

**Driver and Vehicle Agency Annual Report
and Statement of Accounts
For the year ended 31 March 2019**

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 3rd July 2019



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Chief Executive's Foreword

I am pleased to present our Annual Report and Accounts for 2018-19.

This year we achieved many of our key operational targets as well as continuing to develop and deliver our ambitious Digital Transformation Programme. I am immensely proud of colleagues across DVA who have consistently provided a range of services that contribute to keeping people safe on our roads.

A key priority for the year has been putting in place the foundations of a programme to further develop the leadership across DVA, support colleagues in managing change and continue to improve our engagement. This will be a priority for future years as we introduce new ways of working and new ways for customers to access our services.

Through our Digital Transformation Programme we are aiming to provide Fast, Easy and Secure digital services, which will improve both the customer and our employees' experience. We continue to build on the first phase of our new Driver Licensing System, which allows applicants to apply online to renew their driving licence, request a duplicate licence or change their address. Phase 2, which launched in May 2019, allows applicants to upload their photograph, making this a truly online service.

We delivered a new digital solution for our driving examiners, which allows the driving test to be conducted and assessed using a tablet device, making the process more efficient for both our examiners and candidates. I was delighted when the team won the UK IT Industry Award for 'Transformation Project of the Year'. This was a remarkable achievement, against some stiff competition, but the involvement of end users in the design, development and implementation were key factors to its success.

We have continued to work with the bus and taxi industries to develop our new online Commercial Licensing System which will go-live later this year. This will include the facility for taxi and bus operators to manage their own licensing account online and will be the start of a number of digital improvements to this service.

The demand for vehicle tests continues to grow and on a number of occasions during the year, the demand exceeded our ability to provide sufficient capacity to deliver vehicle roadworthiness tests across the test centre network. We have taken a number of short-term measures to respond to the growing demand and our plans for a new Belfast Test Centre to

be built at Hydebank are well advanced. This new facility will also provide the capability for conducting a fully compliant emissions test for diesel light vehicles.

This has been a challenging year for colleagues across DVA as they respond to the growing demand for our services while continuing to develop and improve those services for our customers. It has been through dedication and commitment that we have largely delivered on both fronts.

I look forward to working with colleagues on what will be another exciting year ahead.

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

Paul Duffy

28 June 2019

Chief Executive

Non-Executive Board Member Report

The year to 31 March 2019 has been one of significant change for the Driver and Vehicle Agency. A complex and diverse operational organisation the Agency continues to meet competing demands in this environment of change, as it exercises its regulatory, enforcement and operational duties to ensure the highest standards of public safety on the roads in relation to driver and vehicle testing and licensing.

Digital Transformation

The Digital Transformation Programme continues to move at pace. There has been a steady and encouraging growth in the number of customers using our online services to book vehicle and driving tests and the introduction of the Driving Examiner Digital Solution has been welcomed. In addition to the implementation and continued development of new digital solutions the team has been dedicated to the procurement of a strategic delivery partner, now appointed and ready to support the Agency in the next phases of the Programme. We look forward to working in an integrated way with our new partner.

Capital Programme

With the proposal to modernise the Agency's network of fifteen test centres across Northern Ireland to solve capacity issues and address other constraints, the Agency has been able to move ahead with the planning of the new test centre and compliance and enforcement depot. A site has been identified at Hydebank and plans have been scoped with procurement activity commencing in early 2019-20. The Belfast centre will be funded via Agency reserves, but unfortunately these do not stretch to fund the remainder of the new network. The advancement of this will require the approval of a Minister.

Organisational Development

The impact of change on staff has been well recognised by the Agency. It is clear that the digital transformation programme and capital project will benefit staff, but some operational functions and roles will be affected and need to change. The past year has seen an emphasis of focus on staff engagement. A series of engagement events conducted across the Agency were well received and provided a forum for useful conversations. This was time well spent but unfortunately had an impact on the ability to meet targets, most notably those in relation

to driver and vehicle testing. This itself is an indicator of how efficiently the organisation operates, and what little flex there is in the system.

The recruitment of Denise Black as Director of Organisational Development brings a dedicated focus to the people element of the change programme. Early in her tenure Denise already has made a positive and exciting contribution to the Agency taking an approach and introducing strategies to engage with and support staff through the ambitious change programme.

Governance

In line with best practice, the DVA recruited a new Non Executive Board Member, and I attended my first Board meeting in August 2018. I am committed to monitoring and challenging the Agency's performance in relation to objectives and strategic plans, including budget. I am also committed to identifying and contributing to new initiatives and opportunities and very much look forward to contributing to the excellent work achieved by the Agency. I am grateful to the Accounting Officer and his executive team for their openness and leadership throughout the year.

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 2018-19.

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 2018 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 2018-19.

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 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. Our values are:

- 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;
- Impartiality – acting solely according to the merits of the case and serving equally well governments of different political persuasions;
- Valuing people - leading and empowering, listening and responding, recognising success; and
- Excellence – a focus on customer service, inspiring creativity and innovation, striving for excellence.

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 motorcycle 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 risk that could have affected our ability to deliver on our key objectives was in relation to the 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 this risk.

More detail on Agency risks is outlined in the Corporate Governance Report on page 31.

Overview of Performance

In broad terms, we met 3 of our 9 Key Performance targets.

Much more detail on performance is provided in the following pages, including for those targets not achieved.

1.2

Performance Analysis

Our performance has been measured against the key targets in the 2018-19 Scorecard.

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/her own Directorate's performance on a monthly basis via business meetings with 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 the key risks that could affect us in delivering our objectives, and we work continuously to mitigate and manage these risks.

We met 3 of our 9 Key Performance targets.

These targets, together with details of how we performed in relation to each, are set out on page 13.

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 2018-19	Result Achieved / Not Achieved
1	To achieve at least 9 of the 12 Compliance and Enforcement performance targets	ACHIEVED
2	To provide fast, easy and secure digital services	Not achieved
3	Provide Modern Infrastructure	Not achieved
4	To achieve at least 5 of the 7 customer service targets	Not achieved
5	To advance the Customer Contact Project	Not achieved
6	To attain ISO 9001:2015 accreditation	ACHIEVED
7	To manage the Agency efficiently and effectively within a strong corporate governance framework	ACHIEVED
8	To improve staff engagement levels	Not achieved
9	To deliver an Organisation Development 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 six of our targets at Section 1.5 on page 17.

1.4 Detailed breakdown of Performance against Key Targets and Associated Objectives

Target Number	Performance Target 2018-19	Result Achieved / Not Achieved
1	To achieve at least 9 of the 12 of the Compliance and Enforcement performance targets	<u>ACHIEVED</u>
	To conduct at least 1,800 vehicle inspections on HGV units (tractor or trailer)	Achieved
	To carry out at least 5,000 operator and vehicle licensing checks on goods vehicles at the roadside using tablet devices	Achieved
	To conduct at least 750 vehicle inspections on buses	Achieved
	To carry out at least 500 operator and vehicle licensing checks on buses at the roadside using tablet devices	Achieved
	To conduct at least 1,500 vehicle inspections on taxis	Achieved
	To carry out at least 2,000 operator and vehicle licensing checks on taxis at the roadside using tablet devices	Achieved
	To conduct at least 400 vehicle inspections on private cars	Achieved
	To conduct at least 1,000 MOT checks on cars at the roadside using tablet devices	Achieved
	Carry out a minimum of 24 coordinated/cross border checks with RSA and DVSA	Achieved
	To carry out a minimum of 25 multi-agency operations to improve road safety and compliance with statutory requirements	Achieved
	To complete 90% of bus operator compliance inspections requested by PTLD within agreed timescales	Achieved
	To conduct at least 100 taxi operator compliance inspections	Achieved

2	To provide fast, easy and secure digital services	<u>NOT ACHIEVED</u>
	Completion of roll-out of Compliance Release 1 (Roadside Data Capture)	Achieved
	Implementation of Compliance Release 2 (Car Operations Intelligence)	Not achieved
	Implementation of Compliance Release 3 (Infringement and Regulation)	Not achieved
	Completion of the development of Compliance Release 4 (Prosecutions)	Achieved
	Complete development of taxi and bus operator licensing system	Achieved
	Complete First Phase of roll-out of the Driving Examiner Digital Solution	Not achieved
	Award contract for DVA ICT Strategic Partner	Achieved
3	Provide modern infrastructure	<u>NOT ACHIEVED</u>
	Seek the appropriate approvals for new test centre network.	Achieved
	Award a contract for the supply of equipment.	Not achieved
	Obtain business case approval to appoint a construction supply team	Achieved
4	To achieve at least 5 of the 7 customer service targets	<u>NOT ACHIEVED</u>
	Process 95% of completed paper driver licence applications within 10 working days	Not achieved
	Process 95% of completed online driver licence applications within 5 working days	Not achieved
	Appoint 92% of practical driving test applications within 28 days or, on request, at a later date	Not achieved
	Appoint 92% of vehicle test applications within 21 days or, on request, at a later date	Not 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>NOT ACHIEVED</u>
	To increase online vehicle test bookings by 5 percentage points	Not Achieved
6	To attain ISO 9001:2015 accreditation	<u>ACHIEVED</u>
7	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
8	To improve staff engagement levels	<u>NOT ACHIEVED</u>
	Improve staff engagement levels against baseline	Not Achieved
9	To deliver an Organisational Development Strategy	<u>NOT ACHIEVED</u>
	Agree an Organisational Development Strategy for Programme Board approval, in consultation with staff and TUS	Not achieved

1.5

Explanation for Key Targets not achieved

Target 2 - To provide fast, easy and secure digital services

Compliance releases 2 and 3 could not be implemented within the stipulated timeframe because an essential upgrade to the NICS Mobile Device Management platform created unplanned reworking of the developed software preventing it being rolled out as scheduled.

The first phase of the rollout of the Driving Examiner Digital Solution was completed during the year but was not rolled out by the September 2018 target due to training and resourcing pressures.

Target 3 – Provide Modern Infrastructure

The targets to “seek appropriate approvals for the test centre network” and “obtain business case approval to appoint a construction supply team” by 31 March 2019 were both met through obtaining approvals to the infrastructure designs and the business cases for the appointment of an equipment contractor and the building of a new Test Centre and Depot at Hydebank.

The target to award a contract for the supply of equipment by 31 October 2018 was not achieved due to delays in progressing the procurement process. The contract was awarded on 5 March 2019.

While 2 of the 3 sub targets were delivered the overall target was not achieved within the timeframe.

Target 4 – To achieve at least 5 of the 7 customer service targets

Process 95% of completed paper driver licence applications within 10 working days and process 95% of completed online driver licence applications within 5 working days

During 2018-19, the DVA processed 93.5% of completed Ordinary Driver Licence applications within 10 working days. This is 1.5% Percentage Points below the Agency target of 95%. In previous years this performance level has been estimated using a sample survey, however, it has been improved and expanded to a census this year, including all relevant records. DVA Statistics Branch are confident that this new approach is a robust one, and accurately reflects the Agency’s performance over the period.

While volumes of applications decreased when compared to volumes on the previous year, the reduction was not to the level expected. This, along with the demands in relation to the Transformation Programme resulted in the target not being achieved.

Appoint 92% of practical driving test applications within 28 days or, on request, at a later date

There was a significant investment in staff training and organisational development this year which impacted on the target not being met. This included the roll out of the new driving examiner digital system (DEDS) which enabled driving examiners to record driving test results digitally.

Appoint 92% of vehicle test applications within 21 days or, on request, at a later date

An increase of almost 5% in full test applications coupled with limited capacity at our centres, meant that the vehicle test targets were not achieved. Demands in relation to the development and transformation of our systems resulted in resources being diverted from front line services to work on key development stages of business transformation.

Target 5 - To advance the Customer Contact Project

This target was set based on there being a surge of online usage due to the removal of telephone numbers from all test reminder notices issued. However, on evaluating customer responses, the telephone number was reinstated in all notices from September 2018. Online usage was still successfully increased over the 12 months by 3.28% but this fell short of the 5% target.

Target 8 – To improve Staff Engagement levels

A significant amount of time and effort was invested during the year in improving communication and engagement with staff across all parts of the Agency. For example, at the suggestion of the Staff Focus Groups, we introduced a new newsletter to keep staff informed of many of the professional and personal developments that were taking place among our staff in DVA.

We also held a number of staff conferences, covering every staff member, to provide face-to-face updates by the Chief Executive and Board of Directors, on progress with the Transformation Programme. This gave staff an opportunity to meet colleagues, listen to and question the latest developments with our Transformation Programme and feedback suggested it was very positively received.

Staff Focus Groups also continued to meet and address issues of concern.

In spite of these developments, the Staff Engagement score (baselined in 2017-18) actually reduced, albeit slightly. Whilst disappointing, we will work in the coming period to address this and other issues as part of our People Strategy.

Target 9 – To deliver an Organisational Development 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 designing a DVA People Strategy should be integrated within a broader organisational design review. The Agency appointed an individual with significant organisational design and human resource experience to undertake this work and they took up their post within DVA on 25 June 2018. It took 6 months of familiarisation through various workshops and interactions with staff to understand DVA's business model and culture. In March 2019 a draft People Strategy was shared with the Board and is being finalised for onward communication with staff and TUS. A schedule of deliverables is being drawn up to reflect initiatives proposed in the People Strategy for rollout in 2019.

1.6

Performance Summary by Business Area

Driver Licensing

During 2018-19 a total of 272,025 driving licences (ordinary and vocational) were issued. This fall of 13.5% in the volume of licences issued, while not as significant as expected, reflects the end of the period of peak renewals, when following the transition from three to ten year duration licences in the 1980's, there is a peak in renewal volumes as those ten year licences become due for renewal. Volumes are expected to fall again in 2019-20 and then should stabilise until the next peak renewal period. The introduction of the online renewal service to include the upload of a photo will ease pressures in future peak renewal years.

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 notify a Change of Address. Throughout 2018-19 the uptake rate of these services was good with the duplicate licence service showing high levels of uptake at 76% at the end of the year.

The Division continued to work closely with colleagues in DfI's Safe & Sustainable Travel Division on changes to policy and legislation.

Driver Testing

We delivered 57,946 driving tests, marking a slight increase on the previous year (57,628).

In May 2018, the DVA hosted the 50th CIECA General Assembly and Congress, with more than 150 delegates from over 40 countries. The theme of the Congress was 'Safe driving for life'.

In 2018 we replaced the paper based driver test marking system with digital tablets that Driving Examiners use during the car driving test to input the assessment information. Drivers sitting their car driving test now receive

their assessment and test results by email. Test pass results are also sent electronically to the DVA Driving Licence system, and if appropriate, a licence is issued automatically.

Vehicle Testing

We provided 1,089,690 vehicle tests across all vehicle testing categories, marking an increase of 1.7% on 2017-18. This is 217,904 additional tests on 871,786 provided in 2008-09.

The new Roadworthiness Directive 2014/45/EU was successfully implemented in May 2018. This Directive extended the range of vehicles subject to periodic inspection, introduced the harmonised categorisation of vehicle defect categories and increased the scope of testable items.

In November 2018, the Agency hosted a CITA international vehicle inspection committee working group meeting in Belfast, dealing with ‘vehicle safe systems’; the meeting was attended by more than 30 international delegates.

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 continued to work closely with compliance and enforcement colleagues to better regulate the bus and taxi industries through more focused and proactive regulation. The informal interview process which was introduced last year for new applicants for a bus operator’s licence was extended in this reporting period to also include new applicants for a taxi driver’s licence. This provides the opportunity to ensure that applicants fully understand their responsibilities and statutory obligations.

Development of the Commercial Licensing System (CLS) is at an advanced

stage. CLS is an online system which will provide a new fast, easy and secure digital service for the taxi and bus industry. The new system is expected to go live later in the year and will provide the taxi and bus industries with access to online facilities and real-time visibility of their licences.

Compliance and Enforcement

We recently issued new tablet devices to enforcement officers to enhance and support roadside compliance inspections. These devices provide officers with remote access to a range of electronic vehicle, operator and driver data in order to enhance the effective selection and targeting of non-compliant vehicles, operators and drivers.

The use of this new technology has enabled resources to be deployed more effectively and the use of mobile apps will eventually replace paper forms, reducing the need for back office processing whilst improving data quality.

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.

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”.

A new driver licensing system went live in 2016, and this was supplemented by online services for the public in early 2018. The service to customers continues to be improved through the implementation of further online services, with the ability to upload digital photographs due to be introduced in May 2019.

Work is ongoing on the development of a new commercial licensing system, which will include the facility for taxi and bus operators to manage their own licensing online. Work also commenced on an application for the automation of advanced instructors’ licences.

Development of the Compliance application continued and whilst full implementation has been limited due to a technical issue, new functionality is in use by Enforcement Officers to assist with their roadside operations work. An application to allow driving instructors to conduct driving tests on a tablet computer was successfully rolled out in 2018. Driving instructors and the public have fully embraced the new technology, and the application won the

UK IT Industry's Workplace Transformation of the Year award in November 2018. Work continued on the development of a corporate information source which will improve the Agency's reporting capability and the analysis and marketing of the Agency's data.

The Agency also undertook a significant procurement exercise to appoint a new strategic partner - to complete its digital transformation programme plus support and enhance DVA's ICT applications. Fujitsu became the Agency's digital partner from April 2019, for a period of 7-10 years.

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. Business Case approval has been received for the development of a new Driver and Vehicle Test Centre and a Depot for our Belfast Compliance and Enforcement Team at the new Belfast Hydebank site. The Stage D+ design phase has been completed and a planning application submitted for the development of the site. A new equipment provider has been appointed and work is ongoing to finalise the necessary paperwork to procure the appointment of an integrated supply team to develop the site and construct the new buildings. Additional land has been purchased at the existing Newtownards site and negotiations are ongoing to secure a number of other new sites.

The 'People' strand of the Programme has been expanded to include work on organisational design and organisation effectiveness. This will ensure that the Agency has the most effective structures in place which will be built upon a strong Leadership culture where staff feel positive and involved in the Transformation changes. This is reflected in the People Strategy.

Customer Service

We currently hold the European Foundation for Quality Management (EFQM) Gold Star Service Excellence Role Model award, which demonstrates the very high level of customer service that our staff deliver on

a daily basis.

We have also continued to work to improve the customer experience by reviewing the range of customer contact points (telephone handling, our web presence and various forms and letters) seeking to improve each.

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.

At a national level, the new application to allow Driving Examiners to conduct tests using a tablet computer won the UK IT Industry's Workplace Transformation of the Year award in November 2018.

National Statistics

Many of the key business volumes reported in the DVA Annual Report and Accounts were sourced from DfI National Statistics published on 29 May 2019, in 'DfI Driver, Vehicle, Operator and Enforcement Statistics Quarter 4 2018-2019', which is available from the Department's website at: :
<https://www.infrastructure-ni.gov.uk/topics/statistics-and-research/driver-vehicle-agency-statistics>

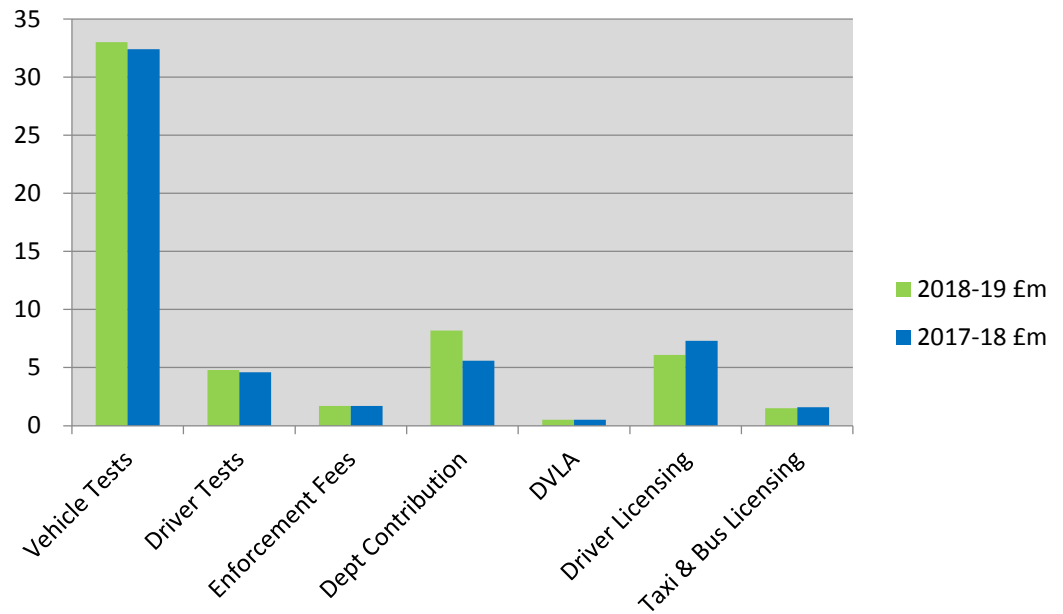
1.7 Financial Performance

Income

DVA received income of £55.9m during the year, an increase of approximately 4% on the previous year's income of £53.8m, primarily due to an increase in the capital subsidy provided by the Department to finance development of new IT systems for Licensing and Enforcement functions and also a small increase in the resource subsidy due to a reduction in driver licensing income. The reduction in driver licensing income is mainly due to

it not being a peak renewal time. There was an increase in vehicle test fee income due to an increase in the number of vehicle tests conducted. 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.

Chart 1: DVA Income by Source



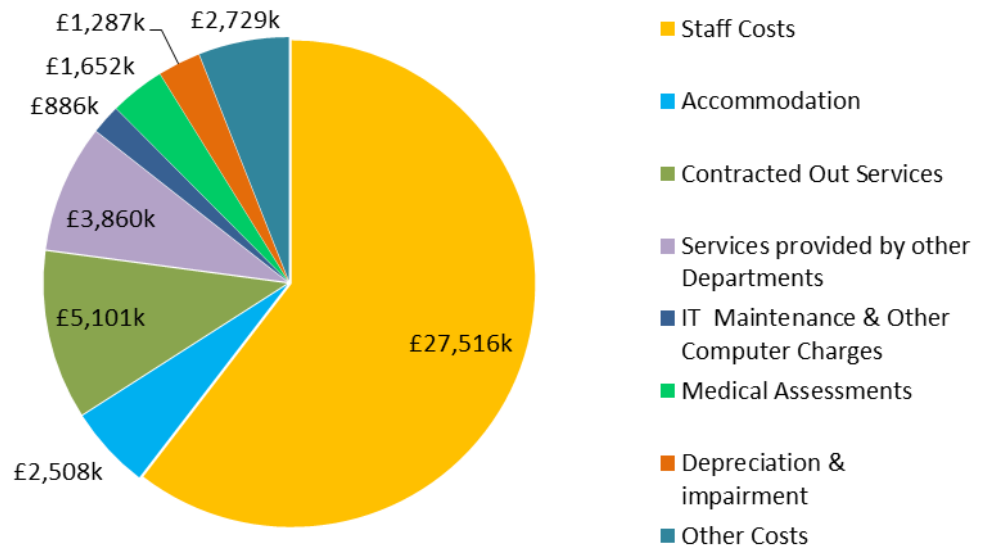
Expenditure

Total operating expenditure during the year was £45.5m, an increase of over 1.8% compared with the previous year's expenditure of £44.7m. Staff costs have increased by approximately £0.5m mainly due to an increase in overtime and temporary staff costs due to pressures on testing waiting times and as a result of staff carrying out training on new procedures.

A detailed breakdown of operating expenditure is shown in Notes 4 and 5 to the accounts.

Chart 2 shows the split of 2018-19 total operating costs by key expenditure types.

Chart 2: DVA Total Operating Expenditure



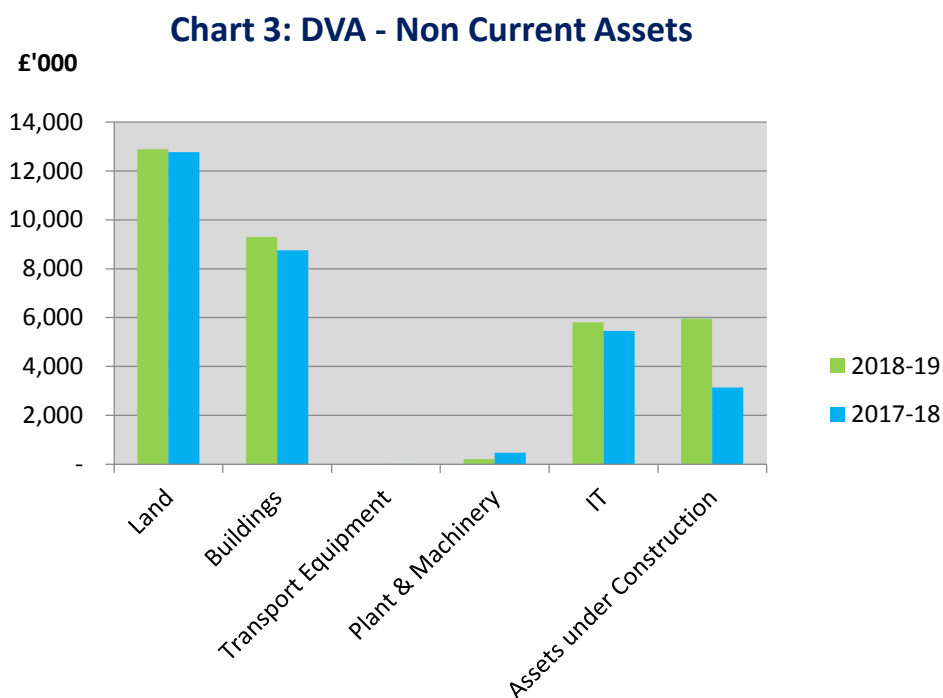
Operating Surplus

The Agency made a surplus for the year of almost £8.7m compared with £7.6m in the previous year. This increase of £1.1m was mainly due to an additional £2.6m 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. This was offset by a slight decrease in other income types. There was also additional operating expenditure of £800k and an increase in the dividend payment to DfI of £200k.

Non-Current Assets

The Agency's non-current asset book value increased from £30.6m at the end of the previous financial year to £34.2m this year due primarily to the continued development of new IT systems. 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.

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 14% was achieved during the year compared with 16% for 2017-18.

Partnerships

We continued to build on the working relationships already established as well as establishing some new partnerships with our private sector partners for the delivery of services. These include:

- Maha Ireland Ltd for the maintenance of existing vehicle test equipment;
- Worldwide Environmental Products for the supply, installation and

- maintenance of new vehicle testing equipment;
- Pearson VUE for the delivery of the theory test service;
- British Telecom, through the NI Direct contract, for the delivery of ICT systems and who handle some of our customer telephone calls;
- Fujitsu as an ICT Strategic Partner for the next 7 – 10 years;
- 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 4: DVA Income & Operating Costs

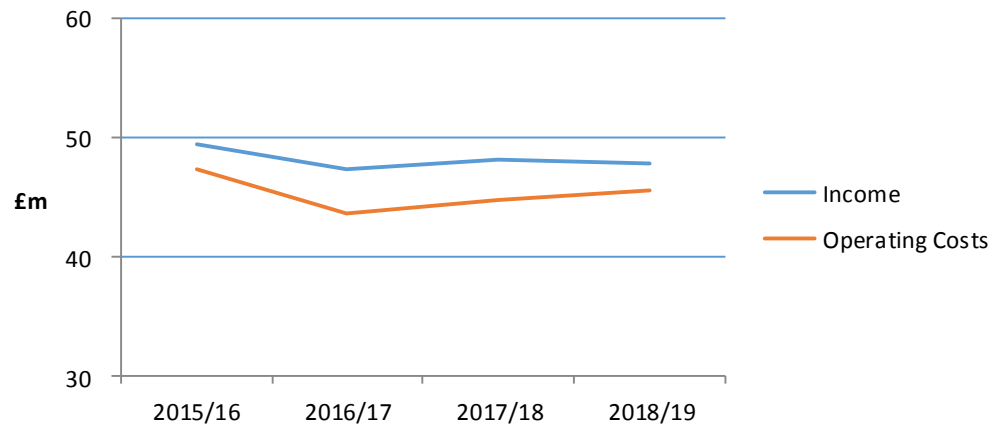
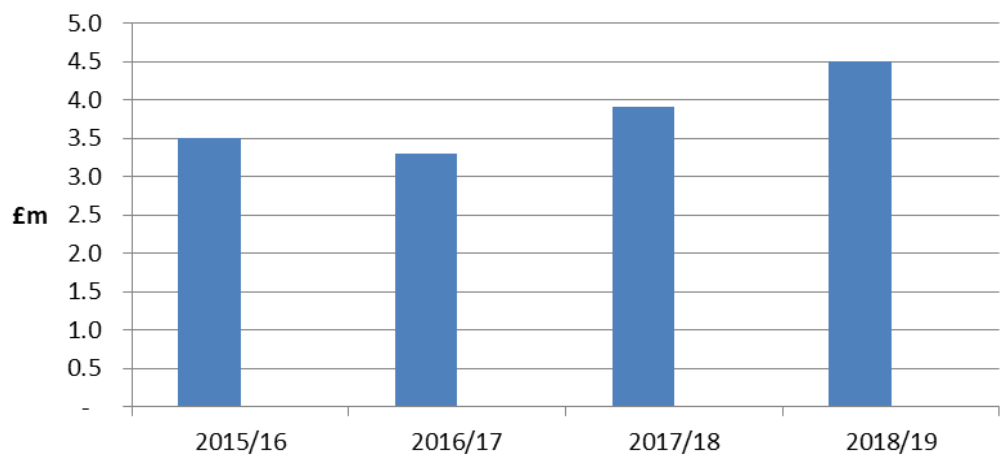


Chart 5 below shows the capital expenditure trends over the last four years. Expenditure in the current financial year is primarily due to expenditure on the development of new IT systems. The 2017-18 figures excludes land sites worth over £3.7m transferred in from the Department during that year.

Chart 5: Capital Expenditure



Paul Duffy

Chief Executive and Agency Accounting Officer

28 June 2019

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 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 2018-19.

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 from April 2018 to September 18 when Katrina Godfrey was appointed.

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 54.

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
Denise Black	Director of Organisational Development (from 25/06/18)
James Hutchinson	Director of Compliance and Enforcement (until 24/8/18)
Jeremy Logan	Acting Director of Compliance and Enforcement (from 14/8/18)

Siobhan Lynn Head of Financial Management & Governance
In addition to the Agency Directors who are members of SMB, Shannon Caldwell also sat on SMB as an independent member until 30 June 2018. Kathy Graham was then appointed as a Non-Executive Board Member to the Board from 23 July 2018.

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 104.

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 2018-19 resulted in a fee of £23,400 (2017-18: £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 54.

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 2019, DVA paid 98.4% of the 6,688 invoices (2017-18: 99.1% of 6,448 invoices) received within 30 days and 95.8% (2017-18: 95.0%) 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 2018 to 31 March 2019 we dealt with 305 complaints and received 83 compliments. We responded to 97.7% 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
2018-19	305	97.7 %
2017-18	329	98.5 %
2016 -17	333	98.2%

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 enhance services for customers and stakeholders whilst providing organisational efficiencies through better management of DVA corporate information. The appointment of a new strategic digital partner will support DVA with the ongoing development of new systems and ways of working.

To manage the transition to new ways of working and to ensure that we have the optimal organisational structure, with a multi-skilled, well-trained and engaged workforce, there are a variety of separate, people-focussed work streams being taken forward.

The design and development of new test centres will allow DVA to meet its future demands and the increasing complexity of vehicle testing. Significant progress has been made in relation to obtaining business case approval, purchasing and identifying potential new sites, designing the new test centres and depot and preparing for the procurement of 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. A public consultation on GDL and changes to the practical driving test issued in November 2017, and closed in January 2018. The Department's proposals were well received and raised no significant political or public concerns.

As a result of the outcomes of this consultation, and stakeholder feedback (including engagement with young people and parents), the Department has undertaken additional work to develop a digital solution for the programme of training and Learner Logbook. As a consequence of this additional work, and the ongoing political uncertainty, implementation of the GDL scheme is expected in late 2020.

Events after the Reporting Period

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

Personal Data Related Incidents

DVA has had no reportable breaches of the Data Protection Act in this financial 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, statement of financial position, 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 judgements 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;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation; and
- confirm that the Annual Report and Accounts as a whole is fair and balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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).

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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.

DVA is an executive agency of the Department for Infrastructure (DfI). The Agency's overall aim is to deliver improved road safety and better regulation of the transport sector. DVA is responsible for driver and vehicle testing, driver licensing and passenger transport licensing, and regulation and enforcement within the transport sector in Northern Ireland.

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 2018-19.

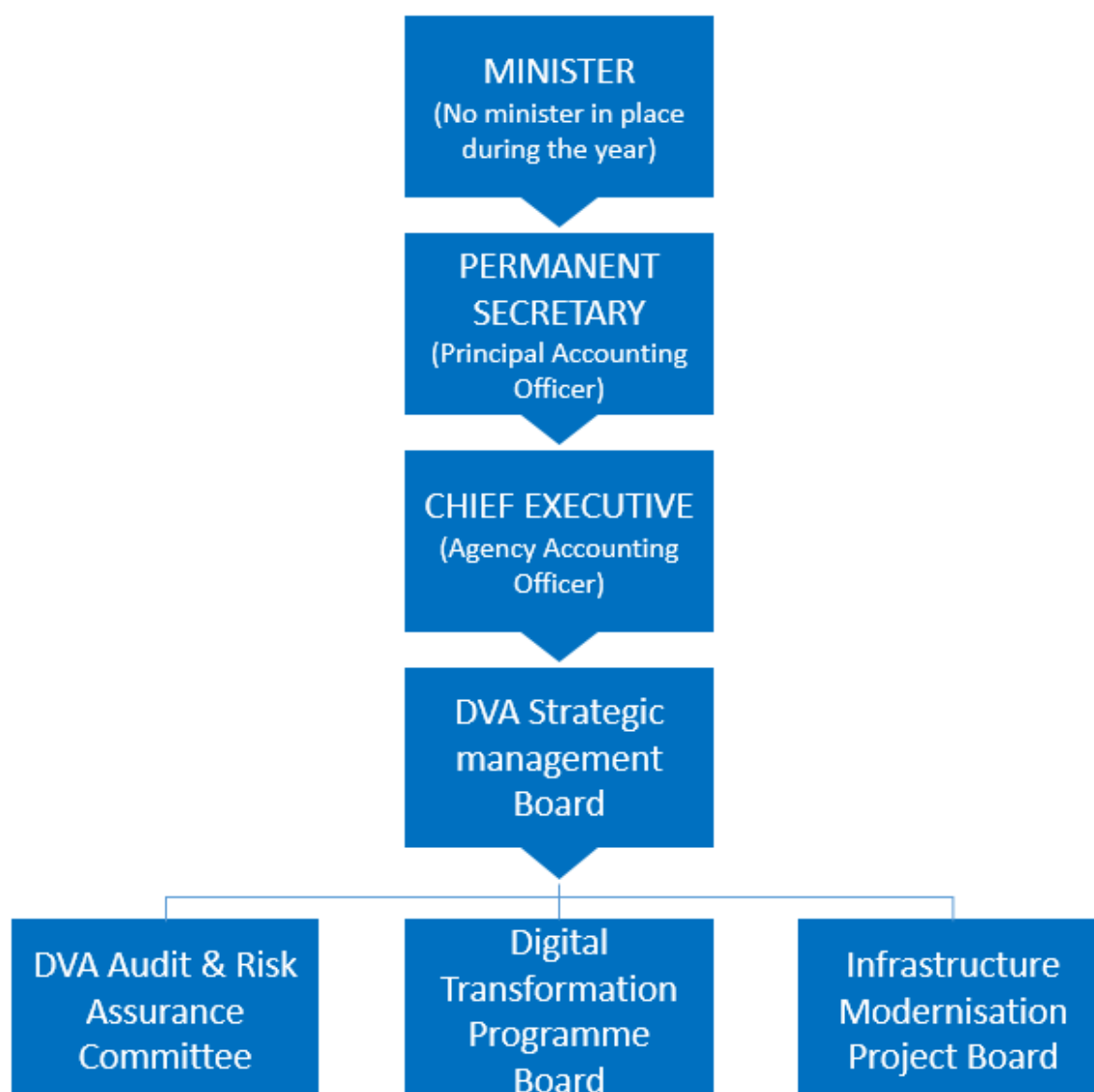
The Department sets the policy, legislative, financial, human resource and procurement frameworks within which the Agency operates. The Department is the contracting and procurement authority for all contracts entered into for goods and services purchased to support services delivered by the Agency.

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;
- Director of Organisational Development (from 25/6/2018)
- Head of Financial Management & Governance; 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;
- management information relating to the use of resources; and
- strategic issues affecting the Agency.

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 2018 and found it fit for purpose.

During the year a review of the structure and format of the Strategic Management Board was carried out. The recommendation from the review was that a new format should be trialled for the Board, to place more emphasis on future strategic issues. The new format was rolled out in March 2019 and will be reviewed during 2019-20.

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	11/11
James Hutchinson	Director of Compliance and Enforcement (until 24/8/18)	3/3
Denise Black	Director of Organisational Development (from 25/6/2018)	9/9
Jeremy Logan	Acting Director of Compliance and Enforcement (from 14/8/18)	8/8
Pat Delaney	Director of Operations	11/11
Mike Beare	Director of Transformation	11/11
Siobhan Lynn	Head of Financial Management & Governance	10/11
Shannon Caldwell	Independent Board Member	3/3
Kathy Graham	Independent Board Member	6/7
ATTENDEES		
HR Division Representation		11/11

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. 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 2018-19 financial year included: the 2017-18 Annual Report and Accounts; the internal audit charter; the internal audit plan; 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 (until 30/6/2018)	2/2
Kathy Graham	Chair of Audit and Risk Assurance Committee (from 23/7/2018)	2/2
Kathryn Hill	Independent Member of Audit and Risk Assurance Committee	4/4
Catherine Teggart	Independent Member of Audit and Risk Assurance Committee	4/4
ATTENDEES		
Paul Duffy	Chief Executive	3/3
James Hutchinson	Director of Compliance and Enforcement (until 24/8/18)	1/1
Jeremy Logan	Director of Compliance and Enforcement (from 14/8/18)	2/2
Mike Beare	Director of Transformation	1/3
Siobhan Lynn	Head of Financial Management and Governance	4/4
Shirley Archibald	Head of DVA Systems and Accounts (until 30/9/18)	2/2
Brighdin McAleenan	Head of Financial Accounts Branch (from 1/10/18)	2/2
Internal Audit Representation		3/3
External Audit Representation		4/4

Transformation

The Digital Transformation Programme Board and the Infrastructure Project Board, 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/Jeremy Logan (Director of Compliance and Enforcement), Pat Delaney (Director of Operations) and Denise Black (Director of Organisational Development). Meetings are also attended by a member of Internal Audit.

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

Corporate Services

Corporate services functions, including HR, IT and Financial Accounts and Systems functions were provided to the DVA by the DoF and DfI. The costs of these services were charged to the Agency. The responsibility for the delivery of these services fell to either the Director of Human Resources (DoF), Director of Strategy, Communications and Change (DfI) or the Director of Finance (DfI).

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 2018-19 an overall Satisfactory opinion 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 required management during 2018-19 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 reviews 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. The Agency has adopted a new template for recording risks which has been rolled out by the Department. 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
- Operational: Averse
- Financial: Open
- Compliance: Averse
- Corporate Governance: Averse
- Change: Open
- Health and Well Being: Averse

The Agency Risk Register at the beginning of the year identified 7 key risks. Following reviews carried out during the year, 1 risk relating to procurement and contract management was removed from the Agency Risk Register. One new risk was added to the Agency Risk Register during the year in respect of non-compliance with EU and National emissions testing legislation. The Agency Risk Register has currently 7 key risks covering:

- Finance;
- Fraud;
- Data Security;
- Health and Safety;
- Transformation Programme;
- Resources: and

- Emissions Testing

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 risk that could have affected our ability to deliver on our key objectives was in relation to the Transformation Programme.

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.

The risk in respect of emissions testing is the one Agency risk which has been escalated to the Department for inclusion in the Department's Corporate Risk Register. In terms of addressing this issue, the Agency is seeking to obtain the necessary funding approvals to modernise our infrastructure to facilitate inter alia the provision of emissions testing services. The Infrastructure Project is working to acquire the necessary sites and complete the detailed design phase for a new test centre network. Securing approval in due course will enable the compliance (including emissions testing) and capacity pressures across the entire network to be addressed as well as reducing our energy consumption and associated costs.

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 2019 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 2018-19, 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 2018-19:

AREA OF ACTIVITY	REPORT STATUS	AUDIT OPINION
Enforcement	Final	Satisfactory
Procurement and Contract Management	Final	Satisfactory
Passenger Transport Licensing	Final	Satisfactory
Data Security	Final	Satisfactory

In addition to the audits listed above, a Management Letter on advice and guidance relating to Driver Licensing Operations Branch was also received during the reporting period.

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 reaccreditation of the ISO 9001:2015 Quality Standard, with no non-conformances and four positive observations noted by the assessor. 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) was implemented across the Agency to further enhance the protection of individual’s personal data. The Department has appointed a Data Protection Officer to focus on this important work.

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 14 actual and 2 suspected cases of fraud. All cases were reported to the NI Audit Office and 2 cases were 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 2018-19. 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 pending trial before the courts.

Significant Issues

I am pleased to report that there were no significant control issues to report for the 2018-19 financial year.

2.2 Remuneration and Staff Report

Remuneration Report

Remuneration Policy

The pay remit for the Northern Ireland (NI) public sector, including senior civil servants (SCS), is normally approved by the Minister of Finance. In the absence of an Executive, the Department of Finance's Permanent Secretary has set the 2018-19 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 for 2018-19 has been finalised but not yet paid.

The pay for senior civil servants (SCS) is 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.

Service Contracts

The Civil Service Commissioners (NI) Order 1999 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Code published by the Civil Service Commissioners for Northern Ireland specifies the circumstances when appointments may be made otherwise.

Unless otherwise stated, 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	2018-19				2017-18			
	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
P Duffy Chief Executive	70-75	-	32	105-110	70-75	-	17	85-90
P Delaney Director	65-70	-	23	85-90	60-65	-	3	60-65
J Hutchinson Director (until 24/08/18)	25-30 (full year equivalent 60-65)	-	10	35-40	60-65	-	25	85-90
M Beare Director	60-65	-	31	90-95	55-60	-	4	60-65
S Lynn Head of DVA Financial Management	50-55	-	32	85-90	25-30 (full year equivalent 50-55)	-	7	30-35
J Logan Acting Director (from 14/08/18)	35-40 (full year equivalent 55-60)	-	24	55-60	N/A	-	N/A	N/A
D Black ** Director (from 25/06/18)	55-60 (full year equivalent 75-80)	-	N/A	55-60	N/A	-	N/A	N/A
S Caldwell Independent Board Member (until 30/06/18)	0-5	-	N/A	0-5	5-10	-	N/A	5-10
K Graham Independent Board Member (from 23/07/18)	5-10	-	N/A	5-10	N/A	-	N/A	N/A

* 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. ** Mrs D Black was appointed on a 2 year contract from the Strategic Investment Board commencing on 25 June 2018. DVA re-imburse SIB the salary costs.

[audited information]

	AT MARCH 2019 £	AT MARCH 2018 £
Band of highest paid Director's total remuneration	75,000 – 80,000	70,000-75,000
Median total remuneration	24,429	23,572
Ratio	3.17	3.08

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 2019 was £75,000-£80,000 (March 2018: £70,000-£75,000). This was 3.17 times (March 2018: 3.08) the median remuneration of the workforce, which was £24,429 at the same date (March 2018:£23,572).

In 2018-19, no (2017-18: none) employees received remuneration in excess of the highest-paid director. Remuneration as at 31 March 2019 ranged from £17,000 to £73,000 (2017-18: £17,000 to £71,000).

Total remuneration includes salary, non-consolidated performance- related pay and benefits-in-kind. It does not include severance payments, 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 severance or ex 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 31/03/19 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT PENSION AGE	CETV AT 31/03/19	CETV AT 31/03/18	REAL INCREASE IN CETV	EMPLOYER CONTRIBUTION TO PARTNERSHIP PENSION ACCOUNT
	£'000	£'000	£'000	£'000	£'000	NEAREST £100
P Duffy Chief Executive	30 - 35 plus 70 - 75	0 - 2.5 plus 0 - 2.5	551	475	18	-
P Delaney Director	25 - 30 plus 85-90	0 - 2.5 plus 2.5 - 5	690	613	23	-
J Hutchinson Director (until 24/08/18)	20 -25 plus 45-50	0 - 2.5 plus 0 -2.5	313	295	4	-
M Beare Director	25 -30 plus 75 - 80	0 - 2.5 plus 2.5 - 5	581	542	29	-
S Lynn Head of DVA Financial Management	15 - 20 plus 0 - 5	0 -2.5 plus 0 - 2.5	204	159	18	-
J Logan Acting Director (from 14/08/18)	20 - 25 plus 50 - 55	0 - 2.5 plus 0 - 2.5	341	288	14	-

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 '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 2018 was 2.4% and HM Treasury has announced that public service pensions will be increased accordingly from April 2019.

Employee contribution rates for all members for the period covering 1 April 2019 – 31 March 2020 are as follows:

Scheme Year 1st April 2019 to 31st March 2020

ANNUALISED RATE OF PENSIONABLE EARNINGS (SALARY BANDS)		CONTRIBUTION RATES ALL MEMBERS
FROM	TO	From 1 April 2019 to 31 March 2020
£0	£23,500.99	4.6%
£23,501.00	£54,500.99	5.45%
£54,501.00	£150,000.99	7.35%
£150,001 and above		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 2019 (2017-18: none).

Staff Report

Staff costs comprise: [audited information]

	PERMANENTLY EMPLOYED STAFF 2018-19	OTHERS 2018-19	TOTAL 2018-19	TOTAL 2017-18
	£'000	£'000	£'000	£'000
Wages and salaries	20,335	1,034	21,369	20,952
Social security costs	1,899	-	1,899	1,879
Other pension costs	4,248	-	4,248	4,207
Total cost	26,482	1,034	27,516	27,038

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 Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2015 to 31 March 2019.

For 2018-19, employers' contributions of £4,156,793 were payable to the NICS pension arrangements (2017-18: £4,115,422) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands.

Work was completed on the 2016 valuation, based on the position at 31 March 2016. The outcome of this scheme valuation informed employer contribution rates for 2019-20. Employer contribution rates payable will range from 28.7% to 34.2% of pensionable pay, based on salary bands. This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% pa above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £3,407 (2017-18: £3,385) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2017-18: 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £122, 0.5% (2017-18: £121, 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 (2017-18: none). No contributions were prepaid at that date (2017-18: none).

Four people (2017-18: two people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £26,263 (2017-18: £20,715).

Average number of persons employed [audited information]

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

	PERMANENT STAFF 2018-19 Number	OTHERS 2018-19 Number	TOTAL 2018-19 Number	TOTAL 2017-18 Number
Directly employed	747	-	747	763
Other	-	45	45	40
Total	747	45	792	803

Reporting of compensation and exit packages for all staff 2018-19 [audited information]

	NUMBER OF NONPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND
EXIT PACKAGE COST BAND	2018-19	2018-19	2018-19	2017-18
<£10,000	-	-	-	-
£10,000 - £25,000	-	1	1	-
£25,000 - £50,000	-	-	-	-
£50,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages	-	1	1	-
Total resource cost £'000	-	16	16	-

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 during the 2018-19 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 key priority area for DVA. A business plan target to measure the current level of engagement, was completed through the Northern Ireland Statistics and Research Agency. They developed a short questionnaire which all DVA staff had the opportunity to complete, thereby providing us with a baseline score on employee engagement. One of a number of key enablers recently introduced to help focus attention on Engagement, has been the creation of a Communication Driver role. This role has evolved from the Focus Groups previously in place and we have thirty staff who voluntarily applied to be part of this new initiative. The role will optimise and enable two way communication between the three different business areas within DVA. It will shape communication and drive engagement initiatives in DVA. The Drivers have a designated time slot at each monthly team brief where they can update staff on communication and engagement initiatives and get feedback to help shape future pieces of work in this area.

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.

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). Key activities during 2018-19 included the review of existing Generic Risk Assessments and a major Health and Safety Awareness training programme for staff in all business areas (excluding Testing Operations who received the training during the previous year). To ensure the continual improvement of our health and safety management system, 13 full audits were carried out at Test Centre sites with an overall compliance rating of 86.7%.

Learning and Development

We continued to invest significantly in our people during the year, with some 1479 days of technical training and development delivered across the Agency. This included 599 days of training for our Testing teams, and 880 for staff working on the DEDS project, new entrant examiners, DCPC Module 4, two new supervising examiners and scheduled examiner supervision.

In addition to this staff continued to attend training courses through our Centre for Applied Learning. The vast increase in training days this year reflects our commitment to providing staff with the necessary skills as we progress our Business Transformation Programme.

The table below shows the actual number of staff in post in the Agency at 31 March 2019 and the gender breakdown.

Actual Staff in Post in DVA at 31 March 2019

	MALE	FEMALE	TOTAL
BUSINESS TRANSFORMATION			
G5 - G7	3	2	5
DP - EO2	17	18	35
AO - AA	3	6	9
COMPLIANCE & ENFORCEMENT			
G5 - G7	2	1	3
DP - EO2	48	21	69
AO - AA	6	25	31
OPERATIONS			
G5 - G7	2	1	3
DP - EO2	108	26	134
AO - AA	375	96	471
OTHER			
G5 - G7	1	1	2
DP - EO2	0	2	2
AO - AA	0	1	1
DVA TOTAL	565	200	765

Sick Absence

The average figure for Working Days Lost for DVA in 2018-19 was 14.8 per member of staff (13.9 days 2017-18) compared to 12.6 for DfI 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

During the year £46k was paid to the Department of Finance for work carried out on a review of Driver Licensing Division by their Business Consultancy Services team.

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) 2018-19.

Accounts Direction

The financial statements have been prepared in accordance with the 2018-19 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.

	2018-19			2017-18			OBJECTIVE
	INCOME	COST	ANNUAL (SURPLUS)/DEFICIT	INCOME	COST	ANNUAL (SURPLUS)/DEFICIT	
	£'000	£'000	£'000	£'000	£'000	£'000	
Vehicle testing	(32,998)	28,522	(4,476)	(32,365)	27,803	(4,562)	
Driver testing	(4,790)	4,576	(214)	(4,647)	4,470	(177)	
Enforcement	(1,713)	4,016	2,303	(1,674)	3,920	2,246	
Other activities	(113)	271	158	(120)	270	150	
Driver licensing	(6,098)	6,891	793	(7,303)	7,159	(144)	(1)
Vehicle licensing court prosecution	(484)	485	1	(505)	503	(2)	Full cost recovery
Taxi licensing	(1,288)	1,634	346	(1,360)	1,608	248	Full cost recovery (2)
Bus passenger transport licensing	(239)	188	(51)	(202)	182	(20)	Full cost recovery
	(47,723)	46,583	(1,140)	(48,176)	45,915	(2,261)	
DfI resource subsidy	(4,650)	-	(4,650)	(3,167)	-	(3,167)	
DfI capital subsidy	(3,539)	-	(3,539)	(2,416)	-	(2,416)	
Activities not attracting fees & charges	(37)	958	921	(35)	639	604	
Adjustment for notional insurance	-	(282)	(282)	-	(295)	(295)	
Total	(55,949)	47,259	(8,690)	(53,794)	46,259	(7,535)	

(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 [audited information]

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 2019, the Agency had no remote contingent liabilities.



Paul Duffy

Chief Executive and Agency Accounting Officer

28 June 2019

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 2019 under the Financial Provisions (Northern Ireland) Order 1993. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability 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 2019 and of its surplus for the year then ended; and
- 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 the 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 is 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 Accountability 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 Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Financial Provisions (Northern Ireland) Order 1993; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

My objectives are 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 (UK) 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 the 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 Accountability 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.

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

3 July 2019

3. FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 March 2019

	Note	2018-19	2017-18
		£'000	£'000
INCOME			
Revenue from contracts with customers	3	(47,276)	(47,706)
Other operating income	3	(8,673)	(6,088)
Total income		(55,949)	(53,794)
EXPENDITURE			
Staff Costs	4	27,516	27,038
Other operating costs	5	18,023	17,688
Total operating expenditure		45,539	44,726
Operating surplus before net finance costs		(10,410)	(9,068)
Finance income		(140)	(42)
Finance costs		174	115
Net finance costs		34	73
Operating surplus after net finance costs		(10,376)	(8,995)
Dividends	6	1,686	1,460
Retained surplus for the year		(8,690)	(7,535)
Other Comprehensive Income			
Net gain on revaluation of property, plant & equipment	7	(267)	(163)
Net gain on revaluation of intangible assets	8	(137)	(193)
Comprehensive net income for the year		(9,094)	(7,891)

The notes on pages 80 to 104 form part of these accounts

Statement of Financial Position
as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	22,718	22,380
Intangible assets	8	11,459	8,230
Total non-current assets		34,177	30,610
CURRENT ASSETS			
Inventories	9	35	25
Trade and other receivables	10	904	848
Cash and cash equivalents	11	36,870	31,626
Total current assets		37,809	32,499
Total assets		71,986	63,109
CURRENT LIABILITIES			
Trade and other payables	12	(7,620)	(7,792)
Provisions for liabilities and charges	13	(346)	(338)
Total current liabilities		(7,966)	(8,130)
Total assets less current liabilities		64,020	54,979
NON-CURRENT LIABILITIES			
Financial liabilities	12	(4,992)	(4,992)
Provisions for liabilities and charges	13	(540)	(593)
Total non-current liabilities		(5,532)	(5,585)
TOTAL ASSETS LESS TOTAL LIABILITIES		58,488	49,394
TAX PAYERS' EQUITY & OTHER RESERVES			
Public dividend capital		5,790	5,790
Revaluation reserve		7,318	7,095
Retained earnings		45,380	36,509
TOTAL EQUITY		58,488	49,394



Paul Duffy
Chief Executive and Agency Accounting Officer
28 June 2019

The notes on pages 80 to 104 form part of these accounts

Statement of Cash Flows
for the year ended 31 March 2019

	Note	2018-19		2017-18	
		£'000		£'000	
<i>Cashflows from operating activities</i>					
Retained surplus for the year			8,690		7,535
Adjustments for non-cash transactions			1,384		1,438
<i>Adjustment for items not relating to operations</i>					
Finance income		(140)		(42)	
Finance costs		174		115	
Dividends	6	1,686	1,720	1,460	1,533
(Increase)/decrease in trade & other receivables	10		(56)		(122)
Decrease/(increase) in inventories	9		(10)		10
(Decrease)/increase in trade & other payables	12		(172)		(460)
<i>Less movements in payables relating to items not passing through the SoCI</i>					
Decrease/(increase) in capital accruals		(46)		578	
Decrease in dividends payable	12	-		13	
Increase in interest payable		5	(41)	(5)	586
<i>Adjustment for non-cash movements on transfer of assets & extension of Trading Fund</i>					
Net tangible assets transferred in	7	-		(3,725)	
Net intangible assets transferred in		-		-	
		-		-	
Provisions transferred in					
Increase in long term loan	12	-		1,862	
Revaluation reserve transferred in		-		-	
Increase in Public Dividend Capital		-		1,863	
Decrease in retained earnings		-	-	-	-
Use of provisions	13		(140)		(175)
Net cash inflow from operating activities			11,375		10,345

Statement of Cash Flows (continued)
for the year ended 31 March 2019

	Note	2018-19	2017-18
		£'000	£'000
<i>Cashflows from investing activities</i>			
Purchase of property, plant & equipment		(746)	(1,235)
Purchase of intangible assets		(3,660)	(3,251)
Interest received		140	42
Net cash outflow from investing activities		(4,266)	(4,444)
<i>Cashflows from financing activities</i>			
Dividends paid		(1,686)	(1,473)
Interest paid		(179)	(110)
Net cash outflow from financing activities		(1,865)	(1,583)
Net increase in cash & cash equivalents in the year	11	5,244	4,318
Cash & cash equivalents at the beginning of the year	11	31,626	27,308
Cash & cash equivalents at the beginning of the year	11	36,870	31,626

The notes on pages 80 to 104 form part of these accounts

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2019

	Note	Retained Earnings	Revaluation Reserve	Public Dividend Capital	Total Equity
		£'000	£'000	£'000	£'000
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)	-	-
Adjustment on transfer of land from parent department	1.16	-	-	1,863	1,863
Retained surplus for the year		7,535	-	-	7,535
Balance as at 31 March 18		36,509	7,095	5,790	49,394
Net gain on revaluation of property, plant & equipment	7	-	267	-	267
Net gain on revaluation of intangible assets	8	-	137	-	137
Transfer between reserves for realised depreciation		181	(181)	-	-
Retained surplus for the year		8,690	-	-	8,690
Balance as at 31 March 19		45,380	7,318	5,790	58,488

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 80 to 104 form part of these accounts

Notes to the Accounts

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2018-19 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 2018-19. 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.

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 also reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. IFRS 16 Leases replaces IAS 17 Leases and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2020. Management consider that the introduction of the changes to IFRS 16 on leases may have some impact but 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.

IFRS 15 Revenue from Contracts with Customers has been implemented and Note 3 has been updated accordingly.

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.

PDC is reported at historic cost less impairment, in line with Department of Finance guidance.

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
	2018-19	2018-19	2018-19	2018-19	2018-19
	£'000	£'000	£'000	£'000	£'000
Gross Expenditure	33,114	3,996	9,664	485	47,259
Income	(37,938)	(5,029)	(12,498)	(484)	(55,949)
Net income	(4,824)	(1,033)	(2,834)	1	(8,690)

	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)

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

	2018-19	2017-18
	£'000	£'000
Revenue from contracts with customers		
Vehicle test fees	32,998	32,365
Practical driving test fees	2,945	2,839
Driving theory test fees	1,845	1,808
Other fees and licences	150	155
Enforcement fees	1,713	1,674
Driver licensing fees	6,098	7,303
Taxi licensing fees	1,070	1,092
Taxi operator fees	218	268
Bus passenger transport licensing fees	239	202
	47,276	47,706
Other operating income		
Subsidy from parent department	8,189	5,583
Vehicle licensing enforcement	484	505
	8,673	6,088
Total income	55,949	53,794

£2.596m of deferred income which had been included in the opening balance has been recognised as income during the current year.

4. Staff Costs

Staff costs comprise:

	2018-19	2017-18
	£'000	£'000
Wages and salaries	21,369	20,952
Social security costs	1,899	1,879
Other pension costs	4,248	4,207
Total cost	27,516	27,038

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report on page 62.

5. Other Operating Costs

	2018-19	2017-18
	£'000	£'000
Travel and subsistence	257	255
Rates and accommodation costs	2,508	2,405
IT system maintenance and other computer charges	886	999
Office services	780	733
<i>Contracted out services:</i>		
- Driving theory test	987	1,048
- Vehicle testing service charge	1,547	1,541
- Booking system service charge	1,455	1,214
- Security, cleaning and other	562	389
- Licence card production	550	615
Medical costs	1,652	1,384
Plant, equipment and vehicle costs	324	315
Bank and credit card charges	272	251
Auditor's remuneration*	23	22
Other expenditure	978	636
Services provided by parent department	1,766	2,473
Services provided by other NI government departments	2,094	1,970
<i>Non-cash items:</i>		
Depreciation and amortisation:		
- Property, plant and equipment	856	1,103
- Intangible assets	644	445
Impairment	(213)	(185)
Provisions:		
- Provided in year	132	96
- Provisions written back	(37)	(21)
Total cost	18,023	17,688

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

6.**Dividends**

	2018-19	2017-18
	£'000	£'000
Interim dividend paid	1,659	1,460
Final dividend payable	27	-
Total dividends	1,686	1,460

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 2018	12,766	8,748	6,670	511	688	29,383
Opening balance adjustment	(1)	1	2	-	(2)	-
Additions	34	577	30	-	74	715
Disposals	-	-	(57)	-	(9)	(66)
Revaluation	120	(138)	64	1	7	54
Impairment	(25)	117	-	-	-	92
At 31 March 2019	12,894	9,305	6,709	512	758	30,178
Depreciation						
At 1 April 2018	-	-	6,192	492	319	7,003
Opening balance adjustment	-	-	-	1	(1)	-
Charged in year	-	401	295	18	142	856
Disposals	-	-	(57)	-	(9)	(66)
Revaluation	-	(280)	63	1	4	(212)
Impairment	-	(121)	-	-	-	(121)
At 31 March 2019	-	-	6,493	512	455	7,460
Net book value at 31 March 2019	12,894	9,305	216	-	303	22,718
Net book value at 31 March 2018	*12,766	*8,748	478	19	369	22,380
Asset financing						
Owned	12,894	9,305	216	-	303	22,718
Net book value at 31 March 2019	12,894	9,305	216	-	303	22,718

* The net book value of DVA's land and buildings included 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 94.

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 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

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 2019 at £13,490,000 (2018: £13,490,000) on an existing use basis. This valuation includes freehold land not depreciated of £4,420,000 (2018: £4,420,000) and long leasehold land not depreciated of £2,420,000 (2018: £2,420,000). The valuation excludes land transferred from DfI in March 2018 which is valued at its value at date of acquisition as it is not yet in operational use.

DVA's properties associated with Enforcement operations (including the weighbridges) were valued by LPS on 28 March 2019 at £2,737,908 (2018: £2,638,930) on a depreciated replacement cost basis. This valuation includes weighbridge land not depreciated of £1,315,000 (2018: £1,315,000).

This valuation excludes expenditure incurred on investigating the new land sites 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 2018	5,853	270	3,144	9,267
Opening balance adjustment	1	(1)	-	-
Additions	575	-	3,162	3,737
Disposals	-	(30)	-	(30)
Revaluation	175	6	-	181
Reclassifications	350	-	(350)	-
At 31 March 2019	6,954	245	5,956	13,155
Depreciation				
At 1 April 2018	849	188	-	1,037
Charged in year	628	16	-	644
Disposals	-	(30)	-	(30)
Revaluation	40	5	-	45
At 31 March 2019	1,517	179	-	1,696
Net book value at 31 March 2019	5,437	66	5,956	11,459
Net book value at 31 March 2018	5,004	82	3,144	8,230
Asset financing				
Owned	5,437	66	5,956	11,459
Net book value at 31 March 2019	5,437	66	5,956	11,459

8. Intangible Assets (Continued)

	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

9. Inventories

	31 March 2019	31 March 2018
	£'000	£'000
Fuel stock	35	25
Total inventories	35	25

10. Trade and Other Receivables

	31 March 2019	31 March 2018
	£'000	£'000
Other receivables	91	63
Prepayments and accrued income	209	163
VAT	604	622
Total receivables	904	848

11. Cash and Cash Equivalents

	31 March 2019	31 March 2018
	£'000	£'000
Balance at 1 April	31,626	27,308
Net change in cash and cash equivalent balances	5,244	4,318
Balance at 31 March	36,870	31,626
Commercial banks and cash in hand	5,106	2,812
Short term investments	31,764	28,814
Balance at 31 March	36,870	31,626

12. Trade and Other Payables

	31 March 2019 £'000	31 March 2018 £'000
Amounts due within one year		
Trade payables	499	990
Other payables	41	43
Deferred income	3,475	2,729
Accruals	3,605	4,030
Final dividend payable	-	-
	7,620	7,792
Amounts due after more than one year		
Loan from parent department	4,992	4,992
Total payables	12,612	12,784

13. Provisions for Liabilities and Charges

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	TOTAL
2018-19	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	156	41	404	7	323	931
Provided in the year	63	6	4	-	59	132
Provisions not required written back	(34)	(3)	-	-	-	(37)
Provisions utilised in the year	(5)	(2)	(116)	-	(17)	(140)
Balance at 31 March 2019	180	42	292	7	365	886

Analysis of expected timing of provisions:

	Employee Liability	Public Liability	Early Departure	Equal Pay	Injury Pensions	TOTAL
2018-19	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	180	42	100	7	17	346
Later than one year and not later than five years	-	-	192	-	73	265
Later than five years	-	-	-	-	275	275
Balance at 31 March 2019	180	42	292	7	365	886

13. Provisions for Liabilities and Charges (Continued)

	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 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.

14. Contingent liabilities disclosed under IAS 37

There were three unquantifiable disputed Employer and Public Liability cases at year end.

On 17th June 2019 the Court of Appeal ruled in respect of Northern Ireland Industrial Tribunal's November 2018 decision on cases taken against the PSNI on backdated Holiday Pay. It is recognised that the final detail remains to be determined by the Industrial Tribunal who will be guided by the Court of Appeal's Judgement.

This is an extremely rare and complex case with a significant number of issues that still need to be resolved, including further legal advice with regards to the Judgement; the scope; timescales; process of appeals and engagement with Trade Unions. The legal issues arising from this judgement and the implications for the Northern Ireland Civil Service (NICS) and wider public sector will need further consideration. The Department of Finance (DoF) is leading a piece of work across the NICS, reviewing the implications for each of the major staffing groups across the public sector.

Until there is further clarity when this work has concluded, and based on the inherent uncertainties in the final decision that will be made, a reliable estimate cannot be provided at this stage.

15. Capital Commitments

At 31 March 2019, DVA had £10,514,155 (2018: £6,119,242) of contracted capital (Property, Plant and Equipment) 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 2019 £'000	31 March 2018 £'000
Not later than one year	1,865	1,888
Later than one year but not later than five years	50	1,938
Balance at 31 March	1,915	3,826

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 2019 £'000	31 March 2018 £'000
Not later than one year	2,489	620
Later than one year but not later than five years	6,996	404
Later than 5 years	7,463	-
Balance at 31 March	16,948	1,024

18. Corporate Financial Target

	2019		2018	
	Actual	Target	Actual	Target
Return on average capital employed	14%	3.5%	16%	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 3 July 2019.

