

**North/South Implementation Bodies  
Annual Reports and Accounts  
Guidance**

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**Department of Finance (DoF)  
Department of Public Expenditure & Reform  
(DPER)  
2017**

## North/South Implementation Bodies Annual Reports and Accounts Guidance

1. This Guidance applies to the 2017 accounts and subsequent years for all North/South Implementation Bodies. It will be updated with amendments that will be issued from time to time to form the Guidance in future years.
2. A copy of the Guidance can be obtained from the Accountability & Financial Management section of Department of Finance's website at <https://www.finance-ni.gov.uk/topics/finance/accountability-and-financial-management>
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# *List of Acronyms/Definitions*

|                                   |   |
|-----------------------------------|---|
| Accountable Person                | The Chief Executive who is responsible for the efficient and effective administration of the Body. In the terms of the North/South Bodies the terms Accountable person (IE terminology) and Accounting Officer (NI terminology) are interchangeable in that they both refer to the position of the Chief Executive. In Northern Ireland the relevant Departmental Accounting Officer will nominate the Chief Executive as Accounting Officer in respect of relevant responsibilities. |
| FRC                               | Financial Reporting Council   |
| Companies Legislation             | The Companies (Northern Ireland) Order 1986 (as amended by the Companies (Northern Ireland) Order 1990) and the Companies Act 2014  |
| Comptrollers and Auditors General | The Comptroller and Auditor General for Northern Ireland and the Irish Comptroller and Auditor General  |
| Finance Departments               | The Department of Finance in Northern Ireland and the Department of Public Expenditure & Reform in Ireland  |
| FRS                               | Financial Reporting Standard  |
| GAAP                              | Generally Accepted Accounting Practice  |
| PFI                               | Private Finance Initiative  |
| SAS                               | Statement of Auditing Standard  |
| Sponsor Department                | Departments issuing grant to the Body and/or Departments with responsibility for the sector in which the Body operates  |
| The Bodies                        | North/South Implementation Bodies   |
| TPA                               | Third Party Assets  |
| SOCI&IS                           | Statement of Comprehensive Income and Income Statement  |
| SoFP                              | Statement of Financial Position   |



# **1 Introduction**

**1.1 Aim of Guidance**

**1.2 Compliance with the Guidance**

**1.3 Development of this Guidance**

**1.4 The Effective Date of the Guidance**

### 1.1 Aim of Guidance

**1.1.1** This Guidance covers the form and content of the Annual Reports and Accounts of North/South Implementation Bodies (“the Bodies” or “North/South Bodies”). Annual Reports and Accounts are the main vehicle by which the Bodies regularly inform the NI Assembly, the Houses of the Oireachtas, North/South Ministerial Council (NSMC), Sponsor Departments and the public about their activities, achievements and expenditure.

**1.1.2** The general aim is for the accounts to be on a commercial accounting basis and to comply with Generally Accepted Accounting Practice in the United Kingdom and Ireland (GAAP) to the extent that this is meaningful and appropriate in the public sector context. Although the term “GAAP” has no statutory or regulatory authority or definition, there is a general consensus that it is founded upon:

- a** the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986 (as amended by the Companies (Northern Ireland) Order 1990) and the Companies Act 2014 – subsequently referred to collectively as the “Companies legislation”;
- b** pronouncements by the Financial Reporting Council (FRC), principally FRS 102;
- c** the body of accumulated knowledge built up over time and promulgated in (for example) textbooks, technical journals and research papers.

For the purposes of this Guidance, GAAP is taken to mean primarily those items listed under **a** and **b** above, but these will need to be interpreted in the light of the body of accumulated knowledge under **c**. GAAP applies to the Bodies as modified in this Guidance by any additional or alternative treatments where appropriate, to take account of the public sector context. FRS 102 should be consulted for a full understanding of the requirements.

**1.1.3** Guidance on the form and content of the Annual Report is given in chapter 2 and on Assembly/Oireachtas procedures relating to the report and accounts in Chapter 13.

**1.1.4** This Guidance is concerned with best practice, and the requirements described in the paper should be regarded as mandatory and be complied with fully in the absence of any

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dispensations agreed with the Sponsor Department and the Department of Finance (DoF) in Northern Ireland and the Department of Public Expenditure & Reform (DPER) in Ireland – subsequently referred to as “the Finance Departments”. However, each Body should consider how it can best present its activities to the NI Assembly, the Houses of the Oireachtas and other users of its Annual Report and Accounts, such as employees and the public; taking account of the time, effort and cost involved in relation to the size of the operation. As the circumstances of the Bodies vary greatly, this Guidance does not give a general definition of materiality, and it will be necessary for each Body to make a judgement on this before discussing with the Comptroller and Auditor General for Northern Ireland and the Irish Comptroller and Auditor General - subsequently referred to as “the Comptrollers and Auditors General”, what might be considered material in its particular circumstances.

- 1.1.5** The intention is that, as far as is possible, the accounts of the Bodies should be comparable in form and coverage. Since the Bodies take a wide variety of forms, what is appropriate may vary from case to case. There is no intention to impose unnecessarily sophisticated accounting and information systems which cannot be justified in terms of value for money.

## **1.2 Compliance with the Guidance**

- 1.2.1** This Guidance is the authoritative statement of how particular types of transactions and other events should be reflected in the financial statements of North/South Bodies. Compliance with the Guidance will, in all but exceptional circumstances, be necessary for financial statements to give a true and fair view.
- 1.2.2** The requirement to give a true and fair view may in special circumstances require a departure from the Guidance. However, this should only occur exceptionally because the Guidance is formulated with the aim of ensuring that the information resulting from its application faithfully represents the underlying activity.
- 1.2.3** If in exceptional circumstances compliance with the requirements of this Guidance is inconsistent with the requirements to give a true and fair view, the requirements of the Guidance should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgment should be used to devise an appropriate alternative treatment, which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the Guidance. Any material departure from the Guidance should be discussed in the first place with Sponsor

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Departments and in conjunction with the Comptrollers and Auditors General and the Finance Departments. Particulars of any such departure, the reasons for it and its effects should be disclosed in the financial statements. Sections 3 and 10 of FRS 102 apply, as adapted by replacing references to a FRS or FRC Abstract with references to this Manual.

### **1.3 Development of this Guidance**

**1.3.1** This Guidance will be subject to further refinement as accounting best practice develops. It will be updated in the light of:

- a** developments in policy aims of accounting and budgeting;
- b** the evolution of GAAP;
- c** experience and application.

**1.3.2** The Finance Departments will be responsible for making amendments to this Guidance as required.

### **1.4 The Effective Date of the Guidance**

**1.4.1** This is the definitive version of the Manual to use for periods ending on or after 31 December 2017.

# **2** North/South Bodies' Reports

- 2.1 Introduction**
- 2.2 Form and content of the Annual Report**
- 2.3 Performance targets**
- 2.4 Business prospects and corporate strategy**
- 2.5 Open Government and Freedom of Information**
- 2.6 Payment performance**
- 2.7 Remuneration Report**

### **2.1 Introduction**

**2.1.1.** The Annual Report provides the opportunity to expand and comment on the bare financial facts given in the accounts. The Bodies are free and indeed may be expected by the NI Assembly, the Houses of the Oireachtas, the NSMC and the public, to range much more widely than the requirements noted below. The form of the Report is not fixed and the use of photographs and graphs as well as narrative is welcomed. Bodies should incorporate the full audited accounts into the Annual Report and publish this as a single document.

### **2.2 Form and content of the Annual Report**

**2.2.1** An Annual Report should be prepared in accordance with this Guidance.

### **2.3 Performance targets**

**2.3.1** In accordance with the Financial Memorandum, the Body's Corporate Plan should, as appropriate, include targets and indicators against which the Body's performance may be measured. Departments should set realistic but demanding performance targets covering financial and non-financial performance, including the quality of services provided to customers. These targets should be sufficiently challenging to drive continuous improvement and should relate to the achievement of outputs and results.

**2.3.2** Performance against these targets over the past year should be provided in one place in the Annual Report, prominently displayed and clearly distinguished from other subsidiary management targets. The Annual Report should explain the reasons for any significant variation between actual performance and the targets set.

**2.3.3** Performance against targets which relate to the financial performance of the Body as a whole (e.g. return on capital employed, return on turnover, or full cost recovery) must also be reported in the notes to the accounts and will thus fall within the scope of the external audit. The structure of the accounts should be designed so that the components of the calculation are disclosed. Composite targets such as unit costs are efficiency targets and should be included in the Annual Report and not in the notes to the accounts.

**2.3.4** It may not be easy, in some cases, for a Body to measure its final outputs and this may make it difficult to set suitable performance targets. In such cases, until suitable performance targets are developed, the aim should be to agree with the Sponsor

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Departments carefully formulated strategic objectives and milestones, and report the performance against these objectives and milestones in the Annual Report.

**2.3.5** There may be occasions where performance against targets or the soundness of the relevant systems must be formally and independently validated, for example where performance against target may lead to payments being made to staff through a group bonus scheme.

**2.3.6** In judging performance, comparative information over time is particularly valuable. Bodies should include a three-year summary of past results against key targets. Where there are fundamental changes to the basis on which the accounts are prepared, Bodies may wish either to continue parallel reporting of the old measures (unless they are misleading or discredited) for a few years to provide comparative data, or make it clear by means of a note that comparison between particular years will not be meaningful background. Background statistical information covering more detailed aspects of the Body's performance should also be given. The 3-year summary and other statistical information should not form part of the accounts falling within the scope of the external audit, but be given in a separate schedule after the accounts.

### **2.4 Business prospects and corporate strategy**

**2.4.1** The Body should include in its Corporate Plan any analysis of its business prospects and future strategy. The Annual Report should include a short statement of the Body's strategy (including financial and manpower planning aspects) as agreed with its Sponsor Departments. Even where a plan is published, the Body may wish to include in the Annual Report a short statement on strategy to help the reader.

### **2.5 Open Government and Freedom of Information**

**2.5.1** The underlying legislation requires Irish and Northern Ireland Ministers with responsibility for Freedom of Information to draw up a Code of Practice on access to information in North/South Bodies for approval by the North South Ministerial Council.

**2.5.2** N/S Bodies should continue to adopt a proactive approach to the release of non-contentious information in line with the Open Government initiative in the UK and the underlying principles of the Freedom of Information Acts in Ireland and the UK. Pending the application of the Code, the NSMC Joint Secretariat will be happy to advise on any requests for information received, in conjunction with the relevant Sponsor Departments, as necessary.

## 2.6 Payment performance

**2.6.1** The Annual Report should include a statement describing the payment practice code(s) or policy adopted on payment of suppliers and performance achieved, together with disclosure of interest paid relating to either:

- the UK Late Payment of Commercial Debts (Interest) Act 1998, as amended and supplemented by subsequent related legislation; or
- the European Communities (Late Payment in Commercial Transactions) Regulations 2012.

and as appropriate, will also be bound by any EU Directives on Late Payment.

## 2.7 Remuneration Report

**2.7.1** The Annual Report should include a Remuneration Report. The Remuneration Report should contain all the information about the pay and pension packages of the senior management team. Performance pay or bonuses payable should be separately reported from salaries. The report should also include information about remuneration policy, service contracts offered to senior staff and compensation payable on early severance. In most cases, these will only need to be described in general terms.

**2.7.2** Prior consent for the disclosure of salary and pension information for named individuals in the Annual Report and Accounts is not required. Therefore, entities must advise the individuals concerned that details of their salary and pension entitlements will be published unless the individual can make a case for non-disclosure.

**2.7.3** It is for each Body to determine the individuals for whom disclosure will be made. As a general rule, it may be helpful to bear in mind the definition of “key management” used in FRS 102 Section 33 ie “those persons having authority and responsibility for planning, directing and controlling the activities of the entity”. Such a definition would include, for example, members of the Management Board – although the status of the individual is the most significant criterion. There is no suggestion that information should be provided for all employees above a certain grade, or earning above a certain salary.

**2.7.4** If more than one individual occupied a single post at different times during the year information should be given for each individual, together with details of the date on which



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he or she left or started in the post.

**2.7.5** If a Body has Advisory Board members or non-executive Board Members who are not remunerated, only their names need be given together with a note that they receive no remuneration.

**2.7.6** The Remuneration Report should follow the layout as shown in Annex A and should include:

- a the emoluments (see below) (actual figures);
- b the monetary value of benefits in kind;
- c a note of the nature of the benefits in kind;
- d the value of pension benefits accrued during the year;
- d the real increase in the pension and related lump sum;
- e the value of the accrued personal pension and related lump sum at the end of the reporting year;
- f the opening and closing Cash Equivalent Transfer Values (CETVs);
- g the real increase in CETV; and
- h the employer contribution to a partnership pension account, if any.

**2.7.7** For the purposes of the analysis required by 2.7.6 above, “emoluments” includes (but is not confined to):

- a gross salary payable;
- b overtime payable;
- c annual bonuses payable;
- d any allowances payable (except to the extent that they are a reimbursement of

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- expenses directly incurred in the performance of the individual's duties);
- e any sums payable by way of an expenses allowance (insofar as these sums are chargeable to income tax);
- f any amount receivable for accepting the post (so called "golden hellos");
- g the value of any compensation or redundancy terms paid for premature loss of office.

### **Fair pay disclosure**

**2.7.8** Entities must disclose the following information together with prior year comparatives:

- The median remuneration of the reporting entity's staff. This is based on annualised, full-time equivalent remuneration of all staff (including temporary and agency staff) as at the reporting date;
- The range of staff remuneration;
- The ratio between the median staff remuneration and the mid-point of the banded remuneration of the highest paid director; and
- An explanation for any significant changes in the ratio between the current and prior year.

# **3**

## **North/South Bodies' Financial Statements**

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- 3.2 Accounting and Financial Reporting Standards**
- 3.3 Inapplicability of disclosure and auditing exemptions**
- 3.4 Statement of Accountable Person's Responsibilities**
- 3.5 Contents of accruals based accounts**
- 3.6 Retirement benefits**
- 3.7 Private Finance Initiative (PFI) projects**
- 3.8 Model Financial Statements**
- 3.9 Accounting for Third Party Assets**

## **3.1 Accounts Directions**

**3.1.1** The North/South Co-operation (Implementation Bodies) (Northern Ireland) Order 1999 and the British-Irish Agreement Act 1999 provide for the accounts to be in the form directed by the Sponsor Departments, with the consent of the Finance Departments. As a matter of policy, the Finance Departments' approval should be sought to changes in accounting requirements.

**3.1.2** After consultation with the body and the Finance Departments, the Sponsor Department will issue an accounts direction, i.e. a formal document setting out the minimum requirements in respect of the form and content of the statements of account. A model accounts direction is reproduced at Annex B, but Sponsor Departments may wish to make modifications to reflect the circumstances of the Body.

**3.1.3** It is important that the basis on which the accounts have been prepared and audited is clear to the reader. This is particularly so in the public sector where in order to give a true and fair view, the body has modified or supplemented the accounting and disclosure requirements of this Guidance or GAAP (see paragraph 1.2.3). The accounts direction issued by the Sponsor Department will normally indicate any agreed departures from the Guidance or GAAP. It is important that any such departures are disclosed in the accounting policy note in line with the requirements of paragraph 3.5 of FRS 102.

**3.1.4** Copies of the Body's financial statements should be sent to the contacts in the Finance Departments at the addresses given earlier in the Manual.

## **3.2 Accounting and Financial Reporting Standards**

**3.2.1** The general policy on the application of commercial accounting standards is that the prescription of accounting requirements for the public sector is a matter for Government. Where public sector bodies prepare Annual Reports and Accounts on commercial lines, Government requirements may or may not refer specifically either to accounting standards or to the need for the financial statements concerned to give a true and fair view. However it can be expected that Government requirements in such cases will normally accord with the principles underlying the Financial Reporting Council's (FRC's) pronouncements, except where in the particular circumstances of the public sector bodies concerned Government considers these principles to be inappropriate or considers others to be more appropriate.

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**3.2.2** The Foreword and Financial Reporting Standards (FRS) are available online at the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

### **3.3 Inapplicability of disclosure and auditing exemptions**

**3.3.1** Audit and disclosure exemptions contained in the Companies legislation do not apply to North/South Bodies, nor are they permitted to adopt FRS 101 or FRS 105, but should continue to have regard to the full range of accounting and disclosure requirements of FRS 102.

### **3.4 Statement of Accountable Person's Responsibilities**

**3.4.1** North/South Bodies should prepare a 'Statement of Accountable Person's Responsibilities' which sets out the role of the directors in relation to the production of accounts and, where applicable, that of the Board of directors. Under the provisions of the International Standards of Auditing (ISA) 700 on *Forming an Opinion and Reporting on Financial Statements*, the auditor's report will set out the responsibilities of the Comptrollers and Auditor Generals and the responsibilities of those charged with governance.

### **3.5 Contents of accruals based accounts**

**3.5.1** Accruals-based accounts prepared by North/South Bodies should consist of:

- a** a Foreword (see Chapter 4);
- b** a Statement of the Accountable Person's Responsibilities (see Chapter 5);
- c** a Statement on the System of Internal Control / Governance Statement (see Chapter 6);
- d** a Remuneration Report (see Annex A);
- d** a Statement of Comprehensive Income and Income Statement (see Chapter 7);
- e** a Statement of Financial Position (see Chapter 8);

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- f a Statement of Cash Flows (see Chapter 9);
- g a Statement of Changes in Equity (see Chapter 10);
- h Notes (see Chapter 11).

### 3.6 Retirement Benefits

#### Applicability

3.6.1 FRS 102 Section 28 applies to the accounts of all North/South Bodies.

#### Objective of FRS 102

3.6.2 The objective of FRS 102 is to ensure that:

- Financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- The financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

#### Interpretations of FRS 102 for North/South Bodies

3.6.3 The period between formal actuarial valuations is to be three years.

3.6.4 The rate to be used when discounting the scheme liabilities, as required by FRS 102, is to be determined by reference to market yields at the reporting date on high quality corporate bonds. North/South Bodies should use a discount rate determined by an appropriate authority (for example a qualified independent actuary) in valuing their share of the liabilities of the scheme.

3.6.5 North South Bodies' pension costs reflect pension benefits earned by employees, and are shown net of staff pension contributions which are remitted to the Department of X (insert relevant Department). Note in some cases employee contributions may be retained by the Bodies – in this case amend to read: employee contributions are retained by the entity. An amount corresponding to the pension cost should be recognised as income, to the extent

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that it is recoverable, in the Statement of Comprehensive Income and Income Statement (SOCI&IS) under the heading deferred pension funding income.

**3.6.6** Actuarial gains or losses arising on scheme liabilities are reflected in the SOCI&IS, and a corresponding adjustment is recognised in the amount recoverable from the Department. The financial statements should reflect, at fair value, the assets and liabilities arising from the Body's pension obligations and any related funding, and recognise the costs of providing pension benefits in the accounting periods in which they are earned by employees. Retirement benefit scheme liabilities should be measured on an actuarial basis using the Projected Unit Credit method. Deferred pension funding represents the corresponding asset to be recovered in future periods from the Department.

**3.6.7** North/South Bodies should recognise a deferred pension funding balance, equal to the amount of the pension liability. This asset should be presented separately in the Statement of Financial Position, adjacent to the pension liability. The increase/decrease in deferred pension funding due to actuarial gains/losses should be disclosed separately in the SOCI&IS. The movement due to other items should be recognised within income and disclosed separately within the income analysis in the notes to the accounts. The following disclosure should also be made in the accounting policies note under the heading "Deferred Pension Funding":

"In accordance with accounting practice previously adopted for the North/South Bodies <name of Body> recognises an asset representing resources to be made available by the UK and Irish Exchequers for the unfunded deferred liability for pensions on the basis of a number of past events. These events include the statutory backing for the superannuation schemes, and the policy and practice in relation to funding public service pensions in both jurisdictions including the annual estimates process. While there is no formal agreement and therefore no guarantee regarding these specific amounts with the funding bodies, <name of Body> has no evidence that this funding policy will not continue to progressively meet this amount in accordance with current practice.

### **The North/South Pension Scheme**

**3.6.8** The North/South Pension Scheme is a multi-employer defined benefit scheme, operated with the approval of the North South Ministerial Council and the Finance Ministers. For the purposes of FRS 102, it is possible to identify the underlying share of assets and liabilities belonging to each employer and hence North/South Bodies should apply the guidance set out in FRS 102 for defined benefit schemes in full.

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**3.6.9** Scheme members may have elected to backdate their contributions to a date prior to the commencement of the scheme on 29 April 2005. Any outstanding backdated contributions that are due from members should be presented as a debtor.

### **3.7 Private Finance Initiative (PFI) projects**

**3.7.1** The objective of the PFI is to harness the benefits of private sector management by purchasing services rather than assets. A Body considering the use of such arrangements should consult with the Finance Departments to determine the correct accounting treatment.

### **3.8 Model Financial Statements**

**3.8.1** Due to the diversity of functions undertaken by North/South Bodies and therefore the diversity of their financial statements, model financial statements are not included in this Guidance. However, should users require particular examples of financial statements they should contact the Finance Departments.

### **3.9 Accounting for Third Party Assets**

**3.9.1** Third party assets (TPA) are defined as assets for which a Body acts as custodian or trustee but in which neither the Body nor Government more generally has a direct beneficial interest.

**3.9.2** Examples of assets that do not represent TPA include:

- a** assets held on loan for presentational or other purposes;
- b** balances arising when the North/South Bodies are pre-funded by other Bodies to provide goods or services to them on an agency basis;
- c** amounts in respect of EU income.



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- 3.9.3** Whilst Bodies that hold TPA have responsibility for them during the period they are held, they are not 'public assets' in the accepted sense but are held on trust on behalf of third parties. Whilst of an additional disclosure nature, in the interests of general disclosure and transparency in public accounts, TPA should be readily identifiable and reported in audited accounts by way of summary note. TPA are not to be recorded in the primary statements of the accounts even if third party monies are included in public bank accounts (3.9.5).
- 3.9.4** For disclosure purposes a distinction is made between third party monies and listed securities, and third party physical assets and unlisted securities:
- a** Third party monies and listed securities: the minimum level of numerical disclosure required is a statement of closing balances as at the financial year-end. For listed securities this will be the total market value. Optionally, when considered significant by the Body, and at its discretion, further disclosures may be made, including gross inflows and outflows in year, and the number and types of securities held.
  - b** Third party physical assets and unlisted securities: disclosure may be by way of narrative note. For physical assets the note should provide information on the asset categories involved. Such disclosure should be sufficient to give users of the accounts an understanding of the extent to which third party physical assets and unlisted securities are held by the Body.
- 3.9.5** Third party monies should not be held in public bank accounts, nor should any other monies which are not public monies. If, however, third party monies are found to have been in a public bank account at the end of the accounting year, then in addition to the disclosure requirement in 3.9.4a, a note should be included in the accounts indicating the amount of third party monies held in the bank account and outlining the rationale for holding third party monies in public bank accounts.

# **4 Foreword to the Accounts**

**4.1 Introduction**

**4.2 Contents**

**4.3 Relationship between Annual Report and Foreword**

### 4.1 Introduction

- 4.1.1** The Foreword is the equivalent of the Director's Report that a Body incorporated under Companies legislation is required to produce and shall be dated and signed by the Accountable Person. The information in the Foreword should be shown under the headings listed in the following paragraph to the extent that they are appropriate.

### 4.2 Contents

- 4.2.1** The Foreword must contain at least the following information:
- a** a statement that the accounts have been prepared in a form directed by the Sponsor Departments with the consent of the Finance Departments;
  - b** brief history of the Body;
  - c** details of the statutory background to the Body, i.e. the legislation setting it up and giving it powers to act;
  - d** details of the results for the year;
  - e** a review of the Body's principal activities, including information about its financial position at the year end. (This heading may be combined with **b** and **c** above under a heading such as "Background Information");
  - f** details of any significant changes in tangible assets, and any significant differences between the market values and book values of land and buildings;
  - g** an indication of any activities in the field of research and development;
  - h** an indication of any approved or planned future developments in the activities of the Body;
  - i** details of any events after the end of the reporting period which might affect the reader's understanding of the accounts (see also FRS 102 Section 32);

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- j** details of all charitable donations made by the Body which exceed £200 in aggregate;
  
- k** the names of the Board members who have served at any time during the financial year and any changes in the membership between the end of the financial year and the date on which the accounts are approved. Although not a statutory requirement, the Body may wish to give more information about their Board members eg. in their Annual Report;
  
- l** where applicable, a statement of board member's responsibilities;
  
- m** the policy in relation to disabled employees;
  
- n** the action taken to maintain or develop the provision of information to, and consultation with, employees;
  
- o** information on its prompt payment policy and its performance. The Body is subject to either:
  - the Late Payment of Commercial Debts (Interest) Act 1998, as amended and supplemented by subsequent related legislation, or
  - the European Communities (Late Payment in Commercial Transactions) Regulations 2012,whichever is appropriate, and will also be bound as appropriate by any EU Directives on Late Payment;
  
- p** details of company directorships and other significant interests held by Board members which may conflict with their management responsibilities. Where a Register of Interests is maintained by the Body which is open to the public, then disclosure may be limited to how access to the information in the Register of Interests may be obtained.

### **4.3 Relationship between Annual Report and Foreword**

- 4.3.1** Some of the information given in the Foreword, e.g. details of the activities and performance during the year, may also be given in the Annual Report. The auditor reads all the financial and non-financial information in the Foreword and the Annual Report to identify any inconsistencies with the accounts. To avoid any unnecessary duplication, only brief information need be given in the Foreword with a cross reference to the greater detail to be found in the Annual Report.

# **5**

## **Statement of Accountable Person's Responsibilities**

### **5.1 Statement of Accountable Person's Responsibilities**

## **5.1 Statement of Accountable Person's responsibilities**

- 5.1.1** The Accountable Person should explain his/her responsibility for preparing the accounts in a statement located between the Foreword and the Statement on the System of Internal Control / Governance Statement. An example is included at Annex D.

# **6** **Statement on the System of Internal Control / Governance Statement**

## **6.1** **Statement on the System of Internal Control / Governance Statement**



## **6.1 Statement on the System of Internal Control / Governance Statement**

- 6.1.1** Following the general principle that best practice in accounting requirements in the private sector should be reflected in Government, North/South Bodies are required to prepare a Statement on the System of Internal Control / Governance Statement (referred to as the “Statement” in this chapter). Further information on the Statement can be found in Annex C. The Statement should be signed by the Accountable Person.

### **Risk management**

- 6.1.2** The Turnbull Report states that a sound system of internal control “depends on a thorough and regular evaluation of the nature and extent of the risks to which the company is exposed”. It further states that the purpose of internal control “is to help manage and control risk rather than to eliminate it”. The Statement should therefore be the end result of a process of management that is embedded in the planning, operational, monitoring and review activities of the Body<sup>1</sup>, these activities being the critical elements of the Statement. Production of the Statement should not be conducted as an “add-on” end of year activity. The Statement should explain the nature of control, and any material changes in control, exercised through the whole of the accounting period.

### **Internal Audit**

- 6.1.3** The Turnbull Report referred to the need for internal audit or other monitoring processes to assure management and the board that the system of internal control is functioning as intended. An effective internal audit function should be established in accordance with the Body’s Financial Memorandum and other relevant guidance. Accountable Persons should, as part of their annual review of the system of internal control, ensure that their internal audit provision is adequately resourced to deliver a high quality service
- 6.1.4** Corporate Governance issues applicable to the Body are also detailed in the Financial Memorandum and guidance issued from time to time by the Finance Departments.

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<sup>1</sup> Guidance on risk management was produced by HM Treasury in 2004 in “Management of Risk – A Strategic Overview” (The “Orange Book”). This document is advisory, and each Body should identify for itself the methodology for embedded risk management that is most appropriate for its business and circumstances.

# **7** Statement of Comprehensive Income and Income Statement

- 7.1**      **Accounts formats**
  
- 7.2**      **Grants receivable**
  
- 7.3**      **Treatment of interest payable**
  
- 7.4**      **Insurance**
  
- 7.5**      **Extraordinary items**
  
- 7.6**      **Grants payable**

## 7.1 Accounts formats

7.1.1 As far as possible, North/South Bodies should prepare their Statements of Comprehensive Income and Income Statements (hereafter referred to as the SOCI&IS) in accordance with the format directed by the Sponsor Departments and approved by the Finance Departments. This should be in accordance with FRS 102 Section 5. The two-statement approach should be adopted.

7.1.2 However, the overriding requirement is for the accounts to give a true and fair view and, if following the prescribed format does not result in such a view being given, the Body should modify or supplement the format to the extent necessary to give a true and fair view. Changes to the prescribed format should be discussed with the Sponsor Departments, the Comptrollers and Auditors General and the Finance Departments.

## 7.2 Grants receivable

7.2.1 Grants (which include Grant-in-Aid) may contribute to revenue expenditure or to capital expenditure and, in most cases, the nature and purpose of the grant is clear from the circumstances. Grants contributing towards revenue expenditure should always be shown in the SOCI&IS. The accounting treatment of grants for capital purposes is given in paragraph 8.7.1.

- a Information about the provision of grants to North/South Bodies by Sponsoring Departments is contained in each Body's Financial Memorandum; the Department of Finance's publication 'Managing Public Money Northern Ireland' (MPMNI); and the "Public Financial Procedures" (PFP) in Ireland and includes information relating to the retention of unexpended grant received by a Body from its Sponsor Department.
- b The Body should account for the amount of grant received in the financial year on a cash basis. In the event that the Body makes payments in year which are due to be funded by that year's grant, but do not receive the relevant cash from the Sponsoring Department by year-end, then the related unpaid grant should **not** be accrued by the Body, even if it is within the overall limit of grant available for the year. Any part of the grant provision in respect of a particular financial year, which has not been paid to the Body, by the end of that year shall lapse. The Body may not anticipate the following year's grant, in whole or in part. North/South Bodies

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should show information concerning the source of each grant received on the face of the SOCI&IS or in the notes to the accounts.

### **7.3 Treatment of interest payable**

**7.3.1** Where loan capital is included in the Capital and Reserves section of the Statement of Financial Position the interest should be separately stated on the face of the SOCI&IS. The positioning of such interest will be dependent on the overriding true and fair view and the Body's objectives.

**7.3.2** It will generally be consistent with the Statement of Financial Position treatment to show interest charged on such loan capital after the results from all the activities for the year (i.e. after profit and loss on ordinary activities after taxation). As interest on long term borrowings is an unavoidable charge payable irrespective of outturn, it should always be included before arriving at the 'profit or loss for the financial year'.

### **7.4 Insurance**

**7.4.1** In order to establish the merits of taking out commercial insurance as opposed to 'Government carrying the risk', the Body should carry out a risk assessment to identify potential risks and to estimate the extent of possible losses and claims and their frequency. The case for commercial insurance should be put to the Sponsor Departments and agreed with the Finance Departments. North/South Bodies should however always comply with any statutory requirements to have insurance.

**7.4.2** Where the Body has purchased a commercial insurance policy, its premium payments to the insurance company should be charged to the SOCI&IS. The premiums should also be included in the calculation of costs for the purposes of determining fees and charges.

**7.4.3** However, where the Body does not insure, it is necessary, when setting fees and charges, to allow for notional premiums where it is not possible to forecast actual losses. This should be done for all relevant uninsured risks, such as damage to or loss of assets, employer's liability, and claims from third parties. Notional premiums should be based on the Body's assessment of the amount needed, taking one year with another, to cover the costs of meeting any losses. Where the Body is unable to assess premiums and it would not be worthwhile seeking professional advice, it may use a standard cost formula, advice on which may be obtained from Finance Departments. Notional insurance premiums will

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not be charged in the SOCI&IS. Instead expenditure in connection with uninsured risks (e.g. accident repairs or asset write-downs) will be charged.

### **7.5 Extraordinary items**

**7.5.1** In general there will be no extraordinary items for North/South Bodies. The definition of 'ordinary activities' in FRS 102 Section 5 will be deemed to cover all activities of North/South Bodies.

### **7.6 Grants payable**

**7.6.1** Bodies may make payments in respect of both mandatory and discretionary grants. Unpaid and unclaimed grants will represent obligations to be recognised as liabilities where the definition in FRS 102 is met. Receipt of a grant claim form will not necessarily be the point at which a liability is recognised. Instead, in determining when the liability arises the Body should take into consideration when the grant recipient carries out the specific activity, which forms the basis of entitlement, or otherwise meets the grant entitlement criteria. Recognition as a liability will vary according to the details of individual schemes. Should the liability be of uncertain timing or amount, recognition in accounts should be in accordance with the principles contained in FRS 102 Section 21.

**7.6.2** Overpayment of grants should be shown as debtors in the Statement of Financial Position, subject to the usual criteria on recoverability.

# 8

## Statement of Financial Position

- 8.1 Statement of Financial Position format
- 8.2 Property, Plant and Equipment - measurement and valuation
- 8.3 Impairment of assets
- 8.4 Donated assets
- 8.5 Heritage assets
- 8.6 Infrastructure Assets
- 8.7 Government Grants
- 8.8 Inventories
- 8.9 Capitalisation of internal costs and bought-in services
- 8.10 Intangible assets
- 8.11 Loans and Investments

- 8.12 Foreign currency translation**
- 8.13 Mergers and the transfer of Functions**
- 8.14 Transfer of assets between bodies**
- 8.15 Provisions and contingencies**
- 8.16 Revaluation Reserve**
- 8.17 General Reserve**
- 8.18 Other Reserves**

**Appendix 8.1 Procedures for the year-end translation of the financial statements from the base currency to the other reporting currency.**

### **8.1 Statement of Financial Position format**

- 8.1.1** The Body should prepare its Statement of Financial Position (SoFP) in accordance with the vertical layout as outlined in the Companies legislation and Section 4 of FRS 102 to the extent that the headings are appropriate, which shall be dated and signed by the Accountable Person.
- 8.1.2** The SoFP should strike a balance at total assets less all liabilities.

### **8.2 Property, plant and equipment - measurement and valuation**

- 8.2.1** Property, plant and equipment should be measured on a cost basis, in most instances. Bodies may decide to adopt the revaluation model, given their particular circumstances. The requirements of FRS 102 should be followed regardless of the approach taken.

### **8.3 Impairment of assets**

- 8.3.1** An impairment loss occurs where the recoverable amount of an asset is lower than its carrying amount, i.e. the value shown on the SoFP. Recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value in use.
- 8.3.2** Entities should follow FRS 102 Section 27 when accounting for impairment of assets.

### **8.4 Donated assets**

- 8.4.1** Assets donated by third parties, either by gift of the asset or by way of funds for the asset, and which meet the criteria in 8.4.2 should be capitalised at current value on receipt. Where the value of the services provided by an asset will be less than this because it is over-specified for its intended use, the lower value should be used. The amounts capitalised should be treated as a Government Grant in line with FRS 102 Section 24. The 'accrual model' should be applied.
- 8.4.2** To qualify as a donated asset for this treatment there should be no consideration given in return. National Lottery-funded assets will qualify.



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- 8.4.3** Where a donor imposes restrictions on the use of a donated asset, details of the restrictions should be disclosed in a note to the accounts.

### **8.5 Heritage assets**

**8.5.1** Heritage assets are tangible and intangible assets with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are those assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. It is typically the entity holding the asset which is solely competent to decide which are heritage assets. The entity shall therefore be required to attest annually to the ongoing heritage credentials of its heritage assets. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, and works of art.

**8.5.2** There are certain characteristics which, whilst they may be present on other assets as well, are often displayed by heritage assets. For heritage assets, typically:

- a** their value to Government and the public in cultural, environmental, educational and historical terms is unlikely to be fully reflected in a financial value derived from a market mechanism or price;
- b** established custom and, in many cases, primary statute and trustee obligations impose prohibitions or severe restrictions on disposal by sale;
- c** they are often irreplaceable and their value may increase over time even if their physical condition deteriorates;
- d** they may require significant maintenance expenditure so that they can continue to be enjoyed by future generations;
- e** their life is measured in hundreds of years;
- f** Antiques and other works of art which are held by North/South Bodies (and lying outside the main collections) will not necessarily meet the definition of a heritage asset and will only do so if classified as such in accordance with the procedure outlined in 8.5.1.

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**8.5.3** All heritage assets are held by the entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational heritage assets are those which are held primarily for this purpose. Operational heritage assets are those which, in addition to being held for their characteristics as part of the nation's heritage, are also used by the entity for other activities or to provide other services for which it is responsible. An example is a historical building used for both ceremonial occasions and office accommodation.

**8.5.4** In principle, there are the same benefits and advantages in valuing and capitalising heritage assets (both operational and non-operational) as there are for other assets, namely:

- a** to inform the public about the value of assets held on its behalf;
- b** to encourage good stewardship of the assets by the owner entity;
- c** to inform decisions about whether resources are being tied up appropriately;
- d** to distinguish between capital and current expenditure;
- e** to inform decisions about how much to spend on maintaining the assets by ensuring that both value and deteriorations in value are recognised.

**8.5.5** Heritage assets should be accounted for in accordance with FRS 102 paragraphs 34.49-34.56.

**8.5.6** Depreciation is not required on heritage assets which have indefinite lives.

## **8.6 Infrastructure Assets**

**8.6.1** If the Body has definable major assets or components within an infrastructure system or network with determinable finite lives, they should be treated separately and depreciated over their useful economic lives. For the remaining tangible fixed assets within the system or network ("the infrastructure asset"), the following accounting treatment should be applied.

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- 8.6.2** The infrastructure asset will be held at depreciated replacement cost based on service potential.
- 8.6.3** Subsequent expenditure on the asset will be capitalised where it enhances or replaces the service potential. Spending that does not replace or enhance service potential will be expensed.
- 8.6.4** The annual depreciation charge for the asset will be the value of the service potential replaced through the maintenance programme plus, or minus, any adjustment resulting from an annual condition survey. The value of maintenance work undertaken will be used as an indication of the value of the replaced part. Where the condition survey shows that deterioration in the asset exceeds the service potential replaced by the maintenance programme the additional deterioration will be taken to the SOCI&IS as part of the depreciation charge. Where the condition survey shows that deterioration in the road surface is less than the service potential replaced by the maintenance programme the depreciation charge will be reduced by the excess maintenance.
- 8.6.5** The asset will be subject to annual valuations as measured by suitable indices. Upward movements in value will be taken to the revaluation reserve and included in comprehensive net expenditure. Downward movements in value will be set against any credit balance held in the revaluation reserve until this credit is exhausted and thereafter to net operating expenditure.
- 8.6.6** The asset will be subject to an annual impairment review.

### **8.7 Government Grants**

- 8.7.1** Grants received as a contribution towards expenditure on property, plant and equipment should be accounted for using the 'accrual model' outlined in Section 24 of FRS 102.

### **8.8 Inventories**

- 8.8.1** Inventories should be shown at the lower of cost and estimated selling price less costs to complete and sell, in line with FRS 102 Section 13.

## **8.9 Capitalisation of internal costs and bought-in services**

- 8.9.1** Property, plant and equipment to be recognised in the SoFP will normally be recorded initially at its cost. The particular items to be included in cost should be determined in accordance with FRS 102, paragraph 17.10.
- 8.9.2** Costs incurred in the early stages of a project to acquire or create property, plant and equipment or an intangible asset other than development costs should only be capitalised if at the time they are incurred, they meet the criteria set out in Sections 17 and 18 of FRS 102.
- 8.9.3** Where a body's own staff are involved in the acquisition, construction or development of property, plant and equipment (such as a piece of internally generated computer software), the relevant proportion of the internal costs relating to those staff should, if material and if the other criteria for capitalisation referred to in this section are met, be included in the cost, subject to the condition in 8.9.4.
- 8.9.4** Such internal costs will include own employees (e.g. site workers, in-house architects and surveyors) salaries and expenses arising directly from the construction and acquisition of the asset. Administration and other general overhead costs should be excluded from the cost. Employee costs not related to the specific asset (such as site selection activities) are not directly attributable costs.
- 8.9.5** FRS 102 permits the Body to capitalise finance costs that are directly attributable to the construction of property, plant and equipment.

## **8.10 Intangible assets**

### **In house produced computer software**

- 8.10.1** This section of the Guidance is not intended to apply to in house produced computer software, which, if accounted for as an asset, should be regarded as property, plant and equipment. Licenses to use software developed by third parties, however, should be treated as intangible.

### Categories of intangible assets

**8.10.2** Section 18 of FRS 102 sets out the accounting requirements for intangible assets. To meet reporting requirements the Body should analyse their intangible assets using the following headings (where these are material):

- a** Software Licences - the right to use software developed by third parties;
- b** Development Expenditure;
- c** Licences, Trademarks and Artistic Originals - Original films, sound recordings etc on which performances are recorded or embodied;
- d** Patents - inventions that are afforded patent protection;
- e** Goodwill.

### 8.11 Loans and Investments

**8.11.1** Loans and investments should be accounted for in accordance with FRS 102 Sections 11 and 12.

### 8.12 Foreign currency translation

**8.12.1** FRS 102 Section 30 will apply to foreign currency transactions.

**8.12.2** North South Bodies are required to include the currencies of both jurisdictions. In order to meet this requirement the Body must decide on its base currency. This will be determined either by the location of its head office or by whichever currency the majority of its transactions is denominated in e.g. a body based in Dundalk should use euro as its base currency unless the majority of its transactions are in GBP£. The accounts should be prepared in this currency and then translated into the non-base using the average rate of exchange for the SOCI&IS and the rules below for the SoFP.

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- 8.12.3** Detailed guidance on the procedures to be followed for the year-end translation of the financial statements of bodies from the base currency to the other reporting currency are included in Appendix 8.1 which follows this chapter.

### **8.13 Mergers and the Transfers of Functions**

- 8.13.1** FRS 102 Section 19 will apply.
- 8.13.2** The merger of two or more bodies into one new body, or the transfer of functions from the responsibility of one part of the public sector to another, will be accounted for using merger accounting as described in FRS 102 Section 19, paragraphs 19.29-19.33.

### **8.14 Transfer of assets between bodies**

- 8.14.1** Where tangible assets are transferred between North/South Bodies and other Government bodies, other than in connection with either a transfer of functions from one body to another or a merger of bodies, the transfer price should be calculated in accordance with an assessment of the fair values of the assets.

### **8.15 Provisions and Contingencies**

- 8.15.1** FRS 102 Section 21 applies. Where the time value of money is material, a discount rate is required to discount the estimated future cash flows as expressed in current year prices (i.e. at the price level prevailing in the year covered by the accounts) and reflecting risk, in order to calculate the provision. Guidance should be sought from the Finance Departments in relation to the rate to be used.

### **8.16 Revaluation Reserve**

- 8.16.1** The Revaluation Reserve, shown under “Capital and Reserves”, should reflect the unrealised balance of the cumulative balance of indexation and revaluation adjustments to assets.
- 8.16.2** A surplus on the revaluation of an asset will be accounted for in accordance with the requirements of FRS 102.

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- 8.16.3** Each year the realised element of the Reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) should be transferred from the Revaluation Reserve to the General Reserve.
- 8.16.4** On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset will become fully realised and should be transferred to the General Reserve.
- 8.16.5** On impairment of a revalued asset, the balance on the Reserve in respect of that asset up to the amount of the impairment will become fully realised and should be transferred to the General Reserve.
- 8.16.6** When stocks are charged to the SOCI&IS any balance on the Revaluation Reserve in respect of those stocks becomes realised and should be transferred to the General Reserve.
- 8.16.7** A detailed analysis of movements in the Reserve should be disclosed by way of note and should include opening balance for the year, movements arising on revaluations during the year, amounts transferred to the General Reserve in respect of any realised elements, and closing balances for the year.

### **8.17 General Reserve**

- 8.17.1** Accumulated surpluses/deficits should be shown in the Capital and Reserves section. Suitable descriptions include SOCI&IS Reserve, Accumulated Surpluses or General Reserve.

### **8.18 Other Reserves**

- 8.18.1** There may be other reserves which should be shown in the Capital and Reserves section. The degree of permanence should be considered when determining the positioning of such reserves.

## Appendix 8.1

### **Procedures for the year-end translation of the financial statements from the base currency to the other reporting currency.**

#### **General approach**

1. The SOCI&IS should be translated at the average exchange rate for the year while the SoFP is translated at the closing rate at year-end. The Statement of Cash Flows reflects the movement in the value of monetary assets and liabilities attributable to the change in exchange rates over the year. The notes on Property, Plant and Equipment (PPE), Capital Grant Reserve, Net Cash Flow from Operating Activities, General Reserve, Deferred Pension Funding and Pension Liability record the adjustments arising from the translation.
2. For SoFP items, a currency translation difference will arise when the year-end working currency balances are translated at the closing rate for the following reasons:
  - (a) Opening balances for assets and liabilities are, effectively, restated at closing rates.
  - (b) SOCI&IS amounts, which have been translated at average rates, are restated at closing rates where they go to form part of a closing balance (e.g. depreciation in PPE, the current service cost of pension provision).

Comparative figures remain unchanged.

3. The translation differences should be reported in the four relevant notes to the accounts. The currency translation adjustments are presented in the notes to the accounts under the following headings:
  - i. Property, Plant and Equipment (PPE)
  - ii. Net Cash Flow from Operating Activities
  - iii. Capital Grant Reserve
  - iv. General Reserve
  - v. Deferred Pension Funding
  - vi. Analysis of Movement in Pension Liability



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4. Explanatory notes are included under the PPE note, the Net Cash Flow from Operating Activities note, the Deferred Pension Funding note and the Pension Liability note. The currency translation adjustment in both reserves is cross-referenced to the relevant explanatory note.

### Detailed Approach to Individual notes

5. **All notes relating to the SOCI&IS are translated at the average rate for the year.**

6. The PPE note should be approached as follows:

#### **Cost**

Historic cost opening balance – from prior year, unchanged.

Additions and disposals - average rate for the year.

#### **Depreciation**

Opening balance of accumulated depreciation from previous year, unchanged.

Provision for year – average rate.

Disposals – average rate.

#### **Net Book Value**

Tot figures as above (to give NBV at historic rates).

Translate working currency NBV to the non-working currency at closing rate.

Compare the non-working currency NBV at historic rates with NBV at the closing rate.

Insert a line showing the currency adjustment (balancing figure).

Insert a line –‘NBV restated’ (agrees to balance sheet for non-working currency amount).

#### **Explanatory note:**

The currency translation adjustment is the difference between the net book value of PPE calculated using year-end exchange rates and their net book value stated at historic rates of exchange.

7. **Current Assets and Current Liabilities**

These are translated at the closing rate.

8. **Capital Grant Reserve**

Opening balance – from prior year.

Capital Funding receivable – average rate.

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Released to SOCI&IS – average rate.

Translate closing balance to non-working currency at the closing rate.

Calculate the currency adjustment (balancing figure) and include in a new line above the closing balance (Currency adjustment – same amount as the adjustment to tangible assets).

### 9. **Net Cashflow from operating activities**

Surplus/deficit for the year– average rate (per SOCI&IS)

Transfer from Capital Grant Reserve – average rate

Depreciation – average rate

Increase/decrease in debtors – actual amount, from the current assets note, for both currencies

Increase/decrease in creditors – actual amount, from the current liabilities note, for both currencies

Net cash inflow/outflow – actual change in cash, from current assets note, for both currencies

Currency adjustment – balancing figure, insert in a line above the net cash flow

#### **Explanatory note:**

The currency translation adjustment reflects the amount of the movement in the value of current assets and liabilities which is attributable to the change in exchange rates over the year.

### 10. **General Reserve**

Opening balance – as prior year

Surplus/deficit – average rate

Closing balance – closing rate

Currency adjustment – balancing figure included in a line above the closing balance (same amount as adjustment to the note on the Net Cashflow from operating activities)

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### 11. **Deferred Pension Funding**

Balance at the start of the year – as prior year

Increase/Decrease in deferred pension funding – average rate

Balance at the end of the year – closing rate

Currency adjustment – balancing figure, insert in a line above balance at the end of the year

#### **Explanatory note:**

The currency translation adjustment reflects the amount of the movement in the value of deferred pension funding which is attributable to the change in exchange rates over the year.

### 12. **Analysis of Movement in Pension Liability**

Deficit at the start of the year – as prior year

Benefits paid during the year – average rate

Current service cost – average rate

Interest on scheme liability – average rate

Actuarial gain/loss – average rate

Other movements (e.g. transfers in/out, past service cost) – average rate

Deficit at the end of the year – closing rate

Currency adjustment – balancing figure, insert in a line above deficit at the end of the year.

#### **Explanatory note:**

The currency translation adjustment reflects the amount of the movement in the value of the pension scheme liability which is attributable to the change in exchange rates over the year.

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Example of accounting policies and disclosure in the notes to accounts

### (Euro to Sterling)

#### Note 1 – Accounting Policy

##### Reporting Currency

The transactions and balances of the Body are reported in both Euro and Sterling. The working currency of the body is Euro and transactions are initially recorded in that currency. Transactions in other currencies are recorded at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in other currencies are translated into Euro at the rates of exchange prevailing at SoFP (closing rate). Realised gains and losses are taken to the SOCI&IS. At year-end the financial statements are translated into Sterling. The SOCI&IS is translated using the average exchange rate for the year while the SoFP is translated using the closing exchange rate. Currency adjustments arising from this translation of the financial statements are reflected in Property, Plant and Equipment (PPE) (Note X), Net Cash Flow from Operating Activities (Note X1), Capital Grant Reserve (Note X2), General Reserve (Note X3), Deferred Pension Funding (Note X4) and the Analysis of Movement in Pension Liability (Note X5).

#### Note X – Property, Plant and Equipment

|  | Office<br>Equipment | Property | Fixtures<br>&<br>Fittings | Computer<br>Equipment | Total     | Total       |
|--|---------------------|----------|---------------------------|-----------------------|-----------|-------------|
| <b>Cost or Valuation</b>                   | <b>€</b>            | <b>€</b> | <b>€</b>                  | <b>€</b>              | <b>€</b>  | <b>Stg£</b> |
| At 1 January 20X1                          | 203,007             | 658,635  | 65,479                    | 164,562               | 1,091,683 | 727,789     |
| Additions                                  | 5,743               | 48,653   | 18,596                    | 87,076                | 160,068   | 108,154     |
| Disposals                                  | -                   | -        | -                         | -                     | -         | -           |
| At 31 December 20X1                        | 208,750             | 707,288  | 84,075                    | 251,638               | 1,251,751 | 835,943     |
| <b>Depreciation</b>                        |                     |          |                           |                       |           |             |
| At 1 January 20X1                          | 34,187              | 26,345   | 6,548                     | 66,129                | 133,209   | 88,806      |
| Provision for the year                     | 31,313              | 27,432   | 8,407                     | 83,879                | 151,031   | 102,048     |
| Disposals                                  | -                   | -        | -                         | -                     | -         | -           |
| At 31 December 20X1                        | 65,500              | 53,777   | 14,955                    | 150,008               | 284,240   | 190,854     |
| <b>NBV at 31 December 20X1</b>             | 143,250             | 653,511  | 69,120                    | 101,630               | 967,511   | 645,089     |
| Currency Translation Adjustment            | -                   | -        | -                         | -                     | -         | 22,160      |
| <b>NBV at 31 December 20X1 as restated</b> | 143,250             | 653,511  | 69,120                    | 101,630               | 967,511   | 667,249     |
| <b>NBV at 31 December 20X0</b>             | 168,820             | 632,290  | 58,931                    | 98,433                | 958,474   | 638,983     |

The currency translation adjustment is the difference between the net book value of PPE calculated using year-end exchange rates and their net book value stated at historic rates of exchange.

## NORTH/SOUTH IMPLEMENTATION BODIES GUIDANCE

### Note X1 - Net Cash Inflow/(Outflow) from Operating Activities

|   | 20X1            | 20X0         | 20X1            | 20X0           |
|---|-----------------|--------------|-----------------|----------------|
|   | €               | €            | Stg£            | Stg£           |
| Surplus/(Deficit) for the period                    | (10,230)        | (161,827)    | (6,912)         | (105,769)      |
| Transfer from Capital Grant Reserve                 | (151,031)       | (118,199)    | (102,048)       | (77,254)       |
| Depreciation Charges                                | 151,031         | 118,199      | 102,048         | 77,254         |
| Pension Scheme Current Service Cost                 | 983             | 1,145        | 664             | 748            |
| Interest on Pension Scheme Liability                | 1,126           | 867          | 761             | 567            |
| Pensions Paid                                       | (145)           | (477)        | (98)            | (312)          |
| (Increase)/Decrease in Deferred Pension Funding     | (1,964)         | (1,535)      | (1,327)         | (1,003)        |
| (Increase)/Decrease in Debtors                      | (71,951)        | (3,282)      | (49,691)        | (2,188)        |
| Increase/(Decrease) in Creditors                    | 44,393          | 170,164      | 35,917          | 113,443        |
| Currency Translation Adjustment                     | -               | -            | <u>(3,940)</u>  | <u>(1,814)</u> |
| Net Cash Inflow/(Outflow) from Operating Activities | <u>(37,788)</u> | <u>5,055</u> | <u>(24,627)</u> | <u>3,671</u>   |

The currency translation adjustment reflects the amount of the movement in the value of current assets and liabilities which is attributable to the change in exchange rates over the year.

### Note X2 – Capital Grant Reserve

|  | 20X1           | 20X0           | 20X1           | 20X0           |
|--|----------------|----------------|----------------|----------------|
|  | €              | €              | Stg£           | Stg£           |
| <b>Balance at 1 January</b>              | 958,474        | 43,729         | 638,983        | 28,212         |
| Capital Funding Receivable               | 160,068        | 1,032,944      | 108,154        | 675,127        |
| Less amount released to SOCI&IS          | (151,031)      | (118,199)      | (102,048)      | (77,254)       |
| Loss on disposals of assets              | -              | -              | -              | -              |
| Currency Translation Adjustment (Note X) | -              | -              | 22,160         | 12,898         |
| <b>Balance at 31 December</b>            | <u>967,511</u> | <u>958,474</u> | <u>667,249</u> | <u>638,983</u> |

## NORTH/SOUTH IMPLEMENTATION BODIES GUIDANCE

### Note X3 – General Reserve

|   | 20X1<br>€      | 20X0<br>€      | 20X1<br>Stg£   | 20X0<br>Stg£   |
|---|----------------|----------------|----------------|----------------|
| <b>Balance at 1 January</b>               | 165,183        | 3,356          | 110,122        | 2,165          |
| Surplus/(Deficit)                         | 10,230         | 161,827        | 6,912          | 105,769        |
| Movement in Pension Liability             | 441            | 681            | 298            | 445            |
| Movement in Deferred Pension Funding      | (441)          | (681)          | (298)          | (445)          |
| Currency Translation Adjustment (Note X1) | -              | -              | 3,940          | 2,188          |
| <b>Balance at 31 December</b>             | <u>175,413</u> | <u>165,183</u> | <u>120,974</u> | <u>110,122</u> |

### Note X4 – Deferred Pension Funding

|   | 20X1<br>€     | 20X0<br>€     | 20X1<br>Stg£  | 20X0<br>Stg£  |
|---|---------------|---------------|---------------|---------------|
| <b>Balance at 1 January</b>                     | 18,233        | 16,017        | 12,155        | 10,334        |
| Increase/(Decrease) in Deferred Pension Funding | 2,405         | 2,216         | 1,625         | 1,448         |
| Currency Translation Adjustment                 | -             | -             | 453           | 373           |
| <b>Balance at 31 December</b>                   | <u>20,638</u> | <u>18,233</u> | <u>14,233</u> | <u>12,155</u> |

The currency translation adjustment reflects the amount of the movement in the value of deferred pension funding which is attributable to the change in exchange rates over the year.

### Note X5 – Analysis of Movement in Pension Liability

|   | 20X1<br>€     | 20X0<br>€     | 20X1<br>Stg£  | 20X0<br>Stg£  |
|---|---------------|---------------|---------------|---------------|
| <b>Deficit at the start of the year</b> | 18,233        | 16,017        | 12,155        | 10,334        |
| Benefits paid during the year           | (145)         | (477)         | (98)          | (312)         |
| Current service cost                    | 983           | 1,145         | 664           | 748           |
| Interest on scheme liability            | 1,126         | 867           | 761           | 567           |
| Actuarial gain/(loss)                   | 441           | 681           | 298           | 445           |
| Currency Translation Adjustment         |               |               | 453           | 373           |
| <b>Deficit at the end of the year</b>   | <u>20,638</u> | <u>18,233</u> | <u>14,233</u> | <u>12,155</u> |

Additional lines should be inserted in the note for further movements where required.

The currency translation adjustment reflects the amount of the movement in the value of the pension scheme liability which is attributable to the change in exchange rates over the year.

# **9**

## **Statement of Cash Flows**

### **9.1 Statement of Cash Flows**

### **9.1 Statement of Cash Flows**

- 9.1.1** The purpose of this statement is to give a clear picture of the cash flows of the Body (as would be the case for a private sector company). The Statement of Cash Flows is covered in Section 7 of FRS 102, and North/South Bodies should apply the indirect method.



# **10** Statement of Changes in Equity

## **10.1** Statement of Changes in Equity

## **10.1 Statement of Changes in Equity**

- 10.1.1** The Statement of Changes in Equity, as required by FRS 102 Section 6, presents an entity's profit or loss for a reporting period, other comprehensive income for the period, the effects of changes in accounting policies and corrections of material errors recognised in the period, and the amounts of investments by, and dividends and other distributions to, equity investors during the period.

# **11** Notes to the **Accounts**

- 11.1 Accounting policies**
- 11.2 Statement of historical cost profits and losses**
- 11.3 Staff costs and staff numbers**
- 11.4 Statement of losses and special payments**
- 11.5 Other disclosures - related party transactions**
- 11.6 Additional Disclosure Requirements arising from New Code of Practice for the Governance of State Bodies**

## 11.1 Accounting policies

11.1.1 The accounts should be drawn up on the basis, following FRS 102 Section 10, of accounting policies, and estimation techniques where relevant, that are judged to be the most appropriate for the purpose of giving a true and fair view. Accounting policies and estimation techniques should be reviewed regularly to ensure that they remain the most appropriate. Disclosures should be given, as required by FRS 102 Section 10, of material accounting policies and significant estimation techniques and in relation to changes in either of these.

## 11.2 Statement of historical cost profits and losses

11.2.1 FRS 102 requires organisations which have revalued their fixed assets to produce a note showing the historical cost profits and losses, i.e. a restatement of the SOCI&IS adjusting the reported profit to show it as if the revaluations had not been made. This requirement need not be followed by North/South Bodies.

## 11.3 Staff costs and staff numbers

11.3.1 The costs of employing staff – whether shown in the SOCI&IS or capitalised – should include all the costs that have been incurred in respect of:

- a staff directly employed by the Body – including those seconded out to other organisations; and
- b others engaged on the objectives of the Body – this will include those on secondment or loan from other organisations, agency/temporary staff, and contract staff (i.e. staff engaged by the Body on a contract to undertake a project or task).

Recoveries of costs relating to staff seconded out to other organisations should normally be shown as income but, if the amounts are not material, they may be netted-off staff costs (but see paragraph 11.3.2.a below).

11.3.2 North/South Bodies should provide:

- a i. An analysis of the costs of employing staff – whether recorded in the

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SOCI&IS or capitalised – under the following headings:

- wages and salaries of persons directly employed by the Body;
  - social security costs;
  - other pension costs; and
  - amounts payable in respect of staff on secondment or loan, agency/temporary staff and contract staff.
- ii. Where the recoveries of the costs of staff seconded out of the Body, have been shown in the SOCI&IS as income, the amount of such recoveries should be deducted from the total of items shown above as a separate heading.
- iii. Where the costs of staff have been capitalised, the analysis should indicate the total amount included in the above analysis which has been capitalised.
- b** A note of the average number of persons employed by the Body analysed by category of employment to reflect the manner in which the Body's activities are organised,
- i. senior management;
  - ii. staff on inward secondment/loan;
  - iii. agency/temporary staff and contract staff (see 11.3.1.b above); and
  - iv. if relevant, staff engaged on capital projects whose costs have been capitalised and not expensed.

Persons seconded out of the Body should be excluded.

### 11.4 Statement of losses and special payments

**11.4.1** The Body should include a note of losses and special payments which provides the information required by both the Financial Memorandum in accordance with Managing Public Money Northern Ireland (MPMNI) and Ireland's Public Financial Procedures (PFP). Any payments made by the Body under *The Late Payments of Commercial Debts*

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*(Interest) Act 1998, as amended and supplemented by subsequent legislation or European Communities (Late Payment in Commercial Transactions) Regulations 2012* should be separately disclosed in a note to the accounts.

### **11.5 Other disclosures - related party transactions**

**11.5.1** Wherever the Companies legislation or accounting standards require the disclosure of information relating to directors, “directors” shall be interpreted as referring to Board members and senior staff. In particular, this applies where Companies legislation requires the disclosure of transactions with directors, and FRS 102 Section 33 requires the disclosure of transactions with related parties (which may include the Board and senior staff), and also of related party transactions between the Body and Departments.

### **11.6 Additional Disclosure Requirements arising from New Code of Practice for the Governance of State Bodies**

**11.6.1** Termination/Severance Payments and Agreements – The financial statements should disclose details of payments and agreements with an aggregate value in excess of €10,000 made in the reporting period. This includes severance/ termination payments, granting of added years for pension purposes or early retirement without normal actuarial reductions. The value of the latter can be determined in accordance with guidance to be issued by the Department of Public Expenditure and Reform from time to time. Given the policy underlying the Freedom of Information Acts, in concluding settlements a State Body should not enter into confidentiality agreements which preclude it from disclosing details of the settlement reached in the financial statements, save in exceptional circumstances and on foot of legal advice that they are necessary in the circumstances of the case. When, in those circumstances, confidentiality agreements are entered into, parties to the agreements should be given prior notice that they may be subject to disclosure in any case where an overriding public interest is identified or when required by law. In all cases confidentiality clauses/agreement should be worded in such a way as to ensure that the relevant organisation is able to fulfil any legal responsibilities and reporting requirements e.g. in order that it can fulfil its duties for accounting and audit purposes and to fulfil any duties owed to the NI Assembly and its Committees.

**11.6.2** Travel and Subsistence - The financial statements should disclose the total costs incurred in relation to travel and subsistence for the entity analysed between national and international travel.

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- 11.6.3** Hospitality Expenditure - The financial statements should disclose the aggregate total expenditure incurred in relation to hospitality in the period. (This includes Christmas parties, retirement parties, expenditure on staff wellbeing, contribution to sports and social clubs, One4all vouchers, retirement/leaving gifts, flowers, etc.)
- 11.6.4** Legal Costs/Settlements – in cases where cumulative legal costs incurred in the year of account exceed €50,000, a note should be included in the financial statements with a breakdown of the total costs as between legal fees and compensation paid.
- 11.6.5** Consultancy Costs – State Bodies should disclose details of expenditure on external consultancy/adviser fees in their Annual Report and/or financial statements for each accounting year for each entity. For this purpose consultancy fees mean fees paid to external parties providing advisory services of any nature. Such fees should be itemised by category as stated below or as the State Body considers appropriate having regard inter alia to its size and competitive position and to the extent to which information is already disclosed:
- Legal (legal fees across all areas to be included here e.g. for pension, HR etc.);
  - Tax and financial advisory (e.g. due diligence, accounting, corporate finance);
  - Public relations/marketing; and
  - Pensions and human resources; and
  - Other.
- 11.6.6** Statement of How the Board Operates – The Annual Report should include a statement of how the Board operates, including a high level statement of which types of decisions are to be taken by the Board and which are to be delegated to management. Bodies without a Board should include a statement on the governance arrangements in place (e.g. Audit and Risk Committee), including a high level statement of which types of decisions are made within these governance arrangements and which are to be delegated to management.
- 11.6.7** Annual Report and Financial Statements – The Annual Report of those Bodies with a Board should explain the responsibility of the Board for the preparation of the Annual Report and financial statements, and whether they consider the financial statements to be a true and fair view of the State Body's financial performance and its financial position at the end of the year. Bodies without a Board should include information on the governance arrangements overseeing the preparation of the Annual Report and financial statements, and whether they consider the financial statements to be a true and fair view of the State Body's financial performance and its financial position at the end of the year. In both

## NORTH/SOUTH IMPLEMENTATION BODIES GUIDANCE

instances, there should be a statement in the external auditors' report about the reporting responsibilities applicable within the Body.

- 11.6.8** Disclosure of Key Management Personnel Compensation – Bodies are required to publish in their Annual Report and/or financial statement details of non-salary-related fees paid in respect of Board members analysed by category of fees, and, as part of the Remuneration Report, the salary of the CEO. In addition to disclosing the aggregate pay bill and total number of employees, non-commercial State Bodies should publish details of the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each pay band of €10,000 from €60,000 upwards and an overall figure for total employer pension contributions in their Annual Report and/or financial statements.



# **12 External audit**

**12.1 External audit arrangements**

**12.2 C&AG's rights of access**

**12.3 Audit Committees**

## **12.1 External audit arrangements**

- 12.1.1** The external audit arrangements for North/South Bodies shall be in accordance with statute in the two jurisdictions and the Financial Memorandum. External audits will be conducted by the respective Comptrollers and Auditors General.

## **12.2 The Comptrollers and Auditors General's Rights of Access**

- 12.2.1** The Comptrollers and Auditors General shall have rights of access to inspect the books and records of the Body, in compliance with the relevant statutes and the Financial Memorandum.

## **12.3 Audit Committees**

- 12.3.1** It is recommended that, unless otherwise agreed with their Sponsor Departments, all North/South Bodies should establish an Audit Committee. Due regard should be given to the requirements concerning audit committees contained in the Code of Practice for the governance of State Bodies and any relevant guidance issued by DoF (including the Audit Committee handbook).
- 12.3.2** The Audit Committee should discuss with the Comptrollers and Auditors General the nature and scope of the forthcoming audit and ensure that as external auditors they will have the full co-operation of staff. The Body should encourage representatives from its Sponsor Departments to meet the Comptrollers and Auditors General.

# **13** **Assembly/Oireachtas procedures**

## **13.1** **Assembly/Oireachtas procedures**

## **13.1 Assembly/Oireachtas procedures**

- 13.1.1** The Body should submit copies of its Annual Report and Accounts to the North/South Ministerial Council (NSMC) and the Comptrollers and Auditors General in accordance with the underlying legislation. Following completion of their audit the Comptrollers and Auditors General will present the Body with a copy of the accounts of the Body and their report thereon. The Body should without delay submit copies of the report, the audited accounts, and the Body's Annual Report to the respective Sponsor Departments for laying before the NI Assembly and both Houses of the Oireachtas. This should be carried out simultaneously to the greatest extent possible, and no later than three months after the audit certificates have been signed off by the respective Comptrollers and Auditors General or by 30 June, whichever is earlier.

# **14** **Publication**

## **14.1** **General**

## **14.2** **Publishing unaudited financial information**

## **14.1 General**

- 14.1.1** Once a North/South Body's audited Annual Report and Accounts have been laid in the Northern Ireland Assembly, and both Houses of the Oireactas, the Body should arrange for its publication.

## **14.2 Publishing unaudited financial information**

- 14.2.1** Where a North/South Body publishes financial data in the nature of accounts that have not been formally audited, this must be made clear by including "unaudited" in the heading of each statement and by a clear statement in the Foreword describing the status of the information. Unaudited financial statements and data should always be described as such, and should not be referred to as 'accounts'.

# Annexes

**Annex A : Remuneration Report**

**Annex B : Model Accounts Direction**

**Annex C : Statement on the System of  
Internal Control / Governance  
Statement**

**Annex D : Statement of Accountable  
Person's Responsibilities**

# Annex A

## REMUNERATION REPORT

Please note: all the figures in this report are fictitious and are included only to illustrate how the data could be laid out in your report. You will also add in the member's name.

### **Remuneration Policy**

*Brief description of the remuneration policy of the Body.*

### **Service Contracts**

*Brief description of any service contracts within the Body.*

### **Salary and pension entitlements**

The following sections provide details of the remuneration and pension interests of the most senior management of the Body.



## Remuneration (including salary) and pension entitlements of Senior Management Staff

| Officials  | 201Y                                     |                |                  |                    |         | 201X                                   |                |                  |                    |         |
|--|--|----------------|------------------|--------------------|---------|--|----------------|------------------|--------------------|---------|
|  | Salary                                   | Bonus Payments | Benefits in kind | Pension Benefits** | Total   | Salary                                 | Bonus Payments | Benefits in kind | Pension Benefits** | Total   |
|  | £  | £              | £                | £                  | £       | £                                      | £              | £                | £                  | £       |
| Mr John Smith<br><i>Chief Executive</i>                        | 102,658                                  | -              | -                | 32,000             | 134,658 | 105,500                                | -              | -                | 31,000             | 136,000 |
| Mr Bernard Brown<br><i>Director (until 10 November 201Y)</i>   | 95,121<br>(103,452 full year equivalent) | -              | 500              | 28,000             | 123,621 | 100,000                                | -              | 500              | 29,000             | 129,500 |
| Miss Caroline Cook<br><i>Director (until 28 November 201Y)</i> | 87,500<br>(96,800 full year equivalent)  | -              | -                | 27,000             | 114,500 | 90,000                                 | 2,500          | -                | 28,000             | 120,500 |
| Miss Kala Krishnan<br><i>Director</i>                          | 75,000                                   | -              | -                | 26,000             | 101,000 | 8,521<br>(78,500 full year equivalent) | -              | -                | 2,000              | 10,521  |
| Mr Sean Murphy<br><i>Non-Executive Director</i>                | 10,500                                   | -              | -                | 5,000              | 15,500  | 10,500                                 | -              | -                | 5,000              | 15,500  |
| Highest Paid Director's Salary                                 |  | 132,658        |                  |                    |         |  | 125,500        |                  |                    |         |
| Median Total Remuneration                                      |  | 21,358         |                  |                    |         |  | 20,121         |                  |                    |         |
| Ratio  |  | 6.2            |                  |                    |         |  | 6.3            |                  |                    |         |

*\*Emily Evans was appointed on a 3 year contract commencing on 1 November 201Y.*

*\*\*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.*

### Salary

'Salary' includes gross salary; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK/Irish taxation and any ex gratia payments.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs/ Ireland's Department of Revenue as a taxable emolument. *[Insert details of any benefits in kind issued].*

## Bonuses

*Brief description of the bonus policy of the body, including whether or not bonuses have been paid.*

## Pension Benefits

### Pension Entitlements

| Officials  | Accrued pension at pension age as at 31/3/1Y and related lump sum<br>£ | Real increase in pension and related lump sum at pension age<br>£ | CETV at 31/12/1Y<br>£ | CETV at 31/12/1X<br>£ | Real increase in CETV<br>£ | Employer contribution to partnership pension account<br>£ |
|--|--|---|-----------------------|-----------------------|----------------------------|---|
| Mr John Smith<br><i>Chief Executive</i>                        | 56,250<br>plus lump sum of<br>168,750                                  | 3,700<br>Plus lump sum of<br>11,100                               | 983,100               | 887,150               | 51,250                     | -   |
| Mr Bernard Brown<br><i>Director (until 10 November 201Y)</i>   | 52,500   | 2,600   | 680,210               | 605,150               | 37,100                     | -   |
| Miss Caroline Cook<br><i>Director (until 28 November 201Y)</i> | 17,000<br>plus lump sum of<br>51,000                                   | 1,800<br>plus lump sum of<br>5,400                                | 332,950               | 289,150               | 30,600                     | -   |
| Miss Kala Krishnan<br><i>Director</i>                          | 2,750  | 1,200   | 16,000                | 1,650                 | 12,000                     | -   |
| Mr Sean Murphy<br><i>Non-Executive Director</i>                | -  | -   | -                     | -                     | -                          | -   |

## Pension arrangements

*Brief description of the pension arrangements in place for the Body.*

## 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 include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the [N/S Body's] 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.

## Compensation for loss of office

Caroline Cook left under [Voluntary Exit] terms on 28 November 201Y. She received a compensation payment of £10k.

Bernard Brown left under [Voluntary Redundancy] terms on 10 November 201Y. He elected to take early retirement. The cost to the body of buying out the actuarial reduction on their pension was £23k. He did not receive any additional compensation.

## Board Members' Remuneration including social security costs

|                             | 201Y (£) | 201X (£) |
|-----------------------------|----------|----------|
| Mr Alan Jones (Chairperson) | 10,352   | 9,795    |
| Mr Steven Martin            | 6,839    | 6,297    |
| Mrs Ann Smith               | 6,839    | 6,297    |
| Ms Fiona Murphy             | 5,235    | 5,152    |
| Mr Peter Moore              | 5,235    | 5,152    |
| Ms Jane Walsh               | 3,220    | 2,950    |

### Salary Bands for all Employees

Number of employees whose emoluments for the twelve months ending 31 December 20xx fell within the following bands:

| Salary Bands (£)  | 201Y<br>(number of<br>employees) | 201X<br>(number of<br>employees) |
|-------------------|----------------------------------|----------------------------------|
| Less than 40,000  | 8                                | 9                                |
| 40,000 – 49,999   | 6                                | 6                                |
| 50,000 – 59,999   | 4                                | 3                                |
| 60,000 – 69,999   | 0                                | 1                                |
| 70,000 – 79,999   | 1                                | 0                                |
| 80,000 – 89,999   | 0                                | 0                                |
| 90,000 – 99,999   | 1                                | 1                                |
| 100,000 – 109,999 | 1                                | 1                                |
|                   | 21                               | 21                               |

# Annex B

## MODEL ACCOUNTS DIRECTION

[NAME OF THE BODY]

**ACCOUNTS DIRECTION GIVEN BY THE NORTHERN DEPARTMENT OF [XXXX], THE DEPARTMENT OF [XXXX] IN IRELAND WITH THE APPROVAL OF THE FINANCE DEPARTMENTS, IN ACCORDANCE WITH THE NORTH/SOUTH (IMPLEMENTATION BODIES) (NORTHERN IRELAND) ORDER 1999 AND THE BRITISH-IRISH AGREEMENT ACT 1999 IN IRELAND.**

The annual accounts shall give a true and fair view of the income and expenditure and cash flows for the calendar year, and the state of affairs as at the year end. Subject to this requirement the [NAME OF THE BODY] shall prepare accounts for the calendar year ended [relevant date] and subsequent calendar years in accordance with:

- a North/South Implementation Bodies Annual Reports and Accounts Guidance;
- b other guidance which the Finance Departments may issue from time to time in respect of accounts which are required to give a true and fair view;
- c any other specific disclosures required by the Sponsor Departments;

except where agreed otherwise with the Finance Departments, in which case the exception shall be described in the notes to the accounts.

Signed by authority of the  
Department of [ XXX ]

Signed by authority of the  
Department of [YYY]

.....

.....

Dated .....200X

Dated ..... 200X

# ANNEX C.1

## Statement on the System of Internal Control / Governance Statement

The Statement on the System of Internal Control /Governance Statement (referred to as the “Statement” in the remainder of this annex) is a key feature of a Body’s Annual Report and Accounts, setting out how resources have been used within the organisation. It should encompass discussion of both corporate governance and risk management matters.

There is no set template for the Statement. It is completed by the Accountable Person, where appropriate in conjunction with the Chair of the Board with the Board’s support. It is for the Accountable Person to organise the Statement taking account of input from within the Body and from the Board and its committees.

Further guidance on the process for formulating the Statement is included at Annex C.2.

The Statement should include the following items/features:-

- the governance framework of the Body, including information about the Body’s Board (if applicable) and Committee structure; attendance records and the coverage of its work.
- steps taken to ensure an appropriate control environment within the Body (such as clearly defined management responsibilities);
- an acknowledgment that the Accountable Person, and where appropriate the Board, are responsible for the Body’s governance arrangements and system of internal control;
- processes used to identify, evaluate and manage key risks and the organisation’s assessment of its risk profile commenting specifically on any key risk issues;
- an explanation that such a system provides reasonable, not absolute, assurance against risks faced;
- commentary in relation to when a review of the effectiveness of governance and control was completed and its outcome. Where applicable this will include any assessment done on the Board’s performance, including any self-assessment;

- if applicable, material from any subsidiaries/Arm's Length Bodies (ALBs) connected with the organisation which may shed light on the performance of the Body;
- details of the major information systems in place and the quality of the data used by the Body to monitor performance;
- procedures for monitoring the effectiveness of governance/internal control. This can include the work of the Audit Committee, internal audit and other review bodies;
- details of material losses or frauds and instances where breaches in control occurred – e.g. non-compliance with procurement rules or other elements of the control system (e.g. if Internal Audit or the Audit Committee was not operational). Information should be provided in terms of the weaknesses in internal control relating to these matters and the actions taken, or intended to be taken, to correct the weakness or an explanation of why no action is considered necessary.

### **Deciding what to include in the Statement**

In putting together the Statement, the Accountable Person and the Board need to take a view on the extent to which issues are significant enough to the welfare of the Body as a whole to be worth recording. There are no hard and fast rules about this. Some factors to take into account are suggested below:

- might the issue prejudice achievement of the business plan or other priorities?
- could the issue undermine the integrity or reputation of the Body?
- what view does the Body's Audit Committee take on the point?
- what advice or opinions have internal audit and/or external audit given?
- could delivery of the standards expected of the Accountable Person be at risk?
- might the issue make it harder to resist fraud or other misuse of resources?
- does the issue put a significant programme or project at risk?

- could the issue divert resources from another significant aspect of the business?
  
- could the issue have a material impact on the accounts?
  
- might data integrity be put at risk?

In general the Statement should avoid lengthy descriptions of process – it should assess the evidence of how effective in practice the Body’s governance and risk management processes are. It should be used to report frankly on any risks that have materialised and the reasons for these, including any related weaknesses/deficiencies within the Body’s control system.

On a general point it is important that the Statement covers the material factors affecting the organisation in the round, not neglecting the more serious (if remote) risks, emerging technology and other cutting edge developments.

#### **Audit Committee and Board Review**

The Statement should be reviewed by the Body’s Audit Committee and the Board to ensure it accurately reflects the control and governance system in place during the reporting period.

#### **External Audit**

The Statement will also be reviewed by the external auditors to confirm its consistency with this Guidance and that it is consistent with the information of which they are aware from their audit work on the financial statements. Where this is not the case, the external auditor may report on this in the audit report of the relevant financial statement.



# ANNEX C.2

## Preparing the Statement on the System of Internal Control / Governance Statement

1. Each Accountable Person delegates responsibilities within his or her organisation so as to control its business and meet the standards required to operate effectively and to a high standard of probity. The systems used to do this should give adequate insight into the business of the organisation and its use of resources to allow the Accountable Person to make informed decisions about progress against business plans and if necessary steer performance back on track. (In doing this the Accountable Person will be supported by a Board, where one exists).
2. These responsibilities are central to the Accountable Person's duties. To carry them out the Accountable Person needs to develop a keen sense of the risks and opportunities the organisation faces. In the light of the Board's assessment of the Body's appetite for risk, the Accountable Person needs to decide how to respond to the evolving perceived risks.
3. The Statement on the System of Internal Control / Governance Statement brings together all these judgements about the use of public resources as part of the Annual Report and Accounts. It should give the reader a clear understanding of the dynamics and control structure of the business. Essentially, it records the stewardship of the organisation. Supplementing the accounts, it should provide a sense of the organisation's vulnerabilities and resilience to challenges.
4. In developing the Statement, the Accountable Person and the Board have a number of inputs into this process:
  - Any review by the Board of its own processes and practices, informed by the views of its Audit Committee on the Body's assurance arrangements;
  - insight into the Body's performance from internal audit, including an audit opinion on the quality of the systems of governance, management and risk control;

- feedback from the delegation chain(s) within the organisation about its business, its use of resources, its responses to risks, the extent to which in year budgets and other targets have been met, and any other internal accountability mechanisms; including:
  - bottom-up information and assessments to generate a full appreciation of performance and risks as they are perceived from within the organisation;
  - end-to-end assessments of processes, since it is possible to neglect interdependent and compounded risks if only the components are considered;
  - a high level overview of the organisation's business so that systemic risks can be considered in the round;
  - any evidence from internal control failures or poor risk management.

# Annex D

## **STATEMENT OF NORTH/SOUTH IMPLEMENTATION BODY'S AND ACCOUNTABLE PERSON'S RESPONSIBILITIES**

The Finance Departments have directed the [Name of Body] to prepare a statement of accounts for each year ended 31 December in the form and on the basis set out in the accounts direction at the appendix to these financial statements. The accounts are prepared on an accruals basis and must give a true and fair view of the Body's state of affairs at the year-end and of its income and expenditure, changes in equity, and cash flows for the calendar year.

In preparing the accounts the Body is required to:

- observe the accounts direction issued by the Sponsor Departments, including the relevant accounting and disclosure requirements, and apply accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Body will continue in operation.

The Chief Executive's responsibilities as the Accountable Person for the [Name of Body], including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Financial Memorandum of the Body.