


ANNUAL REPORT AND STATEMENT OF ACCOUNTS

for the year ended
31 MARCH 2016



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 and Section 11(3) (c) of the Government Resources and Accounts Act (Northern Ireland) 2001 by the Department for Infrastructure on 01 July 2016



© **Crown Copyright 2015**

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence v.3. To view this licence visit **www.nationalarchives.gov.uk/doc/open-government-licence/version/3/** or email: **psi@nationalarchives.gsi.gov.uk**.

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This publication is also available at **www.infrastructure-ni.gov.uk**

Any enquiries regarding this document should be sent to us at Driver & Vehicle Agency, 148-158 Corporation Street, Town Parks, BELFAST, BT1 3DH

Contents

Chief Executive's Foreword	5
1 <u>PERFORMANCE REPORT</u>	
1.1 Overview	6
1.2 Performance Analysis	9
1.3 Performance Summary	10
1.4 Detailed Breakdown of Performance against Key Targets and Associated Objectives	11
1.5 Explanation for Targets not achieved	15
1.6 Performance Summary by Business Area	17
2 <u>ACCOUNTABILITY REPORT</u>	
2.1 Corporate Governance Report	27
2.2 Remuneration and Staff Report	46
2.3 Assembly Accountability and Audit Report	59
3 <u>FINANCIAL STATEMENTS</u>	
3.1 DVA Licensing	
Statement of Comprehensive Net Expenditure	69
Statement of Financial Position	70
Statement of Cash Flows	71
Statement of Changes in Taxpayers' Equity	72
Notes to the Accounts	74
3.2 DVA Testing	
Statement of Comprehensive Net Expenditure	96
Statement of Financial Position	97
Statement of Cash Flows	99
Statement of Changes in Taxpayers' Equity	101
Notes to the Accounts	102

Chief Executive's Foreword

I am pleased to present the Annual Report and Accounts for the Driver & Vehicle Agency (DVA) for 2015-16. This report reflects much of the good work we have delivered during the year and the significant progress we have made on our journey of business transformation, keeping customer service at the forefront of what we do.

We have continued to develop our Business Transformation Programme which seeks to ensure that our services to the public are easily accessible, fully integrated and delivered efficiently. We have taken forward the development of a new driver licensing system which will improve the customer experience, deliver service efficiencies and introduce online processing and other enhancements to the service. We have also appointed and commenced work with an external Design Team to help us design new test centres, which will be equipped to the highest standard, with modern technology, to enable us to meet the increasing demand for vehicle testing and the expectations of our customers.

We continue to place great emphasis on the experience and service we deliver to our customers and I am delighted, once again, to report that this has been recognised by our successful retention of the rigorous Customer Service Excellence® (CSE) standard. This is the sixth consecutive year that we have retained this prestigious award, and it is thanks to the efforts and dedication of our staff that we have managed to meet the demanding standards of CSE in challenging circumstances. During the past year, 66 of our colleagues left through the Northern Ireland Civil Service Voluntary Exit Scheme. I want to thank those staff who have left us, for their contribution to our performance this year and in previous years.

In terms of overall performance, we had 18 key Agency targets in 2015-16, of which we have achieved 10. Whilst this is disappointing, it must be viewed in the context of the staff losses mentioned above and the significant investment of staff time and effort in taking forward a range of projects within the Business Transformation Programme. During these intense periods of change, a drop in performance against certain targets is inevitable.

Finally, I want to thank all my colleagues for their continued dedication and hard work in 2015-16, and look forward to continuing our progressive journey of business transformation, following our move into the new Department for Infrastructure.



Paul Duffy
Chief Executive
21 June 2016

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 2015-16.

History and Statutory Background

The Driver and 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 for the period concerned, reported through the Permanent Secretary to the Minister of the Department of the Environment (DOE).

From 9 May 2016, the Chief Executive of DVA reports through the Permanent Secretary of the Department for Infrastructure, to the Minister for Infrastructure.

Vision

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

Mission Statement

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

Strategic Objectives

The Agency's strategic objectives are to:

- improve compliance with statutory requirements;
- improve the quality, integrity and security of our records;

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

Values

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

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

What We Do

DVA is responsible for:

- vehicle and driver testing;
- driver licensing - issuing and, where appropriate, withdrawing licences in respect of drivers of cars, motorcycles, lorries, buses, etc;
- driving and riding instructor registration - assessing the suitability of applicants, checking tuition standards, the delivery of Compulsory Basic Training and taking appropriate action when instructors fail to meet required standards;
- passenger transport licensing - issuing and, where appropriate, withdrawing licences in respect of bus and taxi operators and taxi drivers, and licensing public service vehicles for both the bus and taxi industries;
- compliance audits and enforcement of licensing, roadworthiness and other legal requirements for goods and passenger carrying operators and their vehicles;
- other requirements in relation to vehicles including Transports' Internationaux Routier checks, collision investigations and checking repair work following defect/prohibition notices; and

- technical vehicle and driver standards - ensuring DVA fulfils its legal obligations in respect of the provision of statutory vehicle and driver tests, providing technical advice to Road Safety & Vehicle Regulation Division (RSVRD) to assist in the development of legislation, reviewing legislative changes that may affect the vehicle and driving testing environment, and developing and implementing appropriate standards.

Risk

We have a risk management policy in place which sets out our approach to risk management and risk appetite. The key risks that could have affected our ability to deliver on our key objectives were in relation to 'People' and 'the Replacement Driver Licensing IT System' (RDS). The Voluntary Exit Scheme led to the loss of 66 staff from the Agency. However, through effective planning and reorganisation internally, we have been able to manage that risk effectively.

Our Driver Licensing IT System was originally due to be replaced by 31 March 2016. However, due to the complexities of the rules and regulations governing the issue of driving licences, and the difficulties in writing them into the business rules of the new system, a revised go-live date for the system is currently under consideration.

More detail on Agency risks is outlined in the Corporate Governance Report on page 27.

Overview of Performance

In broad terms, we met 10 of our 18 Key Performance targets.

5 of the key targets not achieved relate to our Business Transformation Programme. 1 was achieved in the financial year but outside the target date. We are confident that the other 4 will be achieved in the 2016-17 financial year. Of the remaining 3 targets, 1 will be achieved shortly after the reporting period (Taxi legislation), and we will work hard to make progress against the targets of 'customer service' and 'staff sick absence'.

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

1.2 Performance Analysis

Our performance has been measured against the key targets in the 2015-16 Business Plan. These targets, together with details of how we performed in relation to each, are set out on page 11.

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

As stated, we met 10 of our 18 Key Performance targets.

Among the key targets achieved was the retention of the Customer Service Excellence® accreditation and the ISO 9001:2008 Quality Standard, both of which illustrate a clear focus by our staff on delivering a quality service to customers.

Whilst it is regrettable that we failed to meet 8 of our key targets, the performance should be seen in the context of the loss of staff, many of whom were very experienced, through the Northern Ireland Civil Service Voluntary Exit Scheme, and the amount of time and work that our teams invested in progressing our Business Transformation Programme.

Many of our operational staff were heavily involved in this, which meant that they took time from their main jobs to support the development of longer term improvements across the Agency.

In spite of these factors, our teams have worked diligently to ensure this positive outcome for our organisation and our customers.

Sustainability Report

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

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

Our performance in relation to the key targets for 2015-16 is summarised in the table below:

1.3 Performance Summary

TARGET NUMBER	PERFORMANCE TARGET 2015-16	RESULT
1	To achieve 80% of Compliance and Enforcement performance targets	ACHIEVED
2	To develop and commence the implementation of a new Compliance and Roadside Enforcement Strategy and supporting ICT plan, by 31 December 2015	ACHIEVED
3	To implement the remaining elements of Taxi legislation	Not achieved
4	To have an Integrated Design Team in place for the Transformation Infrastructure Project by 31 January 2016	Not achieved
5	To develop and commence the implementation of a customer contact plan by 31 March 2016	ACHIEVED
6	To develop and commence the implementation of an integrated ICT programme plan by 31 March 2016	ACHIEVED
7	To introduce phase 1 of the new Driver Licensing System by 31 March 2016	Not achieved
8	To develop a HR-People Scoping Study by 31 December 2015	Not achieved
9	To have in place a Transformation Stakeholder Engagement Plan by 30 September 2015	Not achieved
10	To retain CSE accreditation by 31 March 2016	ACHIEVED
11	To achieve 80% of our customer service targets	Not achieved
12	To introduce a new telephony platform in Customer Services by 31 December 2015	ACHIEVED
13	To achieve 95% customer satisfaction for users of DVA's vehicle test booking system, via survey, by 31 March 2016	ACHIEVED

TARGET NUMBER	PERFORMANCE TARGET 2015-16	RESULT
14	To achieve 100% of Agency Finance Targets	ACHIEVED
15	To meet Trading Fund Financial Targets	ACHIEVED
16	To retain ISO 9001:2008 accreditation	ACHIEVED
17	To meet an overall target of an average of 7.8 days of sick absence per staff member	Not achieved
18	To introduce a new Commercial Transport Operators' System by 31 March 2016	Not Achieved

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

1.4 Detailed breakdown of Performance against Key Targets and Associated Objectives

KEY AGENCY TARGET 2015-16 (associated objectives are listed below each key target)	OUTCOME
1. To achieve 80% of Compliance and Enforcement performance targets	ACHIEVED
To carry out checks on at least 2,500 HGV units (tractor or trailer)	ACHIEVED
To carry out checks on at least 1,000 buses	ACHIEVED
To carry out checks on at least 1,700 taxis	ACHIEVED
To carry out 15 joint operations with PSNI to assess modified motorcars	ACHIEVED
To carry out a minimum of 8 multi-agency cross border operations	ACHIEVED

KEY AGENCY TARGET 2015-16 (associated objectives are listed below each key target)	OUTCOME
To complete a random roadside survey to assess compliance levels within the Bus industry	ACHIEVED
To complete a survey to assess compliance with Goods Vehicle Operator Licensing requirements	ACHIEVED
To conduct 100 goods vehicle operator compliance inspections at operators' premises	Not Achieved
To conduct 60 bus operator compliance inspections at operators' premises	ACHIEVED
To review and update relevant enforcement policies and procedures in respect of new legislation introduced through the Taxi Reform Programme	Not Achieved - target was dependent on relevant legislation being in place
To review, update and publish a revised Guide to Maintaining Roadworthiness, the Safe Operator's Guide and Tachograph and Drivers' Hours educational material	ACHIEVED
2. To develop and commence the implementation of a new Compliance and Enforcement Roadside Enforcement strategy, and supporting ICT plan	ACHIEVED
3. To implement the remaining elements of Taxi legislation	Not Achieved
To introduce periodic training for taxi drivers by September 2015	ACHIEVED
To introduce new roof sign specifications	Not Achieved - Legislation was prayed against and annulled

KEY AGENCY TARGET 2015-16 (associated objectives are listed below each key target)	OUTCOME
To introduce a revised procedure for testing of taxis	Not Achieved - Legislation was prayed against and annulled
To implement new regulations in respect of Wheelchair Accessible Vehicles	Not Achieved - Legislation not yet made
To introduce powers of seizure, retention and disposal in respect of non-compliant taxis	Not Achieved - Legislation not yet made
4. To have an Integrated Design Team in place for the Infrastructure Project by 31 January 2016	Not Achieved Appointed 4 March 2016
5. To develop and commence the implementation of a Customer Contact Plan by 31 March 2016	ACHIEVED
6. To develop and commence the implementation of an integrated ICT programme plan by 30 September 2015	ACHIEVED
7. To introduce phase 1 of the new Driver Licensing System by 31 March 2016	Not Achieved
8. To develop a HR-People Scoping Study by 31 December 2015	Not Achieved
9. To have in place a Transformation Stakeholder Engagement Plan by 30 September 2015	Not Achieved
10. To retain CSE accreditation by 31 March 2016	ACHIEVED
11. To achieve 80% of our customer service targets	Not Achieved
Waiting Times (vehicle tests): 92% of all applications appointed within 21 days or on request at a later date	Not Achieved 88.21%

KEY AGENCY TARGET 2015-16 (associated objectives are listed below each key target)	OUTCOME
Waiting Times (driving tests): 92% of all applications appointed within 28 days or on request at a later date	Not Achieved 81.41%
To deal with 98% of written enquiries within 10 working days	ACHIEVED 99%
To reply to 95% of complaints within 10 working days	ACHIEVED 99.23%
To process 95% of complete driver licence applications within 10 working days	ACHIEVED 96.41%
To dispatch 95% of taxi plates within 5 working days of receipt of all documentation	ACHIEVED 97.58%
To dispatch 95% of taxi driver licences within 10 working days of receipt of all documentation	ACHIEVED 99.33%
95% of theory test candidates to be satisfied with the overall level of service they have received	ACHIEVED 96%
95% of candidates to be offered a test booking within 2 weeks of their preferred date at the test centre of their choice	ACHIEVED 99%
12. To introduce a new telephony platform to Customer Enquiries by 31 December 2015	ACHIEVED Introduced October 2015
13. Customer Satisfaction	ACHIEVED
To achieve 95% customer satisfaction for users of DVA's vehicle test booking system, by survey	ACHIEVED 97.36%
14. To achieve 100% of Agency Finance Targets	ACHIEVED

KEY AGENCY TARGET 2015-16 (associated objectives are listed below each key target)	OUTCOME
To ensure that Licensing and Enforcement sections do not exceed their final current expenditure or capital investment budget in 2015-16	ACHIEVED
To achieve an unqualified NIAO opinion on the Agency accounts, for 2014-15 and lay them within prescribed deadlines	ACHIEVED
15. To meet Trading Fund Financial Targets	ACHIEVED
Return on capital of 3.5% for testing activity	ACHIEVED 22.95%
Achieve Breakeven target	ACHIEVED
16. To retain ISO 9001:2008 accreditation	ACHIEVED
17. Attendance Levels	Not Achieved
To meet an overall target of an average of 7.8 days of sick absence per staff member	14.1 days
18. To introduce new Commercial Transport Operators' System	Not Achieved
To develop a new Commercial Operators System to incorporate taxi and bus operators and potential ADIs/AMIs	Not Achieved

1.5 Explanation for targets not achieved

Target 3

To implement the remaining elements of Taxi legislation

This target has not been achieved due to the outcome and consequences of the Assembly's decision to annul the Taxi Licensing Regulations (NI) 2015 in February 2015. In the debate prior to annulment of the regulations, a range of issues was raised by members of the Assembly and the Minister asked that the Environment Committee and the Department work towards finding solutions to allow implementation of the remaining elements of the Taxis Act 2008. Work has been ongoing to resolve the issues and the remaining elements are due to come into force in May 2016.

Target 4

To have an Integrated Design Team in place for the Infrastructure Project by 31 January 2016

The procurement process, which was required to appoint the Design Team, experienced some minor delays. The Design Team was appointed on 4 March 2016.

Target 7

To introduce phase 1 of the new Driver Licensing System by 31 March 2016

Work continued throughout the year on the development of a new driver licensing IT system. However the business rules for driver licensing are very complex and the categories of vehicle a driver is entitled to drive are governed by three Driver Licensing Directives from the European Commission and vary according to the date the driver obtained their full licence and the driver's age. In addition to having to apply these rules, the new system provided an opportunity to review existing business processes. As a consequence, suppliers reassessed the project plan and identified that the core system could not be delivered until later in 2016.

Target 8

To develop a HR-People Scoping Study by 31 December 2015

A Terms of Reference for a HR-People Scoping Study was developed in early 2015. However, due to competing priorities and the loss of staff through the VES, it was not possible to identify sufficient resources during the year, to take this work forward.

Target 9

To have in place a Transformation Stakeholder Engagement Plan by 30 September 2015

A proactive programme of stakeholder engagement was carried out in the 2015-16 year and all activities were individually approved by the Agency Board. This engagement began in September 2015 and included a customer survey, regular communications on the programme, stakeholder workshops and attendance at key industry conferences. However, an overall stakeholder engagement plan was not formally approved by September 2015.

Target 11**To achieve 80% of customer service targets**

Vehicle test waiting time targets were not achieved due to a variety of reasons, including an increase in demand for vehicle testing services. In relation to driving test targets, an increase in applications of almost 6% from the previous year coupled with a temporary shortage of trained examiners, meant this target was not achieved.

Target 17**To meet an overall target of an average of 7.8 days of sick absence per staff member**

Achievement of this target is largely outside of the Agency's control. However, the processes around the management of sick absence were implemented effectively across the Agency. The actual figure for sick absence was an average of 14.1 days per staff member.

Target 18**To introduce a new Commercial Transport Operators' System**

The system development is part of the wider DVA Transformation programme. In 2015-16 Public Transport Licensing Division (PTLD) completed the 'Discovery' phase of the system redevelopment which will be delivered as part of the 'Commercial Transport ICT System'. This system development will proceed during 2016-17.

1.6 Performance Summary by Business Area**Driver Licensing**

During 2015-16 a total of 295,281 driving licences were issued and it is estimated that 96.41% of those were within the Customer Services delivery targets. The period of validity of a driving licence changed from 3 years to 10 years in 1985. This leads to a 3 year peak renewal period each mid decade - in this case from 1 January 2015 to 31 December 2017.

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

Driver Testing

We provided 58,574 driving test appointments, marking an increase of just over 8% on the previous year. It is the second successive annual increase to be recorded since the five consecutive annual falls from 2008-09.

Taxi Reform

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

Vehicle Testing

We provided 1,075,386 vehicle test appointments across all vehicle testing categories, marking a notable increase of just over 4% on 2014-15. The additional 42,000 appointments provided in the last year now takes the annual total to one fifth higher than the 897,000 recorded in 2008-09.

We changed the format of vehicle test certificates for cars, buses and goods vehicles in support of the removal of the related mandatory display requirements.

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

Passenger Transport Licensing

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

We continued to support RSVRD on the implementation of the Taxis Act (NI) 2008, which included the development of procedures and processes and the procurement of new style taxi plating materials.

Work has commenced on defining the requirements for a new Commercial Transport IT System. This work will be progressed during 2016-17 and will, when implemented, provide the bus and taxi industries with access to enhanced and streamlined facilities via an online portal.

Compliance and Enforcement

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

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

We continued to support DOE Transport Regulation Unit (TRU) with the delivery of their operator licensing and regulation functions by providing a range of services including operator repute checks, referrals and briefing material for Public Inquiries. We also established a Statement of Service with Passenger Transport Licensing Division to provide a range of similar services for the effective regulation of the bus and taxi industries.

We reviewed and revised our compliance audit processes and procedures for both the goods vehicle and bus transport industries. The vast majority of compliance audits are now triggered in response to the most serious infringements detected at the roadside, which enables us to robustly assess the full range of transport management systems and controls put in place by the operator, such as vehicle maintenance arrangements and the management of drivers' hours requirements.

A critical element of the audit process is to assist the operator to comply with the requirements by providing advice/guidance and recommendations where shortcomings are identified. The intention is to raise compliance standards across the industry by tackling non-compliance at its source.

Business Transformation

During 2015-16 the Business Transformation Programme continued the detailed planning, analysis and design stages required prior to the implementation of a major change programme.

In addition to the development of the Replacement Drivers System, the 'ICT' strand of the programme completed an analysis of the current DVA enforcement, commercial licensing and booking services systems respectively. This involved an examination of how the current systems work and involved DVA staff and stakeholders sharing ideas and suggesting business improvements.

Following completion of an initial HR Scoping Study, the 'People' strand team continued to engage with other public service bodies which have undertaken transformation programmes, to understand their experiences. The 'People' strand will influence how other areas of the programme will be taken forward, including a resource management plan which will be required for the new test centre network.

The 'Infrastructure' strand continued to progress the design and build of a new test centre network. Significant internal engagement has taken place to define the needs of a new network of test centres, and staff have provided useful feedback on requirements. An Integrated Design Team was appointed in March 2016 to draw up plans for the new test centres, and work continued on securing new sites to accommodate the growing demand for our services.

The Programme began its engagement by holding meetings and workshops with a range of stakeholders, all of whom were very positive about our ideas for new test centres and the future use of technology. Our staff and Trade Unions have been kept informed on the impacts of Transformation through involvement in workshops, regular newsletters and updates from management.

Customer Service

Customer service continued to be a key focus for us in 2015-16. We introduced a new call handling system in our Telephone Enquiries team to improve the customer experience, and through

our Business Transformation Programme we continued to progress work that will provide additional facilities for our customers, such as the ability to renew their driver licences and view their details online, with additional facilities to follow.

We engaged with our customers and stakeholders to assess the level of satisfaction experienced by those who had used our online booking service. This survey showed that the overwhelming majority (97.36%) of those using this service were very satisfied with their experience. We also had a customer survey carried out in all 15 DVA Test Centres in September 2015. The survey was designed to help us understand why customers visit the test centres, and the extent to which they are aware of and use other services, such as our online vehicle test booking system. The results will be considered as part of a DVA customer contact strategy which is being developed. The outworking of this will help define how we do business, and will be implemented on a phased basis over the next three years.

In addition to these surveys with our customers, we were assessed against the very demanding and prestigious Customer Service Excellence® standard, and were delighted to be informed that we had achieved the standard, for the sixth year in a row.

External Recognition

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

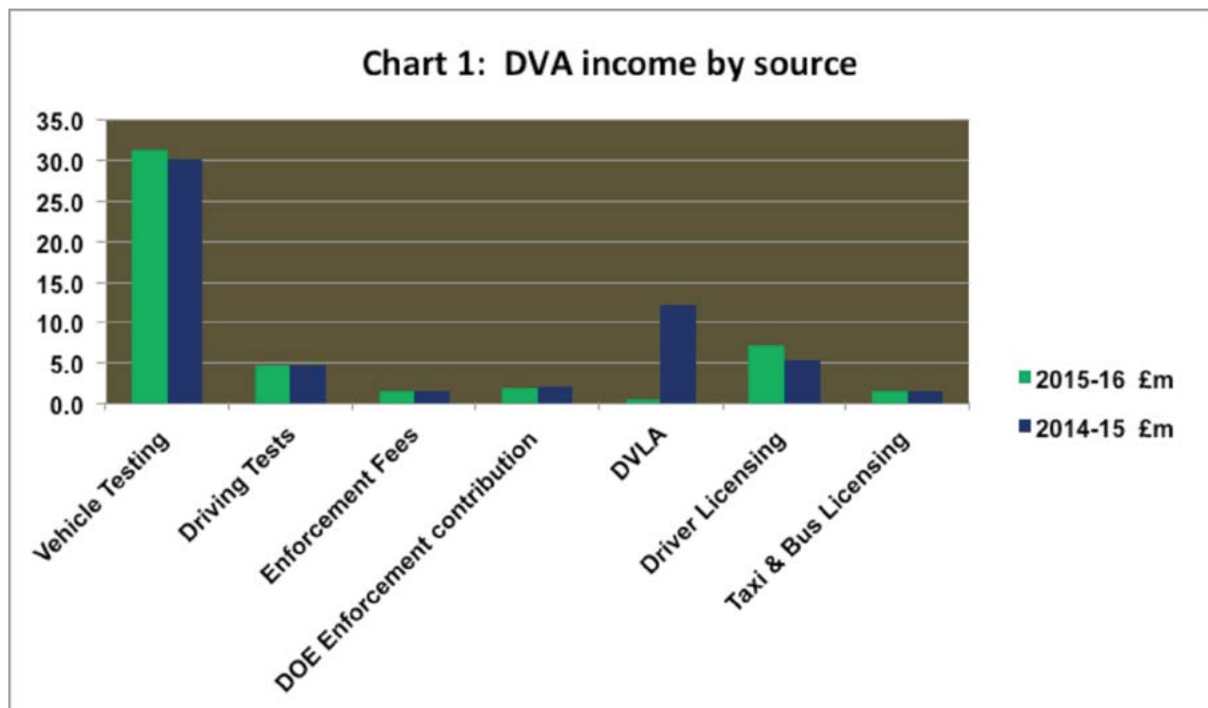
National Statistics

Many of the key business volumes reported in the DVA annual report and accounts were sourced from DfI National Statistics published on 26 May 2016, in 'DfI Driver, Vehicle, Operator and Enforcement Statistics 2015-16'. This is the latest annual reporting of DfI National Statistics for 2015-16, which is available from the Department's website at:

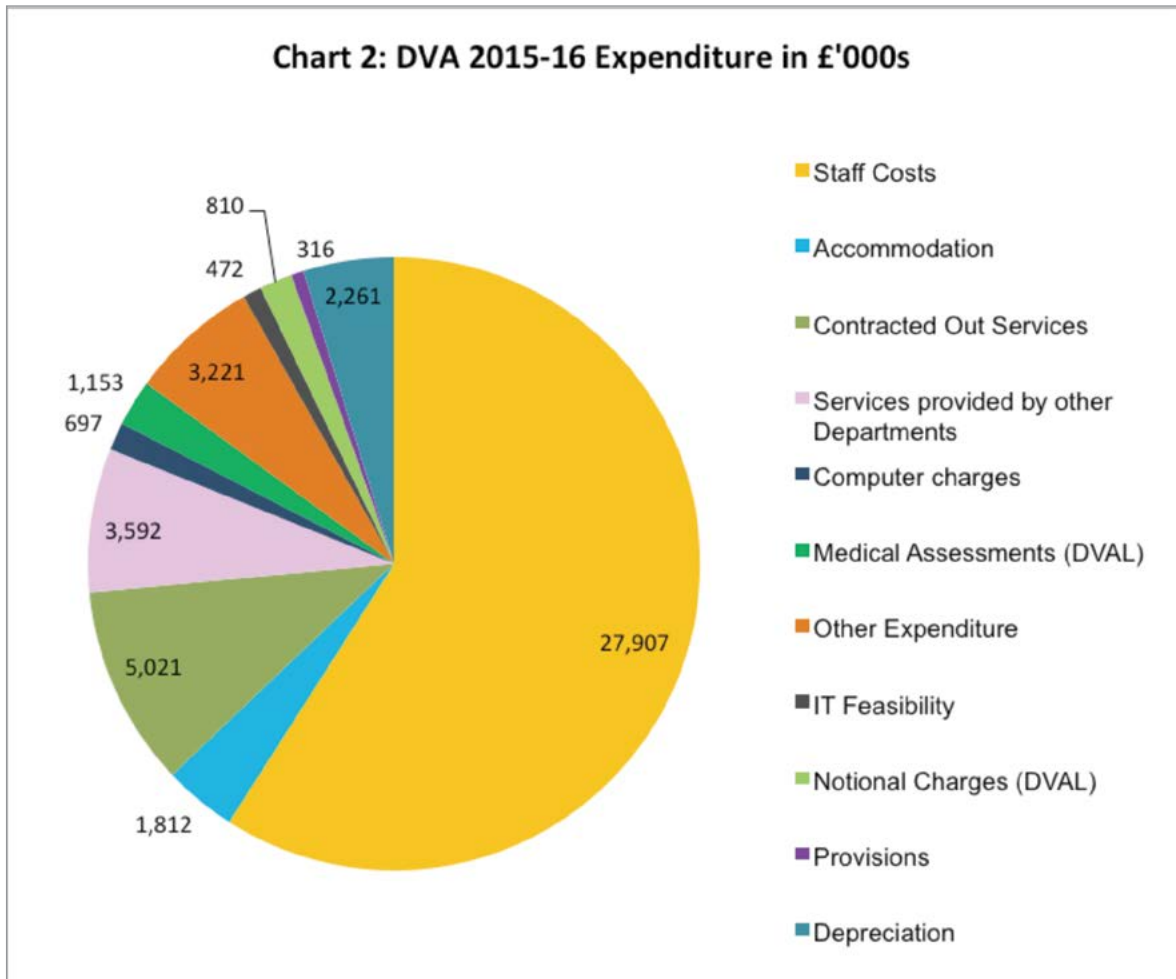
<https://www.infrastructure-ni.gov.uk/publications/dfi-driver-vehicle-operator-and-enforcement-statistics-2015-16>

Financial Performance

DVA received income of £51.5m during the year (2014-15: £57.8m). Our income is made up of £9.3m (2014-15: £19.2m) from DVA Licensing detailed on page 69 and £42.2m from DVA Testing (2014-15: £38.6m) as shown on Page 96. Chart 1 provides a breakdown by income source.



Operating expenditure during the year totaled £47.3m (2014-15: £54.6m). Expenditure in Licensing for the year amounted to £11.2m (2014-15: £20.8m) as detailed on page 69 and £36.1m (2014-15: £33.8m) as shown on page 96. Chart 2 analyses our 2015-16 operating costs.



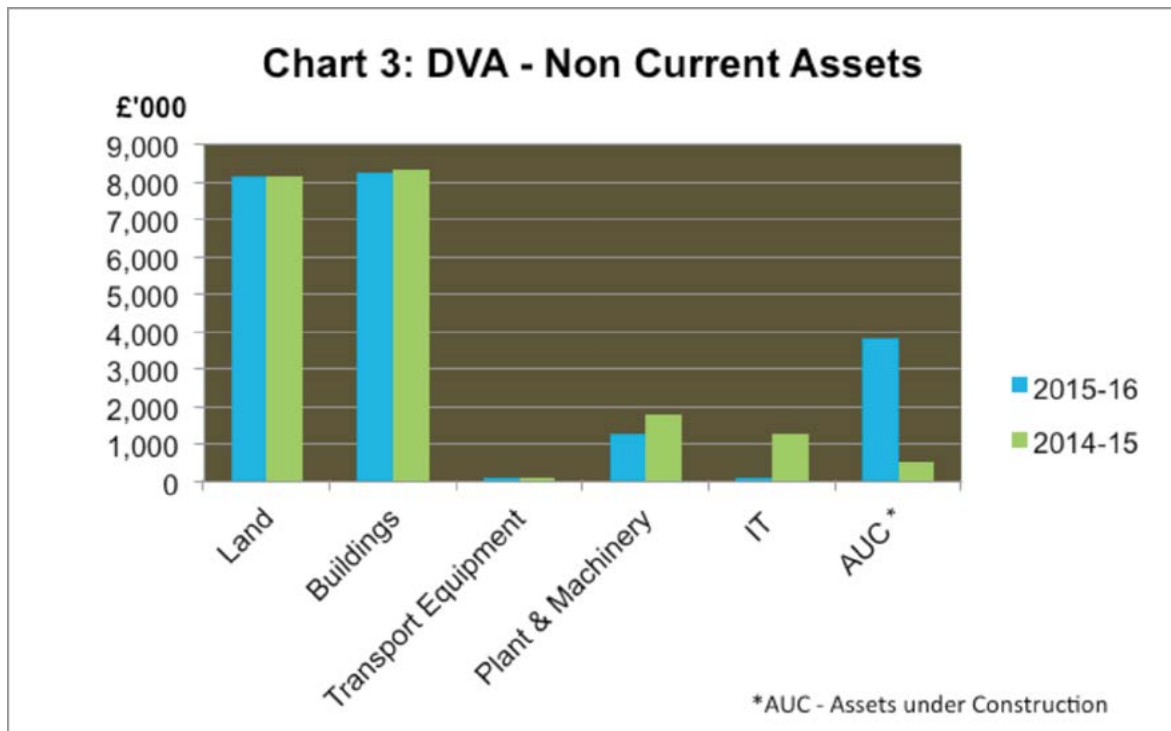
Staff costs of £27.9m represent 59% of operating expenditure (2014-15: £30.7m). The number of staff reduced within the Agency due to departures under the NICS wide Voluntary Exit Scheme, redeployment and reduced requirement for temporary staff.

Non-staff operating costs reduced by £4.4m to £19.4m (2014-2015: £23.8m). The majority of the reduction in costs was due to a full year's impact of the move of Vehicle Licensing operations to Swansea.

The net operating cost for Licensing for the year was £1.9m (2014-15: £1.6m). The net surplus for Testing, after interest and dividends, was £5.2m (2014-15: £4.1m).

Non- Current Assets

Our combined non-current asset book value is currently £21.7m (2014-15: £20.2m). This is split into £3.7m (2014-15: £1.4m) in DVA Licensing as detailed on page 70 and £18m (2014-15: £18.8m) in DVA Testing as shown on page 97. Movements in property, plant and equipment and intangible assets are disclosed in notes 7 and 8 of both DVA Licensing's and DVA Testing's Accounts. The non-current asset breakdown is shown in Chart 3.



Key Corporate Financial Targets

DVA Testing has continued as a Trading Fund under the provisions of the Driver & Vehicle Testing Agency Trading Fund (NI) Order 1996. This means that we operated outside the supply process and met all our expenditure requirements from the income generated through our principal activities. DVA Testing is required to break even after interest and dividends taking one year with another. We were required to achieve a return of 3.5% per year on capital employed, expressed as a percentage of average net assets employed at current values. A return of 22.95% was achieved during the year (22.08% for 2014-15).

Licensing and Enforcement sections achieved their target of not exceeding final current expenditure or capital investment budget in 2015-16.

Going Concern

The accounts have been prepared on a going concern basis despite a legislative change to include the functions of DVA Licensing within the DVA Trading Fund from 1 April 2016. Income and expenditure from Driver Licensing and Public Transport Licensing will continue for the foreseeable future but will no longer be accounted for in a separate set of financial statements. A single set of financial statements will be prepared for the whole Agency from 2016-17.

The Stormont House Agreement contained a commitment to reduce the number of NICS Departments from 12 to 9 following the Assembly election in May 2016, which will involve functions transferring from some departments to others. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments (Transfer of Functions) Order (Northern Ireland) 2016. It is anticipated that staff working in the affected areas will move with the function. The 9-departmental model constitutes a Machinery of Government Change and the functions of DVA transferred to the Department for Infrastructure in May 2016.

Partnerships

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

- Maha Ireland Ltd for the maintenance of vehicle test equipment;
- Pearson VUE for the delivery of the theory test service;
- Fujitsu for the delivery of the current driver licensing system;
- Capita Managed IT Solutions for the provision of booking systems, including telephone and internet booking services, and IT services in support of vehicle testing; and
- The Joint Approvals Unit for Periodic Training for the administration, approval and quality assurance of training providers for the Driver Certificate of Professional Competence.

We have a partnership arrangement with British Telecom (BT) through the NI Direct contract for the provision of the Replacement Driver System, due to go live during 2016/17.



Paul Duffy
Chief Executive and Agency Accounting Officer
21 June 2016

2. **ACCOUNTABILITY REPORT**

2.1 **Corporate Governance Report**

Directors' Report

Strategic Management Board (SMB)

Agency performance is managed and monitored by the Strategic Management Board, 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 Report on page 46.

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

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

The DOE Minister for the year was Mark H. Durkan MLA, and the Permanent Secretary of the Department was Leo O'Reilly.

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 directions issued by the Department of Finance and Personnel (DFP) in accordance with:

- Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001; and
- 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 13 of the DVA Licensing and Note 20 of the DVA Testing accounts.

Audit

The financial statements were audited by the Comptroller & Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and the Financial Provisions (Northern Ireland) Order 1993. As head of the Northern Ireland Audit Office, he and his staff were wholly independent of the Agency, and he reported his findings to the Northern Ireland Assembly.

The audit of the financial statements for 2015-16 resulted in a notional audit fee of £9,000 (2014-15: £11,000) for DVA Licensing and a fee of £15,000 (2014-15: £15,000) for DVA Testing. No remuneration was paid to the external auditor for non-audit work.

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

Pension Liabilities

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are therefore not reflected in these accounts. Details of the scheme are included within the Remuneration and Staff Report which starts on Page 46.

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 2016, DVA paid 972% of the 6,443 invoices (2014-15: 97.1% of 6,994 invoices) received within 30 days and 93.1% (2014-15: 92.2%) within 10 days.

Employee Engagement

We understand the importance of engaging with staff at all levels, as a means of ensuring that they are kept updated on all relevant and pertinent matters and, where possible, we ensure that important projects and issues take account of staff views and feedback.

For example, team briefs are held monthly to provide updates to all staff and to address issues and concerns raised, and the Agency Chief Executive provides a regular update to all staff on a range of issues.

Employee engagement is an important element of the Transformation programme. We continue to involve staff in the Programme, through their participation in workshops on the design of new services. We produce a regular internal Transformation newsletter detailing ongoing developments and we provide ongoing updates at team briefs. We have also produced a communication strategy to ensure that all staff are kept informed of progress as the programme develops.

We will continue this approach to employee engagement as we move into the design and delivery phases.

The Agency also uses the Whitley process of staff consultation, which provides opportunities for employer and trade union representatives to meet to discuss relevant matters.

Equal Opportunities

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

Health and Safety

The health and safety of staff and customers remains paramount and therefore we seek to ensure that the highest standards of health and safety are integrated with improved business performance. The Agency considers Health & Safety legislation as a minimum standard and has established processes in line with the Health and Safety Executive's "Leading Health & Safety at Work" (INDG417) and "Successful Health & Safety Management" (HSG65) to ensure the continual improvement of our Health and Safety Management System. During 2015-16 the Health and Safety Manual (including all Policy Arrangements) and the existing Generic Risk Assessments were reviewed. The Health and Safety Management System was audited across all Test Centres and the overall compliance was an impressive 88.1%. There was also a further decrease in reported accidents at work.

Corporate Social Responsibility

The Agency continued to support the Northern Ireland Blood Transfusion Service and UK Transplant by including leaflets in our driver licensing reminders, encouraging people to drive safely, to donate blood and to become organ donors. A number of staff also engaged in voluntary and fund-raising work to support the environment and local charities/communities.

Complaints and Compliments

The complaints process is managed by a dedicated team within our Customer Services Unit and our target was to respond to 95% of complaints within 10 working days. During the year from 1 April 2015 to 31 March 2016 we dealt with 388 complaints and received 146 compliments.

We produce an annual complaints report in which we provide analysis of our complaints, any trends arising, and any lessons learned that may improve our procedures or the customer experience.

Our performance over the past 3 years is illustrated in the table below:

YEAR	COMPLAINTS	PERFORMANCE AGAINST TARGET
2015-16	388	99.23%
2014 -15	337	99.7%
2013 -14	558	99.3%

Future Developments and Trends

Business Transformation

The new Driver Licensing system is due to be introduced in 2016-17. In addition to delivering service efficiencies, it will provide additional facilities for citizens, such as the ability to renew their licences and view their details online, with additional facilities to follow during the year.

The Transformation Programme will continue the modernisation of DVA property and services. The development of new ICT systems will improve the management of DVA corporate information, which will enhance services for customers and stakeholders whilst providing organisational efficiencies. The design and development of new test centres will allow DVA to meet its future demands and the increasing complexity of MOT testing, whilst the People strategy will ensure that we have a multi-skilled, well-trained workforce.

Review of Driver Testing and Training

The driving test in Northern Ireland will be 60 years old in October 2016. Work commenced during the year to assess for the first time the effectiveness of the test. This work will be taken forward in conjunction with stakeholders from the training industry, road safety organisations and citizens. The findings and recommendations of the review will be set out in a public consultation document where views will be sought.

'Learning to Drive' Syllabus and Logbook

Work has commenced to assist the Department with its plans to introduce Graduated Driver Licensing in 2018. This work includes the development of a new driver syllabus, programme of training and a logbook. We will seek the views of the industry, road safety organisations and citizens prior to setting them out in a public consultation.

Events after the Reporting Period

The Driver and Vehicle Agency Trading Fund Order (Northern Ireland) 2016 came into effect on 1 April 2016. This extends the current funded operations to cover all of our remaining functions. Driver Licensing, Taxi and Bus Licensing, compliance and enforcement of the Transport Industry now come within the scope of the Trading fund. Income and expenditure will be accounted for under a single set of financial statements from 1 April 2016.

Personal Data Related Incidents

There were no personal data loss incidents during the year.

Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (Northern Ireland) 2001 and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993, DFP has directed the Agency to prepare statements of accounts. These are prepared on an accruals basis and must give a true and fair view of the state of affairs at the year end and of the Agency's income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- prepare two sets of accounting information, one for the Licensing operations that formerly comprised Driver & Vehicle Licensing Northern Ireland and one for the Testing operations that formerly comprised the Driver and Vehicle Testing Agency;
- observe the accounts direction issued by DFP, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual (FReM) have been followed, and disclose and explain any material departures in the accounts/financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer of the DOE has appointed the Chief Executive of the Agency as the Accounting Officer of DVA Licensing. The Accounting Officer of DFP has appointed the Chief Executive of the Agency as the Accounting Officer of the Trading Fund element of DVA. 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 DFP and published in Managing Public Money Northern Ireland.

Governance Statement

Introduction

Managing Public Money NI (MPMNI) and the Financial Reporting Manual (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 covers the period 1 April 2015 to 31 March 2016 and explains DVA's governance, risk management and control arrangements. It evaluates the effectiveness of these arrangements and how they operate in practice.

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

The Agency has embarked on a business transformation programme. The programme's vision is **"to transform the Agency into a more cohesive, modern and responsive organisation, dedicated to road safety, that provides effective regulation and accessible services to the public and transport industry"**. The programme is estimated to have 3-5 year duration and comprises of three main strands:

- **ICT Strand:** This will include the development of integrated ICT solutions, in line with the NI Executive's Digital First strategy. To date, the ICT architecture design has been agreed and six projects under the ICT Programme have been initiated. The first of these projects to deliver on-line services to the citizen will be the new driver licence system, the initial phase of which will be delivered in 2016-17. The target is to complete the entire ICT programme by the end of 2018.
- **Infrastructure Strand:** This will look at the facilities which the Agency has to ensure sufficient testing capacity for the future, help it meet its statutory and regulatory requirements and reduce its carbon footprint. It will consider infrastructure requirements for driver and vehicle testing along with office accommodation requirements, and how best the Agency interacts with its citizens. DVA has made significant progress in identifying new sites while developing the test centre design and network requirements. An external company has been appointed to provide an Integrated Design Team (IDT), the role of which will be to assist in the development of the construction phase requirement.
- **People Strand:** This will involve the development of a People Strategy which will look at how ways of working can be optimised in line with the changes flowing from the ICT and infrastructure strands of the Transformation Programme. To date progress has been limited to initial research with further work commencing through staff engagement.

In broad terms, the Agency met 10 of its 18 Key Performance targets.

5 of the key targets not achieved relate to its Business Transformation Programme. 1 was achieved in the financial year but outside the target date.

The Agency is confident that the other 4 will be achieved in the 2016-17 financial year. Of the remaining 3 targets, 1 will be achieved shortly after the reporting period (Taxi legislation), and the Agency intends to work hard to make progress against the targets of 'customer service' and 'staff sick absence'.

Governance Structures

The Agency Framework Document explains how DVA operates within the Department. It articulates the governance and accountability arrangements and defines how personnel and financial arrangements operate along with appropriate control mechanisms.

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

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

The Department sets the policy, 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 delivery of services delivered by the Agency.

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

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

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

DVA Governance Structure**DVA Strategic Management Board**

The Strategic Management Board, which I chair, comprised of three Directors during the year:

- Director of Operations;
- Director of Compliance and Enforcement; and
- Director of Transformation.

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

- progress against business plan targets;
- progress and status of significant projects;

- performance against key efficiency metrics; and
- management information relating to use of resources compared to budgets.

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

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

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

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	11/12
James Hutchinson	Director of Compliance and Enforcement	11/12
Pat Delaney	Director of Operations	11/12
Mike Beare	Director of Transformation	11/12
ATTENDEES		
Finance Division Representation		10/12
HR Division Representation		12/12

DVA Audit and Risk Committee

I am supported by the DVA Audit and Risk Committee, which is a sub-committee of the Board with no executive powers. The Audit and Risk Committee has formally agreed Terms of Reference which are reviewed on an annual basis. The role of the Audit and Risk Committee is to support the Board in its responsibilities for issues of corporate governance and risk management by reviewing the levels of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the timeliness, reliability and integrity of these assurances. The Audit and Risk Committee has three independent members, one of which was also an Independent Board Member of the DOE Board and is now an Independent Board Member of DVA. Audit and Risk Committee member Steve Aston retired at the end of 2015 and was replaced by Kathryn Hill on 23 May 2016. The Committee is also attended by Internal Audit and the Northern Ireland Audit Office (NIAO). The Audit Committee Chair provides me with an Annual Report on the work of the Audit Committee. The Audit Committee undertook a review of its effectiveness using the National Audit Office's 'The Committee Self Assessment Checklist', facilitated by Internal Audit in 2015. The overall review was positive with some minor actions regarding members training and annual performance review.

Some of the key issues discussed at the Audit and Risk Committee meetings during the 2015-16 financial year included, the internal audit strategy; corporate governance issues, including risk management and assurance reporting; and the NIAO report to those charged with governance and audit strategy.

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

AUDIT AND RISK COMMITTEE MEMBERS	POSITION	MEETINGS ATTENDED OUT OF THE MEETINGS ELIGIBLE TO ATTEND
Mike Brooks	Chair of Audit Committee (appointed until 30 June 2016)	4/4
Shannon Caldwell	Independent Member of Audit Committee (appointed until 31 March 2017)	4/4
Stephen Aston	Independent Member of Audit Committee from NIEA (Retired)	3/3
ATTENDEES		
Paul Duffy	Chief Executive	1/3
James Hutchinson	Director of Compliance and Enforcement	3/3
Lucia O'Connor	Finance Business Partner	3/4
Shirley Archibald	Head of Financial Reporting & Accounting Services	4/4
Internal Audit Representation		3/3
External Audit Representation		3/3

Transformation Programme Board

The Transformation Programme Board is subordinate to the Board and has no executive powers. The Programme Board's role is to ensure the Programme delivers against the Programme Blueprint and associated milestone plan within agreed boundaries for time, cost and benefits. The Transformation Programme Board consists of Paul Duffy (Senior Responsible Owner), Fiona McCandless (DfI Deputy Secretary), Moira Doherty (DfI Director of Strategy and Change), Mike Beare (Programme Manager), James Hutchinson

(Director of Compliance and Enforcement) and Pat Delaney (Director of Operations).

Corporate Services

The corporate service functions, including Finance, IT and HR, are provided to DVA by the Department. The costs of these services are charged to the Agency. The responsibility for the governance of these services and line management responsibility is directly to either the Director of Finance or the Director of Human Resources. I have noted that Internal Audit have assigned a satisfactory assurance rating to the review of HR services across the Department and the review of Financial Management within the Department and its agencies. This has reassured me in regard to the robustness of the arrangements between HR and Finance and DVA.

Conflicts of Interest

The Department has a mandatory requirement for all senior staff down to Grade 7 and including Audit and Risk Committee Members to complete an annual declaration of interests.

On appointment, Board Members are required to provide a list of all interests which might be thought to give rise to a conflict of interest. At every Board meeting a standing agenda item on declarations of interest is included and brought to the attention of Board Members by the Chair to ensure efficient management of potential conflicts. No conflicts of interest were identified or managed during 2015-16 in line with this agreed procedure.

RISK MANAGEMENT AND CONTROL FRAMEWORK

Approach to Risk

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

assists with embedding of risk management into the activities of each directorate.

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

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

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

This is refreshed at least annually by the Board.

The Corporate Risk Register has currently eight key risks covering:

- People;
- Finance;
- Fraud;
- Procurement & Contract Management;
- Data Security;
- Strategic Direction;
- Health and Safety; and
- Replacement Driver Licensing System.

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

The key risks that could have affected our ability to deliver on our key objectives were in relation to 'People' and 'the Replacement Driver Licensing System' (RDS). The Voluntary Exit Scheme led to the loss of 66 of our staff. However, through effective planning and reorganisation internally, we have been able to manage that risk effectively.

Our Driver Licensing IT System was originally due to be replaced by 31 March 2016. However, due to the complexities of the rules and regulations governing the issue of driving licences, and the difficulties in writing them into the business rules of the new system, a revised go-live date for the system is currently under consideration.

Controls and Assurance Framework

In preparing the Governance Statement and reviewing the effectiveness of the system of internal control, I seek to place reliance on information and assurances. The approach taken is similar to the 'Three Lines of Defence' model which illustrates that assurance can come from both within and outside the DVA and can be derived from a variety of sources, with differing levels of objectivity and independence. All assurances contribute to the overall picture on how well the DVA is managing the delivery of its objectives and the risks that could put those objectives in jeopardy. Assurance can be obtained using different sources such as management assurance statements, risk management framework, Audit and Risk Committee and Internal Audit.

The Departments Internal Audit Unit operates in compliance with Public Sector Internal Audit Standards. As Accounting Officer, I receive annual and interim reports from the Internal Audit Unit that include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the DVA's systems of internal control, together with recommendations for improvement. Complementary to this, I receive Assurance Statements from all

Executive Board members and also benefit from advice from the external auditors in their reports.

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

During 2015-16, the following internal audit assignments were completed:-

AREA OF ACTIVITY	REPORT STATUS	AUDIT OPINION
Enforcement	Final	Substantial
Driver & Vehicle Testing Operations	Final	Substantial
Driver Policy and Standards	Final	Satisfactory
Corporate Governance	Final	Substantial
Technical Training Unit	Final	Substantial

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 reviews at test centres covering the administration, supervision and delivery of the practical driving test and vehicle inspection activities for all classes of vehicle. Results are reported to the Board on a quarterly basis.

STEWARDSHIP OF RESOURCES

Financial Management

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

Data Handling, Security and Information Risk

DVA functions encompass the maintenance of its driver, taxi and operators' registers. It is critically concerned with data security

and complies strictly with legislative release provisions, the Data Protection Act and Cabinet Office guidelines.

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

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

Fraud Arrangements

The Department's Anti-Fraud and corruption policy sets out the definition of fraud, details the responsibilities regarding the prevention of fraud and highlights the procedures to be followed in the event of a fraud being detected or suspected. 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 Committee with regular updates on investigation undertaken.

Whistle Blowing Policy

The Department's 'Whistleblowing' Policy and Procedures sets out the procedures to encourage and enable individual members of staff and the general public to raise concerns about potential malpractice, abuse or wrong doing in relation to any activity of the Department. The procedures ensure that staff can raise concerns quickly, in confidence and that managers are aware of how to handle such concerns. The arrangements also provide mechanisms for members of the public to raise concerns in relation to any aspect of the Department's work.

SIGNIFICANT ISSUES

The Replacement Driver System (RDS) is a key project to replace a 30 year old system which is used to produce Northern Ireland driving licences. It was originally due to go live by 31 March 2016, however, due to the complexities of the driving licensing legislation, a revised go-live date for the system is currently under consideration. Following an external Gateway Review in April, an action plan has been developed to address the Gateway Review recommendations and ensure a realistic plan is in place to deliver the RDS project.

2.2 Remuneration and Staff Report

Remuneration Report

Remuneration Policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 to allow progression through the pay scales within a reasonable period of time.

Service Contracts

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

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

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

Salary and Pension Entitlements

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

**Senior Management Remuneration
[audited information]**

OFFICIALS	2015 - 2016					2014 - 2015				
	SALARY £'000	BONUS PAYMENTS £'000	BENEFITS IN KIND (TO NEAREST £100)	PENSION BENEFITS *£'000	TOTAL £'000	SALARY £'000	BONUS PAYMENTS £'000	BENEFITS IN KIND (TO NEAREST £100)	PENSION BENEFITS *£'000	TOTAL £'000
Mr P Duffy Chief Executive	65 - 70	-	-	38	105 - 110	65 - 70	-	-	21	85 - 90
Mr T Evans(a) Director (Until 23/04/14)	-	-	-	-	-	5 - 10 60 - 65 (FYE)	-	-	11	15 - 20
Mr P Delaney Director	55 - 60	-	-	27	85 - 90	55 - 60	-	-	17	70 - 75
Mr J Hutchinson Director	60 - 65	-	-	34	95 - 100	60 - 65	-	-	24	80 - 85
Mr M Beare(b) Director (from 27/05/14)	55 - 60	-	-	27	80 - 85	45 - 50 55 - 60 (FYE)	-	-	18	60 - 65

FYE - Full year equivalent

* 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.

- a. Trevor Evans ceased attending board meetings on 23 April 2014. He partially retired before retiring completely on 31 December 2014.
- b. Mike Beare commenced DVA on the 27 May 2014. He attended his first board meeting on 29 May 2014.

	2015 - 16	2014 - 15
	£'000	
Band of highest paid Director's total remuneration	65 - 70	65 - 70
Median total remuneration	23,603	23,099
Ratio	2.86	2.92

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 in the financial year 2015-16 was £65,000 - 70,000 (2014-15: £65,000 - 70,000). This was 2.86 times (2014-15: 2.92) the median remuneration of the workforce, which was £23,603 (2014-15: £23,099).

In 2015-16, nil (2014-15: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £16,000 to £68,000 (2014-15: £16,000 to £67,000).

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

Salary

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

Benefits in Kind

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

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015-16 relate to performance in 2015-16 and the comparative bonuses reported for 2014-15 relate to the performance in 2014-15.

Pensions Entitlements [audited information]

	ACCRUED PENSION AT AGE 60 AS AT 31/03/16 AND RELATED LUMP SUM	REAL INCREASE IN PENSION AND RELATED LUMP SUM AT AGE 60	CETV AT 31/03/16 OR DATE OF LEAVING IF EARLIER	CETV AT 31/03/15 **	REAL INCREASE IN CETV	EMPLOYER CONTRIBUTION TO PARTNERSHIP PENSION ACCOUNT
OFFICIALS	£'000					NEAREST £100
Mr P Duffy Chief Executive	20 - 25 plus 65 - 70	0 - 2.5 plus 0 - 2.5	402	345	19	-
Mr P Delaney Director	15 - 20 plus 50 - 55	0 - 2.5 plus 2.5 - 5	350	299	24	-
Mr J Hutchinson Director	10 - 15 plus 40 - 45	0 - 2.5 plus 0 - 2.5	243	206	16	-
Mr M Beare Director	20 - 25 plus 65 - 70	0 - 2.5 plus 2.5 - 5	460	401	24	-

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

The factors used to calculate the member's CETV were reviewed by the Scheme Actuary in 2015, so the tables of factors used to calculate the member's CETV as at 31 March 2016 are not the same ones used to calculate the CETV as at 31 March 2015.

Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI.

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

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2015 was negative (-0.1%) and HM Treasury has announced that there will be no increase to public service pensions from April 2016.

Therefore public service pensions will remain at their current level.

Employee contribution rates for all members for the period covering 1 April 2016 - 31 March 2017 are as follows:

Scheme Year 1st April 2016 to 31st March 2017

ANNUALISED RATE OF PENSIONABLE EARNINGS (SALARY BANDS)		CONTRIBUTION RATES - CLASSIC MEMBERS OR CLASSIC MEMBERS WHO HAVE MOVED TO ALPHA	CONTRIBUTION RATES - ALL OTHER MEMBERS
FROM	TO	FROM 1 APRIL 2016 TO 31 MARCH 2017	FROM 1 APRIL 2016 TO 31 MARCH 2017
£0	£15,000.99	3.8%	4.6%
£15,001.00	£21,000.99	4.6%	4.6%
£21,001.00	£47,000.99	5.45%	5.45%
£47,001.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 14.7% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the NICS pension arrangements can be found at the website

<https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>

Cash Equivalent Transfer Values

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

Real Increase in CETV

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

start and end of the period. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in the factors and focuses only on the increase that is funded by the employer.

Compensation for Loss of Office

No compensation payments were made or are due to any of the senior management for DVA under Civil Service Compensation Scheme (Northern Ireland) (CSCS (NI)) in the year ending 31 March 2016 (2014-15: £nil).

Staff Report

Staff costs comprise: [audited information]

	2015-16	2015-16	2015-16	2014-15
	£'000			
	PERMANENTLY EMPLOYED STAFF	OTHERS	TOTAL	TOTAL
Wages and Salaries	19,995	348	20,343	23,520
Social Security Costs	1,352	-	1,352	1,539
Other Pension Costs	4,090	-	4,090	4,215
Early Departure Costs	2,122	-	2,122	1,454
Total Cost	27,559	348	27,907	30,728

The Northern Ireland Civil Service pension schemes are unfunded multi-employer defined benefit schemes but DVA is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and

updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2016.

For 2015-16, employers' contributions of £4,085,041 were payable to the NICS pension schemes (2014-15: £4,171,883) at one of four rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme, alpha, from April 2015. From 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £4,973 (2014-15: £3,505) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 14.7% (2014-15: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £332, 0.5% (2014-15: £234, 0.8%) 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 (2014-15: none). No contributions were prepaid at that date (2014-15: none).

Six people (2014-15: 4 people) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £23,065 (2014-15: £8,430).

Average number persons employed

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

	2015-16	2015-16	2015-16	2014-15
	NUMBER			
	PERMANENT STAFF	OTHERS	TOTAL	TOTAL
Directly Employed	773	-	773	921
Other	-	22	22	31
Total	773	22	795	952

Average staff numbers have reduced by 157 to 795 staff in 2015-16 (2014-15: 952) due to the NICS Voluntary Exit Scheme, less temporary staff being hired and redeployment.

Reporting of compensation and exit packages for all staff 2015-16 [audited information]

EXIT PACKAGE COST BAND	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND
	2015-16			2014-15
<£10,000	-	3	3	4
£10,000 - £25,000	-	20	20	27
£25,000 - £50,000	-	37	37	26
£50,000 - £100,000	-	7	7	1
£100,000 - £150,000	-	-	-	-

EXIT PACKAGE COST BAND	NUMBER OF COMPULSORY REDUNDANCIES	NUMBER OF OTHER DEPARTURES AGREED	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	TOTAL NUMBER OF EXIT PACKAGES BY COST BAND
	2015-16			2014-15
£150,000 - £200,000	-	-	-	-
Total number of exit packages	-	67	67	58
Total resource cost £'000	-	2,129	2,129*	1,507*

*£2,129k includes £7k and £1,507k includes £9k for departures through inefficiency.

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 Licensing has agreed early retirements, the additional costs are met by the Agency and not by the Northern Ireland Civil Service pension arrangements. Ill-health retirement costs are met by the pension arrangements and are not included in the table.

The table below shows the number of staff employed by the Agency, and the gender breakdown, as at 1 April 2016, and for comparison purposes, the statistics at 1 April 2015.*

* From 1 April 2015, DVA reorganised its staffing structure so no direct comparison can be made between 2014-15 and 2015-16 years respectively. However, total staff numbers and FTE figures are comparable.

Average Staff as at 1 April 2016:

	01/04/2016			
	MALE	FEMALE	TOTAL	FTE
BUSINESS TRANSFORMATION				
Permanent	16	22	38	36.67
Temporary	-	-	-	-
Total (Permanent + Temporary)	16	22	38	36.67

	01/04/2016			
	MALE	FEMALE	TOTAL	FTE
Reduced hours	3	2	5	3.67
COMPLIANCE & ENFORCEMENT				
Permanent	60	49	109	107.23
Temporary	-	-	-	-
Total (Permanent + Temporary)	60	49	109	107.23
Reduced hours	1	6	7	5.23
OPERATIONS				
Permanent	494	144	638	617
Temporary	-	-	-	-
Total (Permanent + Temporary)	494	144	638	617
Reduced hours	15	50	65	44
DVA TOTAL				
Total (Permanent + Temporary)	570	215	785	760.9

Staff numbers shown on page 55 are the average FTE employed over the year. The above table shows average FTE as at 1 April 2016.

There were 215 female staff and 570 male staff. Total staff 785 (760.9 FTE).

Average Staff as at 1 April 2016:

	01/04/2015			
	MALE	FEMALE	TOTAL	FTE
TESTING				
Permanent	507	124	631	606.69
Temporary	-	-	-	-
Total (Permanent + Temporary)	507	124	631	606.59

	01/04/2015			
	MALE	FEMALE	TOTAL	FTE
Reduced hours	15	42	57	34.05
LICENSING				
Permanent	50	117	167	158.65
Temporary	-	-	-	-
Total (Permanent + Temporary)	50	117	167	158.65
Reduced Hours	1	22	23	15.63
DVA Total	557	241	798	765.24

Sick Absence

The Agency target for average days of sick absence per staff member in 2015-16 was 7.8 days. We achieved an overall average of 14.1 days. Last year, our outturn was an average of 13.9 days lost per person.

This year's figure equates to a total of 10,956 days lost due to staff illness.

We acknowledge this as disappointing and are continuing to work closely with colleagues in the Department's Human Resources team to reduce the level of absence next year.

Learning and Development

We continued to invest significantly in our people during the year, with some 1,681 days of training and development delivered across the Agency. This included 1,113 days of technical training for our Testing teams.

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

Expenditure on consultancy

There was no Consultancy expenditure in 2015-16 (2014-15: £24,920).

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) 2015-16.

Accounts Direction

The financial statements have been prepared in accordance with the 2015-16 Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context.

Business Activity Attracting Fees and Charges [audited information]

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

	2016			2015			OBJECTIVE
	INCOME £'000	COST £'000	ANNUAL (SURPLUS) / DEFICIT £'000	INCOME £'000	COST £'000	ANNUAL (SURPLUS) / DEFICIT £'000	
Driver Licensing	(7,223)	6,779	(444)	(5,253)	5,833	580	(1)
Vehicle Licensing	(501)	501	-	(12,277)	12,277	-	Full cost Recovery
Taxi Licensing	(1,357)	1,772	415	(1,441)	1,610	169	Full cost Recovery (2)
Road Freight Licensing	(209)	201	(8)	(210)	159	(51)	Full cost Recovery
	(9,290)	9,253	(37)	(19,181)	19,879	698	

	2016			2015			OBJECTIVE
	INCOME £'000	COST £'000	ANNUAL (SURPLUS) / DEFICIT £'000	INCOME £'000	COST £'000	ANNUAL (SURPLUS) / DEFICIT £'000	
Activities not attracting fees & charges	(6)	1,924	1,918	(9)	925	916	(3)
DVA Licensing Total	(9,296)	11,177	1,881	(19,190)	20,804	1,614	
Vehicle testing	(31,429)	27,579	(3,850)	(30,230)	26,545	(3,685)	
Driver testing	(4,843)	4,472	(370)	(4,581)	4,100	(481)	
Enforcements	(3,678)	3,420	(259)	(3,542)	3,474	(68)	(4)
Other activities	(2,219)	1,811	(408)	(207)	643	436	
	(42,169)	37,282	(4,887)	(38,560)	34,762	(3,798)	
Adjustment for notional insurance premium	-	(309)	(309)	-	(279)	(279)	
DVA Testing Total	(42,169)	36,973	(5,196)	(38,560)	34,483	(4,077)	
DVA Total	(51,465)	48,150	(3,315)	(57,750)	55,287	(2,463)	

1. Driver licensing fees are set at less than full cost recovery as agreed by the Minister.
2. The target of full cost recovery was not achieved due to a reduction in volumes and the Department agreed that taxi licensing fees should not be increased at this stage

3. The increase in Annual Deficit for other activities not attracting fees and charges from £(916)k to £(1,918)k is due to the VES costs, surplus vehicle staff costs and a one off accommodation cost provision which is funded by DOE.
4. Enforcement income includes direct funding from DOE plus categories of vehicle testing and taxi fees which are used to fund work that is compliance in nature.

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

Remote Contingent Liabilities

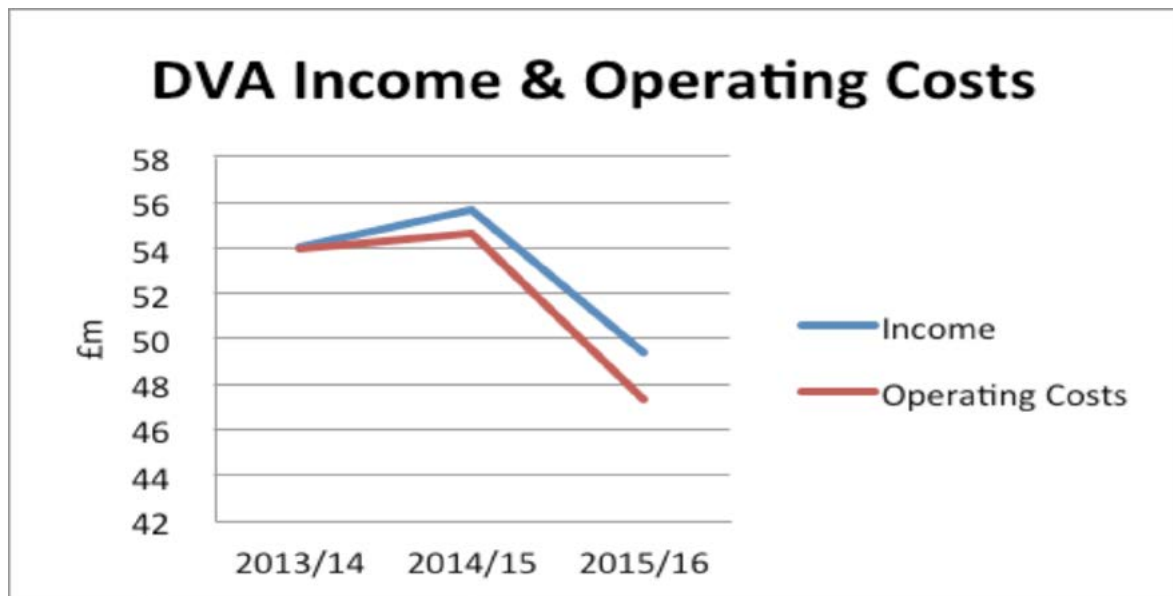
In addition to contingent liabilities reported within the meaning of IAS37, the Agency also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. As at 31 March 2016, the Agency had no remote contingent liabilities.

Long Term Expenditure Trends

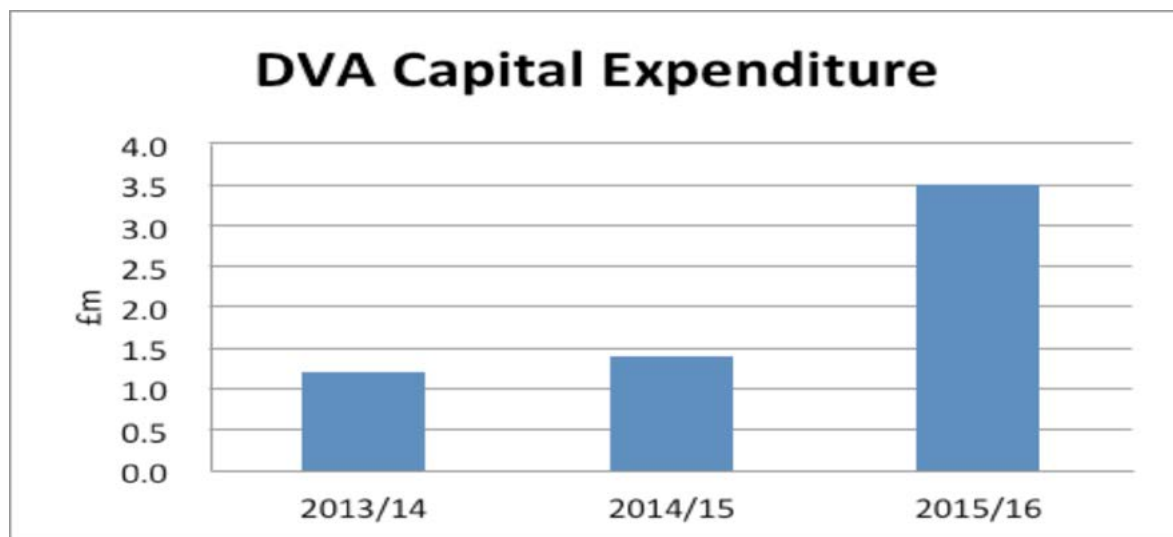
Since 1 April 1996, driver and vehicle testing activities have operated under the provisions of the Driver & Vehicle Testing Agency Trading Fund (Northern Ireland) Order 1996. On 1 April 2016 the Trading Fund Order was extended to include all operations. This means that all expenditure must be recovered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

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

The following table shows the fees and charges income and operating expenditure trends over the last three years. The reduction in 2015/16 relates to the loss of vehicle licensing activities.



The following table shows the capital expenditure trends over the last three years. The increase in 2015/16 is due to the Replacement Drivers System.



Paul Duffy
Chief Executive and Agency Accounting Officer
21 June 2016

DRIVER AND VEHICLE AGENCY - Licensing ('DVAL')

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

I certify that I have audited the financial statements of DVAL for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to DVAL circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by DVAL; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect

based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the DVAL's affairs as at 31 March 2016 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and parts of the Assembly Accountability disclosures to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

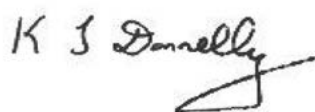
Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
24 June 2016

DRIVER AND VEHICLE AGENCY ('DVA') - Trading Fund

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

I certify that I have audited the financial statements of DVA's Trading Fund for the year ended 31 March 2016 under the Financial Provisions (Northern Ireland) Order 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Financial Provisions (Northern Ireland) Order 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to DVA's Trading Fund circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by DVA's Trading Fund; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently

materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the DVA Trading Fund's affairs as at 31 March 2016 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Financial Provisions (Northern Ireland) Order 1993 and Department of Finance (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and parts of the Assembly Accountability disclosures to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

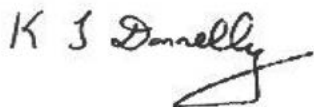
Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and parts of the Assembly 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 Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



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

24 June 2016

3.1 DVA LICENSING

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	NOTE	2015-16	2014-15
		£'000	
INCOME			
Operating income	4	(9,296)	(19,190)
EXPENDITURE			
Staff costs	5	5,246	10,021
Other operating costs	6	5,931	10,783
Total Expenditure		11,177	20,804
Net Operating Cost		1,881	1,614

Other Comprehensive Expenditure

	NOTE	2015-16	2014-15
		£'000	
Net gain on revaluation of intangible assets	8	(1)	(12)
Total Comprehensive Expenditure for the year ended 31 March		1,880	1,602

The notes on pages 74 to 95 form part of these accounts.

Statement of Financial Position

as at 31 March 2016

	NOTE	2015-16	2014-15
		£'000	
NON-CURRENT ASSETS			
Property, plant and equipment	7	45	77
Intangible assets	8	3,667	1,354
Total non-current assets		3,712	1,431
CURRENT ASSETS			
Trade and other receivables	9	666	651
Cash and cash equivalents	10	1,780	3,613
Total current assets		2,446	4,264
Total assets		6,158	5,695
CURRENT LIABILITIES			
Trade and other payables	11	(2,548)	(3,395)
Provisions for liabilities and charges	12	(1,218)	(862)
Total current liabilities		(3,766)	(4,257)
Non-current assets plus/ less net current assets/ liabilities		2,392	1,438
Assets less liabilities		2,392	1,438
TAXPAYERS' EQUITY			
General fund		2,387	1,370
Revaluation reserve		5	68
Total taxpayers' equity		2,392	1,438



Paul Duffy

Chief Executive and Agency Accounting Officer
21 June 2016

The notes on pages 74 to 95 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2016

	NOTE	2015-16	2014-15	
		£'000		
CASH FLOWS FROM OPERATING ACTIVITIES				
Net operating cost		(1,881)	(1,614)	
Adjustments for non-cash transactions	6	2,012	3,065	
Increase in trade and other receivables	9	(15)	(311)	
Increase/(decrease) in trade and other payables	11	(847)	190	
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure				
Decrease in amounts due to the Consolidated Fund	11	2	1	
(Increase)/decrease in amounts due in respect of capital accruals		(307)	51	52
Net cash (outflow)/inflow from operating activities		(1,036)	1,382	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(47)	(23)	
Purchase of intangible assets		(2,772)	(628)	
Net cash outflow from investing activities		(2,819)	(651)	
CASH FLOWS FROM FINANCING ACTIVITIES				

	NOTE	2015-16	2014-15
		£'000	
Funding from DOE		2,030	-
Payments of amounts due to the Consolidated Fund		(8)	(10)
Net cash outflow/ (inflow) from financing activities		2,022	(10)
Net increase in cash and cash equivalents in the year	10	(1,833)	721
Cash and cash equivalents at the beginning of the year	10	3,613	2,892
Cash and cash equivalents at the end of the year	10	1,780	3,613

The notes on pages 74 to 95 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	NOTE	GENERAL FUND	REVALUATION RESERVE	TOTAL RESERVES
		£'000		
BALANCE AT 1 APRIL 2014		1,509	108	1,617
CFER's payable to the Consolidated Fund		(9)	-	(9)
Comprehensive expenditure for the year		(1,614)	12	(1,602)
Non-cash adjustments:				
Non-cash charges - auditor's remuneration	6	11	-	11
Non-cash charges - notional charges	6	1,421	-	1,421

	NOTE	GENERAL FUND	REVALUATION RESERVE	TOTAL RESERVES
		£'000		
Transfer between reserves for realised depreciation		52	(52)	-
BALANCE AT 31 MARCH 2015		1,370	68	1,438
CFER's payable to the Consolidated Fund		(6)	-	(6)
Comprehensive expenditure for the year		(1,881)	1	(1,880)
Agency Funding		2,030	-	2,030
Non-cash adjustments:				
Non-cash charges - auditor's remuneration	6	9	-	9
Non-cash charges - notional charges	6	801	-	801
Transfer between reserves for realised depreciation		64	(64)	-
BALANCE AT 31 MARCH 2016		2,387	5	2,392

The notes on pages 74 to 95 form part of these accounts

Notes To The Accounts (DVA Licensing)

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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 Licensing for the purpose of giving a true and fair view has been selected. The particular policies adopted by DVA Licensing 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 IASB have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014.

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

The IASB have also issued the new and amended standards that are effective for the first time in 2015-16:

- IFRS 13 - Fair Value Measurement
- IAS 36 - 'Impairment of Assets' on recoverable amount disclosures (amendment).

Their adoption has not had any significant impact on the amounts reported in these financial statements.

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

These standards include:

- IFRS 5 - Non-current Assets held for Sale and Discontinued Operations
- IFRS 7 - Financial Instruments
- IAS 19 - Employee Benefits
- IAS 34 - Interim Financial Reporting
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 9 - Financial Instruments
- IAS 17 - Leases (replacement)
- IAS 1 - Disclosure Initiative
- IAS 27 - Equity Method in Separate Financial Statements (amendment)
- IAS 16 and IAS 41 - Bearer Plants (amendment)
- IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation
- IFRS 11 - Accounting for acquisitions of interests in joint operations
- IFRS 10, IFRS 12, IAS 28 - Investment Entities
- IFRS 16 - Leases
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 7 - Disclosure Initiative
- IFRS 15 - Revenue from Contracts with Customers

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 and intangible assets.

1.3 Property, plant and equipment

Property, plant and equipment assets comprise of plant and machinery and information technology equipment held by DVA Licensing.

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.

Plant and equipment is 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 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 Net Expenditure 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 Net Expenditure.

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.

DVA Licensing does not own any land or buildings. A charge for accommodation costs is included in the Statement of Comprehensive Net Expenditure.

1.4 Intangible assets

Intangible assets comprise software development and the value of the capitalised licences to operate DVA Licensing systems.

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 Net Expenditure 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 Net Expenditure.

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.

The value of the information held on the drivers' and vehicles' databases, including unallocated vehicle registration marks cannot be estimated and is therefore not recognised in the Statement of Financial Position.

1.5 Depreciation and amortisation

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

Information technology	5 to 10 years
Plant and machinery	3 to 10 years
Intangible assets	3 to 10 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

Operating income is recognised in the Statement of Comprehensive Net Expenditure in the period in which the underlying activity takes place. It principally comprises of fees and charges for services provided on a full-cost basis to external customers, and other government bodies. It includes both income classified as

Accruing Resources and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT.

1.7 Classification of Expenditure

The classification of expenditure as programme follows the definition of programme costs set out in the FReM, issued by the Department of Finance and Personnel. Costs incurred by DVA Licensing reflect non-administration costs and therefore are classified as programme costs.

1.8 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 Licensing 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 Licensing recognises the contributions payable for the year.

1.9 Value Added Tax (VAT)

Most of the activities of DVA Licensing are outside the scope of VAT and VAT is reclaimed centrally by DOE. All items in the Statement of Comprehensive Net Expenditure are exclusive of VAT.

1.10 Notional charges

Notional amounts are charged to the Statement of Comprehensive Net Expenditure in respect of services provided by Government Bodies in order to reflect the full cost of these services.

1.11 Leases

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

1.12 Provisions

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

1.13 Contingent liabilities

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

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

1.14 Financial Instruments

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

1.15 **Going concern**

The accounts of DVA Licensing have been prepared on the basis that it will continue as a going concern despite the legislative change to include the functions of DVA Licensing within the DVA Trading Fund with effect from 1 April 2016.

The Stormont House Agreement contained a commitment to reduce the number of NICS Departments from 12 to 9 following the Assembly election in May 2016, which will involve functions transferring from some departments to others. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments (Transfer of Functions) Order (Northern Ireland) 2016. It is anticipated that staff working in the affected areas will move with the function. The 9-departmental model constitutes a Machinery of Government Change and the functions of DVA Licensing transferred to the Department for Infrastructure in May 2016.

2. **Segmental reporting**

In 2015/16 DVA Licensing had two main operating segments which were determined by their funding source. These are as follows:

- Vehicle Licensing - The Agency's Vehicle Licensing Division was financed by DVLA under the terms of a formal Agency agreement between the DfT and DOE. Vehicle Licensing (VL) operations within Northern Ireland ceased with effect from 17 July 2014 following the Department of Transport's decision to centralise all vehicle licensing services. From that date, DVA only provides an enforcement service on behalf of DVLA which includes attending court for vehicle excise duty offences and detecting unlicensed vehicles on the road by operating Automatic Number Plate Reader (ANPR).
- Driver and Public Transport Licensing (previously known as Road Transport Licensing) - responsible for the issue and where appropriate, the withdrawal of licences in respect of drivers including taxis, road freight and operator licences, which is the responsibility of DOE.

	VEHICLE LICENSING DIVISION	DRIVER AND ROAD TRANSPORT LICENSING DIVISION	TOTAL	VEHICLE LICENSING DIVISION	DRIVER AND ROAD TRANSPORT LICENSING DIVISION	TOTAL
	2015-16 £'000			2014-15 £'000		
Gross expenditure	501	9,866	10,367	11,860	7,512	19,372
Income	(501)	(8,795)	(9,296)	(12,277)	(6,913)	(19,190)
Net Expenditure	-	1,071	1,071	(417)	599	182

3. Reconciliation between Operating Segments and SoCNE

	VEHICLE LICENSING DIVISION	DRIVER AND ROAD TRANSPORT LICENSING DIVISION	TOTAL	VEHICLE LICENSING DIVISION	DRIVER AND ROAD TRANSPORT LICENSING DIVISION	TOTAL
	2015-16 £'000			2014-15 £'000		
Total net expenditure by operating segment	-	1,071	1,071	(417)	599	182
Notional Costs	-	810	810	417	1,015	1,432
Total net expenditure per SoCNE	-	1,881	1,881	-	1,614	1,614

An analysis of assets and liabilities by segment is not regularly provided to the chief operating decision maker and therefore DVA Licensing is not reporting this information in accordance with IFRS 8.

4. Income

	2015-16	2014-15
	£'000	
Driver Licensing Fees(1)	7,223	5,253
Vehicle Licensing/Vehicle Licensing Enforcement (2)	501	12,277
Taxi Licensing Fees	1,099	1,195
Taxi Operator Fees	258	246
Road Transport Licensing Fees	209	210
Other	6	9
Total Income	9,296	19,190

1. The period of validity of a driving licence changed from 3 years to 10 years in 1985. This leads to a 3 year peak renewal period each mid decade. The period from 1 January 2015 to 31 December 2017 is peak renewal period and has resulted in a significant increase in Driver Licensing income
2. The Agency's Vehicle Licensing Division was financed by DVLA under the terms of a formal Agency agreement between the DfT and DOE. Vehicle Licensing (VL) operations within Northern Ireland ceased with effect from 17 July 2014 following the Department of Transport's decision to centralise all vehicle licensing services. From that date, DVA only provides an enforcement service on behalf of DVLA which includes attending court for vehicle excise duty offences and detecting unlicensed vehicles on the road by operating Automatic Number Plate Reader (ANPR).

The income to Vehicle Licensing Division of £12,277k in 2014/15 included:

- £8,337k to cover the total costs of the division up until staff could be redeployed or exit under a location specific voluntary exit scheme (VES);
- £3,482k to cover the costs of the DVA VES; and
- £458k to return premises to their condition prior to occupation by DVA Licensing.

5. Staff Costs

Staff costs comprise:

	2015-16	2014-15
	£'000	
Wages and Salaries	3,770	6,977
Social Security Costs	229	406
Other Pension Costs	736	1,184
Early Departure Costs	511	1,454
Total Cost	5,246	10,021

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report on Page 53.

6. Other Operating Costs

	NOTE	2015-16	2014-15
		£'000	
Computer costs		631	707
Accommodation (1)		-	959
Contracted-out services		701	584
Stationery and printing		392	216
Postage		189	224
Other administrative expenditure		696	776
Rentals under operating leases		3	40
Medical assessments		1,153	1,361
Legal		28	34
DFP - IT Assist Service Charge		110	255
Corporate services provided by DOE(2)		20	534

	NOTE	2015-16	2014-15
		£'000	
DVA VES - non DVA Licensing staff(3)		(4)	2,028
Non-cash items:			
<i>Depreciation and amortisation:</i>			
Property, plant and equipment	7	67	59
Intangible assets	8	779	725
Loss on disposal of property, plant and equipment	7	-	3
<i>Notional charges:</i>			
Services provided by DOE(2)		632	871
Services provided by DRD		11	37
Services provided by DFP(2)		158	513
NIAO auditor's remuneration(4)		9	11
<i>Other non - cash items:</i>			
Provisions provided for in year(1)	12	399	854
Provisions not required written back	12	(43)	(8)
Total Operating Costs		5,931	10,783

1. There is no charge for accommodation costs due to the transfer of VL operations to Swansea. A provision for the estimated charge from DFP for premises vacated up to 31 December 2016 is included within Provisions provided for in year.
2. Large reduction in costs due to the transfer of VL operations to Swansea.

3. Vacancies created by staff from other organisations who left under the DVA location specific VES were filled by the transfer of DVA surplus staff.
4. Auditor's remuneration relates to the audit fee. No remuneration was paid to the external auditor for non audit work.

7. Property, plant and equipment

	INFORMATION TECHNOLOGY	PLANT & MACHINERY	TOTAL
	£'000		
COST OR VALUATION			
At 1 April 2015	640	53	693
Additions	25	10	35
Disposals	(5)	-	(5)
At 31 March 2016	660	63	723
DEPRECIATION			
At 1 April 2015	582	34	616
Charged in year	62	5	67
Disposals	(5)	-	(5)
At 31 March 2016	639	39	678
Net book value at 31 March 2016	21	24	45
Net book value at 31 March 2015	58	19	77
ASSET FINANCING:			
Owned	21	24	45
Net book value at 31 March 2016	21	24	45
COST OR VALUATION			
At 1 April 2014	776	275	1,051

Additions	18	18	36
Disposals	(154)	(240)	(394)
At 31 March 2015	640	53	693
DEPRECIATION			
At 1 April 2014	679	269	948
Charged in year	57	2	59
Disposals	(154)	(237)	(391)
At 31 March 2015	582	34	616
Net book value at 31 March 2015	58	19	77
Net book value at 31 March 2014	97	6	103
ASSET FINANCING:			
Owned	58	19	77
Net book value at 31 March 2015	58	19	77

8. Intangible assets

	SOFTWARE LICENCES	INFORMATION TECHNOLOGY	PAYMENTS ON ACCOUNT & ASSETS UNDER CONSTRUCTION	TOTAL
	£'000			
COST OR VALUATION				
At 1 April 2015	151	5,747	536	6,434
Additions	23	9	3,059	3,091
Revaluation	2	3	-	5
At 31 March 2016	176	5,759	3,595	9,530
AMORTISATION				
At 1 April 2015	101	4,979	-	5,080

	SOFTWARE LICENCES	INFORMATION TECHNOLOGY	PAYMENTS ON ACCOUNT & ASSETS UNDER CONSTRUCTION	TOTAL
	£'000			
Charged in year	35	744	-	779
Revaluation	1	3	-	4
At 31 March 2016	137	5,726	-	5,863
Net Book Value at 31 March 2016	39	33	3,595	3,667
Net Book Value at 31 March 2015	50	768	536	1,354
ASSET FINANCING:				
Owned	39	33	3,595	3,667
Net book value at 31 March 2016	39	33	3,595	3,667
COST OR VALUATION				
At 1 April 2014	121	6,340	177	6,638
Additions	28	-	536	564
Reclassifications	-	177	(177)	-
Disposals	-	(860)	-	(860)
Revaluation	2	90	-	92
At 31 March 2015	151	5,747	536	6,434
AMORTISATION				
At 1 April 2014	82	5,053	-	5,135
Charged in year	17	708	-	725
Disposals	-	(860)	-	(860)
Revaluation	2	78	-	80
At 31 March 2015	101	4,979	-	5,080

	SOFTWARE LICENCES	INFORMATION TECHNOLOGY	PAYMENTS ON ACCOUNT & ASSETS UNDER CONSTRUCTION	TOTAL
	£'000			
Net Book Value at 31 March 2015	50	768	536	1,354
Net Book Value at 31 March 2014	39	1,287	177	1,503
ASSET FINANCING:				
Owned	50	768	536	1,354
Net book value at 31 March 2015	50	768	536	1,354

9. **Trade and other receivables**

	31 MARCH 2016	31 MARCH 2015
	£'000	
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Trade receivables	155	80
Other receivables	2	108
Amount due from DVLA	43	430
Prepayments and accrued income	369	24
VAT	97	9
Balance at 31 March	666	651

10. Cash and cash equivalents

	31 MARCH 2016	31 MARCH 2015
	£'000	
Balance at 1 April	3,613	2,892
Net change in cash and cash equivalent balances	(1,833)	721
Balance at 31 March	1,780	3,613
The following balances at 31 March were held at:		
Commercial banks and cash in hand	1,780	3,613
Balance at 31 March	1,780	3,613

11. Trade and other payables

	31 MARCH 2016	31 MARCH 2015
	£'000	
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Deferred income	672	558
Trade payables	499	77
Other payables	314	61
Accruals	1,063	2,697
AMOUNT DUE TO THE CONSOLIDATED FUND	-	2
Balance at 31 March	2,548	3,395

12. Provisions for liabilities and charges

	EMPLOYEE LIABILITY	ACCOMMODATION COSTS	DILAPIDATION COSTS	EARLY DEPARTURE COSTS	EQUAL PAY	TOTAL
2015-16	£'000					
Balance at 1 April 2015	3	353	458	43	5	862
Provided in the year	32	367	-	-	-	399
Provisions not required written back	-	-	-	(43)	-	(43)
Balance at 31 March 2016	35	720	458	-	5	1,218

Analysis of expected timing of provisions:

	EMPLOYEE LIABILITY	ACCOMMODATION COSTS	DILAPIDATION COSTS	EARLY DEPARTURE COSTS	EQUAL PAY	TOTAL
	£'000					
Not later than one year	35	720	458	-	5	1,218
Later than one year and not later than five years	-	-	-	-	-	-
Balance at 31 March 2016	35	720	458	-	5	1,218
Balance at 1 April 2014	3	-	-	-	13	16
Provided in the year	-	353	458	43	-	854
Provisions not required written back	-	-	-	-	(8)	(8)
Balance at 31 March 2015	3	353	458	43	5	862

Analysis of expected timing of provisions:

	EMPLOYEE LIABILITY	ACCOMMODATION COSTS	DILAPIDATION COSTS	EARLY DEPARTURE COSTS	EQUAL PAY	TOTAL
2014-15	£'000					
Not later than one year	3	-	-	43	5	721
Later than one year and not later than five years	-	353	458	-	-	141
Balance at 31 March 2015	3	353	458	43	5	862

Employee Liability

Employee Liability includes legal costs which may become payable in respect of on-going judicial reviews and unsettled employer liability cases.

Accommodation Costs

This provision represents the costs DVA must pay for rent of vacated premises up to 31 December 2016. DFP will release DVA from the commitment if the site is reused or disposed of before that date.

Dilapidation Costs

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

Early Departure Costs

The Early Departure costs related to amounts which were potentially due in respect of staff leaving under the DVA Voluntary Exit Scheme.

Equal Pay

This provision represents DVA Licensing's outstanding 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 2015-16 financial year end.

13. Financial instruments

As the cash requirements of DVA Licensing are met through the Estimate process, 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 Licensing's expected purchase and usage requirements and cash balances held at a commercial bank. DVA Licensing is therefore exposed to little credit, liquidity or market risk.

14. Capital commitments

DVA Licensing had £292,724 (2014-15: £3,504,710) capital commitments which were contracted for at the financial year end. These relate to the replacement driver licensing IT system and budgetary cover has been secured from DFP to cover this.

15. Commitments under leases

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

	2015-16	2014-15
	£'000	
OBLIGATIONS UNDER OPERATING LEASES COMPRISE:		
Land and buildings		
Not later than one year	-	-
Later than one year and not later than five years	-	-
At 31 March	-	-

	2015-16	2014-15
	£'000	
Other		
Not later than one year	1	5
Later than one year and not later than five years	-	-
At 31 March	1	5
Total obligations under operating leases	1	5

16. Other financial commitments

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

	2015-16	2014-15
	£'000	
Not later than one year	834	-
Later than one year and not later than five years	1,379	-
Later than five years	-	-
At 31 March	2,213	-

17. Related-party transactions

The DOE is regarded as a related party as it is the Agency's parent Department. During the year, DVA Licensing has had various material transactions with the Department. In addition, DVA Licensing has had various material transactions with DVLA, an Executive Agency of the DfT.

None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with DVA Licensing during the year.

18. Contingent liabilities disclosed under IAS 37

At the financial year end, DVA Licensing had no contingent liabilities (2015: £5,500 in relation to public liability cases).

19. Events after the Reporting Period

The Driver and Vehicle Agency Trading Fund Order (Northern Ireland) 2016 came into effect on 1 April 2016. This extends the current funded operations to cover all of the remaining functions of DVA. Driver Licensing, Taxi and Bus Licensing, Compliance and Enforcement of the Transport Industry now come within the scope of the Trading fund.

20. Going concern

Despite the legislative change to include the functions of DVA Licensing within the DVA Trading Fund from 1 April 2016, the accounts have been prepared on a going concern basis. Income and expenditure from Driver Licensing and Public Transport Licensing Division will continue for the foreseeable future but will be accounted for under a single set of financial statements for the Trading Fund.

The impact of the Stormont House Agreement contained a commitment to reduce the number of NICS Departments from 12 to 9 following the Assembly election in May 2016, which will involve functions transferring from some departments to others. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments (Transfer of Functions) Order (Northern Ireland) 2016. It is anticipated that staff working in the affected areas will move with the function. The 9-departmental model constitutes a Machinery of Government Change and the functions of DVA Licensing will transfer to the Department for Infrastructure in May 2016.

21. Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 24 June 2016.

3.2 DVA TESTING

(Trading Fund)

Statement of Comprehensive Income for the year ended 31 March 2016

	NOTE	2015-16	2014-15
		£'000	
INCOME			
Operating income	3	(42,169)	(38,560)
EXPENDITURE			
Staff costs	4	22,661	20,707
Other operating costs	5	13,425	13,045
Total operating expenditure		36,086	33,752
Operating surplus before finance income		(6,083)	(4,808)
Finance income		(48)	(37)
Operating surplus after finance income		(6,131)	(4,845)
Dividends	6	935	768
Retained surplus for the year		(5,196)	(4,077)

Other Comprehensive Income

	NOTE	2015-16	2014-15
		£'000	
Net gain on revaluation of property, plant and equipment	7	(267)	(760)
Net gain on revaluation of intangibles assets	8	-	(2)

	NOTE	2015-16	2014-15
		£'000	
Total comprehensive (income)/expenditure for the year ended 31 March		(5,463)	(4,839)

The notes on pages 102 to 123 form part of these accounts

Statement of Financial Position as at 31 March 2016

	NOTE	31 MARCH 2016	31 MARCH 2015
		£'000	
NON-CURRENT ASSETS			
Property, plant and equipment	7	17,787	18,494
Intangible assets	8	238	291
Total non-current assets		18,025	18,785
CURRENT ASSETS			
Inventories	9	24	22
Trade and other receivables	10	1,030	806
Cash and cash equivalents	11	22,206	16,576
Total current assets		23,260	17,404
Total assets		41,285	36,189
CURRENT LIABILITIES			
Trade and other payables	12	(7,052)	(7,148)
Provisions for liabilities and charges	13	(295)	(434)
Total current liabilities		(7,347)	(7,582)
Non-current assets plus/less net current assets/liabilities		33,938	28,607

	NOTE	31 MARCH 2016	31 MARCH 2015
		£'000	
NON-CURRENT LIABILITIES			
Provisions for liabilities and charges	13	(800)	(932)
Total non-current liabilities		(800)	(932)
Assets less liabilities		33,138	27,675
TAXPAYERS' EQUITY			
Public dividend capital		2,100	2,100
Revaluation reserve		6,808	6,646
Retained earnings		24,230	18,929
Total taxpayers' equity		33,138	27,675



PAUL DUFFY
Chief Executive and Agency Accounting Officer
21 June 2016

The notes on pages 102 to 123 form part of these accounts

Statement of Cash Flows
for the year ended 31 March 2016

	NOTE	2015-16		2014-15	
		£'000			
CASH FLOWS FROM OPERATING ACTIVITIES					
Retained surplus for the year		5,196		4,077	
Adjustments for non-cash transactions		1,375		1,152	
ADJUST FOR ITEMS NOT RELATING TO OPERATIONS					
Finance income		(48)		(37)	
Dividends	6	935	887	768	731
Increase in trade and other receivables	10	(224)		(308)	
(Increase)/decrease in inventories	9	(2)		15	
(Decrease)/increase in trade payables	12	(96)		838	
LESS MOVEMENTS IN PAYABLES RELATING TO ITEMS NOT PASSING THROUGH THE SoCI					
Decrease/(increase) in capital accrual		273		(80)	
Increase in dividend accrual	12	(100)		(52)	
Increase in interest receivable		1	174	1	(131)
Use of provisions	13	(231)		(572)	
Net cash inflow from operating activities		7,079		5,802	

	NOTE	2015-16	2014-15
		£'000	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(425)	(641)
Purchase of intangible assets		(236)	(103)
Interest received		47	36
Net cash outflow from investing activities		(614)	(708)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(835)	(716)
Net cash outflow from financing activities		(835)	(716)
Net increase in cash and cash equivalents in the year	11	5,630	4,378
Cash and cash equivalents at the beginning of the year	11	16,576	12,198
Cash and cash equivalents at the end of the year	11	22,206	16,576

The notes on pages 102 to 123 form part of these accounts

**Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2016**

	NOTE	RETAINED EARNINGS	REVALUATION RESERVE	PUBLIC DIVIDEND CAPITAL	TOTAL RESERVES
		£'000			
Balance as at 1 April 2014		14,812	5,924	2,100	22,836
Net gain on revaluation of property, plant and equipment		-	760	-	760
Net gain on revaluation of intangible assets		-	2	-	2
Transfer between reserves for realised depreciation		40	(40)	-	-
Retained surplus for the year		4,077	-	-	4,077
Balance as at 31 March 2015		18,929	6,646	2,100	27,675
Net gain on revaluation of property, plant and equipment	7	-	267	-	267

NOTE	RETAINED EARNINGS	REVALUATION RESERVE	PUBLIC DIVIDEND CAPITAL	TOTAL RESERVES
	£'000			
Transfer between reserves for realised depreciation	105	(105)	-	-
Retained surplus for the year	5,196	-	-	5,196
Balance as at 31 March 2016	24,230	6,808	2,100	33,138

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 DFP. Reserves are held to finance current operating requirements and future capital investment.

The notes on pages 102 to 123 form part of these accounts

Notes to the Accounts (DVA Testing)

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

DVA Testing operates as a Trading Fund under the provisions of the Driver & Vehicle Testing Agency Trading Fund (Northern Ireland) Order 1996.

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 Testing for the purpose of giving a true and fair view has been selected. The particular policies adopted by DVA Testing 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 IASB have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014.

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

The IASB have also issued the new and amended standards that are effective for the first time in 2015-16:

- IFRS 13 - Fair Value Measurement
- IAS 36 - 'Impairment of Assets' on recoverable amount disclosures (amendment).

Their adoption has not had any significant impact on the amounts reported in these financial statements.

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

These standards include:

- IFRS 5 - Non-current Assets held for Sale and Discontinued Operations
- IFRS 7 - Financial Instruments
- IAS 19 - Employee Benefits
- IAS 34 - Interim Financial Reporting
- IFRS 14 - Regulatory Deferral Accounts
- IFRS 15 - Revenue from Contracts with Customers
- IFRS 9 - Financial Instruments
- IAS 17 - Leases (replacement)
- IAS 1 - Disclosure Initiative
- IAS 27 - Equity Method in Separate Financial Statements (amendment)
- IAS 16 and IAS 41 - Bearer Plants (amendment)
- IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation
- IFRS 11 - Accounting for acquisitions of interests in joint operations
- IFRS 10, IFRS 12, IAS 28 - Investment Entities
- IFRS 16 - Leases
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 7 - Disclosure Initiative
- IFRS 15 - Revenue from Contracts with Customers

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 and inventories.

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 Testing.

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

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

1.4 **Intangible assets**

Intangible assets comprise software development and software licenses.

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

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

credited to the revaluation reserve. Downward revaluations of intangible assets are debited to the revaluation reserve to the extent that they reverse previously recognised upward revaluations with any remaining downward valuation recognised in the Statement of Comprehensive Income.

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

1.5 Depreciation and amortisation

Freehold and long leasehold land are not depreciated.

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

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

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

1.6 Operating income

Income represents the revenue received for services provided by DVA Testing and is stated net of refunds and exclusive of VAT. For all driver and vehicle testing activities, income is recognised at the time a test is performed. Fees received in advance for which tests have yet to be performed are shown as deferred income within current liabilities. Income is also recognised from DOE in relation to the costs of Enforcement activities carried out on behalf of DOE, and is recognised in line with the costs incurred in delivering these activities.

1.7 Employee benefits including pensions

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

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. DVA Testing 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 Testing recognises the contributions payable for the year.

1.8 Value added tax (VAT)

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

1.11 Contingent liabilities

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

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

1.12 Financial instruments

DVA Testing's financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Due to the short-term 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, DOE, is payable by DVA Testing. The charge is calculated at the real rate set by HM Treasury on the average carrying amount of assets less liabilities (see Note 6).

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.

1.16 Notional charges

Notional amounts are charged to the Statement of Comprehensive Income in respect of services provided by Government bodies in order to reflect the full cost of these services. These apply to the Enforcement Operation only.

1.17 Public dividend capital

Under Article 5(2) of the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 1996, Public Dividend Capital (PDC) of £2,100,000 was created in order to facilitate commencement of operations of the Driver & Vehicle Testing Agency. Under the requirements of IAS 39 Financial Instruments: Recognition and Measurement, as interpreted by FREM, PDC is reported at historic cost less impairment.

2. Segmental reporting

DVA Testing has two main operating segments, the testing trading fund and enforcement operations which is partly funded by the Department.

The Strategic Management Board review financial information at this level for decision making purposes. Reportable segments have been identified on this basis. There have been no changes to the methods used to identify reportable segments in the prior year.

	TESTING DIVISION	ENFORCEMENT DIVISION	TOTAL	TESTING DIVISION	ENFORCEMENT DIVISION	TOTAL
	2015-16 £'000			2014-15 £'000		
Gross Expenditure	33,554	3,419	36,973	31,009	3,474	34,483
Income	(38,491)	(3,678)	(42,169)	(35,018)	(3,542)	(38,560)
Total retained surplus per SoCI	(4,937)	(259)	(5,196)	(4,009)	(68)	(4,077)

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

3. **Income**

	2015-16	2014-15
	£'000	
OPERATING INCOME		
Vehicle test fees	31,429	30,230
Practical driving test fees	2,886	2,659
Driving theory test fees	1,835	1,922
Other fees and licences*	730	207
Enforcement fees	1,629	1,486
Enforcement contribution from DOE	2,049	2,056
VES Contribution from DOE	1,611	-
Total income	42,169	38,560

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

4. **Staff numbers and related costs**

Staff costs comprise:

	2015-16	2014-15
	£'000	
Wages and salaries	16,573	16,543
Social security costs	1,123	1,133
Other pension costs	3,354	3,031
NICS Voluntary Exit Scheme	1,611	-
Total Cost	22,661	20,707

A breakdown of the above costs into permanent staff and others can be found in the Staff Report within the Accountability Report on page 53.

5. Other operating costs

	2015-16	2014-15
	£'000	
Travel and subsistence	313	343
Training	59	182
Rates	473	485
Accommodation costs	1,339	1,367
Telecommunications	86	82
Computer charges	66	130
Office services	529	594
Contracted out services:		
- Driving theory test	962	1,131
- Vehicle testing MOT service charge	1,543	1,564
- Booking system service charge	1,501	1,478
- Security and cleaning	314	307
IT Feasibility Costs	472	-
Plant, equipment and vehicle costs	144	177
Bank and credit card charges	490	360
Auditor's remuneration*	15	15
Other expenditure	282	314
Services provided by DOE	2,629	2,567
Services provided by DFP and DRD	1,542	1,294
Non-cash items:		
Depreciation and amortisation:		
- Property, plant and equipment	978	910
- Intangible assets	289	131

	2015-16	2014-15
	£'000	
Impairment	148	72
Loss on disposal of property, plant and equipment	-	9
Provisions:		
- Provided in year	87	386
- Provisions written back	(127)	(356)
Notional charges deducted:		
Enforcement costs**	(709)	(497)
Total other operating costs	13,425	13,045

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

** Some of the costs included in Services provided by DOE, DFP and DRD are notional costs in respect of services provided to Enforcement operations. These are included to show the full cost of services provided to DVAT and are deducted as only hard charges can be included in accounts of the Trading Fund.

6. **Dividends**

	2015-16	2014-15
	£'000	
Interim dividend paid	435	368
Final dividend payable	500	400
Total dividends	935	768

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	IT	TOTAL
	£'000					
COST OR VALUATION						
At 1 April 2015	8,155	8,344	6,677	488	671	24,335
Additions	-	135	1	16	-	152
Revaluation	-	44	65	1	-	110
Impairment	-	(285)	-	-	-	(285)
Reclassifications	-	(4)	4	-	-	-
At 31 March 2016	8,155	8,234	6,747	505	671	24,312
DEPRECIATION						
At 1 April 2015	-	-	4,927	363	551	5,841
Charged in year	-	338	506	37	97	978
Revaluation	-	(197)	40	-	-	(157)
Impairment	-	(137)	-	-	-	(137)
Reclassifications	-	(4)	4	-	-	-
At 31 March 2016	-	-	5,477	400	648	6,525
Net book value at 31 March 2016	8,155	8,234	1,270	105	23	17,787
Net book value at 31 March 2015	8,155	8,344	1,750	125	120	18,494
ASSET FINANCING:						
Owned	8,155	8,234	1,270	105	23	17,787
Net book value at 31 March 2016	8,155	8,234	1,270	105	23	17,787

	LAND	BUILDINGS	PLANT & MACHINERY	TRANSPORT EQUIPMENT	IT	POA & AUC	TOTAL
	£'000						
COST OR VALUATION							
At 1 April 2014	8,110	7,382	6,516	459	575	118	23,160
Additions	-	680	4	30	7	-	721
Disposals	-	(6)	(13)	-	(29)	-	(48)
Revaluation	45	505	162	-	-	-	712
Impairment	-	(217)	8	(1)	-	-	(210)
Reclassifications	-	-	-	-	118	(118)	-
At 31 March 2015	8,155	8,344	6,677	488	671	-	24,335
DEPRECIATION							
At 1 April 2014	-	-	4,370	312	474	-	5,156
Charged in year	-	269	484	51	106	-	910
Disposals	-	(1)	(9)	-	(29)	-	(39)
Revaluation	-	(127)	79	-	-	-	(48)
Impairment	-	(141)	3	-	-	-	(138)
At 31 March 2015	-	-	4,927	363	551	-	5,841
Net book value at 31 March 2015	8,155	8,344	1,750	125	120	-	18,494
Net book value at 31 March 2014	8,110	7,382	2,146	147	101	118	18,004
ASSET FINANCING:							
Owned	8,155	8,344	1,750	125	120	-	18,494
Net book value at 31 March 2015	8,155	8,344	1,750	125	120	-	18,494

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 Testing's properties funded within the trading fund were revalued by Land and Property Services (LPS) on 29 March 2016 at £13,490,000 (2015: £13,490,000) on an existing use basis. This valuation includes freehold land not depreciated of £4,420,000 (2015: £4,420,000) and long leasehold land not depreciated of £2,420,000 (2015: £2,420,000).

DVA Testing's properties associated with the enforcement activity (including the weighbridges) were valued by LPS on 29 March 2016 at £2,627,163 (2015: £2,581,946) on a depreciated replacement cost basis. This valuation includes weighbridge land not depreciated of £1,315,000 (2015: £1,315,000).

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

8. Intangible assets

	INFORMATION TECHNOLOGY	SOFTWARE LICENCES	POA & AUC	TOTAL
	£'000			
COST OR VALUATION				
At 1 April 2015	653	125	-	778
Additions	-	-	236	236
At 31 March 2016	653	125	236	1,014
AMORTISATION				
At 1 April 2015	369	118	-	487
Charge in year	284	5	-	289
At 31 March 2016	653	123	-	776

	INFORMATION TECHNOLOGY	SOFTWARE LICENCES	POA & AUC	TOTAL
	£'000			
Net Book Value at 31 March 2016	-	2	236	238
Net Book Value at 31 March 2015	284	7	-	291
ASSET FINANCING:				
Owned	-	2	236	238
Net Book Value at 31 March 2016	-	2	236	238
COST OR VALUATION				
At 1 April 2014	424	125	120	669
Additions	103	-	-	103
Revaluation	6	-	-	6
Reclassifications	120	-	(120)	-
At 31 March 2015	653	125	-	778
AMORTISATION				
At 1 April 2014	242	110	-	352
Charge in year	123	8	-	131
Revaluation	4	-	-	4
At 31 March 2015	369	118	-	487
Net Book Value at 31 March 2015	284	7	-	291
Net Book Value at 31 March 2014	182	15	120	317
ASSET FINANCING:				
Owned	284	7	-	291
Net Book Value at 31 March 2015	284	7	-	291

9. Inventories

	31 MARCH 2016	31 MARCH 2015
	£'000	
Fuel stock	24	22
Total inventories	24	22

10. Trade and other receivables

	31 MARCH 2016	31 MARCH 2015
	£'000	
AMOUNTS DUE WITHIN ONE YEAR:		
Other receivables	339	210
Prepayments and accrued income	454	346
VAT	237	250
Total receivables	1,030	806

11. Cash and cash equivalents

	31 MARCH 2016	31 MARCH 2015
	£'000	
Balance at 1 April	16,576	12,198
Net change in cash and cash equivalent balances	5,630	4,378
Balance at 31 March	22,206	16,576
The following balances at 31 March were held at:		
Commercial banks and cash in hand	1,210	752
Short term investments	20,996	15,824
Balance at 31 March	22,206	16,576

12. Trade and other payables

	31 MARCH 2016	31 MARCH 2015
£'000		
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Trade payables	268	103
Other payables	189	211
Deferred income	2,096	2,620
Accruals	3,999	3,814
Final dividend payable	500	400
Balance at 31 March	7,052	7,148

13. Provisions for liabilities and charges

	EMPLOYEE LIABILITY	PUBLIC LIABILITY	EARLY DEPARTURE	EQUAL PAY	INJURY PENSION	TOTAL
2015-16	£'000					
Balance at 1 April 2015	213	54	793	8	298	1,366
Provided in the year	13	23	-	-	51	87
Provisions not required written back	(63)	(48)	(16)	-	-	(127)
Provisions utilised in the year	(51)	-	(144)	-	(36)	(231)
Balance at 31 March 2016	112	29	633	8	313	1,095

Analysis of expected timing of provisions:

	EMPLOYEE LIABILITY	PUBLIC LIABILITY	EARLY DEPARTURE	EQUAL PAY	INJURY PENSION	TOTAL
	£'000					
Not later than one year	112	29	129	8	17	295
Later than one year and not later than five years	-	-	408	-	65	473
Later than five years	-	-	96	-	231	327
Balance at 31 March 2016	112	29	633	8	313	1,095
Balance at 1 April 2014	176	49	1,594	8	81	1,908
Provided in the year	132	5	-	-	249	386
Provisions not required written back	(74)	-	(282)	-	-	(356)
Provisions utilised in the year	(21)	-	(519)	-	(32)	(572)
Balance at 31 March 2015	213	54	793	8	298	1,366

Analysis of expected timing of provisions:

	EMPLOYEE LIABILITY	PUBLIC LIABILITY	EARLY DEPARTURE	EQUAL PAY	INJURY PENSION	TOTAL
	£'000					
2014-15						
Not later than one year	213	54	143	8	16	434
Later than one year and not later than five years	-	-	472	-	67	539
Later than five years	-	-	178	-	215	393
Balance at 31 March 2015	213	54	793	8	298	1,366

Employee/Public Liability

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

Early Departure Costs

During 2013-14 a Voluntary Early Retirement Scheme for staff at the Professional & Technical Officer (PTO) grade was announced. Under this scheme 16 staff retired during 2014-15. DVA Testing 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 Testing 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 Testing'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 are no disputed Employer's or Public Liability cases at year end. (2015: None)

15. Capital commitments

At 31 March 2016, DVA Testing had £1,332,095 (2014-15: £nil) of contracted capital commitments not otherwise included within the accounts.

16. Commitments under leases

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

	31 MARCH 2016	31 MARCH 2015
OTHER	£'000	
Not later than one year	1,014	971
Later than one year and not later than five years	305	-
Balance at 31 March	1,319	971

17. Other financial commitments

DVA Testing had no other non-cancellable financial commitments at the financial year end.

18. Corporate financial target

	2016	2016	2015	2015
	ACTUAL	TARGET	ACTUAL	TARGET
Return on average capital employed	22.95%	3.5%	22.08%	3.5%

The return on average capital employed has been calculated in line with trading fund guidance from DFP. The return is the surplus on ordinary activities measured before interest (both receivable and payable) and dividends payable. Capital employed is the capital (public dividend capital and loan capital) and reserves.

19. Related-party transactions

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

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

20. Financial instruments

As a trading fund, the cash requirements of DVA Testing 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 Testing's expected purchase and usage requirements and cash balances held at a commercial bank. DVA Testing is therefore exposed to little credit, liquidity or market risk.

21. Events after the reporting period

The Driver and Vehicle Agency Trading Fund Order (Northern Ireland) 2016 came into effect on 1 April 2016. This extends the current funded operations to cover all of the remaining functions of DVA. Driver Licensing, Taxi and Bus Licensing, Compliance and Enforcement of the Transport Industry now come within the scope of the Trading Fund.

22. Going concern

The Stormont House Agreement contained a commitment to reduce the number of NICS Departments from 12 to 9 following the Assembly election in May 2016, which will involve functions transferring from some departments to others. The names and

high level functions of the new departments have been agreed by Ministers and details can be found in The Departments (Transfer of Functions) Order (Northern Ireland) 2016. It is anticipated that staff working in the affected areas will move with the function. The 9-departmental model constitutes a Machinery of Government Change and the functions of DVA Testing transferred to the Department for Infrastructure in May 2016.

23. Date authorised for issue

The Accounting Officer authorised these financial statements for issue on 24th June 2016.



CUSTOMER
SERVICE
EXCELLENCE

