, appearing to read 'Paul Duffy', with a stylized flourish at the end.

Paul Duffy

Chief Executive

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 2017-18.

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 and from 1 April 2017 he reported to the Permanent Secretary of the Department for Infrastructure (DfI). Normal reporting procedures would entail the Permanent Secretary reporting to the Minister. The Minister normally has overall political responsibility and accountability for all the Department's activities. The Northern Ireland Assembly was dissolved from 26 January 2017 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, there was no Minister in place during 2017-18.

Vision

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

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 draft Programme for Government framework is the anchor document for all Departmental Plans. It contains 12 outcomes and DVA makes a positive contribution to a number of these.

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:

- driver and vehicle 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 the issue of 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 Safe and Sustainable Travel Division (SSTD) 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; and our “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 allocated. 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 26.

Overview of Performance

In broad terms, we met 10 of our 11 Key Performance targets.

The one key target that we did not achieve relates to the People strand of our Business Transformation Programme.

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 2017-18 Business Plan.

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 also reviews key targets contained in a dashboard on a monthly basis.

As detailed in the Accountability Report, we have identified 8 key risks that could affect us in delivering our objectives, and we work continuously to mitigate and manage these risks.

We met 10 of our 11 Key Performance targets.

These targets, together with details of how we performed in relation to each, are set out on page 11.

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.

1.3 Performance Summary

Target number	Performance Target 2017-18	Result Achieved / Not Achieved
1	To achieve at least 8 of the 10 Compliance and Enforcement performance targets	Achieved
2	To progress the Infrastructure Project	Achieved
3	To progress the various elements of the ICT programme	Achieved
4	To achieve at least 5 of the 6 customer service targets	Achieved
5	To advance the Customer Contact Project	Achieved
6	To attain ISO 9001:2015 accreditation	Achieved
7	To attain EFQM Gold Star Service Excellence accreditation	Achieved
8	To increase online vehicle test bookings by 5 percentage points	Achieved
9	To manage the Agency efficiently and effectively within a strong corporate governance framework	Achieved
10	To measure staff engagement levels	Achieved
11	To deliver a People Strategy	Not Achieved

A detailed breakdown of performance against key targets and associated objectives is provided overleaf. We have provided explanations as to why we failed to achieve one target at Section 1.5 on page 15.

1.4 Detailed breakdown of Performance against Key Targets and Associated Objectives

<u>Target number</u>	<u>Performance Target 2017- 18</u>	<u>Result</u> Achieved / Not Achieved
1	To achieve at least 8 of the 10 Compliance and Enforcement performance targets	<u>ACHIEVED</u>
	Carry out checks on at least 2,400 HGV units (tractor or trailer)	Achieved
	Carry out checks on at least 600 Buses	Achieved
	Carry out checks on at least 1,700 Taxis	Achieved
	Carry out checks on at least 400 cars	Achieved
	Carry out at least 25 multi-agency operations to improve road safety and compliance with statutory requirements	Achieved
	Carry out a minimum of 8 cross border / coordinated operations with RSA and DVSA	Achieved
	Complete a survey to assess compliance with Goods Vehicle Operator Licensing requirements	Achieved
	Complete a survey to assess compliance with HGV Road User Levy requirements	Achieved
	Conduct at least 100 compliance inspections at goods vehicle and bus operator premises	Not Achieved
	Conduct at least 100 compliance inspections at taxi operator premises	Achieved
2	To progress the Infrastructure Project	<u>ACHIEVED</u>
	Seek the appropriate approvals for new test centre network, including details of size and location of the network and funding proposals for its delivery	Achieved
	Prepare documents for procurement of an equipment supplier	Achieved
	Seek the appropriate Programme/Project Board approvals for a procurement strategy	Achieved

for the construction programme, including interdependencies with other suppliers including ICT & equipment suppliers

3	To progress the various elements of the ICT programme	<u>ACHIEVED</u>
	Complete implementation of the driver licensing system	Achieved
	Implement initial online services for issue of driver licences (renewal, duplicate, change of address)	Achieved
	Develop a revised procurement strategy for the remainder of the ICT programme, namely	
	<ul style="list-style-type: none"> • Issue of taxi, bus, freight and driving/motorcycle instructor licences; • Compliance regulation & enforcement activity; • Driver and vehicle testing; and • Booking and scheduling system 	<p>Achieved</p> <p>Achieved</p> <p>Achieved</p> <p>Achieved</p>
4	To achieve at least 5 of the 6 customer service targets	<u>ACHIEVED</u>
	Process 95% of complete driver licence applications within 10 working days	Achieved
	Appoint 92% of practical driving test applications within 28 days or, on request, at a later date	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
	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

5	To advance the Customer Contact Project	<u>ACHIEVED</u>
	Complete research and report to SMB in respect of the implications and benefits of removing cash handling and afternoon counter services from test centres	Achieved
6	To attain ISO 9001:2015 accreditation	<u>ACHIEVED</u>
7	To attain EFQM Gold Star Service Excellence accreditation	<u>ACHIEVED</u>
8	To increase online vehicle test bookings by 5 percentage points	<u>ACHIEVED</u>
	Implement recommendations of Customer Contact project	Achieved
	Renegotiate the Contact Centre contract with supplier	Achieved
	Remove telephone numbers from MOT booking reminders	Achieved
9	To manage the Agency efficiently and effectively within a strong corporate governance framework	<u>ACHIEVED</u>
	Achieve break even taking one year with another	Achieved
	Generate a return on capital employed greater than 3.50%	Achieved
	Prepare financial statements in accordance with Government Financial Reporting Standards (FRoM)	Achieved
10	To measure staff engagement levels	<u>ACHIEVED</u>
	Conduct a staff engagement survey to establish a baseline position	Achieved
11	To deliver a People Strategy	<u>NOT ACHIEVED</u>
	Agree a People strategy for Programme Board approval, in consultation with staff and TUS	Not achieved

1.5 Explanation for Key Targets not achieved

Target 11 – To deliver a People Strategy

Lessons learned from the implementation of the new Driver Licensing System indicated that the significant business change which Transformation will bring about requires a fundamental review of the Agency's business processes and structures. Consequently, it was decided that production of a People Strategy should be integrated within a broader organisational design review. The Agency has recently appointed an individual with significant organisational design and human resource experience to undertake this work and it is hoped that they will take up post within DVA in June 2018.

1.6 Performance Summary by Business Area

Driver Licensing

During 2017-18 a total of 314,426 driving licences were issued. In February 2018 the Division launched the first of the Driver Licensing Online Services. These services included: Renew a Driving Licence; Replace a Driving Licence; and Change of Address.

The Division continued to work closely with colleagues in DfI's SSTD on changes to policy and legislation.

Driver Testing

We provided 58,737 driving test appointments, marking a decrease of just over 5% on the previous year. This is the first annual decrease in four years. 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 brought 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 1,099,935 vehicle test appointments across all vehicle testing categories, marking an increase of 2.0% on 2016-17. This is 202,000 additional appointments on 897,495 provided in 2008-09.

The Agency introduced a Voluntary Individual Vehicle Approval (VIVA) scheme to provide for vehicles to be safely altered for the carriage of

wheelchair passengers, and be subsequently licensed as Wheelchair Accessible Taxis. This may increase the availability and range of taxis for disabled passengers. We also extended the Vehicle Licensing ID Inspection, carried out on behalf of the Driver and Vehicle Licensing Agency (DVLA), to include the inspection of Heavy Goods Vehicles (HGVs) and Tractors.

We supported SSTD with the practical implementation of the new fire extinguisher requirements for minibuses and taxis, and the increased vehicle weight requirements for HGV's and buses powered by alternative fuels. Significant preparations have also been made to provide for the implementation of the new Roadworthiness Directive by May 2018. This Directive extends the range of vehicles subject to periodic inspection, introduces the harmonised categorisation of vehicle defects and increases the scope of testable items.

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.

We have worked closely with compliance and enforcement colleagues to better regulate the bus and taxi industries through more focused and proactive regulation, including the introduction of informal interviews for new applicants for a bus operator's licence to ensure that, as licence holders, they fully understand their responsibilities and statutory obligations.

Work is continuing on the development of the Commercial Transport IT system. The system, which is expected to go live in 2019-20, will provide the taxi and bus industries with access to online facilities.

Compliance and Enforcement

DVA enforcement officers have been testing new tablet devices to support their roadside compliance inspections. These devices give enforcement

officers access to data they need at the roadside to quickly access vehicle, operator and driver compliance. The use of this new technology will enable resources to be deployed more effectively and assist with targeting non-compliant vehicles for inspection. Going digital also enables DVA to use mobile apps to replace paper forms, reducing the need for back office processing and improving the data quality. In time this will deliver a more convenient and flexible service to meet the changing needs of the transport industry.

We continued to adopt a range of overt and covert enforcement tactics to target our resources against the most non-compliant operators, drivers and vehicles. We applied a range of control measures, including Defects Notices and Prohibition Notices, to deal with roadworthiness defects identified during vehicle inspections. We pursued the appropriate sanctions, including issuing Fixed Penalty Notices and instigating prosecution action, to deal with a range of operator, vehicle and driver offences.

We adopted a multi-agency approach, working collaboratively with other enforcement bodies, such as PSNI and HMRC, to enable a full range of enforcement powers to be applied to deliver successful enforcement outcomes. We planned and delivered a number of co-ordinated cross border operations in conjunction with the Road Safety Authority (RSA) in Ireland and the Driver and Vehicle Standards Agency (DVSA) in Great Britain to check compliance of goods vehicles and buses travelling throughout the British Isles. DVA enforcement officers also attended a training exchange with their counterparts from RSA and DVSA to share experiences and support best practice.

We delivered a programme of inspections at transport operator premises to assess compliance with the respective requirements within the goods vehicle, bus and taxi industries to promote and improve standards by addressing underlying issues at source. We continued to report the outcomes of roadside encounters and compliance inspections to the Transport Regulation Unit (TRU) and Passenger Transport Licensing Division (PTLD) to support them in delivering the operator licensing and regulation functions.

Business Transformation

The Transformation Programme is being taken forward in three strands –

- Digital Transformation;
- Infrastructure; and
- Organisational Development.

The vision for the Digital strand is “to provide a fast, easy and secure digital service, improving the customer and employee experience”.

Following the replacement of the Northern Ireland Driver Licensing System in 2016, a range of online services was introduced to allow the public to renew their licenses, change their licence address or order a duplicate licence. The second phase of the Compliance system went live in March 2018, enabling operations intelligence at the roadside, and work on the next release of Compliance work has begun.

DVA has also developed a system to allow Driving Examiners to conduct driving tests using a tablet computer instead of paper-based forms – this will be introduced across all test centres over the next year. Work has continued on the development of the Commercial Licensing and Booking & Rostering systems respectively, and on the development of a corporate information source, to improve the analysis and marketing of the Agency’s data.

Approval has been received from the DfI Permanent Secretary to complete the detailed design phase for all sites, acquire the necessary additional sites and build the new test centre and depot for the greater Belfast area. The ‘Infrastructure’ strand has recommenced. Some new sites have been purchased including one in the greater Belfast area to facilitate the development of a new Driver and Vehicle Test Centre *and* a Depot for our Belfast Compliance and Enforcement Team. Negotiations are ongoing to secure a number of other new sites. The initial design process for the Depot is complete and work is ongoing to complete the detailed design of it and the test centre at the new Belfast site. The process to obtain planning approval is under way. Work is also under way to secure the services of an equipment provider to service the

new test centres and to prepare the documents to procure the services of a supply team to deliver the new test centre and depot.

The 'People' strand of the Programme has been expanded to include work on organisational design, to ensure that the Agency has the most effective structures to maximise the benefits of Transformation. Work has been ongoing to refine the role of an Organisational Development lead. The Agency has recently appointed an individual with significant organisational design and human resource experience to undertake this work and it is hoped that they will take up post within DVA in June 2018.

Customer Service

Customer service is at the very heart of what we do and after 7 consecutive years of attaining Customer Service Excellence® accreditation, we moved to another prestigious and robust assessment process – that of the EFQM Gold Star Service Excellence. We achieved the highest possible award within this process – the Role Model award – which demonstrates the very high level of customer service that our staff deliver on a daily basis.

External Recognition

Aside from the attainment of the EFQM standard (referred to above) we have also transitioned to the new ISO 9001:2015 standard in driver and vehicle testing, against which we were assessed as being fully conformant.

National Statistics

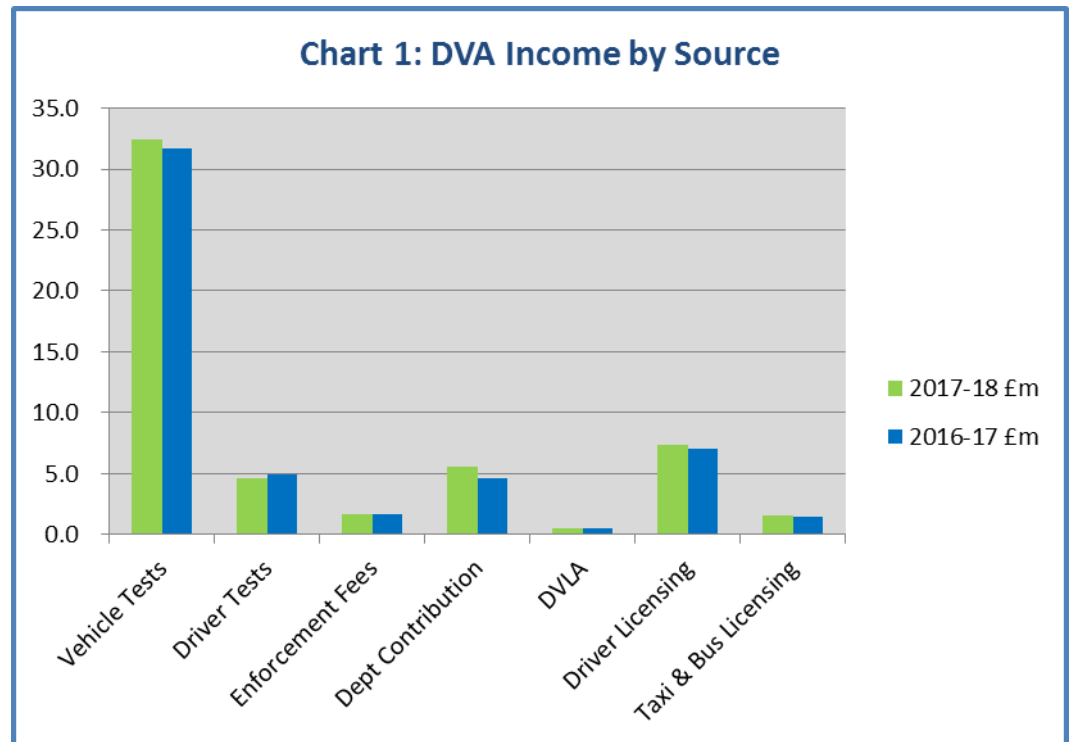
Many of the key business volumes reported in the DVA Annual Report and Accounts were sourced from DfI National Statistics published on 24 May 2018, in 'DfI Driver, Vehicle, Operator and Enforcement Statistics 2017-2018', which is available from the Department's website at:

<https://www.infrastructure-ni.gov.uk/publications/dfi-driver-vehicle-operator-and-enforcement-statistics-2017-18>

1.7 Financial Performance

Income

DVA received income of £53.8m during the year, an increase of over 3.5% on the previous year's income of £52.0m, primarily due to increases in the number of vehicle tests conducted and driver licences produced, and also due to an increase of £800k in the capital subsidy provided by the Department to finance development of new IT systems for Licensing and Enforcement functions. A breakdown of income received across our business areas in the current and previous financial years is shown in Note 3 to the accounts and in Chart 1 below.

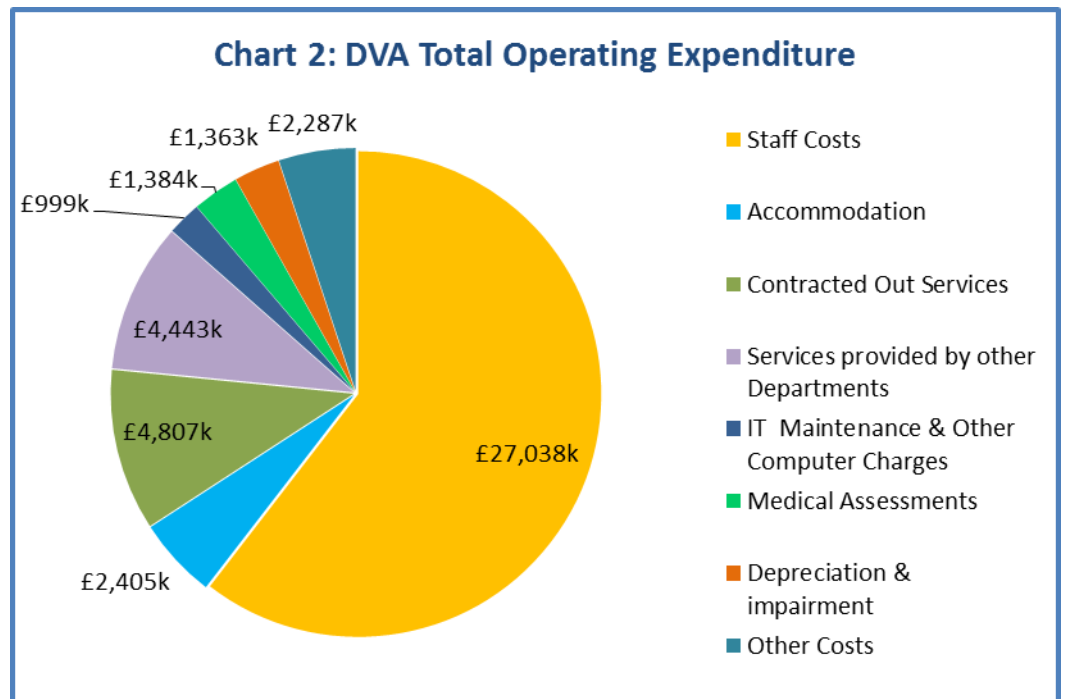


Expenditure

Total operating expenditure during the year was £44.7m, an increase of over 2% compared with the previous year's expenditure of £43.7m, primarily due to the annual NICS-wide pay award. A detailed breakdown of operating expenditure is shown in Notes 4 and 5 to the accounts.

Chart 2 shows the split of 2017-18 total operating costs by key expenditure

types.



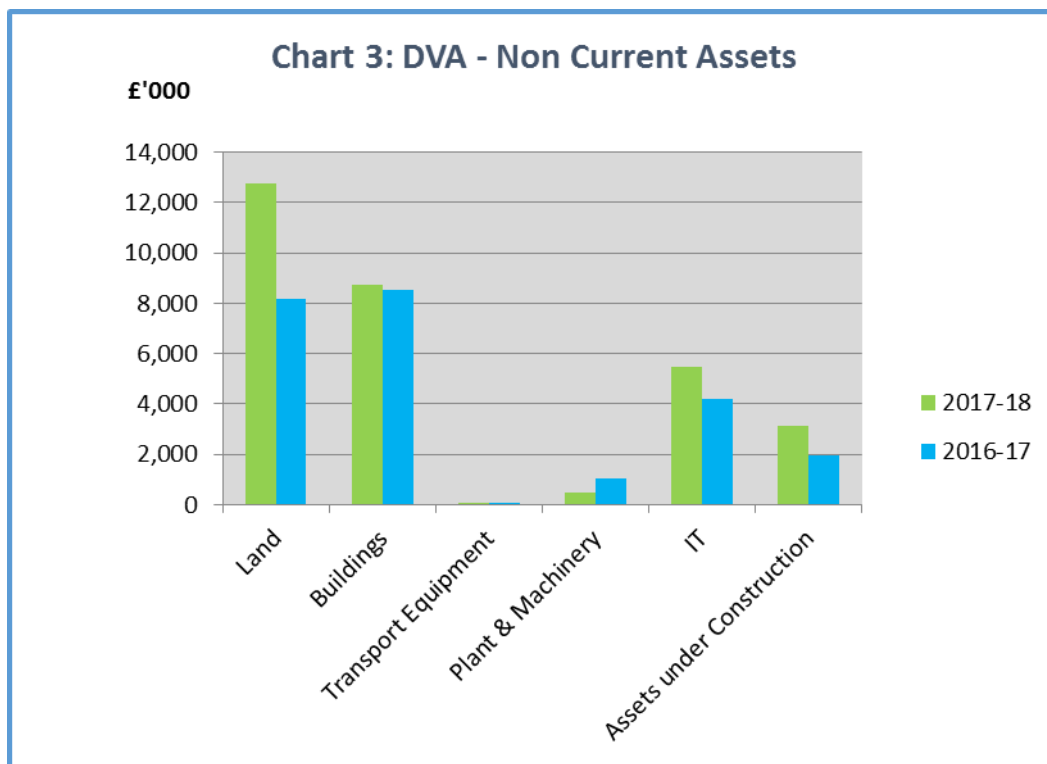
Operating Surplus

The Agency made a surplus for the year of almost £7.6m compared with £7.0m in the previous year. This increase was due to an additional £0.8m funding received from the Department for IT system development, which is included in income but the related expenditure is included in non-current asset additions.

Non-Current Assets

The Agency's non-current asset book value increased from £24.0m at the end of the previous financial year to £30.6m this year due primarily to the acquisition of land and the continued development of new IT systems. During the year DVA purchased two land sites with a combined value of £0.9m and received a further two sites worth over £3.7m on transfer from the Department. 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 7 and 8 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 16% was achieved during the year compared with 19.8% for 2016-17.

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 new fast, safe and secure ICT systems that improve the customer experience;
- CIECA – The International Commission for Driver Testing;

- CITA – The International Motor Vehicle Inspection Committee,
- Capita Managed IT Solutions for the provision of booking systems, including telephone and internet booking services, and IT services in support of vehicle testing;
- The Joint Approvals Unit for Periodic Training for the administration, approval and quality assurance of training providers for the Driver Certificate of Professional Competence; and
- Capita Property and Infrastructure for the design and delivery of the new test centre network and the new Depot for the Belfast Compliance and Enforcement team.

Long Term Expenditure Trends

DVA operates as a Trading Fund under the provisions of the Driver & Vehicle Agency Trading Fund (Northern Ireland) Order 2016. 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 chart shows the fees and charges income (excluding subsidies received from the parent Department) and operating expenditure trends over the last three years.

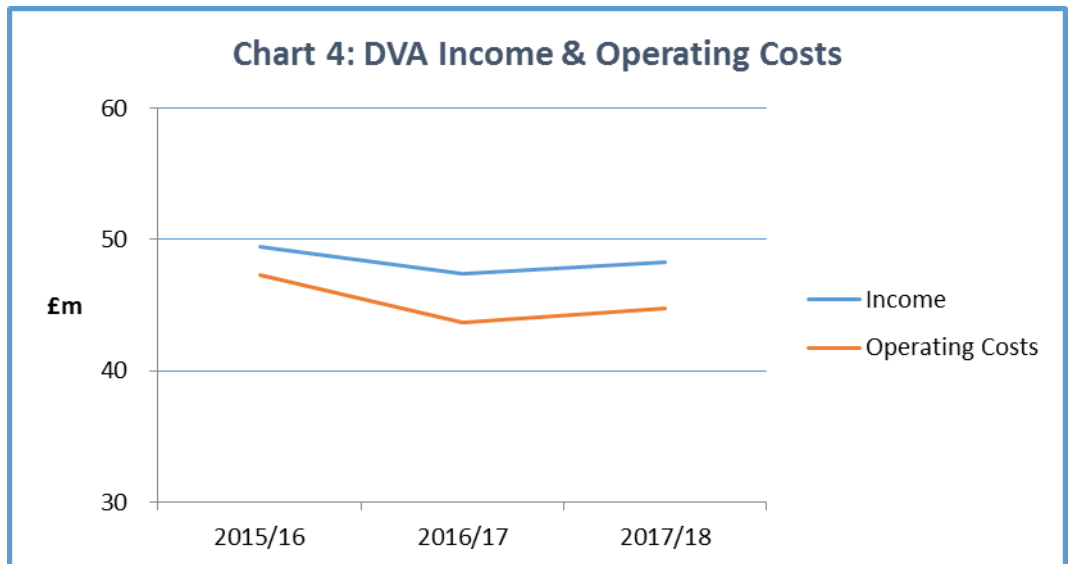
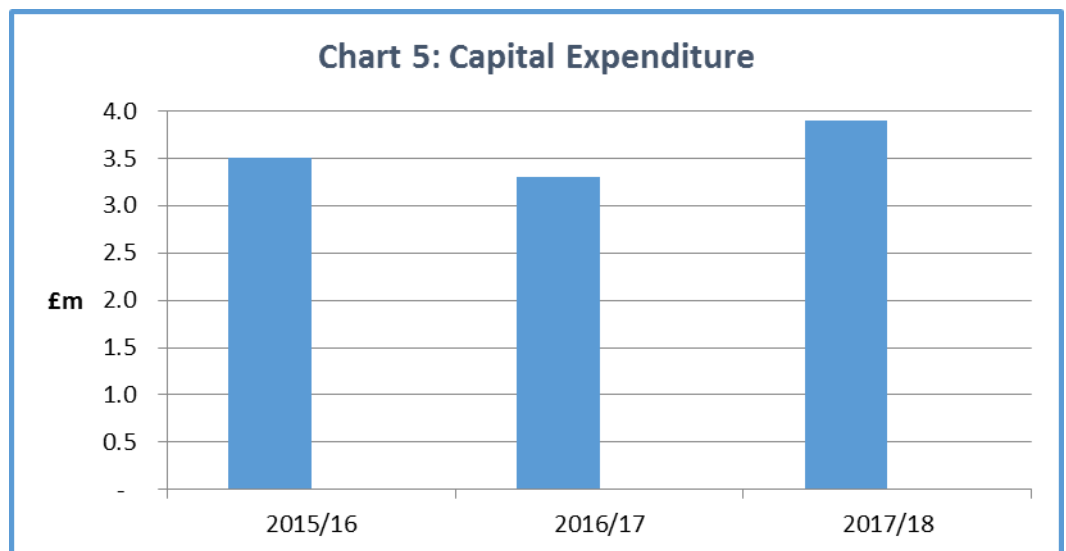


Chart 5 below shows the capital expenditure trends over the last three years. Expenditure in the current financial year is primarily due to the acquisition of land and expenditure on the development of new IT systems. The table excludes land sites worth over £3.7m transferred in from the Department during the year.



Paul Duffy
Chief Executive and Agency Accounting Officer

2. ACCOUNTABILITY REPORT

2.1 Corporate Governance Report

Directors' Report

The Minister normally has overall political responsibility and accountability for all the Department's activities. The Northern Ireland Assembly was dissolved from 26 January 2107 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, there was no Minister in place during 2017-18.

The Permanent Secretary is normally the Minister's principal adviser on all aspects of the Department's responsibilities as well as the Accounting Officer for all Departmental expenditure. Peter May held this position during 2017-18.

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 50.

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
Siobhan Lynn	Head of Financial Management & Governance (from 19 September 2017)

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

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 20 of the accounts on page 100.

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 reports his findings to the Northern Ireland Assembly.

The audit of the financial statements for 2017-18 resulted in a fee of £22,500 (2016-17: £22,500). 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.

I am also satisfied that the Annual Report and Accounts as a whole, are fair, balanced and understandable and I take personal responsibility for the annual

report and accounts and the personal judgements required for determining that they are fair, balanced and understandable.

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 50.

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 2018 DVA paid 99.1% of the 6,448 invoices (2016-17: 97.4% of 6,881 invoices) received within 30 days and 95% (2016-17: 89.9%) within 10 days.

Corporate Social Responsibility

The Agency continued to support the NHS Blood and Transplant Service by including leaflets with provisional licences, encouraging people to drive safely and to donate blood.

Complaints and Compliments

Our complaints response target is a very challenging ‘97% of complaints to be replied to within 10 working days’. During the year from 1 April 2017 to 31 March 2018 we dealt with 329 complaints and received 105 compliments. We responded to 98.5% of complaints within the 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
2017-18	329	98.5 %
2016-17	333	98.2 %
2015 -16	388	99.23%

Future Developments and Trends

Business Transformation

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 Organisational Design strategy will ensure that we have the optimal organisational structure, with a multi-skilled, well-trained workforce. Significant progress has been made in relation to identifying potential new sites including securing the new site for greater Belfast, in the design of the new test centres and in preparation for procuring the services of a supply team to deliver the new Belfast Test Centre and Depot.

Graduated Driver Licensing

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 associated logbook and a review of driver testing and training. The review focused on those aspects of the test that are considered essential and / or highly desirable for the delivery of GDL. 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 the PSNI. Throughout 2017-18, DVA also engaged directly with schools, parents and driving and motorcycle instructors to seek their views prior to setting them out in a public consultation which commenced on 8 November 2017 and closed on 17 January 2018. There were 297 responses to the consultation, and a synopsis of the responses will be published in May 2018.

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 no data breaches against DVA during the year.

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 DVA 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 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 (FReM) have been followed, and disclose and explain any material departures in the 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, (MPMNI).

Governance Statement

Introduction

MPMNI and the FReM 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.

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.

In broad terms, the Agency met 10 of its 11 key performance targets in 2017-18. It has been effective in delivering the full range of operational services, such as vehicle testing, driver testing, compliance and enforcement checks and its customer service targets. In addition, it has made very good progress across the Digital Transformation Programme and the Infrastructure Modernisation project. The only key performance target the Agency did not meet, was the development of a 'People' strategy. A full explanation as to why this was not achieved is provided in Section 1.5.

During the year the Agency progressed its Digital Transformation Programme, for which the vision is "to provide a fast, easy and secure digital service, improving the customer and employee experience." The transformation is planned for completion in 2021, however, there will be a requirement for continual development of our systems and processes, as new technology is introduced. The Agency is currently undertaking a procurement exercise for a Strategic Partner who will develop a new Booking

& Rostering system and also work with the Agency in the support and ongoing enhancement of DVA systems.

The Agency is continuing to progress its Infrastructure Modernisation project which seeks to ensure it has sufficient testing capacity for the future and the ability to meet its statutory and regulatory requirements. Significant progress has been made in identifying new sites, including securing sites in the greater Belfast area, Enniskillen and Campsie, and progressing the design of new test centres.

Governance Structures

The Agency Framework Document, which was approved by DfI 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, the scope of its activities, any resources to be made available to the Agency, its Corporate & Business Plan and is advised on the Agency's performance.

However, the Northern Ireland Assembly was dissolved from 26 January 2017 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, there was no Minister in place during 2017-18.

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.

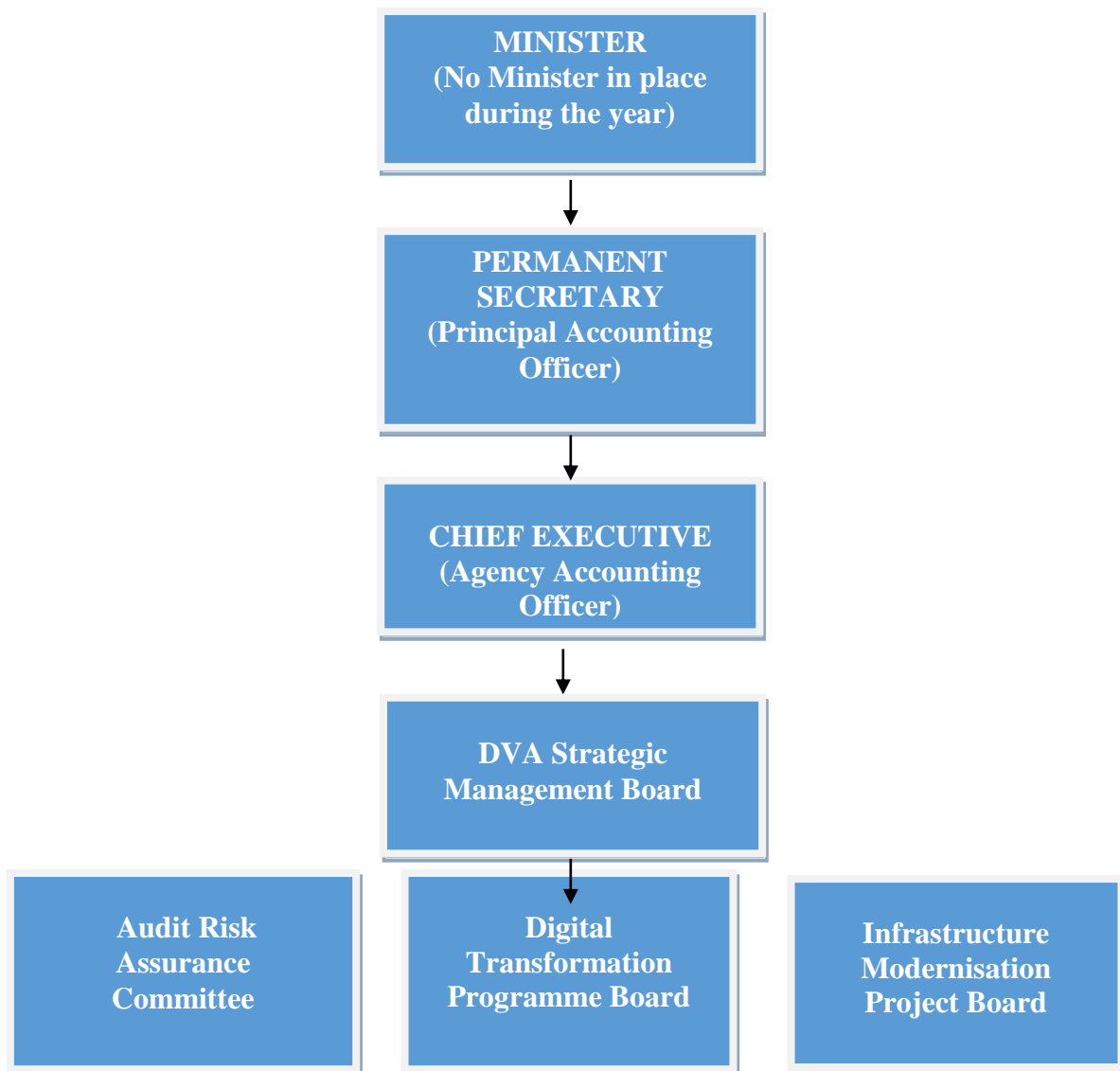
The Permanent Secretary, as the Principal Accounting Officer, must be satisfied that the Agency has adequate financial systems and procedures in place to promote the efficient and economical conduct of its business and to safeguard financial propriety and regularity.

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 DoF 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 (SMB)

The SMB, which I chair, comprised of:

- Director of Operations;
- Director of Compliance and Enforcement;
- Director of Transformation;
- Head of Financial Management & Governance (from 19 September 2017); and
- An Independent Board Member.

A representative from the NICS HR also attends to support the SMB. The SMB provides the strategic and operational leadership to the Agency, takes responsibility for performance, and assists me in providing support and advice to the 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 SMB 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 Executive 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 2017 and found it fit for purpose.

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	12/12
Mike Beare	Director of Transformation	12/12
Siobhan Lynn (appointed 19/9/17)	Head of Financial Management & Governance	7/7
Shannon Caldwell	Independent Board Member	11/12
ATTENDEES		
Finance Division Representation		5/5
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 (April 2018), 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 Catherine Teggart was appointed as a new Independent Member. The Committee is also attended by Internal Audit and the Northern Ireland Audit Office (NIAO).

Some of the key issues discussed at the Audit and Risk Assurance Committee meetings during the 2017-18 financial year included: the 2016-17 Annual Report and Accounts; the internal audit charter; the internal audit strategy; the internal audit annual opinion and report; corporate governance issues, including risk management, assurance reporting and fraud reporting; the Transformation Programme; 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
Shannon Caldwell	Chair of Audit and Risk Assurance Committee	4/4
Kathryn Hill	Independent Member of Audit and Risk Assurance Committee	4/4
Catherine Teggart	Independent Member of Audit and Risk Assurance Committee (appointed September 2017)	2/2
ATTENDEES		
Paul Duffy	Chief Executive	3/3
James Hutchinson	Director of Compliance and Enforcement	3/3
Siobhan Lynn	Head of Financial Management and Governance	2/2
Shirley Archibald	Head of DVA Systems and Accounts	4/4
Internal Audit Representation		3/3
External Audit Representation		3/3

Transformation

In January 2018 the Transformation Programme Board was separated into a Digital Transformation Board and an Infrastructure Modernisation Board, to provide greater focus on each of the two distinct work streams. Both Boards are subordinate to the SMB and have no executive powers. The Boards manage the strategic direction, resolve strategic issues between projects, and ensure robust governance arrangements are in place. The Boards are convened to ensure progress against plans is closely monitored within agreed

boundaries, for time, cost and benefits.

The Digital Transformation Programme Board consists of Paul Duffy (Senior Responsible Owner), Tom Kennedy (DfI Director of Strategy, Communication & Change), Mike Beare (Transformation Programme Director), James Hutchinson (Director of Compliance and Enforcement) and Pat Delaney (Director of Operations). Meetings are also attended by a member of Internal Audit.

The Infrastructure Modernisation Project Board consists of Paul Duffy (Senior Responsible Owner), Mike Beare (Transformation Programme Director), James Hutchinson (Director of Compliance and Enforcement), Pat Delaney (Director of Operations), Siobhan Lynn (Head of Financial Management and Governance) and Colin Quinn (DoF Central Procurement Directorate).

Corporate Services

The corporate services functions, including Finance, HR and IT were provided to the DVA by the DfI and DoF. The costs of these services were charged to the Agency. The responsibility for the delivery of these services fell to either the Director of Finance (DfI), Director of Strategy, Communications and Change (DfI) or the Director of Human Resources (DoF). I have noted that during 2017-18 Internal Audit assigned satisfactory assurance ratings to the reviews of DVA Financial Management, to the review of Asset Management and to the review of Fraud Management. This has reassured me in regard to the robustness of the arrangements between Finance Division and DVA. Also during the year a review of Finance Division was undertaken by the Department. This review recommended that the Financial Management and Governance team for DVA transfer from the centralised Finance team to DVA from 1 April 2018 and the DVA Systems and Accounts team be further centralised with activities to be streamlined within the wider Departmental Finance team.

I also rely on the DoF's Internal Audit Branch to provide an inter-departmental opinion for the services it provides including Account NI, IT Assist and HR Connect shared services. In 2017-18 an overall inter-departmental assurance of

satisfactory has been provided.

Conflicts of Interest

SMB 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 2017-18 in line with this agreed procedure.

RISK MANAGEMENT AND CONTROL FRAMEWORK

Approach to Risk

In DVA, we accept that risk is inherent in all our activities and we have developed our risk management strategy to minimise the impact of adverse risks while maximising the benefits to the DVA. This allows us to meet our objectives, use our resources effectively and take advantage of all positive opportunities. The system of risk management identifies the risks associated with the achievement of our objectives. Our 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 Agency 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 the 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 directorate 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 Executive Board formally discusses the Agency Risk Register quarterly, concentrating on progress of

actions to avoid and mitigate the key risks. In 2017 the effectiveness of the Agency's risk management process was reviewed by Internal Audit, which confirmed that a robust system was in place. During the year the Department rolled out a new template for recording risks which has been adopted by DVA. The intention is that the revised risk register template will focus on challenges over the long term and consider opportunities to mitigate risks.

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

The Agency Risk Register at the beginning of the year identified 8 key risks. Following reviews carried out during the year, 2 risks relating to roller door failure and driver licensing services were removed from the Agency Risk Register but still remain on directorate registers. One new risk was identified during the year in respect of resourcing. The Agency Risk Register has currently 7 key risks covering:

- Finance;
- Fraud;
- Procurement & Contract Management;
- Data Security;
- Health and Safety;
- Transformation Programme; and
- Resources

The key risks above relating to Finance, Fraud and Health and Safety are

inherent risks which are continually monitored, with a number of actions in place 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 services and the Transformation Programme.

The Driver Licensing 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 led to an increase in the turnaround times for processing driver licences, resulting in a backlog of applications in the early part of the financial year. A number of steps were taken to address the backlog and improve overall performance. These included allocating additional staff to process applications and answer telephone enquiries. As new work practices have bedded in, turnaround times improved from August 2017, when licences were again being produced within target.

In relation to the Infrastructure Modernisation Project, work to complete the detailed design phase for all sites, acquire the necessary additional sites and build the new test centre and depot for greater Belfast, has mitigated against capacity pressures being faced in this area. Securing approval in due course to the remainder of the network will enable the capacity and compliance pressures across the entire network to be addressed as well as reducing our energy consumption and associated costs.

The implementation of the Digital Transformation Programme within target timescales is highly dependent on the performance of third parties and ensuring that sufficient internal resources are allocated 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 DoF'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

Our 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 2018 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 we are managing the delivery of our 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 DoF's Internal Audit Service operates in compliance with Public Sector Internal Audit Standards. As Accounting Officer, I receive annual and interim reports from Internal Audit 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 Executive Board members and also benefit from advice from the external auditors in their reports.

For 2017-18, Internal Audit has provided a satisfactory audit opinion on the overall adequacy and effectiveness of the Agency's framework of governance, risk management, and control arrangements. The following Internal Audit assignments were completed during 2017-18:

AREA OF ACTIVITY	REPORT STATUS	AUDIT OPINION
Property Services	Final	Satisfactory
Driver & Vehicle Testing Operations	Final	Satisfactory
Financial Management	Final	Satisfactory
Business Transformation Programme	Final	Satisfactory
Driver Licensing	Final	Satisfactory

In addition to the audits listed above, there were two pieces of work carried out within the Agency during 2017-18, though these did not carry an audit opinion. The first of these was the annual validation exercise on the Agency's mandatory targets and the other was an advice and guidance assignment on the Technical Training Unit.

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. External auditing in the past year resulted in DVA Operations (Testing) successfully achieving the ISO 9001:2008 Quality Standards and transitioning to ISO 9001:2015 certification, with no non-conformances and no minor observations noted. This illustrates yet again that our staff are fully committed to delivering an excellent service to a wide range of customers.

STEWARDSHIP OF RESOURCES

Financial Management

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

The General Data Protection Regulations (GDPR) came into effect from 25 May 2018 and the Agency has been reviewing its approach to governance and how it manages data protection as a corporate issue. This work has included a review of contracts and other arrangements in place for sharing data with third party organisations.

Fraud Arrangements

The Department's Anti-Fraud policy and Fraud Response Plan outlines its

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 investigations undertaken.

During the reporting period, there were 3 actual and 1 suspected cases of fraud. All cases were reported to the NI Audit Office and 1 case was reported to the PSNI.

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.

No whistleblowing cases were received during 2017-18. The case reported in 2016-17 regarding allegations from a whistle blower that a named vehicle examiner was receiving cash for vehicle test pass certificates is still under investigation by the PSNI.

SIGNIFICANT ISSUES

Driver Licensing System

The go-live date for implementation of the new Driver Licensing System was

delayed due to the complexities of the driver licensing legislation, and the system was implemented on 28 November 2016. It took some time for the new system and the changes in operational procedures to bed in and as a result processing times for applications increased.

A number of steps were taken to improve processing times, including allocating additional staff to process applications and answer telephone enquiries. As a consequence of these measures, the processing times improved and licences were again being produced within target by August 2017.

Progress of Transformation Programme

The target concerned with progressing the Infrastructure project has been substantially advanced, however, the overall network and funding proposals remain under consideration until a Minister is in place.

The implementation of the Digital Transformation Programme within target timescales is highly dependent on the performance of third parties. In the period ahead the Agency has restricted use of the NI Direct contract and, as such, has had to embark on a significant procurement exercise to complete the remainder of the programme. It is likely this will cause a delay in completion of the entire Digital Transformation Programme to 2021, taking account of the need to undertake the necessary procurement activities.

2.2 Remuneration and Staff Report

Remuneration Report

Remuneration Policy

The Senior Civil Service (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.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive, the DoF Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. The pay award for SCS staff has not yet been finalised.

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	2017-18				2016-17			
	SALARY £'000	BENEFITS IN KIND (TO NEAREST £100)	PENSION BENEFITS **£'000	TOTAL £'000	SALARY £'000	BENEFITS IN KIND (TO NEAREST £100)	PENSION BENEFITS **£'000	TOTAL £'000
Mr P Duffy Chief Executive	70-75	-	17	85-90	65-70	-	37	105-110
Mr P Delaney Director	60-65	-	3	60-65	60-65	-	29	85-90
Mr J Hutchinson Director	60-65	-	25	85-90	60-65	-	27	85-90
Mr M Beare Director	55-60	-	4	60-65	55-60	-	27	85-90
Mrs S Lynn Head of DVA Financial Management (from 19/09/17)	25-30 (full year equivalent 50-55)	-	7	30-35	N/A	N/A	N/A	N/A
Mrs S Caldwell Independent Board Member	5-10	-	N/A	5-10	5-10	-	N/A	5-10

*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 2018 £	AT MARCH 2017 £
Band of highest paid Director's total remuneration	70,000–75,000	70,000-75,000
Median total remuneration	23,572	23,963
Ratio	3.08	3.03

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 2018 was £70,000-75,000 (March 2017: £70,000-75,000). This was 3.08 times (March 2017: 3.03) the median remuneration of the workforce, which was £23,572 at the same date (March 2017:£23,963).

In 2017-18, no (2016-17: none) employees received remuneration in excess of the highest-paid director. Remuneration as at 31 March 2018 ranged from £17,000 to £71,000 (2016-17: £17,000 to £71,000).

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.

Pensions Entitlements [audited information]

OFFICIALS	ACCRUED PENSION AT PENSION AGE AS AT 31/03/18 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	CETV AT 31/03/18	CETV AT 31/03/17	REAL INCREASE IN CETV	EMPLOYER CONTRIBUTION TO PARTNERSHIP PENSION ACCOUNT
	£'000	£'000	£'000	£'000	£'000	NEAREST £100
Mr P Duffy Chief Executive	25-30 plus 70-75	0-2.5 plus decrease 0-2.5	475	441	49	-
Mr P Delaney Director	25-30 plus 80-85	0-2.5 plus 0-2.5	613	573	2	-
Mr J Hutchinson Director	15-20 plus 40-45	0-2.5 plus decrease 0-2.5	295	267	8	-
Mr M Beare Director	20-25 Plus 70-75	0-2.5 Plus 0-2.5	542	506	3	-
Mrs S Lynn Head of DVA Financial Management (from 19/09/17)	10-15 plus 0-5	0-2.5 plus 0-2.5	159	153	2	-

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).

The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the Classic, Premium, Classic Plus and Nuvos pension arrangements also moved to alpha from that date.

Members who on 1 April 2012 were within 10 years of their normal pension age did 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 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 is 2.32%.

New entrants joining can choose between membership of alpha 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 also a 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%.

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). From April 2011, pensions payable under classic, premium and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2017 was 3% and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

Employee contribution rates for all members for the period covering 1 April 2018–31 March 2019 are as follows:

Scheme Year 1st April 2018 to 31st March 2019

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 2018 to 31 March 2019	From 1 April 2018 to 31 March 2019
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,636.99	4.6%	4.6%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.00	7.35%	7.35%
£150,001 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 their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and

65 for members of **nuvos**. The normal pension age in alpha is 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 2015 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 of DVA under Civil Service Compensation Scheme (Northern Ireland) (CSCS (NI)) in the year ending 31 March 2018 (2016-17: none).

Staff Report

Staff costs comprise: [audited information]

	PERMANENTLY EMPLOYED STAFF 2017-18 £'000	OTHERS 2017-18 £'000	TOTAL 2017-18 £'000	TOTAL 2016-17 £'000
Wages and salaries	20,201	751	20,952	20,508
Social security costs	1,879	-	1,879	1,881
Other pension costs	4,207	-	4,207	4,091
Total cost	26,287	751	27,038	26,480

The Northern Ireland Civil Service main 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 2018.

For 2017-18, employers' contributions of £4,115,422 were payable to the NICS pension schemes (2016-17: £4,084,044) 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 2018-19, the rates will range from 20.8% to 26.3% however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 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 £3,385

(2016-17: £6,512) 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% (2016-17: 8% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £121, 0.5% (2016-17: £266, 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 (2016-17: none). No contributions were prepaid at that date (2016-17: none).

Two people (2016-17: two people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £20,715 (2016-17: £9,387).

Average number of persons employed

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

	PERMANENT STAFF 2017-18 Number	OTHERS 2017-18 Number	TOTAL 2017-18 Number	TOTAL 2016-17 Number
Directly employed	763	-	763	758
Other	-	40	40	47
Total	763	40	803	805

**Reporting of compensation and exit packages for all staff 2017-18
[audited information]**

EXIT PACKAGE COST BAND	NUMBER OF NCOMPULSORY REDUNDANCIES 2017-18	NUMBER OF OTHER DEPARTURES AGREED 2017-18	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND 2017-18	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND 2016-17
<£10,000	-	-	-	1
£10,000 - £25,000	-	-	-	-
£25,000 - £50,000	-	-	-	-
£50,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages	-	-	-	1
Total resource cost £'000	-	-	-	6

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.

Off payroll payments

The Agency did not have any off payroll engagements at a cost of over £58,200 during the 2017-18 year.

Human Capital Management

As an Agency within the NICS, DVA is committed to career development, acknowledging that skilled and engaged staff are an essential resource in meeting current and future business needs. The NICS Career Development Policy emphasises that career development is a collaborative process between individual staff members, line managers and Departments, and takes account of the NICS Competency Framework and Performance Management System. As well as the individual's role in managing their career development, the DVA provides opportunities to enhance the skills, capabilities and performance of staff so that they, in turn, can contribute to achieving corporate objectives.

Employee Engagement

Employee engagement is a priority for us and indeed we had a business plan target to measure the current level of engagement, which we did through the Northern Ireland Statistics and Research Agency. They developed a short questionnaire that all DVA staff had an opportunity to complete, thereby providing us with a baseline score on employee engagement. We will continue to work to improve the level of employee engagement.

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.

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.

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 respective 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 "Managing for health and safety" (HSG65). During 2017-18 the Agency undertook a major Health and Safety Awareness and Noise Awareness training programme for Testing Operations staff and conducted air quality and noise monitoring at a number of Vehicle Test Centres. To ensure the continual improvement of our health and safety management system, full audits were carried out at five Test Centres and at Corporation Street DVA HQ with an overall compliance rating of 93%. Audit Review exercises were also conducted across Operations Testing HQ, Driver & Vehicle Standards, Driver Licensing, Passenger Transport Licensing, Contract Management, Governance & Standards and Business Transformation to review the implementation of the recommendations within the 2016-17 Audits, and these indicated a compliance rating increase from 85% to 98%.

Learning and Development

We continued to invest significantly in our people during the year, with some 695 days of training and development delivered across the Agency. This included 110 days of technical training for our Testing teams, and also attendance at a 2 day conference for over 100 driver testing staff. The reduction in training days from last year's figure of 2,464 is mainly down to a significant drop in external recruiting as resource numbers were at the required level.

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

The table below shows the actual number of staff in post in the Agency at 31 March 2018, the full-time equivalent number and the gender breakdown, and for comparison purposes, the statistics at 31 March 2017.

Actual Staff in Post in DVA at 31 March 2018

	MALE	FEMALE	TOTAL	FTE
BUSINESS TRANSFORMATION				
Permanent	18	22	40	38.73
(Of which reduced hours)	2	3	5	3.53
Temporary	-	-	-	-
COMPLIANCE & ENFORCEMENT				
Permanent	57	50	107	103.4
(Of which reduced hours)	1	12	13	9.4
Temporary	12	4	16	16
OPERATIONS				
Permanent	500	127	627	604.8
(Of which reduced hours)	22	47	69	47.99
Temporary	16	9	25	25
DVA Total	603	212	815	787.93

Actual Staff in post in DVA at 31 March 2017

	MALE	FEMALE	TOTAL	FTE
BUSINESS TRANSFORMATION				
Permanent	16	18	34	33.07
(Of which reduced hours)	2	-	2	1.17
Temporary	-	-	-	-
COMPLIANCE & ENFORCEMENT				
Permanent	62	54	116	113.44
(Of which reduced hours)	2	7	9	6.62
Temporary	9	3	12	7.5
OPERATIONS				
Permanent	498	141	639	617.99
(Of which reduced hours)	15	42	57	36.93
Temporary	9	18	27	27
DVA Total (Permanent + Temporary)	594	234	828	799

Sick Absence

The overall figure for Working Days Lost for DVA in 2017-18 was 10,700, compared to 9,117 days in 2016-17. This equates to 13.9 working days lost per staff year (2016-17: 12.1 days), compared to 12.6 for DfI overall and 13.0 for the NICS overall. The overall sickness absence rate for DVA in 2017-18 was 6.3% (2016-17: 5.4%), compared to 5.8% for DfI overall and 5.9% for the NICS overall. We continue to liaise with NICS HR on case management in order to reduce the overall level of sickness absence.

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.

We will also follow the NICS lead on diversity and inclusion matters, including how we communicate, recruit, promote, develop and manage our workforce.

Expenditure on consultancy

There was no consultancy expenditure in 2017-18.

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) 2017-18.

Accounts Direction

The financial statements have been prepared in accordance with the 2017-18 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.

	2017-18			2016-17			OBJECTIVE
	INCOME	COST	ANNUAL (SURPLUS)/DEFICIT	INCOME	COST	ANNUAL (SURPLUS)/DEFICIT	
	£'000	£'000	£'000	£'000	£'000	£'000	
Vehicle testing	(32,365)	27,803	(4,562)	(31,686)	27,217	(4,469)	
Driver testing	(4,647)	4,470	(177)	(4,946)	4,084	(862)	
Enforcement	(1,674)	3,920	2,246	(1,665)	3,833	2,168	
Other activities	(120)	270	150	(120)	261	141	
Driver licensing	(7,303)	7,159	(144)	(7,007)	6,836	(171)	(1)
Vehicle licensing court prosecution	(505)	503	(2)	(483)	483	-	Full cost recovery
Taxi licensing	(1,360)	1,608	248	(1,304)	1,706	402	Full cost recovery (2)
Bus passenger transport licensing	(202)	182	(20)	(186)	192	6	Full cost recovery
	(48,176)	45,915	(2,261)	(47,397)	44,612	(2,785)	
DfI resource subsidy	(3,167)	-	(3,167)	(2,954)	-	(2,954)	
DfI capital subsidy	(2,416)	-	(2,416)	(1,600)	-	(1,600)	
Activities not attracting fees & charges	(35)	639	604	(44)	654	610	
Adjustment for notional insurance	-	(295)	(295)	-	(285)	(285)	
Total	(53,794)	46,259	(7,535)	(51,995)	44,981	(7,014)	

(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.

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 31 March 2018, the Agency had no remote contingent liabilities.



Paul Duffy

Chief Executive and Agency Accounting Officer

27 June 2018

DRIVER AND VEHICLE AGENCY

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

Opinion on financial statements

I certify that I have audited the financial statements of the Driver and Vehicle Agency for the year ended 31 March 2018 under the Financial Provisions (Northern Ireland) Order 1993. These 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 and Audit Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Driver and Vehicle Agency's affairs as at 31 March 2018 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 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Driver and Vehicle Agency in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Accounting Officer are responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Assembly Accountability and Audit Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 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.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer 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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Financial Provisions (Northern Ireland) Order 1993.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, 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 Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 Assembly Accountability and 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 the Department of Finance's guidance.

Report

I have no observations to make on these financial statements.

A handwritten signature in black ink that reads "K J Donnelly". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

29 June 2018

3. FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2017-18	2016-17
		£'000	£'000
INCOME			
Operating income	3	(53,794)	(51,995)
EXPENDITURE			
Staff Costs	4	27,038	26,480
Other operating costs	5	17,688	17,258
Total operating expenditure		44,726	43,738
Operating surplus before net finance costs		(9,068)	(8,257)
Finance income		(42)	(44)
Finance costs		115	108
Net finance costs		73	64
Operating surplus after net finance costs		(8,995)	(8,193)
Dividends	6	1,460	1,179
Retained surplus for the year		(7,535)	(7,014)
Other Comprehensive Income			
Net gain on revaluation of property, plant & equipment	7	(163)	(142)
Net gain on revaluation of intangible assets	8	(193)	(84)
Comprehensive net income for the year		(7,891)	(7,240)

The notes on pages 76 to 100 form part of these accounts

Statement of Financial Position
as at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	22,380	18,242
Intangible assets	8	8,230	5,742
Total non-current assets		30,610	23,984
CURRENT ASSETS			
Inventories	9	25	35
Trade and other receivables	10	848	726
Cash and cash equivalents	11	31,626	27,308
Total current assets		32,499	28,069
Total assets		63,109	52,053
CURRENT LIABILITIES			
Trade and other payables	12	(7,792)	(8,252)
Provisions for liabilities and charges	13	(338)	(321)
Total current liabilities		(8,130)	(8,573)
Total assets less current liabilities		54,979	43,480
NON-CURRENT LIABILITIES			
Financial liabilities	12	(4,992)	(3,130)
Provisions for liabilities and charges	13	(593)	(710)
Total non-current liabilities		(5,585)	(3,840)
TOTAL ASSETS LESS TOTAL LIABILITIES		49,394	39,640
TAX PAYERS' EQUITY & OTHER RESERVES			
Public dividend capital		5,790	3,927
Revaluation reserve		7,095	6,906
Retained earnings		36,509	28,807
TOTAL EQUITY		49,394	39,640



Paul Duffy
Chief Executive and Agency Accounting Officer
27 June 2018

The notes on pages 76 to 100 form part of these accounts

Statement of Cash Flows
for the year ended 31 March 2018

	Note	2017-18		2016-17	
		£'000		£'000	
<i>Cashflows from operating activities</i>					
Retained surplus for the year			7,535		7,014
Adjustments for non-cash transactions			1,438		1,005
<i>Adjustment for items not relating to operations</i>					
Finance income			(42)		(44)
Finance costs			115		108
Dividends	6	1,460	1,533	1,179	1,243
(Increase)/decrease in trade & other receivables	10		(122)		304
Decrease/(increase) in inventories	9		10		(11)
(Decrease)/increase in trade & other payables	12		(460)		1,200
<i>Less movements in payables relating to items not passing through the SoCI</i>					
Decrease/(increase) in capital accruals			578		(497)
Decrease in dividends payable	12		13		487
Increase in interest payable			(5)		- (10)
<i>Adjustment for non-cash movements on transfer of assets & extension of Trading Fund</i>					
Net tangible assets transferred in	7	(3,725)		(45)	
Net intangible assets transferred in			-	(3,667)	
Provisions transferred in			-	1,218	
Increase in long term loan	12	1,862		3,130	
Revaluation reserve transferred in			-	5	
Increase in Public Dividend Capital		1,863		1,827	
Decrease in retained earnings			-	-	(2,570) (102)
Use of provisions	14		(175)		(1,037)
Net cash inflow from operating activities			10,345		9,606

Statement of Cash Flows (continued)
for the year ended 31 March 2018

	Note	2017-18	2016-17
		£'000	£'000
<i>Cashflows from investing activities</i>			
Purchase of property, plant & equipment		(1,235)	(1,543)
Purchase of intangible assets		(3,251)	(1,231)
Interest received		42	44
Net cash outflow from investing activities		(4,444)	(2,730)
<i>Cashflows from financing activities</i>			
Dividends paid		(1,473)	(1,666)
Interest paid		(110)	(108)
Net cash outflow from financing activities		(1,583)	(1,774)
Net increase in cash & cash equivalents in the year	11	4,318	5,102
Cash & cash equivalents at the beginning of the year	11	27,308	22,206
Cash & cash equivalents at the beginning of the year	11	31,626	27,308

The notes on pages 76 to 100 form part of these accounts

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2018

	Note	Retained Earnings	Revaluation Reserve	Public Dividend Capital	Total Equity
		£'000	£'000	£'000	£'000
Balance as at 31 March 16		24,230	6,808	2,100	33,138
Adjustments on extension of Trading Fund at 1 April 16		(2,570)	5	1,827	(738)
Net gain on revaluation of property, plant & equipment	7	-	142	-	142
Net gain on revaluation of intangible assets	8	-	84	-	84
Transfer between reserves for realised depreciation		133	(133)	-	-
Retained surplus for the year		7,014	-	-	7,014
Balance as at 31 March 17		28,807	6,906	3,927	39,640
Net gain on revaluation of property, plant & equipment	7	-	163	-	163
Net gain on revaluation of intangible assets	8	-	193	-	193
Transfer between reserves for realised depreciation		167	(167)	-	-
Retained surplus for the year		7,535	-	-	7,535
Adjustment on transfer of land from parent department	1.16	-	-	1,863	1,863
Balance as at 31 March 18		36,509	7,095	5,790	49,394

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.

The notes on pages 76 to 100 form part of these accounts

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 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 were effective for the first time in 2017-18. 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 and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, 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 licences.

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 DoF. 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 DoF.

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 MPMNI.

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, DfI, 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 18).

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 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 further PDC of £1,826,948 to facilitate an extension of operations. During 2017-18 the Department transferred land assets into the Trading Fund and received additional PDC of £1,862,500 in return bringing total PDC to £5,789,448.

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

2. 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 SMB reviews financial information at this level for decision making purposes.

	Testing Division	Enforcement Division	Driver & Passenger Transport Licensing	Vehicle Licensing	TOTAL
	2017-18	2017-18	2017-18	2017-18	2017-18
	£'000	£'000	£'000	£'000	£'000
Gross Expenditure	32,277	3,898	9,581	503	46,259
Income	(37,155)	(4,774)	(11,360)	(505)	(53,794)
Net income	(4,878)	(876)	(1,779)	(2)	(7,535)

	Testing Division	Enforcement Division	Driver & Passenger Transport Licensing	Vehicle Licensing	TOTAL
	2016-17	2016-17	2016-17	2016-17	2016-17
	£'000	£'000	£'000	£'000	£'000
Gross Expenditure	31,285	3,833	9,380	483	44,981
Income	(36,785)	*(4,504)	*(10,223)	(483)	(51,995)
Net income	(5,500)	*(671)	*(843)	-	(7,014)

*A disclosure error was made in the analysis of 2016-17 Income by operating segment of £671k. This arose because capital subsidy income in relation to the Enforcement Division was disclosed as part of the Driver and Passenger Transport Licensing income in error. Figures have been restated to reflect the correct Income and Net income positions for Enforcement Division and Driver & Passenger Transport Licensing. There has been no impact on the total Income and total Net income.

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.

3. Operating Income

	2017-18	2016-17
	£'000	£'000
Vehicle test fees	32,365	31,686
Practical driving test fees	2,839	3,028
Driving theory test fees	1,808	1,918
Other fees and licences	155	164
Enforcement fees	1,674	1,665
Subsidy from parent department	5,583	4,554
Driver licensing fees	7,303	7,007
Vehicle licensing enforcement	505	483
Taxi licensing fees	1,092	1,071
Taxi operator fees	268	233
Bus passenger transport licensing fees	202	186
Total income	53,794	51,995

4. Staff costs

Staff costs comprise:

	2017-18	2016-17
	£'000	£'000
Wages and salaries	20,952	20,508
Social security costs	1,879	1,881
Other pension costs	4,207	4,091
Total cost	27,038	26,480

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report on page 58.

5. Other operating costs

	2017-18	2016-17
	£'000	£'000
Travel and subsistence	255	304
Rates and accommodation costs	2,405	2,153
IT system maintenance and other computer charges	999	1,043
Office services	733	822
<i>Contracted out services:</i>		
- Driving theory test	1,048	991
- Vehicle testing service charge	1,541	1,465
- Booking system service charge	1,214	1,258
- Security, cleaning and other	389	379
- Licence card production	615	629
Medical costs	1,384	1,292
Plant, equipment and vehicle costs	315	318
Bank and credit card charges	251	500
Auditor's remuneration*	22	23
Other expenditure	636	863
Services provided by parent department	2,473	2,850
Services provided by other NI government departments	1,970	1,363
<i>Non-cash items:</i>		
Depreciation and amortisation:		
- Property, plant and equipment	1,103	1,010
- Intangible assets	445	203
Impairment	(185)	37
Provisions:		
- Provided in year	96	143
- Provisions written back	(21)	(388)
Total cost	17,688	17,258

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

6. Dividends

	2017-18	2016-17
	£'000	£'000
Interim dividend paid	1,460	1,166
Final dividend payable	-	13
Total dividends	1,460	1,179

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.

7. Property, plant and equipment

	Land	Buildings	Plant & Machinery	Transport Equipment	Information Technology	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2017	8,155	8,543	7,202	492	1,525	25,917
Additions	886	239	14	-	29	1,168
Disposals	-	-	(471)	-	(886)	(1,357)
Revaluation	-	(93)	(75)	19	20	(129)
Impairment	-	59	-	-	-	59
Transfers	3,725	-	-	-	-	3,725
At 31 March 2018	12,766	8,748	6,670	511	688	29,383
Depreciation						
At 1 April 2017	-	-	6,141	440	1,094	7,675
Charged in year	-	375	592	34	102	1,103
Disposals	-	-	(471)	-	(886)	(1,357)
Revaluation	-	(249)	(70)	18	9	(292)
Impairment	-	(126)	-	-	-	(126)
At 31 March 2018	-	-	6,192	492	319	7,003
Net book value at 31 March 2018	*12,766	*8,748	478	19	369	22,380
Net book value at 31 March 2017	8,155	8,543	1,061	52	431	18,242
Asset financing						
Owned	12,766	8,748	478	19	369	22,380
Net book value at 31 March 2018	12,766	8,748	478	19	369	22,380

* The net book value of DVA's land and buildings includes capitalised expenditure incurred investigating the new land sites acquired in 2017-18 and 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 90.

7. Property, plant and equipment (continued)

	Land	Buildings	Plant & Machinery	Transport Equipment	Information Technology	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 16	-	-	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 16	-	-	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

7. 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 28 March 2018 at £13,490,000 (2017: £13,490,000) on an existing use basis. This valuation includes freehold land not depreciated of £4,420,000 (2017: £4,420,000) and long leasehold land not depreciated of £2,420,000 (2017: £2,420,000). The valuation excludes land transferred from DfI and sites purchased in late March 2018. These are included at their value at date of acquisition as they are not yet in operational use.

DVA's properties associated with Enforcement operations (including the weighbridges) were valued by LPS on 28 March 2018 at £2,638,930 (2017: £2,593,696) on a depreciated replacement cost basis. This valuation includes weighbridge land not depreciated of £1,315,000 (2017: £1,315,000).

This valuation excludes expenditure incurred on investigating the new land sites acquired in 2017-18 and 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 an agency of the Department of Finance.

8. Intangible assets

	Information Technology	Software Licences	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2017	10,249	382	1,957	12,588
Additions	571	-	2,169	2,740
Disposals	(6,171)	(121)	-	(6,292)
Revaluation	222	9	-	231
Reclassifications	982	-	(982)	-
At 31 March 2018	5,853	270	3,144	9,267
Depreciation				
At 1 April 2017	6,558	288	-	6,846
Charged in year	429	16	-	445
Disposals	(6,171)	(121)	-	(6,292)
Revaluation	33	5	-	38
At 31 March 2018	849	188	-	1,037
Net book value at 31 March 2018	5,004	82	3,144	8,230
Net book value at 31 March 2017	3,691	94	1,957	5,742
Asset financing				
Owned	5,004	82	3,144	8,230
Net book value at 31 March 2018	5,004	82	3,144	8,230

8. Intangible assets (continued)

	Information Technology	Software Licences	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'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 16	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
Depreciation				
At 31 March 2016	653	123	-	776
Transferred in from parent department on extension of Trading Fund on 1 April 16	5,726	137	-	5,863
Charged 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. Inventories

	31 March 2018 £'000	31 March 2017 £'000
Fuel stock	25	35
Total inventories	25	35

10. Trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
Other receivables	63	134
Prepayments and accrued income	163	195
VAT	622	397
Total receivables	848	726

11. Cash and cash equivalents

	31 March 2018 £'000	31 March 2017 £'000
Balance at 1 April	27,308	22,206
Net change in cash and cash equivalent balances	4,318	5,102
Balance at 31 March	31,626	27,308
Commercial banks and cash in hand	2,812	3,358
Short term investments	28,814	23,950
Balance at 31 March	31,626	27,308

12. Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Amounts due within one year		
Trade payables	990	1,176
Other payables	43	25
Deferred income	2,729	2,950
Accruals	4,030	4,088
Final dividend payable	-	13
	7,792	8,252
Amounts due after more than one year		
Loan from parent department	4,992	3,130
Total payables	12,784	11,382

13. Provisions for liabilities and charges

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	TOTAL
2017-18	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	127	36	530	7	331	1,031
Provided in the year	57	23	7	-	9	96
Provisions not required written back	(16)	(5)	-	-	-	(21)
Provisions utilised in the year	(12)	(13)	(133)	-	(17)	(175)
Balance at 31 March 2018	156	41	404	7	323	931

Analysis of expected timing of provisions:

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	TOTAL
2017-18	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	156	41	116	7	18	338
Later than one year and not later than five years	-	-	270	-	72	342
Later than five years	-	-	18	-	233	251
Balance at 31 March 2018	156	41	404	7	323	931

13. Provisions for liabilities and charges (continued)

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	Accomm Costs	Dilapidation Costs	TOTAL
2016-17	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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:

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	Accomm Costs	Dilapidation Costs	TOTAL
2016-17	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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

13. Provisions for liabilities and charges (continued)

Employee and Public Liability

Provision has been made for compensation claims and associated legal costs made by employees and members of the public. 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.

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.

13. Provisions for liabilities and charges (continued)

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 2014-15 year following the cessation of Vehicle Licensing Operations and DoF have provided the dilapidation costs for these buildings.

14. Contingent liabilities disclosed under IAS 37

There were three disputed Employer and Public Liability cases at year end with a total value of £19,500. (2017: £19,500).

There are a number of strategic litigation cases that have been lodged in relation to holiday pay for Northern Ireland Civil Service employees. Given the nature of these cases and stage of the proceedings it is not possible to determine the outcome or to quantify any potential financial impact.

15. Capital commitments

At 31 March 2018, DVA had £6,119,242 (2017: £1,337,449) of contracted capital commitments not otherwise included within the accounts.

16. Commitments under leases

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

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	1,888	1,285
Later than one year but not later than five years	1,938	1,356
Balance at 31 March	3,827	2,641

17. 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 2018 £'000	31 March 2017 £'000
Not later than one year	620	600
Later than one year but not later than five years	404	826
Balance at 31 March	1,024	1,426

18. Corporate financial target

	2018 Actual	2018 Target	2017 Actual	2017 Target
Return on average capital employed	16%	3.5%	19.8%	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.

19. Related-party transactions

The DFI 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 SMB nor any other related party has undertaken any material transaction with DVA.

20. 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.

21. Events after the reporting period

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

22. Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 27 June 2018.