



Northern Ireland Audit Office

Annual Report and Accounts 2019-2020

Northern Ireland Audit Office Annual Report and Accounts
For the year ended 31 March 2020

*Laid before the Northern Ireland Assembly by the
Department of Finance under
paragraph 4(2) of Schedule 2 to the
Audit (Northern Ireland) Order 1987*

23 September 2020



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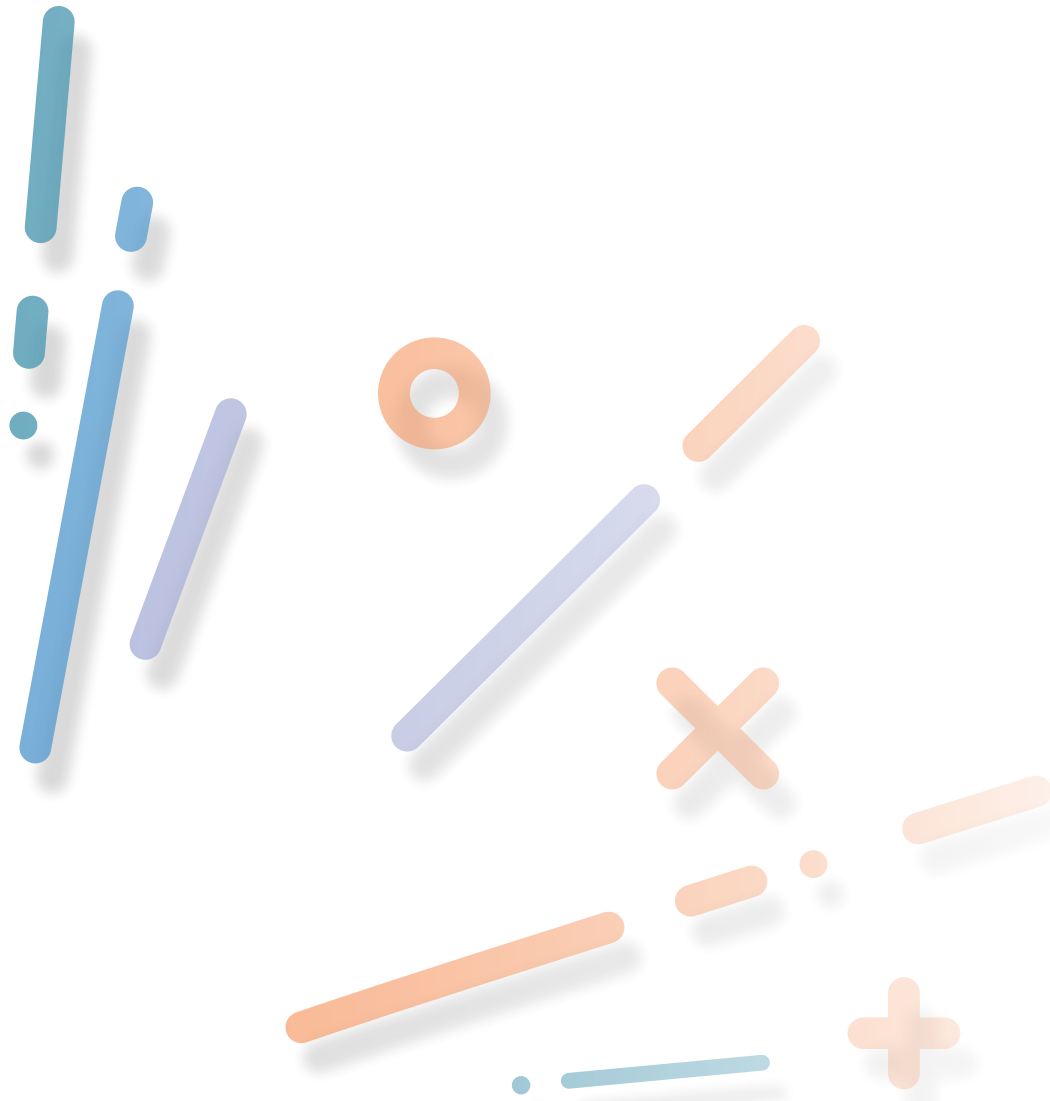
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Performance Report



142 Accounts Audited

- 128** Central Government
- 14** Local Government



31 Public Reports

- 3** Value for Money Reports
- 1** Emerging Issues Report
- 1** Investigative Report
- 1** Impacts Report
- 2** General Reports
- 2** Good Practice Guides
- 12** Local Government Reports
- 9** Other Reports



£63.28 Million

in savings for the taxpayer



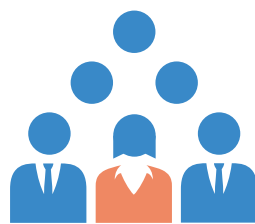
National Fraud Initiative

Co-ordinated the National Fraud Initiative in Northern Ireland



Prompt Payment of suppliers

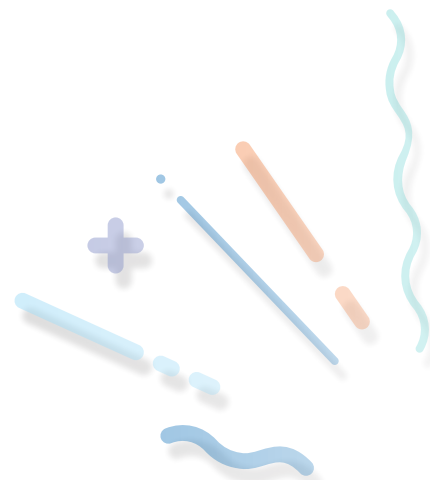
97.0% within 30 days
89.6% within 10 days



11 MLA queries dealt with



49 Disclosures about the use of public money



OVERVIEW

The purpose of this overview is to provide a short summary of the Northern Ireland Audit Office's structure, purpose and performance during the year. It also sets out the key risks to the achievement of our objectives, providing sufficient information for users to form a high level understanding of our organisation and its performance.



Chairperson's Statement

The role of the Advisory Board is to provide objective and impartial advice to the Comptroller and Auditor General (C&AG) and to assist him in the discharge of his functions. This involves oversight of the operation of the Northern Ireland Audit Office and its administrative activities but does not extend to the independent reporting on the Northern Ireland Assembly's use of public money which remains the C&AG's sole responsibility under legislation.

In this our first full year of operation, the activity of the Advisory Board has been varied as it supports the C&AG and his staff to progress their three corporate strategic priorities to enable them to make a real collaborative impact to the benefit of citizens and public services in Northern Ireland

During a year marked by the return of the NI Assembly to full business, the UK's exit

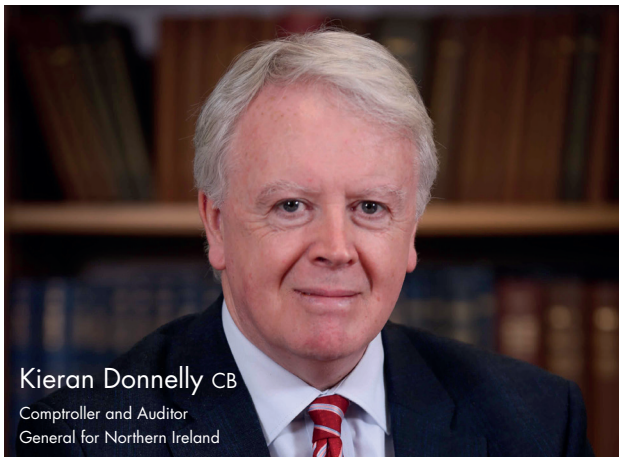
from the European Union and the ongoing challenges of COVID-19 in the last quarter of the financial year, we as a Board are always looking to support the NIAO to enhance the impact it has in improving public services. We recognise that our staff are and always will be our greatest asset and they embody the values of our organisation - partnership, authoritative, curious and truthful. To assist in ensuring that quality remains at the forefront of all we do, a Remuneration Committee has been established to support the continuing investment in training, roles and responsibilities, pay, promotions and processes. This is in addition to the ongoing work of the Audit and Risk Committee which has undertaken its assurance role over operational activity with the assistance of our internal and external auditors.

The focus of the Advisory Board remains on our Business Transformation Project streams and our efforts to pursue best practice and maintain the highest professional standards. This has been complemented by the re-establishment of our support activities for the Public Accounts Committee and the Advisory Board will continue to act as a sounding Board for the C&AG and his staff as they navigate the requirements of the Committee.

In these challenging times, I want to pay tribute to the staff, the management team and my Board colleagues for their professionalism, positivity and hard work, all while adapting to new ways of working because of external circumstances, in delivering another year of strong performance.

A handwritten signature in blue ink that reads "Martin Pitt".

Martin Pitt
Chairperson
21 September 2020



Comptroller and Auditor General's Statement

I am pleased to present the Northern Ireland Audit Office (NIAO) Annual Report and Accounts for 2019-20 before a sitting NI Assembly. Following three years of suspension, we now have the return of local democratic scrutiny and accountability, including the restoration of the Assembly's Public Accounts Committee (PAC), with whom my Office works so closely. I congratulate William Humphrey in his appointment as Chair to PAC, and I look forward to working in partnership with him and his committee colleagues over the remaining term of the Assembly.

Our achievements in 2019-20 have been wide-ranging. We have delivered the audit of 142 accounts across the central and local government sectors and produced over 30 public reports on the findings of our financial audit work and on a wide range of subjects including digital transformation, the delivery of major capital projects, mental health in the criminal justice system and the cost of locum doctors and patient safety. We have also produced good practice guides on Making Partnerships Work and Performance Improvement in Local Government, which have been well received across the public sector and beyond. Demonstrating value for money in our own work is hugely important, and I am pleased to report that last year my Office

delivered savings to the public purse of over £60 million.

The arrival of COVID-19 at the very end of the financial year has had a sudden and dramatic impact on both the content of our work programme and how we deliver it. It has also given rise to reporting issues in the production of this document. Specifically, we had difficulties in obtaining a reliable valuation of our office accommodation, and our independent auditors have appropriately included a reference to this in their report.

From the outset, I made it clear to our auditees that public audit would not get in the way of the efforts of severely stretched public bodies in dealing with the pandemic. However, decisions involving enormous sums of public money have been made and needed to be made at extreme pace. In such circumstances, value for money, good governance, transparency and accountability are more important than ever. I have therefore reviewed and adjusted my three year public reporting programme which has involved deferring some topics to create more space for the audit of COVID-related expenditure.

The public enquiry into the Renewable Heat Incentive (RHI) Scheme reported on 13 March 2020. Justice Coughlan and his team made 44 recommendations, many of which go to the heart of how the Northern Ireland Civil Service is governed and does business, including its culture and leadership. One of the key recommendations was that my Office should assess and validate the extent of progress in implementing the lessons learned. He has further asked that I am provided with sufficient additional resources to enable me to perform this function and to report my findings periodically to the NI Assembly. This will be an important piece of work for my Office as we move forward into 2020-21 and beyond, and is a challenge I look forward to addressing.

We are continuing to progress our ambitious Business Transformation Programme (BTP), which permeates the every-day functioning of the Office. Through this programme, we are ensuring that my Office is maintaining, retaining and developing capacity and capability for the many challenges ahead. We are also introducing modern and innovative working practices through investment in technology, as we progress our data analytics and management information projects. But we do not rest on our laurels, as we continue to challenge and push ourselves forward – most recently, I have appointed the Institute of Chartered Accountants in England and Wales (ICAEW) to provide an independent external quality review of my financial audits on an annual basis to further enhance accountability and transparency within my Office.

I want to take this opportunity to thank the Board, led by Chair Martin Pitt, for their support. They provide me with objective and impartial advice in the discharge of my functions; and they bring me independence of thought, advice on business transformation and on the use of resources, gained by their vast experience in both the public and private sectors. For 2019-20, I agreed with the Board to introduce a Remuneration Committee to advise me on issues such as terms and conditions of employment, job descriptions and pay settlements.

I also wish to thank my staff who continue to inspire me with their talent, drive, innovation and enthusiasm, in particular how they have reacted to the pandemic outbreak. I am fully committed to equipping them with the necessary skills to fulfil and develop their role. Moving forward, there are many challenges which we will have to face together, but I am confident that these can be addressed head-on as we strive to fulfil our vision to “Inspire confidence in public services through independent scrutiny based on impartial and innovative reporting.”



Kieran Donnelly CB
Comptroller and Auditor General for
Northern Ireland

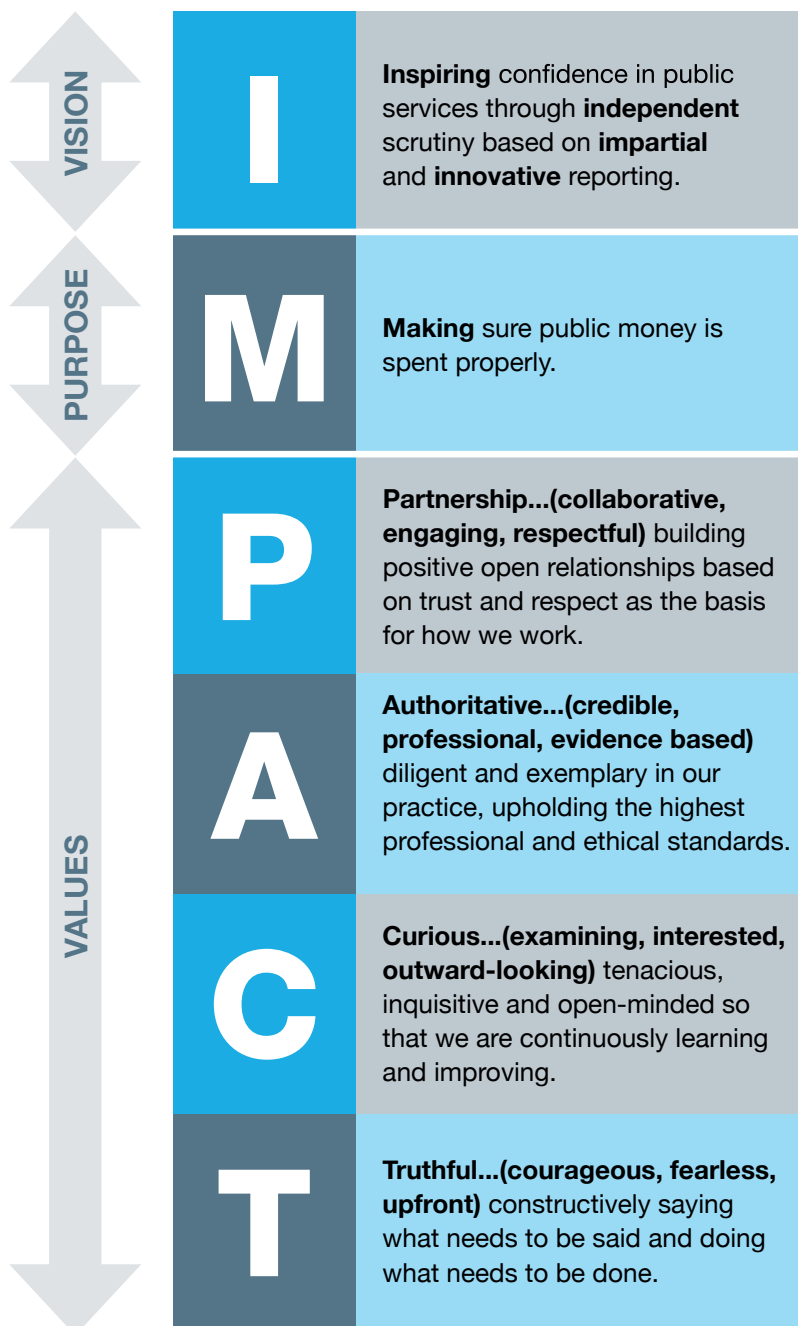
21 September 2020

Purpose and activities of the NIAO

Our role

The Northern Ireland Audit Office ("the NIAO" or "the Office"), established in 1987, has a pivotal role in helping to build a modern, high performing public service that is accountable to taxpayers and citizens. We do this by providing objective information, advice and assurance on how public funds have been used and accounted for, and encouraging best standards in financial management, good governance and propriety in the conduct of public business.

Our vision, purpose and values



Our strategic priorities



Further information is set out on page 30.

Our independence

The head of the NIAO, the Comptroller and Auditor General (“the C&AG”), is an Officer of the Northern Ireland Assembly (“the Assembly”) and a Crown appointment made on the nomination of the Assembly. Under the Audit (Northern Ireland) Order 1987, the holder of the office is a corporation sole, and responsible for the appointment of NIAO staff who assist him in the delivery of his statutory functions. The C&AG and the NIAO are totally independent of government.

Our accountability

The NIAO and the Audit Committee of the Assembly, which oversees NIAO performance, have agreed a Memorandum of Understanding on the governance and accountability of the Office. The Memorandum (available at www.niassembly.gov.uk/) sets out:

- the values and standards of the NIAO in carrying out its work;
- the internal governance arrangements of the NIAO and, in doing so, provides confidence to the Assembly and wider public regarding the arrangements for the governance and accountability of the NIAO; and
- the commitments of the C&AG and the NIAO to the Assembly Audit Committee on the actions they will take to uphold transparency and manage public money effectively.

Our work



Financial Audit

Performing a detailed audit on annual financial statements relating to central and local government organisations. This involves carrying out sufficient detailed work to form an opinion on the accuracy of each set of financial statements and, for central government bodies, assessing whether expenditure has been properly spent, is regular, and in accordance with the intentions of the Assembly when it granted the money.



Public Reporting

Independently examining and reporting to the Northern Ireland Assembly on whether public bodies spend taxpayers' money economically, efficiently and effectively.

Auditing, assessing and reporting on district council performance improvement responsibilities.

Reporting promptly on new issues and emerging challenges.

Providing public bodies with constructive advice in the form of good practice reports across a range of areas.



Governance and Counter Fraud

Building better corporate governance, financial control

and risk management in the public sector and preventing and detecting fraud and corruption through data matching.



Support to the Northern Ireland Assembly, other public bodies and citizens

Working closely with the Public Accounts Committee (PAC) on evidence sessions based on our reports; providing support to departmental committees; responding to enquiries from elected representatives and the public; and seconding staff to other public bodies.

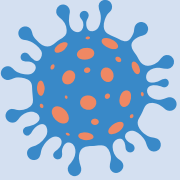
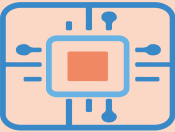






Comptroller function

Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

Key issues and risks

A number of challenges and developments in our operating environment are summarised as follows:

| | |
|---|--|
| <p>Coronavirus</p>  | <p>On 18 March 2020, the Office took the unprecedented step of advising staff to work from home until further notice. This was following government advice and guidance announced the previous day in response to the growing threat of the coronavirus. The Management Team and the Office's Coronavirus Working Group have met and will continue to meet on a regular basis to monitor and plan the short and long-term response to this situation. The timelines have been reset for reporting and auditing of financial statements and our public reporting programme has been revised.</p> |
| <p>Digitalisation</p>  | <p>We continue to develop our skills and capabilities to audit digital systems as we progress our GovTech catalyst project on data analytics. The GovTech Board has decided to proceed to phase 2 in the public reporting aspect of the project and we are currently communicating with the other audit agencies to ascertain interest in independently progressing the financial audit part of the challenge independent of the GovTech process.</p> |
| <p>Budgetary Constraints</p>  | <p>In the five years up to and including 2019-20, our annual net resource outturn has reduced by 17 per cent. Savings during this period were achieved primarily through natural wastage and the implementation of a staff Voluntary Exit Scheme. However in 2019-20 our expenditure was higher than the previous year and our budget for 2020-21 has been increased.</p> |
| <p>Resourcing</p>  | <p>Full Time Equivalent (FTE) staff numbers have increased by 3 (3 per cent), from a total of 99 in 2018-19 to 102 in 2019-20.</p> <p>FTE numbers have fallen by 38 (27 per cent) from 140 in 2011-12 to 102 at 31 March 2020.</p> <p>In the four years to 31 March 2019, voluntary exits resulted in the departure of 37 permanent members of staff (33.4 FTE). There were no voluntary exits in 2019-20.</p> <p>FTE growth has predominantly focused at entry level, with three graduate trainees and one apprentice recruited in-year.</p> |
| <p>Governance Structure</p>  | <p>The governance structure introduced in 2018-19 has become embedded. The Advisory Board provides objective and impartial advice to the C&AG, and assists him in the discharge of his functions. To provide support in these functions, the Board has an Audit and Risk Assurance Committee to review the comprehensiveness of assurances on systems of internal control, risk management and corporate governance. In the reporting period a second sub-Committee of the Advisory Board, the Remuneration Committee, has been introduced to advise on issues including terms and conditions of employment, which includes job descriptions, pay settlements, talent management and succession planning arrangements.</p> |
| <p>Brexit</p>  | <p>We are planning for the outworkings of the UK withdrawal from the EU and the impact it will have on our work programme and funding. We are currently in a period of transition, which is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. Uncertainty remains around the outworking of the process and what its impact will be on government reform.</p> |

PERFORMANCE ANALYSIS

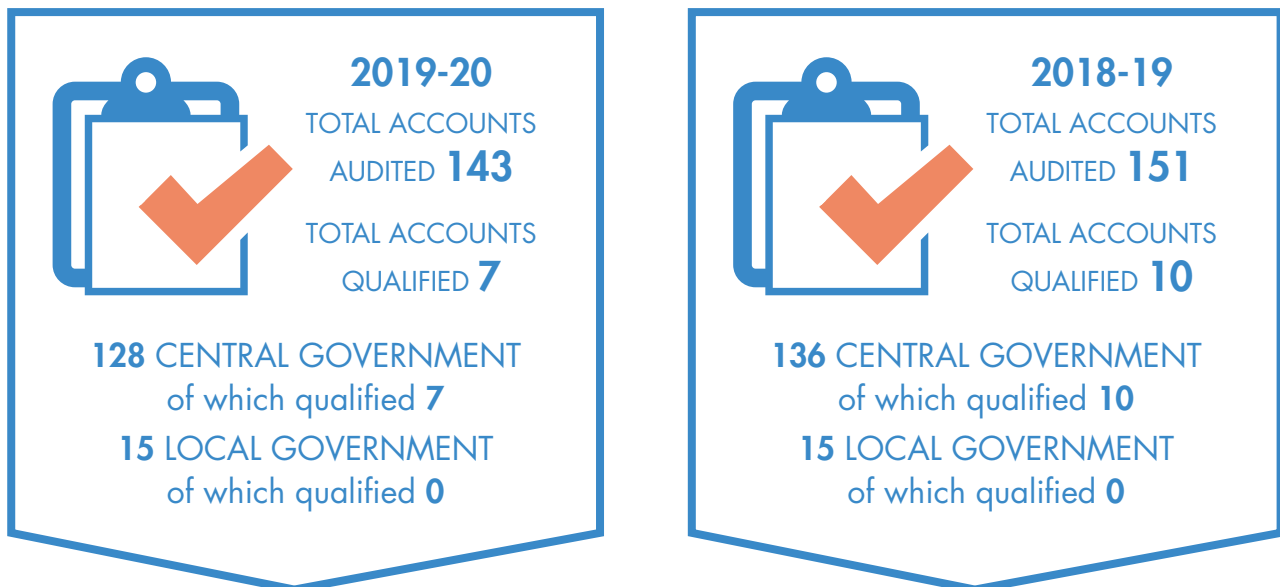
Our performance

The NIAO Strategic Corporate Framework 2018-21 (available at www.niauditoffice.gov.uk), sets out the Office's role, strategic priorities and impact indicators. It also examines the funding required to achieve these.

Financial audit

Financial audit work undertaken by the Office comprises the audit of central and local government accounts.

Number of Financial Audits



Central government

The C&AG has a statutory responsibility to audit the financial statements of all Northern Ireland departments, executive agencies and other central government bodies, including non-departmental public bodies, health and social care bodies and some public sector companies, and to report the results to the Assembly.

The purpose of our financial audit is to provide independent assurance that the accounts of an audited body give a true and fair view of its financial position, have been prepared in accordance with the relevant accounting requirements and that the transactions underlying the financial statements are in line with the intentions of the Assembly and other authorities.

In 2019-20, we certified 143 central and local government accounts (2018-19; 151). The decrease in the number of accounts certified is as a result of a combination of factors, including the resolution of technical issues, delays in legislation, delays in provision of signed accounts and the onset of the coronavirus in March 2020.

12 Performance Analysis

For the audit of central government bodies there is an explicit requirement for the auditor to provide an additional audit opinion on whether, in all material respects, expenditure and income have been applied for the purposes intended by the Assembly and conform to the authorities which govern them; a regularity opinion.

If at the end of an audit we consider that the accounts do not present a true and fair view, that expenditure and income have not been incurred in line with Assembly intentions, nor conform to the authorities which govern them, then the C&AG will qualify his opinions on the accounts. Seven central government accounts were qualified in 2019-20 (2018-19; 10). Of the seven, four were qualified solely on the basis of the regularity opinion. In these cases, and in other cases where there are significant issues arising, we make a report to the Assembly which may be considered by the PAC.

We inform the organisations we audit of the issues we find during our work, giving our independent view on areas where the audited body could improve its governance, controls and financial management. We liaise with management to obtain their response to the issues identified.

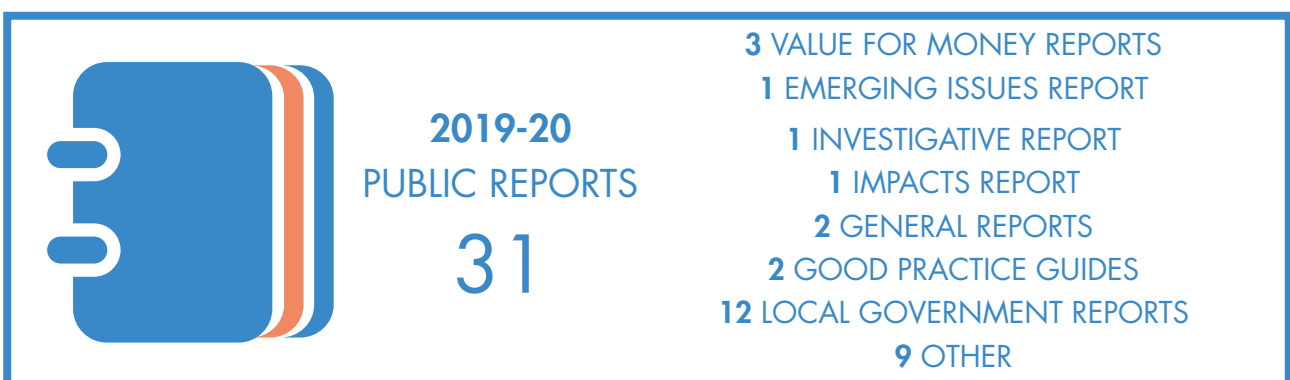
During 2019-20 we continued to work with the Office of the Comptroller and Auditor General in Dublin on the shared audit and certification of North South bodies. We also continued to have close working arrangements with the National Audit Office for the accounts we audit on its behalf. This is a significant workload and includes audits of the European Agricultural Funds, lottery and whole of government accounts.

Local Government

A senior member of NIAO staff is designated by the Department for Communities, with the consent of the C&AG, as the Local Government Auditor. This role is undertaken by the Office's Chief Operating Officer, Pamela McCreedy. The Local Government Auditor, assisted by NIAO staff, is responsible for the audit of local government bodies. In 2019-20 we completed the audits of 15 local government accounts (2018-19; 15). None of the opinions on the local government accounts certified in 2019-20 were qualified (2018-19; nil).

Public Reporting

The Office produces a wide range of public reports each year, reflecting its broad audit remit.



The reports completed in 2019-20 are shown below. Copies of the full reports can be obtained from our website at www.niauditoffice.gov.uk.

Value for Money Reports

Major Capital Projects

Management of the NI Direct Strategic Partner Project – helping to deliver Digital Transformation

Mental Health in the Criminal Justice System

Emerging Issues Report

Injury on duty schemes for officers in the Police Service of Northern Ireland and the Northern Ireland Prison Service

Investigative Report

Governance Issues in Sport NI

Impacts Report

Follow-up reviews in the Health and Social Care Sector: Locum Doctors and Patient Safety

General Reports

Continuous improvement arrangements in policing 2019

C&AG's Financial Report 2018

Good Practice Guides

Performance improvement in local government - learning the lessons of performance improvement: a good practice briefing

Making Partnerships Work

Local Government Reports

Local Government Auditor's Report 2019

11 Local Government Annual Improvement Reports 2020 (one per council)

14 Performance Analysis

Value for Money Reports

Our examinations into economy, efficiency and effectiveness (value for money) consider how public bodies use their resources. Our value for money work is informed by a careful analysis of the audit field. We select a balanced programme of studies which aims to:

- provide the Assembly with independent information and advice about how economically, efficiently and effectively departments, agencies and other public bodies have used their resources;
- encourage audited bodies to improve their performance in achieving value for money and implementing policy; and
- identify good practice and suggest ways in which public services could be improved.

Our value for money studies focus on specific areas of government expenditure and seek to make a judgement on how well resources have been managed and services delivered. In 2019-20, these covered a range of topics across the Northern Ireland public sector in areas such as health, education, agriculture, social welfare and justice. In these reports, we sought to measure performance; identify the factors underlying that performance; and offer practical recommendations aimed at adding value.

Good Practice Guides

A good practice guide on “Making Partnerships Work” was published on 30 April 2019. This guide provides practical advice and guidance to encourage open and constructive collaborative working between public sector organisations and with local communities.

A further good practice guide, “Performance improvement in local government - learning the lessons of performance improvement: a good practice briefing” was published in September 2019. This guide summarises the key learning from audit and assessment work conducted on the councils’ implementation of performance improvement.

Local Government Reports

Under the Local Government Act (Northern Ireland) 2014, there is a statutory duty¹ to publish a Local Government Annual Improvement Report for each council. The purpose of these reports is to identify if councils have discharged their duties in relation to improvement planning and if they are likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of their respective duties.

The Local Government Auditor published an annual report on the exercise of her functions in September 2019 which commented on a range of topics arising from her audit work.

¹ Sections 93-95 of the Local Government Act (Northern Ireland) 2014

Governance and fraud prevention and detection

The Office works closely with audited bodies to promote good practice in governance arrangements and help combat fraud. Good governance structures which are well embedded in organisations are a key attribute to achieving corporate goals and are crucial in times of financial constraint. During this financial year we attended the audit committees of all our audited bodies, providing support, advice and guidance to both non-executives and senior staff. We continue to work with bodies to further enhance their governance arrangements.

We also continued to be involved in providing training to both staff and non-executives through programmes developed by the Chief Executives' Forum. These programmes focussed on accountability and governance and were aimed at a number of different groups including Accounting Officers, Senior Managers, Board Members and Audit and Risk Assurance Committee Members.

The Office continues to support public sector bodies as they maintain their fight against fraud. Budgetary pressures remain a reality so it is essential that public bodies use all means at their disposal to prevent and detect misuse of public funds. Only in this way can frontline resources be maximised. The Office maintains a small counter fraud unit which provides support, advice and guidance on fraud related matters to public sector organisations.

A key focus continues to be the prevention and detection of fraud and error through data matching. Data matching involves comparing pieces of data or information held by one organisation against other records held by the same or another organisation, in order to highlight potentially fraudulent claims and payments.

Since 2008 we have participated in the National Fraud Initiative (NFI), a UK wide data matching initiative to combat fraud and error, which runs every two years. The sixth exercise in Northern Ireland has recently been completed and our report on the initiative was published in June 2020. To date, the NFI has identified outcomes of almost £40 million, representing current and past fraud and error stopped and potential future fraud averted. We encourage public sector bodies to make the NFI a key part of their counter fraud strategies.

Raising concerns

The Comptroller and Auditor General and the Local Government Auditor are prescribed persons under public interest disclosure legislation. Part of the Office's counter fraud role is considering public interest concerns raised by, among others, public sector employees, contractors and the wider public.

In 2019-20, 49 disclosures about the use of public money were received (2018-19: 66 cases). Disclosures are encouraged, dealt with professionally and treated in confidence, as appropriate.

| Nature of concern | 2019-20 | 2018-19 |
|---|-----------|-----------|
| Grant-related fraud | 2 | 2 |
| Non-entitlement to/misuse of public funds | 10 | 5 |
| Procurement/Contracts | 4 | 10 |
| Conflict of interest | 1 | 5 |
| Failure to follow proper procedures | 5 | 4 |
| Planning issues | 6 | 4 |
| Governance issues | 13 | 5 |
| Expenses fraud | 0 | 1 |
| Other | 6 | 22 |
| No remit | 2 | 8 |
| Total Cases | 49 | 66 |

Of the 49 disclosures, 18 related to our local government remit, two of which were received from Councillors. In 2018-19, 23 disclosures related to local government, four of which were received from Councillors.

MLA queries

We also pursue concerns raised with us by Members of the Legislative Assembly (MLAs). In 2019-20, MLAs raised 11 separate concerns, all of which we have followed up (2018-19; 15 cases). Some remain under investigation.

| Nature of concern | 2019-20 | 2018-19 |
|---|-----------|-----------|
| Non-entitlement to/misuse of public funds | 5 | 6 |
| Procurement / contracts | 1 | 4 |
| Governance | 0 | 1 |
| Efficiencies | 0 | 0 |
| Other | 4 | 4 |
| Conflict of Interest | 1 | 0 |
| Total Cases | 11 | 15 |

Support to the Northern Ireland Assembly and the public

We provide the Northern Ireland Assembly with independent support to enable it to hold the Executive to account for its financial management and the value for money it provides to the taxpayer for the public funds it spends. Our main engagement is through the support we provide to the Public Accounts Committee (PAC). We present our reports to the Assembly and the majority of these are considered by the PAC at hearings in which it takes evidence from the senior departmental officials involved.

Following consideration of the evidence, the PAC publishes its own report and recommendations to the Assembly. The Executive is then required to respond to these recommendations, specifying the action the audited body intends to take. We monitor the action taken and may revisit an issue where we consider that insufficient progress has been made.

Following a three year period of no sitting Assembly from January 2017 and no PAC to consider our reports and make recommendations, the Assembly was reconvened on 11 January 2020. However, on 19 March 2020 the PAC suspended its meetings to ensure that public services were focused on dealing with the impact of COVID-19. During this period, it was made clear to our auditees that public audit would not get in the way of the efforts of severely stretched public bodies in dealing with the pandemic. However, we decided that we would continue to publish our reports, excluding health related matters, and present them to the Assembly as we awaited the return of the PAC. The Committee returned on 27 May 2020, and business has subsequently proceeded in the normal manner.

Responding to citizens

We continue to receive enquiries from a wide range of people about the bodies we audit. Where appropriate, we may carry out further audit work in response.



Stakeholder engagement

Effective communication and engagement with stakeholders is vital to the NIAO. It informs and influences what we do, and helps build awareness, trust and confidence in those interested in and affected by our work. We remain committed to open, two-way communication that involves us listening to our stakeholders; keeping them informed; and being clear about how their contributions are being used. It is about recognising and understanding stakeholders' individual values, beliefs, perceptions and ideas, while maintaining our independence and impartiality.

We have continued to build on our work to engage with internal and external stakeholders, this year producing our first Communications and Engagement Strategy. This new strategy will help guide us in planning and undertaking engagement activities in support of our key strategic priorities.

As well as maintaining sustained dialogue and interaction, last year the Office issued a survey to all audited bodies across central departments, local government and NDPBs. Of the 136 questionnaires issued, 36 responses were received. This survey collected feedback on audited bodies' experiences of working with the Office during the previous twelve months, both in relation to public reporting and financial audit. Of the responses received:

100%

Agreed or strongly agreed that our auditors provide a high quality, professional service)

100%

Agreed or strongly agreed that our auditors contribute to transparent reporting of financial and other performance

78%

Agreed or strongly agreed that our auditors help provide value for money

100%

Agreed or strongly agreed that our auditors contribute to better governance and financial management

100%

Agreed or strongly agreed that our auditors provide an effective audit function

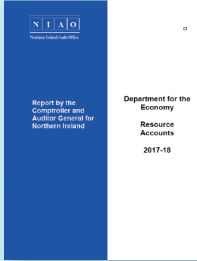


We are active on social media, publishing on both Twitter  (@NIAuditOffice) and LinkedIn . Content continues to cover new reports, corporate events and miscellaneous news on organisational and staff achievements. Audiences on both platforms have increased over the last 12 months, with followers on Twitter increasing by 27% and LinkedIn followers increasing by 81%. With the appointment of the Office's first Digital Communications Officer in March 2020, we aim to further expand our use of social media.

Impacts

We have a responsibility to achieve value for money on the services we provide to our stakeholders. One way in which we measure our success is by identifying the quantifiable financial impact of our work. In doing so, we recognise that our measurement of impact will only present a partial picture, as it is hard to quantify the deterrent effect of public audit, including the issue of our Good Practice guides, in contributing to improved public services.

During 2019-20, quantitative financial impacts of £63.28 million were achieved as a result of the work of the Office. This figure has been independently validated by the Office's External Auditor and represents 9.5 times the net resource outturn of the Office (2018-19: 9.5 times).

The following examples demonstrate the main financial impacts achieved during 2019-20:

| NIAO REPORT | IMPACT |
|---|--|
|  | <p>Renewable Heat Incentive (RHI) – Our work has previously identified that the tariff paid to applicants to the scheme before November 2015 was greater than the cost to produce the heat which therefore incentivised those applicants to unnecessarily burn more fuel. We had a direct impact in reducing tariffs paid to all applicants and also in changing the behaviour of applicants once our first report was published in 2016.</p> <p>£48.9 million (cumulative impact of £112.6 million)</p> |
|  | <p>General Report on Health & Social Care Sector 2012-13 and 2013-14 – As a result of our recommendations, a number of fraud investigations were undertaken, resulting in estimated annual savings of more than £3.5 million. We agreed a proportionate share of the savings.</p> <p>£1.14 million</p> <p>Primary Care Prescribing – Following our 2014 report the HSC Board developed a prescribing efficiency plan for the primary care drugs budget. The HSC Board reported efficiency savings of £12.4 million. We agreed a proportionate share of the savings.</p> <p>£5.24 million</p> |
|  | <p>NFI - The National Fraud Initiative (NFI) is a UK-wide data-matching exercise to prevent and detect fraud and error. The latest exercise has saved the public purse £5.5 million in Northern Ireland.</p> <p>£5.5 million</p> |
|  | <p>Reform of Legal Aid Remuneration for Legal Aid Providers Savings arising from the introduction of Crown Court Rules 2016 are forecast to save £5 million per year. Our report and PAC's report contributed to this position and we have agreed a proportionate share of the savings.</p> <p>£2.5 million</p> |
| TOTAL IMPACTS | £63.28 million |

The extent of savings achieved can fluctuate from year to year and is largely dependent on the nature of the studies undertaken in the value for money audit programme. Where our recommendations overlap with audited bodies' own performance improvement work, we will consider the percentage share of the quantified financial impact that can be attributed to our influence.

Qualitative impacts of the audit function

Good Practice Guides

In keeping with our corporate strategic priority to “Support public sector transformation in Northern Ireland”, the Office continues to work with our auditees in the development and implementation of best practice. This can be demonstrated through the development of two further good practice guides during 2019-20 which were designed to support the delivery of the new outcomes-based approach in the Programme for Government (PfG). These follow on from our Good Practice Guide on “Performance Management for Outcomes”, which was published in June 2018 to help public bodies implement the move to an outcomes-based approach.



Making Partnerships Work – This guide provides practical advice and guidance to encourage open and constructive collaborative working between public sector organisations and with local communities. It is intended to complement current guidance and brings together best practice in partnership working drawn from local, national and international work relevant to the public sector in Northern Ireland. It includes a self-assessment checklist for public bodies that will assist in developing effective collaboration.



Performance improvement in local government – This report summarises the key learning from audit and assessment work about the councils’ implementation of performance improvement. It identifies key aspects of improving performance, illustrated by examples drawn from councils’ experience.

Contract Monitoring



In our report “Management of the NI Direct Strategic Partner Project – helping to deliver Digital Transformation”, we identified a need for departments to ensure that sufficient management expertise is retained throughout the duration of the contract. This was accepted by the Department of Finance (DoF) and other departments who agreed that strong financial management controls played a significant part in effective monitoring and management of projects, and ensured project expenditure levels and savings were in line with both business cases and budgets.

DoF further agreed that, where possible, expert resources should be retained throughout the duration of a contract. Where this was not possible, it was accepted that there should be appropriate succession planning and training to ensure staff have the right skills and knowledge in place to enable them to undertake their specific role and responsibilities with respect to the management of any contracts. Other departments were consulted and were in agreement with this response.

The effective outworking of this recommendation, and the associated response, will have a significant impact on the future management of contracts across the wider public sector.

Office Collaborations



Arm's Length Bodies – The Office has a sitting member on the Review Group, led by the Department of Finance, which is examining the sponsorship arrangement for arm's length bodies. This working group has developed and produced a number of reports including an NI Code of Good Practice on Partnerships between departments and arms' length bodies, a partnership agreement template and guidance around proportionate autonomy for arm's length bodies. These have been issued across the public sector in the form of Dear Accounting Officer (DAO) letters.



Boardroom Apprenticeship programme – We continue to collaborate and participate with the apprenticeship scheme run by Strictly Boardroom, a training programme for those who want to serve on a board, especially in the public and third sectors. It is an initiative that bridges the gap between aspiration and reality for those who want to serve on a board and would like some help to get there. It has been very successful and is now beginning its fourth programme.



Chief Executives' Forum – We work closely with the Chief Executives' Forum (CEF), an association of chief executive officers of civil and wider public service bodies in Northern Ireland, whose vision is to be recognised for the contribution it can make in building a better future for the people of Northern Ireland. Its strategic aims are to support the democratic process and the transformation of public services to better meet the needs of good government. As part of this collaboration we have contributed alongside CEF to various training events on good governance which CEF has organised. The Comptroller and Auditor General is a member of the CEF Board. A number of his good practice guides have been launched at events hosted by the CEF.

Our People

We also consider the impact that the Office has had on our staff in providing them with the tools and training opportunities to develop and broaden their experience. A sample of these are set out below:

Aaron Hawthorne (PPMA Apprentice of the Year)



The opening months of 2020 saw tremendous success for Aaron, who was named the winner of the prestigious PPMA (Public Services People Managers Association) Apprentice of the Year Programme. The programme aims to showcase emerging talent from across the UK, and highlight their innovative ideas for the future of public services. After being nominated by the NIAO, Aaron was successfully shortlisted as one of twelve finalists. Following a combination of active training sessions, group tasks and individual challenges designed to test finalists' ability to think under pressure, the event culminated with Aaron and his fellow finalists delivering their own 'legacy speech'. Aaron was named the overall winner, with the panel noting his progression and development over the course of the event.

"I was a bit in shock. The whole environment was really positive from start to finish. It definitely helped me develop confidence and communications skills for speaking in front of groups of people, so I'm more comfortable doing that as a result of this experience. Unfortunately due to COVID-19, the awards ceremony was cancelled, but I really enjoyed the experience. I am so proud to have won. My experience at NIAO and my colleagues really helped, and I would recommend others to take an opportunity like this if they can."

Rossa Keown



The NIAO supports the Boardroom Apprentice programme, which allows those without board experience to gain it and enhance their skills, ultimately helping to create more diverse boards across Northern Ireland. Rossa has been an Apprentice on the programme over the last year, participating in a series of training days covering areas such as communications, financial information, and governance. Rossa also sat on the board of Groundwork NI, attending a number of board meetings and engaging with other members as part of his experience.

"Boardroom Apprentice is definitely a fantastic opportunity for people of all backgrounds to develop experience, skills, and confidence. The experience of working at that high, strategic level is one you don't get every day and the opportunities for networking and exposure to senior members within various organisations, including the Head of the Civil Service, is really beneficial."

"The Boardroom Apprentice really showed me that the role of a board is essential in the governance process within an organisation and they should be setting the tone across the organisation showing strong leadership and strategic direction. The training I had received stood me in good stead to feel confident in querying information that was presented."

Suzanne Walsh



Suzanne was one of around 50 participants who took part in the Chief Executives' Forum's Building Inclusive Leaders programme last year. The year-long programme aims to give women working in senior positions within the NI public sector opportunities to develop their leadership potential. As well as contact training days and virtual webinars, Suzanne and her fellow participants also were assigned leadership mentors from across the globe.

"For me, the most valuable part of the programme was the coaching. I was paired with a fabulous coach, and right from the very start just gelled. We did a lot of work on resilience techniques and developing clear goals and a life purpose. It has had a huge impact on both my personal and professional life, and indeed one of the main takeaways that I got from the mentoring is that you cannot really separate the two."

As well as working on their personal development, the programme also offered participants the opportunity to engage with each other, including at an intensive two-day leadership retreat.

"Another great thing that came out of the programme was the relationships that you build with other like-minded people on the course and the contacts you create. It was a fantastic experience."

Performance measurement

In addition to measuring the financial impact of our audit work, we have a number of key performance measures to assist in demonstrating our productivity, quality of work and achievements in reducing costs. Performance achieved in 2019-20 against these key measures is as follows:

Key performance measures



Target: To deliver a comprehensive programme of work with reduced resources, maintaining high standards.

We delivered a range of audit outputs with a net resource outturn that was 3.6 per cent higher in 2019-20 compared to 2018-19 (excluding ring-fenced VES and GovTech expenditure). In the five years up to and including 2019-20, our annual net resource outturn has reduced by 17 per cent (23.8 per cent in real terms).



Target: To produce 35 public reports in 2019-20.

We achieved 31 reports, including nine which arose as a result of findings from the financial audit process.



Target: We subject our value for money reports to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that our value for money reports maintain an average quality review score of at least three.

We achieved an average score of 3.5 for reports reviewed during 2019-20.



Target: To certify 150 accounts; 80 per cent of audited bodies within seven months and 100 per cent within 12 months.

We achieved certification of 134 accounts. In addition, nine prior year accounts were certified in 2019-20, to total 143. Of the 143 accounts certified, 80 per cent of audits were delivered within seven months and 88 per cent within 12 months.



Target: Annual confirmation of compliance with the International Standard on Quality Control (ISQC 1), to ensure that our financial audit has complied with our audit methodology and professional auditing standards.

Eight accounts were reviewed by teams independent of the audit team or NIAO. Six audits were rated as “meets standards” or “areas for improvement” and two audits were rated as opinion at risk.

The review process has identified that we should continue to focus on improving the quality of documentary evidence. Later this year NIAO will move towards an additional process of external quality review.

Resource Accounts 2019-20

Schedule 2 of the Audit (Northern Ireland) Order 1987 requires the NIAO to prepare resource accounts. Details of the Order can be found at www.legislation.gov.uk.

The financial statements on pages 77 to 96 have been prepared by us on a resource basis in accordance with the 2019-20 Government Financial Reporting Manual (FReM) issued by the Department of Finance.

NIAO Estimate

The Audit (Northern Ireland) Order 1987 requires the C&AG to prepare a Supply Estimate each financial year. Ordinarily, we present a draft estimate to the Assembly Audit Committee, established under Section 66 of the Northern Ireland Act 1998. In the absence of the Executive and a sitting Assembly up to 11th January 2020, the Northern Ireland Main Estimate was laid at Westminster in October 2019 and included in the Northern Ireland Budget Act 2019. This received Royal Assent on 31st October 2019.

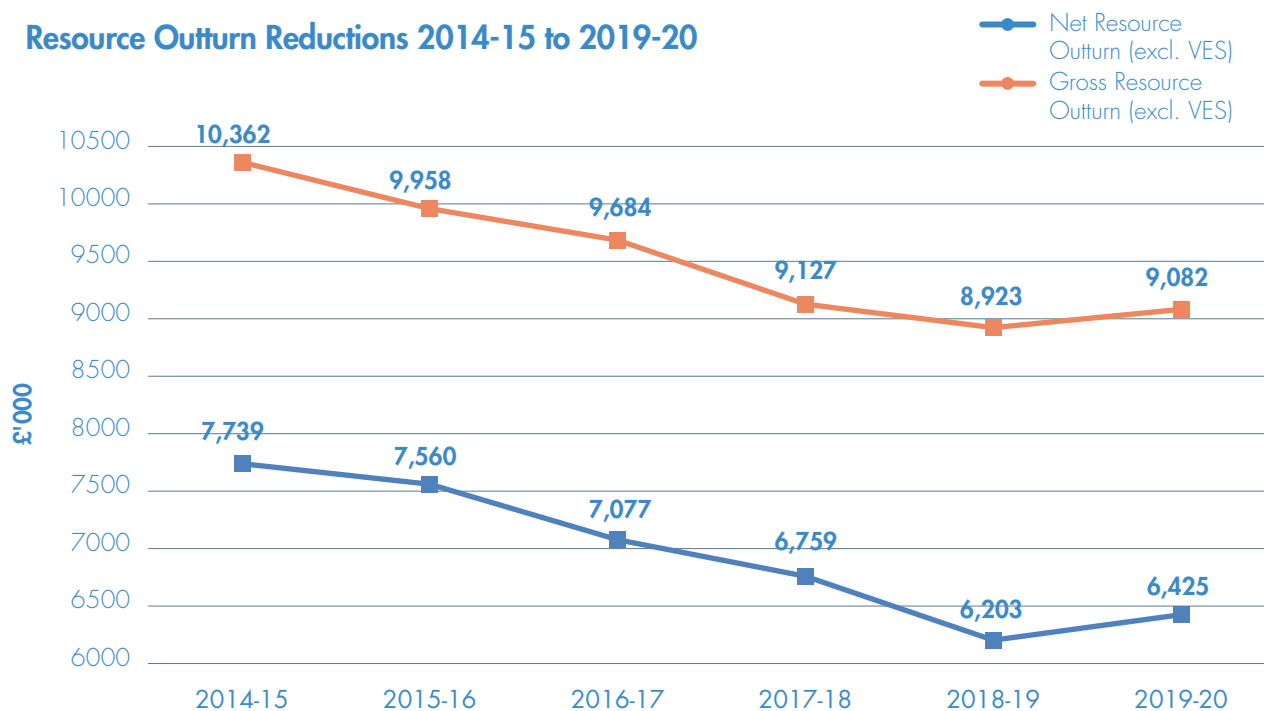
The Assembly Audit Committee approved the NIAO resources for 2019-20 and 2020-21 on 13 February 2020. The Budget Act (Northern Ireland) 2020 was approved by the Northern Ireland Assembly on 26th March 2020. The authorisations, appropriations and limits in these Acts provide the authority for the 2019-20 financial year and a vote on account for the early months of the 2020-21 financial year.

While it would be normal for this to be followed by the 2020-21 Main Estimates and the associated Budget (No. 2) Bill before the summer recess, the COVID-19 emergency and the unprecedented level of allocations which the Executive has agreed in response, has necessitated that the Budget (No. 2) Bill is instead authorising a further Vote on Account to ensure access to cash and resources through to the end of October 2020, when the Main Estimates will be brought to the Assembly and the public expenditure position is more stable.

Resources

We have reduced our annual net resource outturn (costs) by 17² per cent (equating to 23.8 per cent in real terms) in the period from 2014-15 to 2019-20, primarily through natural wastage and the implementation of a staff Voluntary Exit Scheme (VES).

Resource Outturn Reductions 2014-15 to 2019-20



2 Excludes ring-fenced VES and GovTech funding

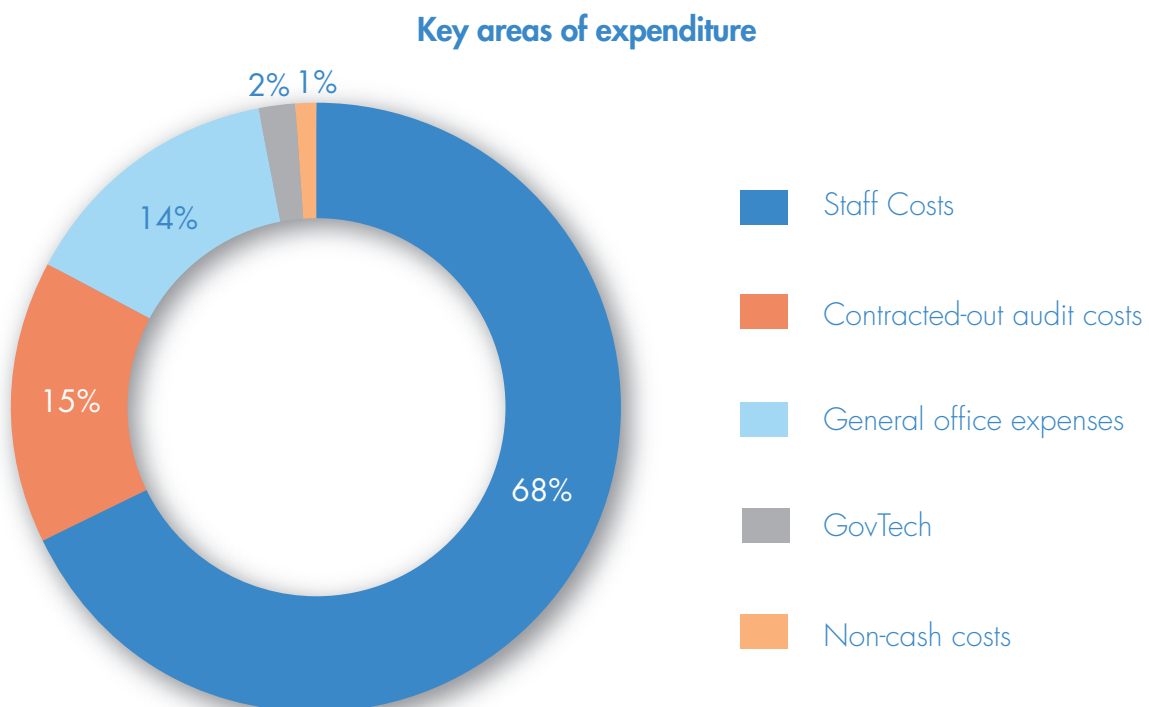
The resources used by the Office in 2019-20 are set out in the following table:

| | Estimate £'000 | Outturn £'000 | Saving/(Excess) £'000 % | |
|-----------------------------------|-------------------|------------------|----------------------------|------------|
| Gross Resource Outturn | 9,569 | 9,320 | 249 | 2.6 |
| Income | 2,745 | 2,657 | (88) | (3.2) |
| Net Resource Outturn (NRO) | 6,824 | 6,663 | 161 | 2.4 |
| GovTech | 238 | 238 | - | - |
| NRO excluding GovTech | 6,586 | 6,425 | 161 | 2.4 |
| Capital | 200 | 168 | 32 | 16 |

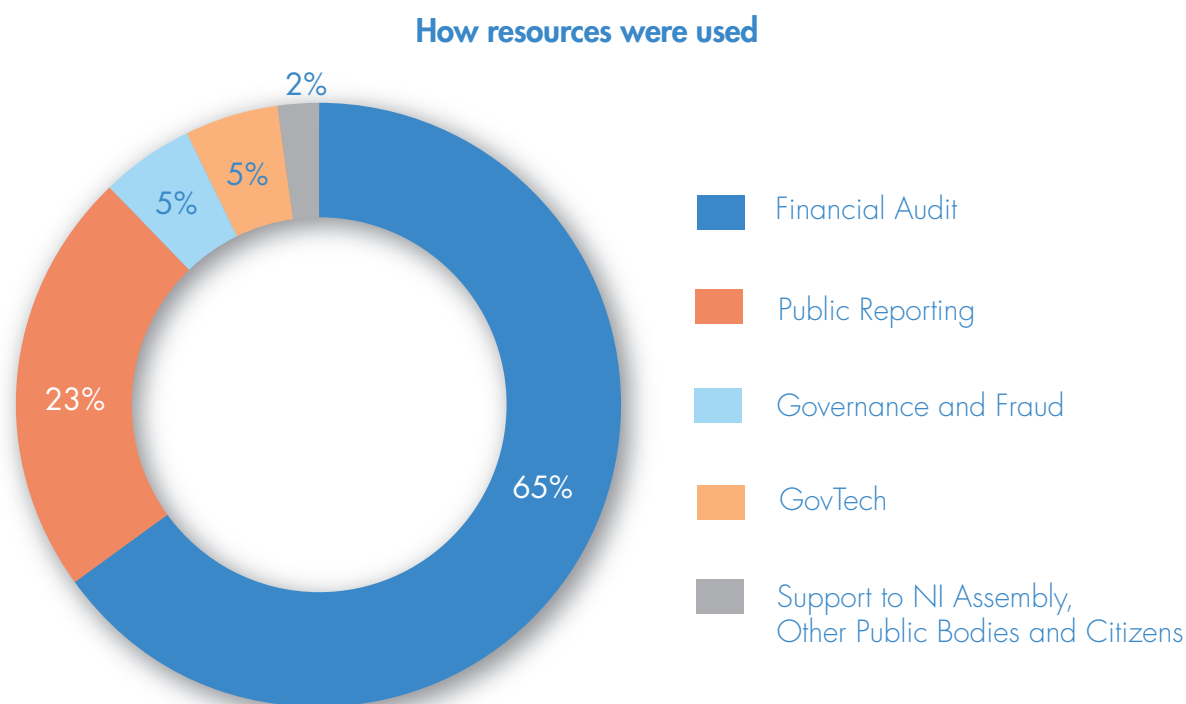
Savings arose from:

- a decrease to in-year salary costs arising from the timing of recruitment; and
- a number of other expenditure lines.

Staff costs continue to be the largest area of expenditure for the Office:



Resources were used as follows:



In addition to the above, the cost of administering the Comptroller Function was £14,000, as shown at Note 2 to the Financial Statements

Income includes:

- fees received from:
 - some central government bodies and North South bodies in respect of the audit of their accounts;
 - the National Audit Office, for audits we carry out on its behalf;
 - local government bodies, for the audit of their accounts and performance improvement;
- recoupment of salary and associated costs for seconded staff; and
- rental income from subletting areas of our building.

Each element of income, and the direct costs associated with it, is shown in the Accountability Report, at page 69.

Resources required in the future

The 2020-21 Budget has been approved by the Assembly Audit Committee. Allocated resources are shown in the following table:

| | 2020-21 £'000 |
|---------------------------------------|------------------|
| Gross Resource Requirement | 10,865 |
| Income | 2,700 |
| Net Resource Requirement (NRR) | 8,165 |
| Capital | 330 |

Capital - Re-developing our Office Accommodation

The 2020-21 budget includes £290,000 of capital for the redevelopment of our premises as part of a project to better utilise the space that we currently occupy. The capital budget is to cover mainly professional fees in the second year of this project. £135,000 is included within the 2020-21 Gross Resource Requirement to cover the initial costs of decanting staff to another location during the construction works.

The project is still at design stage with procurement anticipated later in 2020, which will lead to more significant levels of capital expenditure in subsequent years.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

The Government Financial Reporting Manual requires a table showing a reconciliation, on an outturn basis, between the Net Resource Outturn, the Net Operating Cost and the Budget. This table is shown below:

| | 2019-20 £'000 | 2018-19 £'000 |
|--|------------------|------------------|
| Net Resource Outturn | 6,663 | 6,931 |
| Consolidated Fund Extra Receipts | (1) | (61) |
| Non-supply expenditure | 160 | 160 |
| Net Operating Cost | 6,822 | 7,030 |
| Research & Development Expenditure (GovTech) | (238) | - |
| Resource Budget Outturn of which | 6,584 | 7,030 |
| Department Expenditure Limits (DEL) | 6,584 | 7,045 |
| Annually Managed Expenditure (AME) | - | (15) |

Payment of Suppliers

The Office is committed to the prompt payment of bills for goods and services received, in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days after delivery of the invoice or the goods and services, whichever is later.

During 2019-20, the Office paid 97.0 per cent of bills (2018-19; 97.5 per cent) within this standard.

In addition to this, the government has said that, wherever possible, public sector bodies should seek to pay suppliers within 10 working days of receipt of the invoice. In 2019-20, we met this standard for 89.6 per cent of invoices received (2018-19; 84.9 per cent).

Future development of the business

Our three strategic priorities for the period 2018-21 in our Corporate Strategic Framework are as follows:



Each of these will be impacted upon by the COVID-19 pandemic as we move through the remainder of the framework.

1. In providing assurance, adding value and promoting excellence in public administration:

- We will continue to support effective democratic scrutiny by providing assurance to increase public confidence, especially during critical transitions in Northern Ireland government and public administration.
- We will promote and share good practice from the Northern Ireland public sector and elsewhere to stimulate improvement.
- Our audit work will help public sector leaders to gain assurance and improve economy, efficiency and effectiveness.
- We will expose corruption and malpractice that we identify and disseminate the lessons learned across our public services.

Why this is important: ...significant transformation is anticipated over the next few years. Sharing good practice is a catalyst for improvement. Our role is to enhance public confidence in how Northern Ireland is governed, at the same time being diligent and exemplary in our own practice. This will be particularly important as both the NI Assembly and the public sector comes under additional scrutiny during and following the pandemic crisis.

2. In supporting transformation in the public sector:

- Our public reports will take account of single and cross-cutting themes.
- Our outputs will be relevant and proportionate in relation to Northern Ireland public sector priorities.
- We will respond rapidly to emerging issues in a changing environment and to concerns raised by elected representatives.
- We will use our influence and strategic view to help public sector leaders deliver effective joined up government.

Why this is important: ...we will focus on the issues that really matter to support clear Office Collaborations, accountability and value for money. Early intervention during the roll-out of government programmes will increase our relevance and impact, while minimising the negative impact of any poor practices before they have advanced too far. We will be proactive in supporting positive change and innovation across all parts of the public sector. Working across silos is a major barrier to the implementation of the Programme for Government so we will take a strategic view across departments to counteract this. The pandemic has impacted upon our public reporting programme which we have now revised to ensure we maximise the impact of our work.

3. In transforming our business to meet the emerging challenges of the future:

- We will develop our internal capability through further investing in a highly skilled, motivated and versatile workforce.
- We will embed digital technology in working methods and systems across the NIAO.
- We will continue to modernise working practices to increase productivity.
- We will design and deliver an innovative and vibrant working environment, including modernising our accommodation.

Why this is important: *...successful organisations help staff balance the demands of their work and their other life responsibilities; to remain relevant and sustainable we will continuously maximise the use of all our resources and provide our staff with the best support. This has been particularly challenging as we have reacted to the challenges of the pandemic through working remotely, developing our use of technology and maintaining strong lines of communication with both our staff and our auditees.*

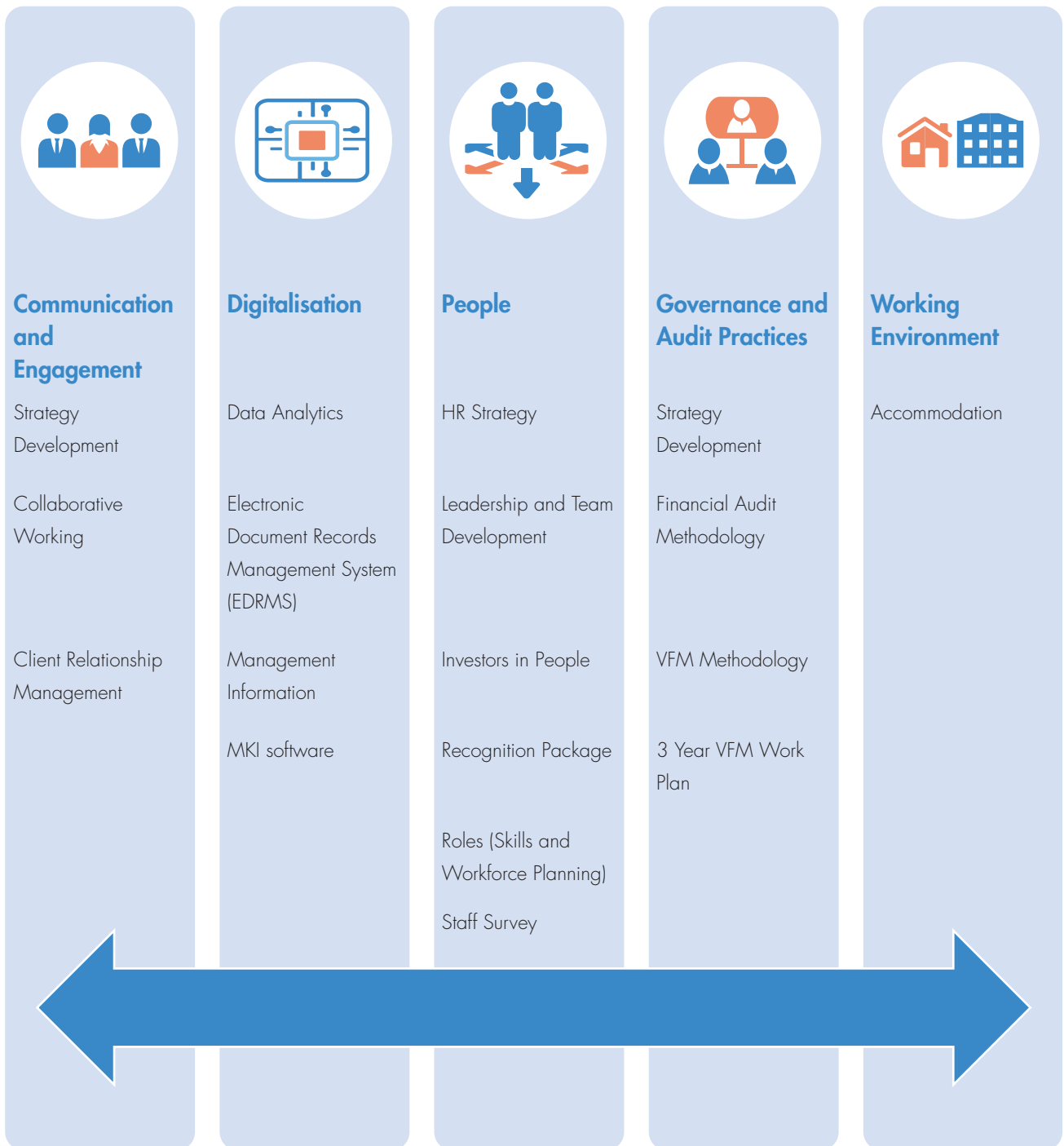
To deliver against each of our priorities, we have initiated a Business Transformation Programme. It will allow us to embed our VALUES and achieve an IMPACT in everything we do. It will ensure the delivery of high quality, efficient and effective services, internal and external, now and into the future.

NIAO transformation revolves around three key points of focus:

1. Strategy
2. People
3. Service Delivery

Five pillars of transformation, each with associated work streams, have been identified. These are:

1. Communication and Engagement
2. Digitalisation
3. People
4. Governance and Audit Practices
5. Working Environment



Progress with our Business Transformation Programme is being monitored through the Senior Management Team and the Advisory Board.

Sustainability, environmental, social and community matters

We are committed to sustainable practice and minimising our impact on the environment. We meet these commitments by disposing of waste carefully, recycling appropriate materials, and by conserving the energy we consume. Locally, we have removed individual waste paper bins to encourage staff to think more carefully about personal recycling.

Redundant electronic and electrical equipment is passed to an external contractor who expunges all data to a standard set by government and then recycles the hardware; redundant furniture is disposed of by way of re-use or environmental destruction; and electricity consumption has been reduced by replacing halogen lighting with lower energy alternatives and air conditioning units with more energy efficient units. Our reprographic equipment will only print after logging on using a personal swipe card, with a default setting for two-sided printing in black and white, reducing the amount of unnecessary printing and thus paper consumption. In addition, we have reduced the number of printed copies of each public report, issuing reports electronically where appropriate.

The Office's procurement guidance requires procurement decisions to have regard to equality of opportunity and sustainable development. Much of what we procure, including services for the upkeep of our premises, is through Northern Ireland Civil Service (NICS) wide contracts. These contracts, established locally by the Department of Finance's Construction and Procurement Delivery, are committed to delivering on the NICS' sustainability, environmental, social and community objectives. For example, contractors are encouraged to work with small suppliers (i.e. fewer than 50 employees), micro suppliers (i.e. fewer than 10 employees) or Social Economy Enterprises throughout their supply chains. Payment to subcontractors should be made within 30 days of receipt of a valid invoice.

In seeking to reduce our environmental footprint, we have travel initiatives aimed at encouraging staff to avail of more sustainable modes of transport to travel to and from work:

- The NICS Cycle to Work scheme was implemented in 2013-14 and, to date, 21 NIAO staff have participated.
- A dual charging point for electric vehicles has been installed to encourage staff to switch to vehicles with cleaner fuels.

Our Accounts Payable Unit continues to issue electronic invoices and remittances to suppliers and staff, reducing paper and printing consumption and associated postal charges. The introduction of tablets has reduced consumption further, by replacing hard copy documents used at various internal and external meetings.

Our Sports and Social Committee had another busy year in 2019-20, arranging a number of exciting events for staff including participation in the "Hell & Back" endurance challenge. which raised an exceptional total of £2,500 for Action Cancer. It also held its annual Macmillan Coffee morning in December 2019. As in previous years this was an extremely successful and well supported event which raised a total of £300 for Macmillan Cancer Support. It has also continued to arrange for the provision of Christmas gifts from staff to both the Salvation Army and St Vincent de Paul charities.



Kieran Donnelly CD
Comptroller and Auditor General for Northern Ireland

21 September 2020



Accountability Report



£6.66
Million

Net Resource Outturn for
2019-20



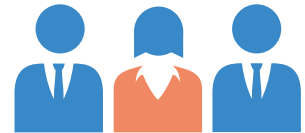
**Auditor's
Report**

Unqualified independent
auditor's report



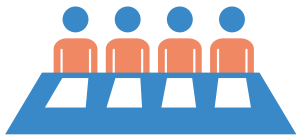
£6.44
Million

Staff costs



102
FTE

Staff in post at
31 March 2020



7
**Senior
Management
Team**

4 Male

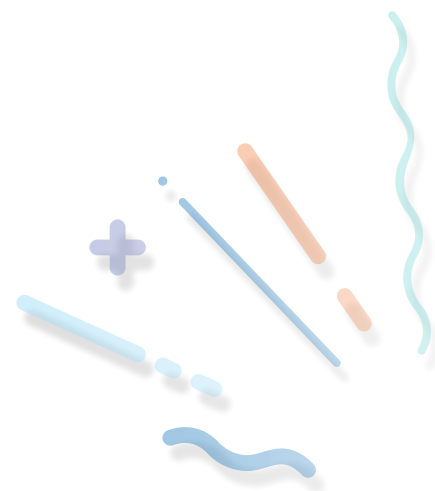
3 Female



95
Other Staff

44 Male

51 Female



CORPORATE GOVERNANCE REPORT

The purpose of the corporate governance report is to explain the composition and organisation of the NIAO's governance structures and outline how they support the achievement of our objectives.

Directors' Report

The directors of the NIAO comprise the senior managers and the non-executive members, whose details are set out below.

NIAO Senior Management Team

Subject to the C&AG's statutory position as corporation sole and his primacy in setting strategy, policy and procedures, the Senior Management Team (SMT) is the principal mechanism for directing the business and decision making in the NIAO. This team is chaired by the C&AG and its membership over the reporting period was as follows:

Pamela McCreedy
Chief Operating Officer

Neil Gray
Director

Tomas Wilkinson
Director

Rodney Allen
Director

Colette Kane
Director

Denver Lynn
(Retired 2 January 2020)
Director

Patrick Barr
(Appointed 26 February 2020)
Director

Suzanne Walsh
(Appointed 3 February 2020)
Director

Senior Management Team



Pamela McCreedy
Chief Operating Officer



Rodney Allen
Director



Patrick Barr
Director



Neil Gray
Director



Colette Kane
Director



Suzanne Walsh
Director



Tomas Wilkinson
Director

C&AG's Advisory Board

The Advisory Board is responsible for providing objective and impartial advice to the C&AG to assist him in the discharge of his functions, and works in partnership with the C&AG and the Senior Management Team. The Advisory Board scrutinises the work of the NIAO in the five areas of strategic clarity, commercial sense, talented people, results focus and management information. It also scrutinises and advises on Office finances on an ongoing basis.

The Advisory Board comprises both executive (C&AG and Chief Operating Officer (COO)) and non-executive members, the latter bringing an independent and external perspective to the work of the Board.

The Chairperson of the Advisory Board is appointed by the C&AG through open competition, based on merit, following endorsement by the Audit Committee of the Assembly. Non-executive members will be similarly engaged and will be members of the Advisory Board.

Each non-executive member is appointed for a three year period, which may be extended for a maximum of a further three years by the C&AG with the endorsement of the Audit Committee of the Assembly.

In 2019-20, the Advisory Board's membership was as follows:

Martin Pitt

In December 2018, the Office appointed Martin Pitt as the Chairperson of the Advisory Board. He was previously a partner within PwC's Audit and Assurance Team and Head of Internal Audit, bringing with him over 30 years' experience working with public and private sector bodies across the UK. Throughout his career, he has advised organisations on issues relating to corporate governance and risk management.

Pamela McCreedy

Chief Operating Officer

As Chief Operating Officer, Pamela McCreedy leads and manages the NIAO's operational business and supports the C&AG in the strategic leadership of the NIAO, including stakeholder management. She is responsible for cultural change within the NIAO, and for developing greater flexibility in management structures and service delivery. She has also been appointed Local Government Auditor from 1 February 2018, with responsibility for leading all local government audits across Northern Ireland.

Three further non-executive members were appointed to the Advisory Board, effective from 1 April 2019.



**Professor Noel
Hyndman**

Professor Noel Hyndman has been Professor of Accounting at Queen's University Belfast since 2002. Previously he was Professor of Accounting at the University of Ulster (until 2002) and has held Visiting Professorships at the University of Ottawa in Canada and the University of Sydney in Australia, as well as being an Erskine Fellow at the University of Canterbury in New Zealand. He is a Chartered Global Management Accountant and a Fellow of the Chartered Institute of Management Accountants. He is currently Chair of the British Accounting and Finance Association's (BAFA's) Public Services and Charities Special Interest Group, and a member of BAFA's Executive Committee. Professor Hyndman has been Academic Advisor to the Chartered Accountants Ireland Educational Trust since 2011.



**Marie Mallon
MBE**

Marie Mallon (MBE) is Chair of the Labour Relations Agency, a position she has held since 2014. Prior to that she was Director of HR and Deputy CEO of Belfast Health and Social Care Trust for seven years, having previously held the position of Director of HR with the Royal Hospitals Trust. Mrs Mallon is a Chartered Member of the Chartered Institute of Personnel and Development (CIPD) and obtained a distinction in her MSc in HR Leadership from University of Manchester. She is currently an associate of the Health and Social Care Leadership Centre and also undertakes independent HR consultancy. She has recently been appointed Chair of the Chairs' Forum and in 2015 she was awarded an MBE in the Queen's birthday honours list for services to health and social care.



John Turkington

John Turkington is Principal of Turkington Chartered Accountants and previously held senior roles as Director of Corporate Banking, Director of Property Banking and Regional Director of Commercial Banking with the Ulster Bank for 11 years. He has more recently held an all-island role in Specialised Relationship Management in the Ulster Bank, following a career in practice. He is a graduate in accounting and LLB Law, with a post-graduate Diploma in Accounting from Queen's University Belfast, and a Fellow of the Chartered Accountants of Ireland.

NIAO Audit and Risk Assurance Committee

The C&AG, as the Accounting Officer of the NIAO, is responsible for ensuring that there are effective arrangements for governance, risk management and internal control.

The Advisory Board supports the C&AG in this role by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.

To provide support in these functions, the Board appoints an Audit and Risk Assurance Committee to review the comprehensiveness of assurances on systems of internal control, risk management and corporate governance. The Audit and Risk Assurance Committee is independent of all NIAO operational activities and is composed solely of non-executives.

The membership of the Committee is:

Professor Noel Hyndman (Chairperson)

Marie Mallon MBE

John Turkington

Register of interests

None of the non-executive or executive members of the Office's governance structures in 2019-20 held company directorships or significant interests which might conflict with their responsibilities. Also, none had any other related party interests.

Auditor of the NIAO

The Department of Finance has re-appointed Baker Tilly Mooney Moore as the external auditor of the NIAO for a three-year term commencing with the audit of the 2018-19 accounts, with the option to extend for a further two years.

In addition to its work to form an opinion on the financial statements, Baker Tilly Mooney Moore reviews the NIAO's statement of financial impact which is reported on page 19. Details of the cost of the work done by the external auditor are disclosed in Note 4 to the Financial Statements.

Disclosure of relevant audit information

The C&AG has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the C&AG is aware, there is no relevant information of which the auditors are unaware. The C&AG has taken personal responsibility for the annual report and accounts and the judgments required for ensuring they are fair, balanced and understandable.

Personal data-related incidents

There were no protected personal data-related incidents which required reporting to the Information Commissioner's Office (ICO).

Complaints

We have a complaints process in place to ensure that complaints from both clients and the public are dealt with in a timely, open and fair way, in line with public sector good practice. The process has three stages, the details of which can be found on the [NIAO website](#). If a complainant remains dissatisfied following the outcome of these three stages, they may refer the matter to the Northern Ireland Public Services Ombudsman's Office, in accordance with the Northern Ireland Public Services Ombudsman Act (Northern Ireland) 2016.

During 2019-20, we received three complaints, each of which were addressed in-house. All of these cases are considered closed. One complaint from 2018-19, which was referred to the NI Public Services Ombudsman (NIPSO), remains open.

Further information on the monitoring of complaints can be requested from:

Information Manager
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
028 9025 1097

Health and Safety

Our health and safety policy is made available to all staff.

No incidents were recorded during 2019-20 and no report to the Health and Safety Executive for Northern Ireland under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations was required.

All staff have access to an independent and confidential counselling, support and advice service. This counselling support is free to staff at the point of use and is totally external to the Office.

Statement of Accounting Officer's Responsibilities

Under Article 6(3) of the Audit (Northern Ireland) Order 1987, the NIAO is required to prepare, for each financial year, resource accounts of the kind mentioned in Section 9 of the Government Resources and Accounts Act (Northern Ireland) 2001, detailing the resources acquired, held or disposed of during the year and the use of resources by the NIAO during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NIAO and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting

policies on a consistent basis;

- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Under the Audit (Northern Ireland) Order 1987, the Department of Finance has appointed the C&AG for Northern Ireland as Accounting Officer for the Northern Ireland Audit Office.

The C&AG for Northern Ireland's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the NIAO's finances for which he is answerable, for the keeping of proper records and for safeguarding the NIAO's assets, are set out in *Managing Public Money Northern Ireland*, published by the Department of Finance.

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

Governance Statement

Introduction

As Accounting Officer for the NIAO, I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of the NIAO's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

Structure of governance

The NIAO's governance structure reflects the statutory position of the C&AG, as set out in two key pieces of legislation:

- The Audit (Northern Ireland) Order 1987 provided for the office of C&AG to be a corporation sole and established the NIAO to assist the C&AG in the discharge of their statutory functions.

- The Northern Ireland Act 1998 requires that, in exercising their functions, except for any function conferred on them of preparing accounts, the C&AG shall not be subject to the direction or control of any Minister or Northern Ireland department or the Assembly. Accordingly, the C&AG has complete discretion in the discharge of their statutory audit functions, with responsibility for the programme of audit work, all audit opinions and judgements resting with them alone.

As the holder of this office, I have primacy in determining the strategy, staffing and structure of the Office and am responsible for designing and implementing the internal governance arrangements to support the delivery of my statutory functions. In so doing, I seek to comply with the spirit of the 'Corporate governance in central government departments: Code of good Practice NI 2013' ("the Code") issued by the Department of Finance. I accept the tenets of the Code as constituting best practice, however the specific legal constitution of the office of C&AG as a corporation sole means that I cannot directly apply the 2013 Code arrangements to the NIAO. In particular there is no provision in legislation for the establishment of a board.

The internal governance arrangements of the NIAO that I have established are illustrated below. I also have a 'Memorandum of Understanding on the Governance and Accountability Arrangements of the Northern Ireland Audit Office' (MoU) agreed with the Audit Committee of the Assembly, which oversees the performance of the NIAO (available on the [NI Assembly website](#)).

NIAO Governance Structure



In 2019-20 I reviewed the role, responsibilities and membership of the Advisory Board and the Audit and Risk Assurance Committee. During the reporting period I put in place, in consultation with the Advisory Board, a Remuneration Committee.

With the return of the NI Assembly on 11 January 2020, I intend to review and revise the Memorandum of Understanding with the Audit Committee of the Assembly to reflect the latest structures.

Overall I am content that the NIAO governance arrangements are compliant with the Code on an appropriate and proportionate basis.

Components of governance structure

NI Assembly Audit Committee

From the return of the NI Assembly on 11 January 2020, I am accountable to it via the Assembly Audit Committee, which has the role defined in section 66 of the Northern Ireland Act 1998. The Audit Committee's responsibilities include: examining the NIAO Estimate and laying it before the Assembly; considering the NIAO's Corporate Plan; examining the NIAO Annual Report and Accounts and reports received from the external auditor; providing advice to the Department of Finance on the appointment of the NIAO external auditor; and tabling a motion in the Assembly in respect of the salary of the C&AG.

The key elements of the internal governance arrangements of the Office are detailed below. Further information on these, including minutes of meetings, are available on the [NIAO website](#).

Advisory Board

The Advisory Board is responsible for providing objective and impartial advice to the Comptroller and Auditor General (C&AG) to assist him in the discharge of his functions and works in partnership with the Comptroller and Auditor General and the Senior Management Team. The Board scrutinises the work of the NIAO in the five areas of strategic clarity, commercial sense, talented people, results focus and management information, as set out in 'Corporate governance in central government departments: Code of good practice NI 2013' issued by DoF, with the objective of providing constructive challenge. It also scrutinises and advises on Office finances on an ongoing basis.

The Advisory Board comprises both executives (the C&AG and the COO) and non-executives, the latter bringing an independent and external perspective to the work of the group.

Each member is appointed for a three-year period, which may be extended for a further three years by the C&AG with the endorsement of the Audit Committee of the Assembly.

In 2019-20, the Advisory Board met three times. The attendance at the meetings is recorded below:

| Members present | C&AG's Advisory Group | | |
|------------------------|-----------------------|-----------|------------|
| | 30/05/2019 | 8/10/2019 | 11/02/2020 |
| Martin Pitt (Chair) | √ | √ | √ |
| Noel Hyndman | √ | √ | √ |
| John Turkington | √ | √ | √ |
| Marie Mallon | √ | √ | √ |
| Kieran Donnelly (C&AG) | √ | √ | √ |
| Pamela McCreedy (COO) | √ | √ | √ |

In addition, other officials of the Office attended, as required, to assist with the discussion of agenda items. The Office's corporate secretariat provided it with an appropriate support service.

NIAO Audit and Risk Assurance Committee

The Advisory Board supports me in my role, as Accounting Officer, in my responsibility for issues of risk, control and governance, by reviewing the comprehensiveness, reliability and integrity of assurances. This includes supporting and advising me on the planned activity and results of both internal audit and external audit (see page 41) and the adequacy of management's response to issues identified by audit activity, including external audit's management letter.

To provide support in these functions, the Board has established an Audit and Risk Assurance Committee (ARAC). ARAC comprises three non-executive Board members of NIAO, excluding the NIAO Board Chairperson, who may attend by invitation, if required. The Chairperson of this Committee, appointed by the Board Chairperson, is Professor Noel Hyndman.

Attendance of members in 2019-20 was as follows:

| Members present | NIAO Audit and Risk Assurance Committee | | | | |
|-----------------------------|---|------------|------------|------------|------------|
| | 7/05/2019 | 19/06/2018 | 24/09/2019 | 25/11/2019 | 28/01/2020 |
| Noel Hyndman (Chair) | √ | √ | √ | √ | √ |
| John Turkington | √ | √ | √ | √ | √ |
| Marie Mallon | √ | √ | √ | √ | √ |
| Martin Pitt (by invitation) | √ | √ | √ | √ | √ |

The meetings were attended by Kieran Donnelly, Pamela McCreedy, Rodney Allen and other NIAO staff.

ARAC remains independent of all NIAO operational activities; its terms of reference are available on the [NIAO website](#). It will meet at least four times a year. The Chairperson of the Committee may convene additional meetings, as deemed necessary. It may request the attendance of officials of the Office to assist with its discussions on any particular matter.

On behalf of the NIAO Audit and Risk Assurance Committee, the Chair provides me with an annual report summarising the Committee's work for the year. The NIAO Audit and Risk Assurance Committee is satisfied that it has fulfilled its duties as guided by its Terms of Reference, and taking account of the work of internal and external audit and assurances provided to the Committee, every effort was made to review and oversee internal control and risk management arrangements and to provide assurances to me, as Accounting Officer, in the discharge of my accountability obligations.

Based on its work for the year, the NIAO Audit and Risk Assurance Committee has provided me with constructive feedback on what it views to be the risks, challenges and opportunities for the NIAO, as well as an indication of its intended areas of focus in 2020-21.

Remuneration Committee

The Remuneration Committee was established in the reporting period and met once on 25 November 2019. It comprises all non-executive Board members of the NIAO and supports the Board in advising me on issues including terms & conditions of employment, job descriptions, pay settlements and succession planning. It may also advise on issues relating to structural change exercises such as organisational development, job evaluation and role reviews. Attendance at the meeting was as follows:

| Members present | Remuneration Committee 25/11/2019 |
|----------------------|--------------------------------------|
| Marie Mallon (Chair) | √ |
| Noel Hyndman | √ |
| John Turkington | √ |
| Martin Pitt | √ |

The meeting was attended by Kieran Donnelly, Pamela McCreedy, Rodney Allen and other NIAO staff.

Senior Management Team

The Senior Management Team comprises myself, as Chair, the Chief Operating Officer and six Directors.

The Senior Management Team meets monthly and is responsible for the strategic and operational leadership of the Office. Subject to my statutory position as a corporation sole and head of the NIAO, the team is the principal mechanism for directing business and decision making in the Office. In alignment with the Code³, the business of the team covered the five key areas of strategic clarity, commercial sense, talented people, results focus and management information.

The Senior Management Team, which met 11 times during the year, covered normal scheduled business. There was over 90 per cent attendance of members at all meetings.

³ Corporate governance in central government departments: Code of good practice NI 2013

Relevant non-members are invited to attend these meetings. Over the course of the year, attendance took place in relation to items such as office accommodation, follow up to staff and auditee surveys, the development of a communications strategy, progress in data analytics and GovTech, developments in the structure of corporate governance, and the Business Transformation Programme.

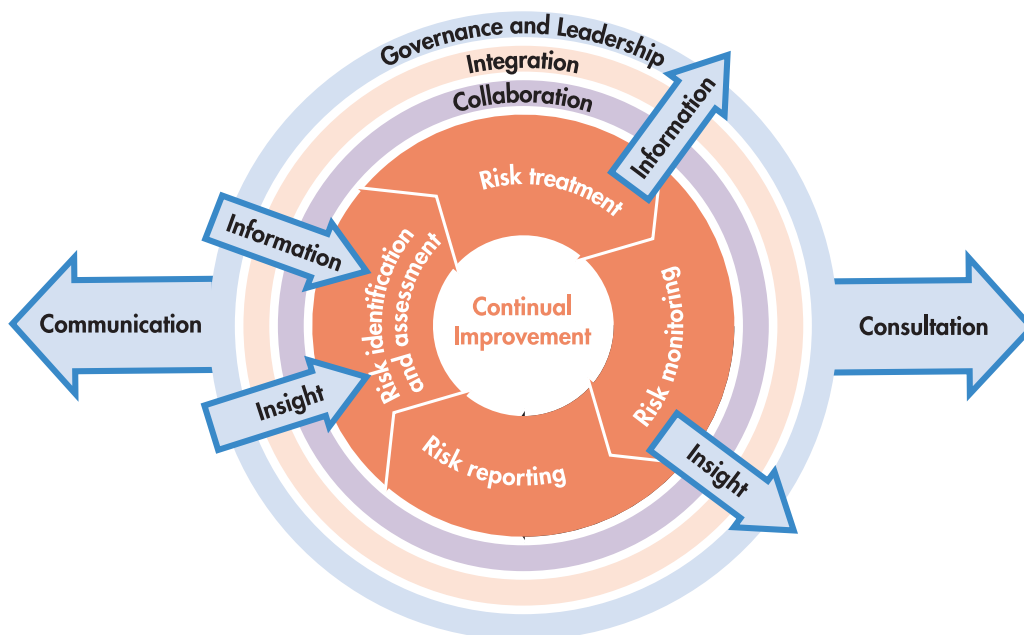
During the year the Business Transformation Programme continued to progress under the five key pillars of Communication and Engagement; Digitalisation; People; Governance and Audit Practices; and the Working Environment, under which 18 work streams were identified. Progress against Project Initiation Documents were closely monitored and regular progress reports were prepared and presented to senior management, the Advisory Board and staff.

My Office has access to a wide range of data from financial management systems as well as open data, but we have lacked the technology to use this data to its full potential. In recognition of this we applied and were successful with the Small Business Research Initiative and subsequently with the GovTech Catalyst processes, to obtain significant funding to address this. During 2019-20, confirmation was received that we will progress to phase two with GovTech with a Value for Money approach, which will provide access to further funding. The progression of the financial audit analytics is being explored in collaboration with other public audit agencies.

Risk management and control

Our approach to risk management is guided by professional best practice, and takes full cognisance of the context and environment in which we operate. I have reviewed the risk management process in place during the year and can confirm that it complies with all the principles included within the revised Orange Book⁴.

Risk Management Framework



4 Orange Book: Management of Risk – Principles and Concepts (2020)

Because of our public profile and the very nature of our work, we must uphold the highest standards in our own operations, and be able to stand the test of independent scrutiny and retain our credibility and reputation with the Assembly, audited bodies and other stakeholders. At the same time, we must ensure that we promote and secure value for money in our use of public funds.

We focus on proportionate risk management as an integral part of the way we undertake business activities. Risk is managed in a structured way, taking on board the combination of the likelihood of something happening and the impact which arises if it does actually happen, to assess the inherent risk. We then set out the actions, if any, we take to constrain the risk to an acceptable level in accordance with our risk appetite. I am responsible for determining the risk appetite of the Office, which I review on an ongoing basis. To this end, I have agreed a definition for the appetite of each risk in consultation with both the SMT and ARAC.

The risk that remains, taking on board these actions, is our residual risk. In applying these principles, we are accurately assessing the relative significance and prioritisation of each risk. We have a comprehensive risk management strategy which sets out roles and responsibilities and determines procedures for risk identification, monitoring, reporting and escalation of issues.

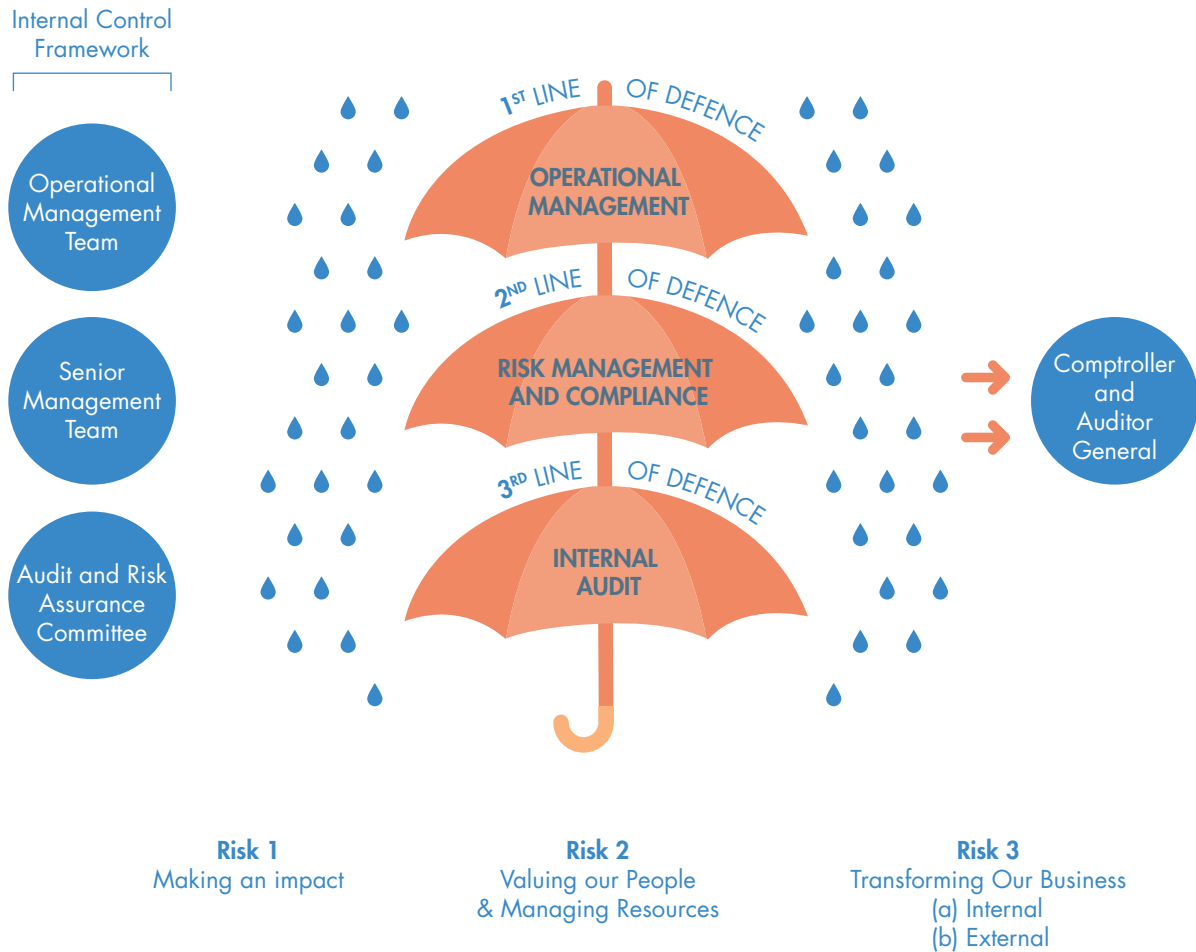
During 2019-20, Risk Management was a standing agenda item at all meetings of the SMT and ARAC. The Corporate Risk Register Working Group (the Working Group), which is responsible for directly briefing the SMT and, by extension, ARAC on risk management developments, met five times in 2019-20. The timing of its meetings and subsequent outputs dovetail with SMT and ARAC requirements.

As part of this process, the Working Group compiles a single corporate risk register which incorporates a risk assurance framework, with three lines of defence. This has been constructed in a structural and systematic way, as set out below, to facilitate the identification, assessment and ongoing monitoring of risks significant to the NIAO. It is reviewed on a regular basis.

The corporate risk register aligns to the Strategic Corporate Framework for 2018-21, and we have identified three key areas of risk: making an impact; valuing our people and managing resources; and transforming our business (external and internal).

The consequences of the COVID-19 virus and government restrictions imposed in the middle of March 2020 had a significant impact on the whole of our Office. At this time we considered the risks which we were facing and produced a separate risk register to manage the specific risks from COVID-19. The corporate risk register will be revised once the pandemic is under control and a steady state is reached.

Risk Management in the NIAO



Quality

We apply the International Standard on Quality Control (ISQC 1) and have well established arrangements in place for monitoring our quality control procedures. We undertake an annual quality review process to ensure that our audits have complied with our audit methodology and professional auditing standards.

During the reporting period, eight accounts were independently reviewed. Six of the eight audit opinions were found to be appropriate, with no significant compliance issues identified. Reviewers concluded that in two cases there was insufficient evidence on file to support the audit opinion although the audit teams involved were subsequently able to provide evidence that the correct opinion was issued. In order to address issues identified, areas for improvement have been communicated to all audit staff and managers have been tasked with holding meetings with staff to discuss in detail the key findings and guidance and how this can be applied to individual audits.

Two public reports were also reviewed as part of the quality review process. Both of the Value for Money audits reviewed complied with standards and no significant issues were identified.

The technical unit continues to oversee how we ensure quality requirements for our audits are met. This includes considering the implications of the recent Brydon Report (published December

2019) on the Quality and Effectiveness of Audit following on from the Kingman and Competition and Markets Authority reviews into regulation of audits and improving audit quality. It has also initiated the move towards an additional process of external quality review. This will start later this year, following the appointment of ICAEW.

We have also commissioned our internal auditors to conduct a review of our ISQC 1 arrangements in order to obtain reasonable assurance that we comply with professional standards and regulatory and legal requirements, and that audit reports issued are appropriate in the circumstances. Based on the outcomes of the review, we were provided with an assurance that the arrangements we have in place sufficiently demonstrate compliance with the requirements of ISQC 1.

We also subject our value for money reports to independent review by a panel of experts who rate the reports on a scale of one to five. We aim to ensure that our value for money reports maintain an average quality review score of at least three. The reports published in 2019-20 achieved an average score of 3.5.

Other areas of focus

Statement of information risk

We have privileged and wide-ranging access to data and information to support the discharge of my statutory audit functions and ensure my reports to the Assembly are factual, accurate and complete. We have a duty to respect this privileged access and to ensure that the personal information entrusted to us is safeguarded properly.

We have policies and controls in place to ensure that access to information is correctly managed and safeguarded throughout its life cycle, including creation, storage, transmission and destruction. Staff are made aware of these policies and controls, and awareness is reinforced through information security training.

My Office is cognisant of the General Data Protection Regulations (GDPR) and the enabling legislation (Data Protection Act 2018) and has established an effective compliance framework. As a result, I:

- have staff trained through e-learning;
- conduct reviews of personal data retained within the Office on an annual basis;
- maintain an information assets register; and
- have an up to date Data Protection Policy in place.

Information risk is covered by the normal risk management arrangements. I am responsible for ensuring information risks are assessed and mitigated to an acceptable level and am supported in this role by the Senior Information Risk Owner, a member of the SMT, and various staff members with security responsibilities.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review is informed by the work of the Internal Auditor and the executives within the NIAO who have responsibility for the development and maintenance of the internal control framework, comments made by the External Auditors in their management letter and other reports, and issues raised by the NIAO ARAC.

Key risks which could affect the achievement of the Office's objectives are managed actively under the risk management arrangements described above, with progress reported regularly to the NIAO ARAC.

Internal Audit provides an independent opinion on the adequacy and effectiveness of the Office's system of internal control, corporate governance and risk management. It reviewed a number of areas during 2019-20 including:

- Corporate Governance
- Management of contracted-out audits
- Miscellaneous Financial Controls
- Stakeholder Engagement
- Management of in-house audits.

All areas received a satisfactory rating, and all recommendations for improvement have been accepted by management and implemented, or are in the process of being implemented.

Based upon the reviews performed during the year, Internal Audit is satisfied that sufficient internal audit work has been undertaken to allow it to draw a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Office's risk management, control and governance processes. In its opinion, the NIAO has adequate and effective risk management, governance and control processes.

Significant internal control weaknesses

I am able to report that there were no significant weaknesses in the NIAO's system of internal controls in 2019-20 which affected the achievement of the Office's key policies, aims and objectives.

REMUNERATION AND STAFF REPORT

Remuneration Report

Remuneration Policy

Comptroller and Auditor General

Under the provisions of the Northern Ireland Act 1998, the office of the C&AG for Northern Ireland is a Crown appointment made on the nomination of the Northern Ireland Assembly. The C&AG for Northern Ireland retains office unless removed by a resolution of the Northern Ireland Assembly supported by at least two thirds of members. The Audit (Northern Ireland) Order 1987 provides for the remuneration of the C&AG for Northern Ireland to be met from the Consolidated Fund for Northern Ireland, rather than the NIAO's Estimate. The remuneration and associated pension and national insurance contributions are disclosed in Note 4 to the Accounts on page 88 as Consolidated Fund Standing Services.

Senior Management

The Audit (Northern Ireland) Order 1987 provides that the C&AG shall appoint such staff as he considers necessary for assisting him in the discharge of his functions and for the purpose of Article 4 of the Local Government (Northern Ireland) Order 2005 as amended (designation of a member of staff as the Local Government Auditor).

The Audit (Northern Ireland) Order 1987 further provides that these staff shall be appointed at such remuneration and on such other terms and conditions as the C&AG shall determine, subject to him having regard to the desirability of keeping the remuneration and terms and conditions broadly in line with those applying to the persons employed in the National Audit Office and in the Northern Ireland Civil Service.

Staff appointments are normally open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme (Northern Ireland).

Appointments to senior management are made by the C&AG on the basis of fair and open competition. When holding competitions and making appointments, the C&AG takes into account the Northern Ireland Civil Service policies and procedures in this area.

Pay progression for all staff, including senior management, solely relates to an incremental pay scale step, where appropriate. The pay award involves a minimum percentage uplift in gross terms which is awarded to staff.

Remuneration and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the C&AG and members of the NIAO Senior Management Team. The information on pages 54 to 58 is covered by the audit opinion.

Remuneration (including salary) and pension entitlements (Audited)

| Single total figure of remuneration | | | | | | | | |
|-------------------------------------|--|---------------------------------------|------------------------------------|---------|--------------------------------------|---------|---------------|---------|
| Official | Salary (£'000) | | Benefits in kind (to nearest £100) | | Pension Benefits* (to nearest £1000) | | Total (£'000) | |
| | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 |
| Kieran Donnelly C&AG | 140-145 | 140-145 | - | - | | | 140-145 | 140-145 |
| Pamela McCreedy COO | 115-120 | 110-115 | - | - | 45 | 44 | 160-165 | 155-160 |
| Rodney Allen Director | 85-90 | 85-90 | - | - | 40 | 34 | 125-130 | 115-120 |
| Patrick Barr Director | 5-10 (70-75 full time equivalent from 26 February 2020) | - | - | - | 3 | - | 5-10 | - |
| Neil Gray Director | 85-90 | 85-90 | - | - | 34 | 33 | 120-125 | 115-120 |
| Colette Kane Director | 85-90 | 80-85 (85-90 full time equivalent) | - | - | 83 | (18) | 170-175 | 60-65 |
| Denver Lynn Director | 65-70 (85-90 full time equivalent until 2 January 2020) | 85-90 | - | - | 21 | 11 | 85-90 | 95-100 |
| Suzanne Walsh Director | 10-15 (70-75 full time equivalent from 3 February 2020) | - | - | - | (1) | - | 10-15 | - |
| Tomas Wilkinson Director | 85-90 | 80-85 | - | - | 43 | 44 | 130-135 | 125-130 |

*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 and any allowance to the extent that it is subject to UK taxation.

Bonus payments

'Bonus payments' are not made to our staff.

Benefits in kind

The monetary value of 'benefits in kind' cover any benefits provided by the Office and treated by HM Revenue and Customs as a taxable emolument. No such benefits were provided during 2019-20.

Pay Multiples (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid earner in their organisation and the median remuneration of the organisation's workforce.

| | 2019-20 | 2018-19 |
|--|---------|---------|
| Band of Highest Earner's Total Remuneration (£'000) * | 140-145 | 140-145 |
| Median Total Remuneration | £37,305 | £37,283 |
| Ratio | 3.8 | 3.8 |

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

The C&AG was the highest paid individual in the NIAO in 2019-20. His salary was in the range of £140,000 to £145,000 (2018-19; £140,000 to £145,000). This was 3.8 times (2018-19; 3.8) the median remuneration of the workforce, which was £37,305 (2018-19; £37,283).

In 2019-20, remuneration ranged from £4,250 to £141,322 (2018-19; £4,000 to £141,322).

Non-Executive Members

During 2019-20, the following remuneration was payable to non-executives in undertaking their NIAO Advisory Board and ARAC duties:

| | Date of contract | Length of contract (yrs) | 2019-20 Salary £'000 | 2018-19 Salary £'000 |
|-----------------|------------------|--------------------------|----------------------|----------------------|
| Martin Pitt | 01-12-18 | 3 | 10-12.5 | 2.5-5 |
| Noel Hyndman | 01-04-19 | 3 | 2.5-5 | - |
| Marie Mallon | 01-04-19 | 3 | 2.5-5 | - |
| John Turkington | 01-04-19 | 3 | 2.5-5 | - |

Pension entitlements (Audited)

The pension entitlements of the C&AG and members of the NIAO Senior Management Team were as follows:

| Name and Title | Accrued pension at pension age as at 31/3/20 and related lump sum | Real increase in pension and related lump sum at pension age | CETV* at 31 March 2020 | CETV* at 31 March 2019 (or date of joining) | Real increase in CETV* |
|---|---|--|------------------------|---|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Kieran Donnelly** C&AG | - | - | - | - | - |
| Pamela McCreedy Chief Operating Officer | 5-10 plus lump sum of 0 | 2.5-5 plus lump sum of 0 | 78 | 46 | 22 |
| Rodney Allen Director | 40-45 plus lump sum of 95-100 | 0-2.5 plus lump sum of 0-2.5 | 753 | 696 | 23 |
| Patrick Barr Director | 10-15 plus lump sum of 0 | 0-2.5 plus lump sum of 0 | 121 | 119 | 1 |
| Neil Gray Director | 20-25 plus lump sum of 0 | 0-2.5 plus lump sum of 0 | 335 | 292 | 22 |
| Colette Kane Director | 30-35 plus lump sum of 65-70 | 2.5-5 plus lump sum of 0-2.5 | 595 | 514 | 55 |
| Denver Lynn Director | 40-45 plus lump sum of 125-30 | 0-2.5 plus lump sum of 2.5-5 | 1,009 | 947 | 21 |
| Suzanne Walsh Director | 10-15 plus lump sum of 0 | 0 plus lump sum of 0 | 115 | 110 | (1) |
| Tomas Wilkinson Director | 20-25 plus lump sum of 40-45 | 0-2.5 plus lump sum of 0-2.5 | 393 | 348 | 24 |

* CETV = cash equivalent transfer values

** The C&AG has chosen to no longer be covered by the Northern Ireland Civil Service pension scheme.

Pension Arrangements

The Audit (Northern Ireland) Order 1987 provides for pensionable service by the C&AG for Northern Ireland to be covered by the Northern Ireland Principal Civil Service Pension Scheme (PCSPS (NI)) which is non-contributory and unfunded. The Order also provides for defined pension benefits to be met from the Consolidated Fund for Northern Ireland and no liability rests with the NIAO.

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP). The alpha pension scheme was introduced

for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32 per cent.

New entrants joining can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3 per cent.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2019 was 1.7 per cent and HM Treasury has announced that public service pensions will be increased accordingly from April 2020.

Employee contribution rates for all members for the period covering 1 April 2020– 31 March 2021 are as follows:

Scheme Year 1 April 2020 to 31 March 2021

| Annualised Rate of Pensionable Earnings (Salary Bands) | | Contribution rates – All members |
|---|-------------|--|
| From | To | From 01 April 2020 to 31 March 2021 |
| £0 | £23,999.99 | 4.6% |
| £24,000.00 | £54,999.99 | 5.45% |
| £55,000.00 | £152,499.99 | 7.35% |
| £152,500.00 and above | | 8.05% |

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found on the [Department of Finance website](#).

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for loss of office (Audited)

No members of senior management lost office in 2019-20.

Staff Report

The 102 permanent full time equivalent staff at 31 March 2020 (2018-19: 99) comprised:

| | Male | Female |
|------------------------|-----------|-----------|
| Senior Management Team | 4 | 3 |
| Other Staff | 44 | 51 |
| Total | 48 | 54 |

The increase in the number of permanent staff reflects planned recruitment following five years of significant reductions at senior grades

Staff Costs (Audited)

Staff costs comprise:

| | 2019-20 £'000 | | | 2018-19 £'000 |
|------------------------|-------------------------------|-----------|--------------|------------------|
| | Permanently employed staff | Others | Total | Total |
| Wages and Salaries | 4,497 | 64 | 4,561 | 4,618 |
| Social Security Costs | 480 | - | 480 | 500 |
| Other Pension Costs | 1,400 | - | 1,400 | 1,088 |
| Total net costs | 6,377 | 64 | 6,441 | 6,206 |

The salary and other costs of the C&AG are not included within the above costs as his remuneration is met directly from the Consolidated Fund for Northern Ireland. He is also therefore not included in the above staff number full-time equivalent analysis.

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the NIAO is unable to identify its share of the underlying assets and liabilities. The Government's Actuary Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2021.

For 2019-20, employers' contributions of £1,399,806.81 were payable to the NICS pension arrangements (2018-19: £1,088,264.73) at one of three rates in the range 28.7 per cent to 34.2 per cent of pensionable pay, based on salary bands.

This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4 per cent per annum above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2019-20, employer contributions of £nil (2018-2019: £nil) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8 per cent to 14.75 per cent (2018-2019: 8 per cent to 14.75 per cent) of pensionable pay.

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

Employer contributions of £nil, 0.5 per cent (2018-2019: £nil 0.5 per cent) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

No persons (2018-19: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2018-19: £nil).

Average number of persons employed (Audited)

The average number of full-time equivalent persons employed during the year was as follows.

| 2019-20 | | | 2018-19 |
|-----------------|--------|-------|---------|
| Permanent Staff | Others | Total | Total |
| 99 | 1 | 100 | 105 |

Reporting of Civil Service and other compensation schemes - exit packages (Audited)

There were no compulsory redundancies in 2019-20 (2018-19; nil). There were no other compensation schemes in 2019-20. The Voluntary Exit Scheme and the number and overall costs are disclosed in the table below for 2018-19. The associated costs are included in Note 4 to the Accounts – Other Administration Costs.

| Exit package cost band | Number of compulsory redundancies | Number of other departures | Total number of exit packages by cost band |
|-------------------------------|-----------------------------------|---|--|
| < £10,000 | 0 (2018-19; 0) | 0 (2018-19; 0) | 0 (2018-19; 0) |
| £10,000 - £25,000 | 0 (2018-19; 0) | 0 (2018-19; 0) | 0 (2018-19; 0) |
| £25,001 - £50,000 | 0 (2018-19; 0) | 0 (2018-19; 1) | 0 (2018-19; 1) |
| £50,001 - £100,000 | 0 (2018-19; 0) | 0 (2018-19; 5) | 0 (2018-19; 5) |
| £100,001 - £150,000 | 0 (2018-19; 0) | 0 (2018-19; 3) | 0 (2018-19; 3) |
| £150,001 - £200,000 | 0 (2018-19; 0) | 0 (2018-19; 0) | 0 (2018-19; 0) |
| Total number of exit packages | 0 (2018-19; 0) | 0 (2018-19; 9) | 0 (2018-19; 9) |
| Total cost | 0 (2018-19; 0) | 0 (2018-19; £728,000)* | 0 (2018-19; £728,000) |

*This was the cost to fund the departure of 9 members of staff (Full Time Equivalent 7.9) who left on voluntary exit terms, departing in the latter part of the year.

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

Sickness absence

We have a comprehensive attendance management policy, providing advice and information to staff on matters relating to sickness absence, and setting out the procedures to be followed in reporting and monitoring attendance in the Office.

We closely monitor sickness absence figures and it has been a standing item on the agenda of senior management team meetings. The figures for the past three years are:

| Year | Average days' sickness absence per employee | % Absence |
|---------|---|-----------|
| 2017-18 | 5.9 | 2.32 |
| 2018-19 | 7.9 | 3.07 |
| 2019-20 | 8.3 | 3.18 |

Our target of six days was not achieved. Unavoidable absences due to sickness and injury will, of course, occur and we are committed to supporting the health of our staff. We provide a range of positive healthcare and fitness initiatives. In dealing with individual absences, we act reasonably and fairly at all times, taking account of all the circumstances and engaging Occupational Health where appropriate.

Staff engagement

We conducted an Employee Survey during 2018-19. This comprised 135 questions, with the majority of these mirroring the Northern Ireland Civil Service survey to allow for benchmarking with comparable organisations. Additional questions were added to gain an understanding of our employees' engagement, results of which can be benchmarked using the Utrecht Workplace Engagement Score, and our employees' wellbeing using the Short Warwick Edinburgh Mental Wellbeing Scale.

The survey was completed by 91 per cent of our staff. The survey found that we compare favourably when examined against the Northern Ireland Civil Service Employee Engagement Index. Within the results, areas of strength and areas for focus and action planning have been identified. These are being addressed through a strategy and an action plan collaboratively developed with our staff and Trade Unions side. We will undertake another employee engagement survey later in 2020.

As part of the Office's Review of Accommodation, in July 2018 a survey was issued to staff to gain an understanding of staff opinions on the existing office, how they currently work, and how they want to work in the future. Arising from the outcome of this survey, a number of staff user groups were established to review key elements of the design both before and during the design period.

Staff equality policies

We are fully committed to the effective promotion of equality of opportunity in all our employment policies and procedures. This includes ensuring that all applications for employment are considered fairly and consistently, on the basis of merit. We strive to create an environment where all our staff are valued and encouraged to develop to their full potential. We recognise that the provision of equality of opportunity in the workplace is not only good management practice, it also makes sound business sense. Our policies will help all employees to develop their full potential, and the talents and resources of the workforce will be fully utilised to maximise the efficiency of our Office.

In April 2020 a new policy addressing Temporary Promotions at NIAO was agreed. A new People Strategy will be agreed in 2020 which will be ambitious in underpinning our development in the immediate years ahead.

We will continue to consult as widely as possible to ensure that any organisation or group which has a legitimate, particular interest in our work and/or our policies will be included in the process of engagement.

Consultancy

In 2019-20, we paid £22,000 (2018-19; £67,000) to external consultants. This amount is included in Professional Services Bought In which is disclosed in Note 4 to the Financial Statements.

Temporary staff

In 2019-20, we paid £64,714 (2018-19; £42,517) for temporary staff. This amount is included in Note 3 to the Financial Statements.

'Off-Payroll' Engagements

Off-payroll engagements are those where individuals, either self-employed or acting through a personal service company, are paid gross by the employer. In line with HM Treasury requirements, the Department of Finance requires disclosure of such engagements which were in place during 2019-20 costing over £58,200 per annum. We had no off-payroll engagements commencing, ending or operating during 2019-20.

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

Statement of Assembly Supply (Audited)

In addition to the primary statements prepared under International Financial Reporting Standards, the Government Financial Reporting Manual (FReM) requires the NIAO to prepare a Statement of Assembly Supply (SOAS) and supporting notes.

The SOAS and supporting notes are subject to audit, as detailed in the Certificate and Report of Baker Tilly Mooney Moore to the Northern Ireland Assembly.

The SOAS is a key accountability statement that shows, in detail, how an entity has spent against its Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by the Assembly at the start of the financial year.

Should an entity exceed the limits set by its Supply Estimate, called control limits, its accounts will receive a qualified opinion.

The format of the SOAS mirrors the Supply Estimates, published on the www.gov.uk website, to enable comparability between what the Assembly approves and the final outturn.

The SOAS contains a summary table, detailing performance against the control limits that the Assembly have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: outturn by estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE), to tie the SOAS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated fund (note 4).

Summary of Resource Outturn 2019-20

| | Note | OUTTURN | | | ESTIMATE | | | 2019-20 Net total outturn compared with Estimate: saving/ (excess) £'000 | 2018-19 OUTTURN £'000 |
|---|-------|-------------------------------|--------------------------------|--------------------|-------------------------------|--------------------------------|--------------------|--|-----------------------------|
| | | Gross Expenditure £'000 | Accruing Resources £'000 | Net Total £'000 | Gross Expenditure £'000 | Accruing Resources £'000 | Net Total £'000 | | |
| Request for Resource A* | SOAS1 | 9,320 | 2,657 | 6,663 | 9,569 | 2,745 | 6,824 | 161 | 6,931 |
| Total resources | SOAS2 | 9,320 | 2,657 | 6,663 | 9,569 | 2,745 | 6,824 | 161 | 6,931 |
| Non- Operating cost Accruing Resources | | - | - | - | - | - | - | - | - |

* Request for Resource A: Providing audit and other assurance services and promoting economy, efficiency and effectiveness in the use of public funds and resources.

Net Cash Requirement 2019-20

| | Note | 2019-20 £'000 | | | 2018-19 £'000 |
|-----------------------------|-------|------------------|----------|--|------------------|
| | | Outturn | Estimate | Net Total outturn compared with Estimate: saving/(excess) | Outturn |
| Net Cash Requirement | SOAS3 | 7,060 | 7,184 | 124 | 6,568 |

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the NIAO and is payable to the Consolidated Fund (*cash receipts being shown in italics*):

| | Note | 2019-20 £'000 Forecast | | 2019-20 £'000 Outturn | |
|--------------|-------|------------------------------|-----------------|-----------------------------|-----------------|
| | | Income | <i>Receipts</i> | Income | <i>Receipts</i> |
| Total | SOAS4 | - | - | 1 | 61 |

Explanations of variances between the Estimate and outturn figures are given in Note SOAS1 and the Performance Report.

SOAS1 Analysis resource outturn by Estimate line

| | 2019-20 £'000 | | | | | | | | 2018-19 £'000 | |
|------------------------------------|------------------|------------------|------------|----------------------------------|-----------------------|--------------|--------------|------------|--|--------------------------|
| | OUTTURN | | | | | | ESTIMATE | | Net total outturn compared with Estimate | Prior Year Outturn |
| | Admin | Other Current | Grants | Gross Resource Expenditure | Accruing Resources | Net Total | Net Total | | | |
| Request for Resources A | - | 9,082 | 238 | 9,320 | 2,657 | 6,663 | 6,824 | 161 | 6,931 | |
| Function A-1 | | | | | | | | | | |
| RESOURCE OUTTURN | - | 9,082 | 238 | 9,320 | 2,657 | 6,663 | 6,824 | 161 | 6,931 | |

Savings arose from:

- a decrease to in-year salary costs arising from headcount reductions following a number of VES departures; and
- a reduction in the employee benefits liability.

These decreases were offset by an increase in contracted out costs following a new five year procurement exercise.

Key to Request for Resources and Functions

Request for Resources A: Providing audit and other assurance services and promoting economy, efficiency and effectiveness in the use of public funds and resources.

Function A-1: Audit and Assurance Services (Departmental Expenditure Limit)

SOAS2 Reconciliation of outturn to net operating expenditure

| | Note | 2019-20 £'000 | | | 2018-19 £'000 |
|---|-------|------------------|--------------------|--------------------------------------|------------------|
| | | Outturn | Supply Estimate | Outturn compared with Estimate | Outturn |
| Net Resource Outturn | | 6,663 | 6,824 | 161 | 6,931 |
| Non-supply income (CFERs) | SOAS5 | (1) | - | 1 | (61) |
| Non-supply expenditure | 4 | 160 | 160 | - | 160 |
| Net Operating Cost in Statement of Comprehensive Net Expenditure | | 6,822 | 6,984 | 162 | 7,030 |

As noted in the introduction to the SOAS above, outturn and the estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOAS to the financial statements.

SOAS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

| | Note | Outturn £'000 | Estimate £'000 | Net Total Outturn compared with Estimate: Saving/(Excess) £'000 |
|--|-------|------------------|-------------------|---|
| Net Resource Outturn | SOAS2 | 6,663 | 6,824 | 161 |
| Capital | | | | |
| Acquisition of non-current assets | 6,7 | 168 | 200 | 32 |
| Accruals to cash adjustments: | | | | |
| <i>Adjustments to remove non-cash items:</i> | | | | |
| Depreciation | 4 | (124) | (140) | (16) |
| Changes in working capital other than cash | | 353 | 300 | (53) |
| Net Cash Requirement | | 7,060 | 7,184 | 124 |

As noted in the introduction to the SOAS above, outturn and the estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SOAS4 Analysis of Income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Office and is payable to the Consolidated Fund (*cash receipts being shown in italics*).

| | 2019-20 Forecast £'000 | | 2019-20 Outturn £'000 | |
|--|------------------------------|-----------------|-----------------------------|-----------------|
| | Income | <i>Receipts</i> | Income | <i>Receipts</i> |
| Operating income and receipts - excess Accruing Resources | - | - | - | 60 |
| Other operating income and receipts not classified as Accruing Resources | - | - | 1 | 1 |
| Total income payable to the Consolidated Fund | - | - | 1 | 61 |

SOAS5 Reconciliation of Income recorded within the Statement of Comprehensive Net Expenditure to Operating Income payable to the Consolidated Fund

| | Note | 2019-20 £'000 | 2018-19 £'000 |
|--|-------|------------------|------------------|
| Operating Income | 5 | 2,657 | 2,781 |
| Income authorised to be used as Accruing Resources | | 2,656 | 2,720 |
| Operating income payable to the Consolidated Fund | SOAS4 | 1 | 61 |

Other Assembly Accountability Disclosures (Audited)

Losses and Special Payments

No exceptional kinds of expenditure, such as losses and special payments that require separate disclosure because of their nature or amount, were incurred.

Fees and Charges

The Office has a target of recovering the full cost of undertaking fee paying work.

| | 2019-20 £'000 | | | 2018-19 £'000 | | |
|-----------------------------|------------------|--------------|-----------------------|------------------|--------------|-----------------------|
| | Income | Full Cost | Surplus/ (deficit) | Income | Full Cost | Surplus/ (deficit) |
| Fee Income | | | | | | |
| NAO Agency Fees | 523 | 541 | (18) | 531 | 477 | 54 |
| Other Financial Audit Fees | 1,031 | 1,142 | (111) | 1,050 | 1,079 | (29) |
| Local Government Audit Fees | 879 | 920 | (41) | 854 | 911 | (57) |
| NFI | - | - | - | 154 | 154 | - |
| | 2,433 | 2,603 | (170) | 2,589 | 2,621 | (32) |
| Other Income | | | | | | |
| CFERs | - | | | 1 | | |
| Income from secondments | 134 | | | 143 | | |
| Rental Income | 90 | | | 48 | | |
| | 2,657 | | | 2,781 | | |

The information here is provided solely to meet the requirements of the Department of Finance's "Fees and Charges" guide and is not disclosed for the purpose of IFRS 8. Variations in fee income and costs, when comparing one year with another, are primarily due to differences in the timing of when some audits are completed.

Remote Contingent Liabilities

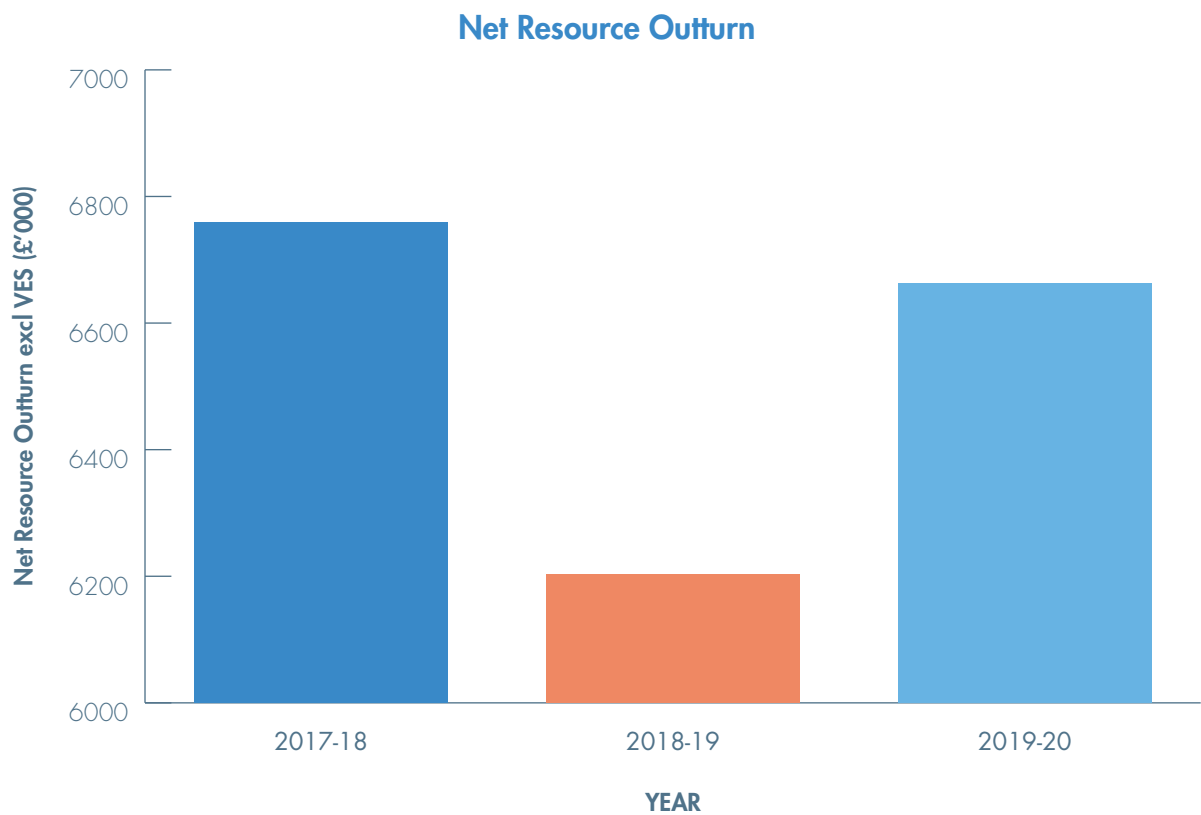
In addition to contingent liabilities reported within the meaning of International Accounting Standard (IAS) 37, the Office is required to report liabilities for which the likelihood of economic benefit in settlement is too remote to meet the definition of a contingent liability. The Office has no such liabilities.

Long-Term Expenditure Trends

The Office's outturn in Estimate and Budget terms for the period 2017-18 to 2019-20 is set out below.

Estimate

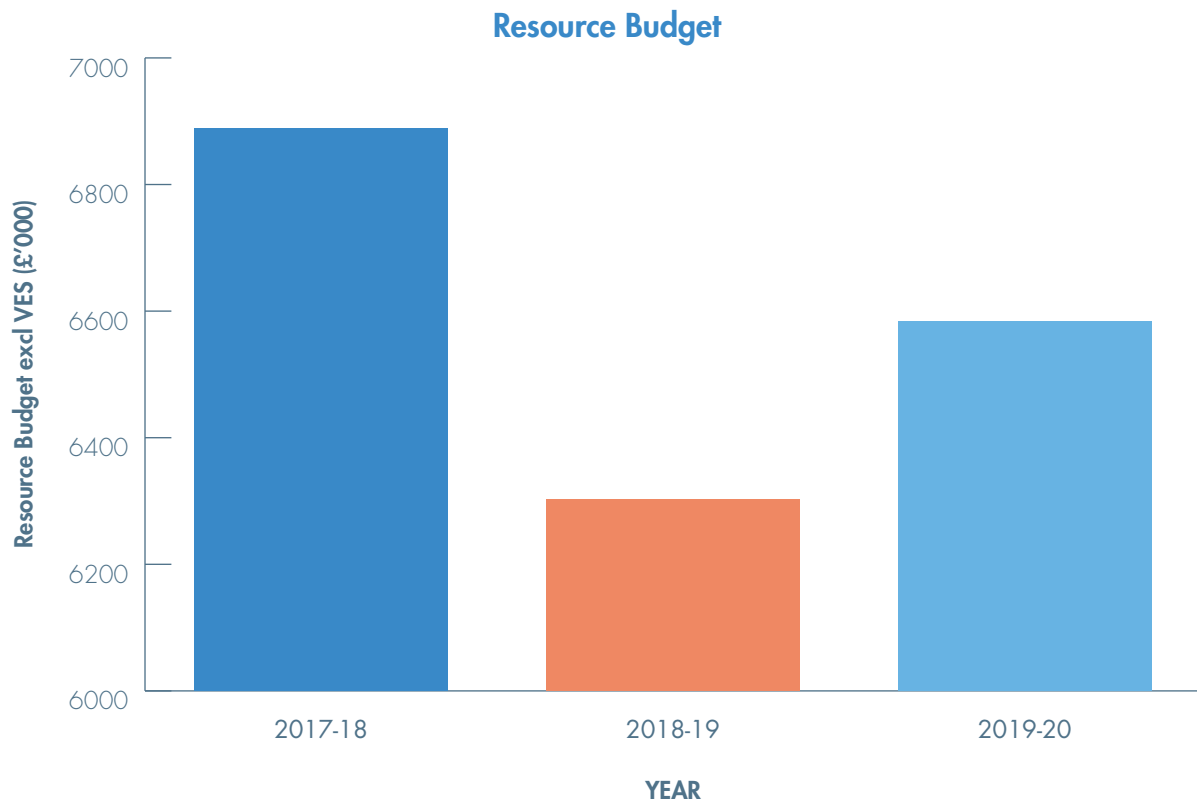
| | 2017-18 £'000 | 2018-19 £'000 | 2019-20 £'000 |
|--|------------------|------------------|------------------|
| Net Resource Outturn (NRO) | 7,354 | 6,931 | 6,663 |
| Voluntary Exit Scheme (VES) Expenditure | 595 | 728 | – |
| NRO excluding VES | 6,759 | 6,203 | 6,663 |



As indicated on page 27, staff costs account for approximately 68 per cent of the Office's outturn (2018-19; 65 per cent). The Statement of Comprehensive Net Expenditure on page 78 and its notes provide a breakdown of income and expenditure in 2018-19 and 2019-20.

Budget

| | 2017-18 £'000 | 2018-19 £'000 | 2019-20 £'000 |
|--|------------------|------------------|------------------|
| Resource DEL | 7,503 | 7,045 | 6,584 |
| Resource AME | (19) | (15) | (-) |
| Resource Budget Outturn | 7,484 | 7,030 | 6,584 |
| VES Expenditure | 595 | 728 | - |
| Resource Budget Outturn excluding VES | 6,889 | 6,302 | 6,584 |



The Resource Budget Outturn differs from the Net Resource Outturn as it includes Consolidated Fund Standing Services but excludes Notional Charges. Resource AME (Annually Managed Expenditure) relates to the increase and spend of the Office's Early Retirement Cost provision.

Capital Outturn

| | 2017-18 £'000 | 2018-19 £'000 | 2019-20 £'000 |
|--------------------|------------------|------------------|------------------|
| Capital DEL | 72 | 45 | 168 |

Capital DEL relates to ICT and accommodation requirements. ICT provision is outsourced to IT Assist (part of the Northern Ireland Civil Service's Shared Services Centre) but excludes specific line of business applications such as audit management software which the Office will continue to invest in. Expenditure on accommodation comprises standard asset replacement. In the current year professional fees and design costs were capitalised as part of a long term capital accommodation project. These costs are included as assets under construction in note 6. Further information on the capital accommodation project is disclosed on page 29.

Kieran Donnelly

Kieran Donnelly CB
Comptroller and Auditor General for Northern Ireland

21 September 2020

Independent Auditor's Report to the Northern Ireland Assembly

We certify that we have audited the financial statements of the Northern Ireland Audit Office for the year ended 31 March 2020 under the Audit (Northern Ireland) Order 1987. These financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity; and the related notes including significant accounting policies.

This report is made solely to the Northern Ireland Audit Office, as a body, in accordance with the Audit (Northern Ireland) Order 1987. Our audit work has been undertaken so that we might state to the Northern Ireland Audit Office those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Northern Ireland Assembly as a body, for our audit work, for this report or for the opinions we have formed. We have also audited the Statement of Assembly Supply, and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Northern Ireland Audit Office's affairs as at 31 March 2020 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Audit (Northern Ireland) Order 1987 and the relevant Department of Finance guidance.

Opinion on Regularity

In our opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly, and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

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

Emphasis of matter – uncertainty regarding property valuation

We draw attention to the disclosures in note 1.2 to the financial statements in relation to the valuation of the land and buildings owned by the NIAO. This property is annually revalued by Land & Property Services and included in the financial statements at this value. A valuation of £3.5 million was obtained at 31 October 2019. The note draws attention to the fact that there is little to no empirical evidence at the moment to indicate disruption in the NI property market in particular as a result of the COVID-19 crisis. However given the potential impact of this uncertainty we consider it should be brought to your attention. Our audit opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters to which the ISAs(UK) require us to report to you where:

- the Northern Ireland Audit Office's use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the Northern Ireland Audit Office has not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the Northern Ireland Audit Office's ability to continue to adopt the going concern basis.

Other information

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

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

Opinion on other matters

In our opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the guidance issued by the Department of Finance; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the accounts the Accounting Officer is responsible for assessing the Northern Ireland Audit Office's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Northern Ireland Audit Office plans to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit, certify and report on the financial statements in accordance with the Audit (Northern Ireland) Order 1987.

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

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

In addition, we are required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the Outturn against voted Assembly control totals and that these totals have not been exceeded. We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which we report by exception

We have nothing to report in respect of the following matters which we report to you if, in our opinion:

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



Baker Tilly Mooney Moore
Chartered Certified Accountants and Registered Auditor
17 Clarendon Road
Clarendon Dock
Belfast
BT1 3BG

22 September 2020



Financial Statements



Net Expenditure

2019-20: £6.82 million
2018-19: £7.03 million



Audit Fee Income

2019-20: £2.43 million
2018-19: £2.59 million



Other Income

2019-20: £224,000
2018-19: £192,000



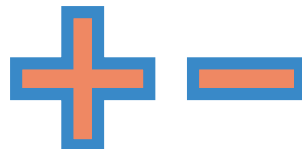
Staff Costs

2019-20: £6.44 million
2018-19: £6.21 million



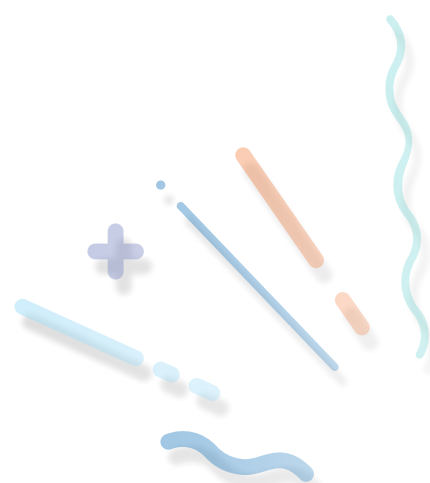
Other Costs

2019-20: £3.04 million
2018-19: £3.61 million



Total assets less liabilities

2019-20: £3.98 million
2018-19: £3.29 million



Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which includes changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

| | Note | 2019-20 | | 2018-19 | |
|--|-------|---------|----------------|---------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Other Operating Income | 5 | | (2,657) | | (2,781) |
| Staff Costs | 3 | 6,441 | | 6,206 | |
| Purchase of Goods and Services | 4 | 2,907 | | 3,467 | |
| Depreciation | 4 | 124 | | 134 | |
| Tax expense | | 7 | | 4 | |
| Total Operating Expenditure | | | 9,479 | | 9,811 |
| Net Operating Expenditure | SOAS2 | | 6,822 | | 7,030 |
| Other Comprehensive Net Expenditure | | | | | |
| Items that will not be reclassified to net operating costs: | | | | | |
| – Net (gain) on revaluation of Property, Plant and Equipment | 6/7 | | (297) | | (92) |
| Comprehensive Net Expenditure for the year | | | 6,525 | | 6,938 |

The notes on pages 82 to 96 form part of these accounts

Statement of Financial Position

as at 31 March 2020

This statement presents the financial position of the Office. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of equity.

| | Note | 31 March 2020 | | 31 March 2019 | |
|--|------|---------------|--------------|---------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Non-current Assets | | | | | |
| Property, Plant and Equipment | 6 | 3,727 | | 3,365 | |
| Intangible Assets | 7 | 9 | | 30 | |
| Total non-current assets | | | 3,736 | | 3,395 |
| Current Assets | | | | | |
| Trade and other receivables | 10 | 830 | | 1,125 | |
| Cash and cash equivalents | 11 | 114 | | 200 | |
| Total current assets | | | 944 | | 1,325 |
| Total Assets | | | 4,680 | | 4,720 |
| Current liabilities | | | | | |
| Trade and other payables | 12 | (699) | | (1,433) | |
| Provisions | 13 | – | | | |
| Total current liabilities | | | (699) | | (1,433) |
| Total assets less current liabilities | | | 3,981 | | 3,287 |
| Non-current liabilities | | | | | |
| Provisions | 13 | – | | – | |
| Total non-current liabilities | | | – | | – |
| Total assets less liabilities | | | 3,981 | | 3,287 |
| Taxpayers' equity: | | | | | |
| General Fund | | | 2,752 | | 2,258 |
| Revaluation Reserve | | | 1,229 | | 1,029 |
| Total equity | | | 3,981 | | 3,287 |



Kieran Donnelly CB

Comptroller and Auditor General for Northern Ireland

21 September 2020

The notes on pages 82 to 96 form part of these accounts

Statement of Cash Flows for the year ended 31 March 2020

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Office during the reporting period. The statement shows how the Office generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of services costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Office. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Office's future public service delivery.

| | Note | 2019-20 £'000 | 2018-19 £'000 |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net operating expenditure | | (6,822) | (7,030) |
| Adjustment for non-cash transactions | 4 | 124 | 134 |
| (Increase) / Decrease in trade and other receivables | 10 | 295 | (155) |
| Increase / (Decrease) in trade payables | 12 | (734) | 476 |
| less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure | | 111 | (73) |
| Use of provisions | 13 | – | (16) |
| Net cash outflow from operating activities | | (7,026) | (6,664) |
| Cash flows from investing activities | | | |
| Purchase of Property, Plant and Equipment | 6,12 | (133) | (35) |
| Purchase of intangible assets | 7 | – | (6) |
| Net cash outflow from investing activities | | (133) | (41) |
| Cash flows from financing activities | | | |
| From the Consolidated Fund (Supply) – current year | | 6,974 | 6,608 |
| From the Consolidated Fund (non-Supply) | 4 | 160 | 160 |
| Net financing | | 7,134 | 6,768 |
| Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund | | (25) | 63 |
| Payments of amounts due to the Consolidated Fund | | (61) | (30) |
| Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund | | (86) | 32 |
| Cash and cash equivalents at the beginning of the period | 11 | 200 | 168 |
| Cash and cash equivalents at the end of the period | 11 | 114 | 200 |

The notes on pages 82 to 96 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

This statement shows the movement in the year on the different reserves held by the Office analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of the Office, to the extent that the total is not represented by other reserves and financing items.

| | Note | General Fund £'000 | Revaluation Reserve £'000 | Taxpayers' Equity £'000 |
|---|-------|-----------------------|------------------------------|----------------------------|
| Balance at 31 March 2018 | | 2,528 | 1,029 | 3,557 |
| Net Assembly Funding - drawn down | | 6,608 | – | 6,608 |
| Net Assembly Funding - deemed | | 161 | – | 161 |
| Consolidated Fund Standing Services | 4 | 160 | – | 160 |
| Supply payable adjustment | 12 | (200) | – | (200) |
| CFERs payable to the Consolidated Fund | SOAS4 | (61) | – | (61) |
| Comprehensive Net Expenditure for the year | | (7,030) | 92 | (6,938) |
| Other reserves movements including transfers (restated) | | 92 | (92) | – |
| Balance at 31 March 2019 | | 2,258 | 1,029 | 3,287 |
| Net Assembly Funding - drawn down | | 6,974 | | 6,974 |
| Net Assembly Funding - deemed | | 200 | | 200 |
| Consolidated Fund Standing Services | 4 | 160 | | 160 |
| Supply payable adjustment | 12 | (114) | | (114) |
| CFERs payable to the Consolidated Fund | SOAS5 | (1) | – | (1) |
| Comprehensive Net Expenditure for the year | | (6,822) | 297 | (6,525) |
| Other reserves movements including transfers | | 97 | (97) | – |
| Balance at 31 March 2020 | | 2,752 | 1,229 | 3,981 |

The notes on pages 82 to 96 form part of these accounts

Notes to the Resource Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with Article 6 of the Audit (Northern Ireland) Order 1987, as amended by the Government Resources and Accounts Act (Northern Ireland) 2001, which requires the NIAO to prepare resource accounts

In meeting this requirement, the financial statements have been prepared in accordance with the 2019-20 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

In addition to the primary statements prepared under IFRS, *FReM* also requires the Office to prepare one additional primary statement. The *Statement of Assembly Supply* and supporting notes show outturn against the Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

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

COVID-19 was declared a global pandemic by WHO in March 2020 and the UK entered a period of enforced 'lockdown' on 23 March 2020, shortly before the year end, and this has resulted in a number of uncertainties and that have needed to be reflected in certain estimates and judgements which are set out within the accounting policies.

1.2 Property, plant and equipment

Land and buildings have been included on the basis of interim professional valuations performed by Land & Property Services (LPS). The interim valuations provided by LPS as at 31 October 2019 are open market value existing use, with the building valued on the basis of fitted out accommodation rather than solely as the shell of the building. Consequently certain items previously included with furniture and fittings are now classified as buildings. A full professional valuation is required every 5 years. The date of the last full valuation by LPS was on 31 October 2018.

Information technology and furniture have been restated using valuation indices produced by the Office for National Statistics.

The minimum level for capitalisation of property, plant and equipment is £500. All non-property operational assets are stated at fair value on the basis of their existing use.

The ongoing COVID-19 crisis introduces significant uncertainty in relation to many factors that have historically acted as drivers for property market activity. This could affect market values which are used as the basis for the valuation. Management acknowledges the uncertainty but considers that there is little or no empirical evidence available that there is an impact of COVID-19 on local property market activity relevant to the valuation of the 106 University Street property. While this lack of evidence reduces the level of certainty that can be attached to such a valuation, management considers that the valuation provided is an appropriate basis on which to determine the Property's fair value at the date of reporting.

1.3 Intangible assets

Intangible assets comprise capitalised operational software licenses and the costs involved in implementing the software. The cost of licences and implementation costs are amortised over their expected useful lives of between three and seven years. The minimum level for capitalisation of an intangible asset is £500. These assets have also been restated using valuation indices produced by the Office for National Statistics.

1.4 Depreciation

Depreciation is provided at rates calculated to write off the valuation of property, plant and equipment by equal instalments over their estimated useful lives. Asset lives are normally in the following ranges:

| | |
|-------------------------------|----------------------|
| Information Technology | 3 to 7 years |
| Furniture | 5 to 20 years |

The building is depreciated over a 35 year estimated useful life. Land is not depreciated.

Where events have arisen which reduce the recoverable amount of any non-current asset below its carrying amount, an impairment loss is recognised.

1.5 Work in progress

Work in progress relates to a proportion of auditor fees that have been earned by the end of the financial year but where a fee has not yet been issued. The calculation is based on the amount of audit work completed by the end of the financial year as a proportion of the total expected amount of audit work, less any foreseen losses and payments received on account.

The circumstances caused by COVID-19 will impact on the cost of completion of some of these audits in a way which will not be fully known at the date of reporting. These variances against plan could impact on the estimates used to calculate income to be recognised at the reporting date and any provision for unrecoverable amounts.

There may be increases in the costs of carrying out audits which are a result of audit work being done remotely rather than having teams based on location. These changes in work practices only began close to the year end with minimal impact on the work in progress figures recorded. No material impact on the recovery of these amounts is anticipated.

1.6 Income

Income principally comprises fees and charges for services provided by statute or by agreement with the National Audit Office (NAO) and client organisations. This income represents the amounts derived from the provision of completed work for clients during the year and includes an appropriate allowance for work in progress on assignments which will be completed in the following year.

Further details of the NAO's application of IFRS 15 to audit assignments are set out in Note 5.

Income not only includes accruing resources approved in the Estimate but also income due to the Consolidated Fund, which, in accordance with the FReM, is treated as operating income. Operating income is stated net of Value Added Tax.

1.7 Secondment income

The NAO secondments staff to other organisations in the public sector. It will typically seek to recover the associated salary costs of the staff member on secondment. However, the NAO may at times subsidise the cost of this secondment where it is in its strategic interests to do so and where the experience and skills gained through the secondment will bring future benefit to the NAO.

1.8 Rental income

The NAO has entered into agreements to sublet part of its property. Rental income is recognised within other operating income on a straight-line basis over the term of the lease. A separate service charge is levied to recover costs borne by the NAO.

1.9 Pensions

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

1.10 Early Departure Costs

The NAO is required to meet the cost of paying the pensions of employees who retire early, from the date of retirement until they reach normal pensionable age. The Office provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes operating in the current or previous periods.

1.11 Other provisions

The NAO provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation.

1.12 Value Added Tax

Income and expenditure in the account is stated exclusive of irrecoverable Value Added Tax (VAT). The Office can recover VAT at a partial exemption rate. For 2019-20 this was at a rate of 6 per cent (2018-19; 8 per cent), based on the percentage of business income over total income.

1.13 Staff costs

Under IAS 19 Employee Benefits, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave as at the year end.

1.14 Financial instruments

The NIAO does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables. Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Office will be unable to collect an amount due in accordance with agreed terms.

1.15 Impending application of newly issued accounting standards not yet effective

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

IFRS 16 has been adopted by the FReM and was planned to be effective from 1 April 2020.

However, HM Treasury have agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 Leases until 1 April 2021. This is because of the circumstances caused by COVID-19.

We have carried out an assessment of the new standard on leases and have concluded that there will be no impact on the NIAO's financial statements.

2. Statement of Operating Costs by Operating Segment

NIAO's operating segments reflect the activities undertaken to achieve the business objectives.

| | 2019-20 | | | 2018-19 | | |
|--|----------------------------|-----------------|--------------------------|----------------------------|-----------------|--------------------------|
| | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 |
| Financial Audit | 6,129 | 2,433 | 3,696 | 6,400 | 2,435 | 3,965 |
| Public Reporting | 2,154 | – | 2,154 | 2,338 | – | 2,338 |
| Governance and Fraud Prevention and Detection | 494 | – | 494 | 631 | 154 | 477 |
| Support to the NI Assembly, other public bodies and citizens | 450 | 224 | 226 | 428 | 192 | 236 |
| GovTech Funding | 238 | – | 238 | – | – | – |
| Comptroller Function | 14 | – | 14 | 14 | – | 14 |
| Total | 9,479 | 2,657 | 6,822 | 9,811 | 2,781 | 7,030 |

Financial Audit – Forming an opinion on financial statements; assessing whether expenditure is regular and in accordance with the intentions of the Assembly when it granted the money; and providing assurance on the Accounting Officers' Governance Statement.

Public Reporting – Independently examining and reporting to the Northern Ireland Assembly on whether public bodies spend taxpayers' money economically, efficiently and effectively. Audit, assessment and reporting on local councils' performance improvement responsibilities. Providing public bodies with constructive advice in the form of good practice reports across a range of areas.

Governance and Fraud Prevention and Detection – Helping public bodies improve their corporate governance, financial control and risk management arrangements, and assisting in the prevention and detection of fraud by conducting and reporting on data matching exercises.

Support to the Northern Ireland Assembly, other public bodies and citizens – Working closely with the Public Accounts Committee on evidence sessions based on our reports; providing support to departmental committees; responding to enquiries from elected representatives as well as citizens; seconding staff to other public bodies; and providing office space to other public bodies.

GovTech funding – Data Analytics is a fast developing area which will have an impact on the audit process in the future. The NIAO secured grant funding in 2019-20 through the Department for Business, Energy and Industrial Strategy. This funding was directly allocated as grants to successful applicant organisations to conduct research in this area and to help develop new techniques or systems. The Cabinet Office has approved a 2nd phase of this research.

Comptroller Function – Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.

3. Staff Costs

| | 2019-20 £'000 | 2018-19 £'000 |
|------------------------|------------------|------------------|
| Wages and Salaries | 4,561 | 4,618 |
| Social Security Costs | 480 | 500 |
| Other Pension Costs | 1,400 | 1,088 |
| Total net costs | 6,441 | 6,206 |

A breakdown of the above costs into permanent staff and other can be found in the Staff Report within the Accountability Report.

4. Other Administration Costs

| | Note | 2019-20 | | 2018-19 | |
|---|------|---------|--------------|---------|--------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Contracted Out Audits | | 1,390 | | 1,099 | |
| Accommodation | | 349 | | 365 | |
| National Fraud Initiative Costs | | – | | 141 | |
| Recruitment and training | | 189 | | 157 | |
| Consolidated Fund Standing Services (C&AG's salary) | | 160 | | 160 | |
| Office Supplies/Equipment | | 35 | | 47 | |
| Computer Services | | 332 | | 392 | |
| Travel and Subsistence | | 83 | | 96 | |
| Professional Services Bought In | | 30 | | 93 | |
| Small Business Research Initiative | | – | | 5 | |
| GovTech Initiative | | 238 | | – | |
| Other Indirect Costs | | 44 | | 59 | |
| Legal Fees | | 13 | | 60 | |
| Internal Auditors' Fees | | 18 | | 18 | |
| External Auditors' Fees - Audit | | 19 | | 19 | |
| External Auditor's Fees - Other | | 5 | | 25 | |
| | | 2 | | 3 | |
| Hospitality | | | 2,907 | | 2,739 |
| Voluntary Exit Costs | | | – | | 728 |
| | | | 2,907 | | 3,467 |
| Non- cash items | | | | | |
| Depreciation | 6,7 | 124 | | 134 | |
| Provision provided for in-year | 13 | – | | – | |
| Provision not required written back | 13 | – | | – | |
| Notional Costs | | – | | – | |
| | | | 124 | | 134 |
| Total | | | 3,031 | | 3,601 |

During the year the Office purchased the following non-audit services from its auditor, Baker Tilly Mooney Moore:

- Validation of Impacts of the NIAO, £5,000 (2018-19: £5,000).

5. Operating Income

| | 2019-20 £'000 | 2018-19 £'000 |
|------------------|------------------|------------------|
| Income from NAO | 523 | 531 |
| Other Audit Fees | 1,910 | 1,904 |
| NFI Receipts | – | 154 |
| Rental Income | 90 | 48 |
| Other Income | 134 | 144 |
| Total | 2,657 | 2,781 |

In line with its accounting policy, the NIAO has applied the requirements of IFRS 15 to income earned from fee-paying audits falling within the scope of IFRS 15.

Identification of a contract

The basis of the different streams of audit work are set out below.

| Audit income stream | Basis for identifying a contract | Performance obligation |
|--|---|--|
| Statutory Audit | For these audits, we are appointed auditors under statute and we charge a fee directly to the body. For audits under the Government Resources and Accounts Act NI 2001 the client recognises a notional fee and no income is recognised in the NIAO accounts. There is no legal contract with fee-paying statutory audit clients but there is deemed to be a contract in accordance with the FReM adaptation of IFRS 15 that the definition of a contract is expanded to include legislation and regulations enabling an entity to receive income. The contract is deemed to be as set out in the Letter of Understanding between the NIAO and the audited body. | Issue a certificate and report of the C&AG to the Northern Ireland Assembly. |
| Agreement Audit | For these audits, we are appointed auditors by the organisation's board under their own governance arrangements and have a contract with them in the form of a Letter of Engagement. | Issue a certificate and report of the C&AG to the Northern Ireland Assembly. |
| Companies Act Audit | For these audits, we are appointed auditors under the Companies (Public Sector Audit) Order 2013 and therefore have a contract with them in the form of a Letter of Understanding. | Issue a certificate and report of the C&AG to the Northern Ireland Assembly. |
| National Audit Office sub contract services | For these assignments we contract with the NAO to conduct audit and verification work on regional organisations for which the NAO is the appointed lead auditor. | Issue a report or advice as per the terms of the engagement. |

Identification of performance obligations

The NIAO has determined that there is a single performance obligation for each engagement which is identified as the objective of these assignments in the Letter of Understanding or Letter of Engagement, or contract for services provided to NAO. In the case of audits, other outputs, such as interim reports and reports to those charged with governance of the audited body, are produced during audit assignments, but these other outputs are integral to the audit opinion: they are highly interrelated with the delivery of the audit certificate or report, so do not qualify as distinct performance obligations.

Determination of when performance obligations are satisfied

The NIAO has determined that the performance obligations described above are satisfied over time rather than at a point in time. This is because the NIAO's performance of the engagement does not create an asset with an alternative use to the NIAO and the NIAO has an enforceable right to payment for performance completed to date.

The majority of the NIAO's financial audits are on an annual cycle. The fee (which is based on estimated costs to the NIAO) and invoicing schedule is agreed between the individual assignment teams and the client. The NIAO is entitled to recover costs in respect of work completed to date at any stage of the audit. Our typical schedule is to invoice audits with fees over £50,000 in two instalments and all other audits are invoiced when the audit is complete. Our payment terms are that audit fee invoices should be paid within 30 days. Contracts for audit services do not have a significant financing component and the consideration amount is not variable except in respect of fee increases where it has become necessary to perform additional work.

Allocation of transaction price to performance obligations

Income is recognised as the services are provided, determined by reference to the proportion of budgeted costs that have been spent to date for each engagement, less a provision for any unrecoverable amounts. This provides a faithful depiction of the transfer of services because the nature of work is that the staff costs incurred represent progress towards satisfaction of the performance obligation. There is a direct relationship between these inputs and the transfer of services to the audit client.

Recognition of contract assets and liabilities

The contract asset (work in progress) is recorded in Note 10. Payments received in advance of performance under the contract are recognised as a contract liability (payments on account). This is then recognised as revenue as we perform our work.

6. Property, Plant and Equipment

2019-20

| | Land | Buildings | Information Technology | Furniture and Fittings | Assets Under Construction | Total |
|---|------------|--------------|------------------------|------------------------|---------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | |
| At 1 April 2019 | 350 | 2,950 | 34 | 98 | 31 | 3,463 |
| Additions | - | - | - | 4 | 164 | 168 |
| Disposals | - | - | (25) | (43) | - | (68) |
| Revaluations | - | 200 | - | (1) | - | 199 |
| At 31 March 2020 | 350 | 3,150 | 9 | 58 | 195 | 3,762 |
| Depreciation | | | | | | |
| At 1 April 2019 | - | - | 31 | 67 | - | 98 |
| Charged in year | - | 97 | 1 | 5 | - | 103 |
| Disposals | - | - | (25) | (43) | - | (68) |
| Revaluations | - | (97) | - | (1) | - | (98) |
| At 31 March 2020 | - | - | 7 | 28 | - | 35 |
| Carrying amount at 31 March 2019 | 350 | 2,950 | 3 | 31 | 31 | 3,365 |
| Carrying amount at 31 March 2020 | 350 | 3,150 | 2 | 30 | 195 | 3,727 |

All assets at 31 March 2020 are owned by the NIAO.

Details of the basis of valuation can be found in Note 1.2 to the Accounts.

6. Property, Plant and Equipment cont'd.

2018-19

| | Land | Buildings | Information Technology | Furniture and Fittings | Assets Under Construction | Total |
|---|------------|--------------|------------------------|------------------------|---------------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | |
| At 1 April 2018 | 350 | 2,950 | 37 | 142 | - | 3,479 |
| Additions | - | - | - | 8 | 31 | 39 |
| Disposals | - | - | (3) | (53) | - | (56) |
| Revaluations | - | - | - | 1 | - | 1 |
| At 31 March 2019 | 350 | 2,950 | 34 | 98 | 31 | 3,463 |
| Depreciation | | | | | | |
| At 1 April 2018 | - | - | 29 | 113 | - | 142 |
| Charged in year | - | 91 | 5 | 7 | - | 103 |
| Disposals | - | - | (3) | (53) | - | (56) |
| Revaluations | - | (91) | - | - | - | (91) |
| At 31 March 2019 | - | - | 31 | 67 | - | 98 |
| Carrying amount at 31 March 2018 | 350 | 2,950 | 8 | 29 | - | 3,337 |
| Carrying amount at 31 March 2019 | 350 | 2,950 | 3 | 31 | 31 | 3,365 |

All assets at 31 March 2019 were owned by the NIAO.

Details of the basis of valuation can be found in Note 1.2 to the Accounts.

7. Intangible Assets

2019-20

| | Software Licences £'000 |
|---|----------------------------|
| Cost or valuation | |
| At 1 April 2019 | 144 |
| Additions | - |
| Disposals | (30) |
| Revaluations | - |
| At 31 March 2020 | 114 |
| Depreciation | |
| At 1 April 2019 | 114 |
| Charged in year | 21 |
| Disposals | (30) |
| Revaluations | - |
| At 31 March 2020 | 105 |
| Carrying amount at 31 March 2019 | 30 |
| Carrying amount at 31 March 2020 | 9 |

All assets at 31 March 2020 are owned by the NIAO.

Details of the basis of valuation can be found in Note 1.3 to the Accounts.

7. Intangible Assets cont'd.

2018-19

| | Software Licences £'000 |
|---|----------------------------|
| Cost or valuation | |
| At 1 April 2018 | 262 |
| Additions | 6 |
| Disposals | (125) |
| Revaluations | 1 |
| At 31 March 2019 | 144 |
| Depreciation | |
| At 1 April 2018 | 207 |
| Charged in year | 31 |
| Disposals | (125) |
| Revaluations | 1 |
| At 31 March 2019 | 114 |
| Carrying amount at 31 March 2018 | 55 |
| Carrying amount at 31 March 2019 | 30 |

All assets at 31 March 2019 were owned by the NIAO.

Details of the basis of valuation can be found in Note 1.3 to the Accounts.

8. Capital and other commitments

8.1 Capital Commitments

At the reporting date the Office has no capital commitments.

8.2 Commitments under leases

The Office has no commitments under operating leases and holds no finance leases.

8.3 Other Financial Commitments

The Office has no other financial commitments as at 31 March 2020.

9. Financial Instruments

As the cash requirements of the Office are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items, in line with the Office's expected purchase and usage requirements, and the Office is therefore exposed to little credit, liquidity or market risk.

10. Trade and other receivables

| | 2019-20 £'000 | 2018-19 £'000 |
|---|------------------|------------------|
| Amounts receivable within one year | | |
| Trade receivables | 295 | 615 |
| Work in progress | 445 | 443 |
| Prepayments | 90 | 67 |
| Total | 830 | 1,125 |

There are no amounts receivable after more than one year.

11. Cash and cash equivalents

| | 2019-20 £'000 | 2018-19 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 200 | 168 |
| Net change in cash and cash equivalent balances | (86) | 32 |
| Balance 31 March* | 114 | 200 |

*The above balance is held at a commercial bank.

12. Trade payables and other current liabilities

| | 2019-20 £'000 | 2018-19 £'000 |
|--|------------------|------------------|
| Amounts falling due within one year | | |
| VAT | 53 | 104 |
| Trade payables | 266 | 320 |
| Accruals | 60 | 474 |
| Employee benefits accrual | 164 | 123 |
| Payments on account | - | 145 |
| | 543 | 1,166 |
| Total excluding amounts due to the Consolidated Fund | 543 | 1,166 |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 114 | 200 |
| Consolidated Fund extra receipts due to be paid to the Consolidated Fund: | | |
| Received | 1 | 1 |
| Receivable | - | 60 |
| Sub Total | 658 | 1,427 |
| Other payables: capital creditor | 41 | 6 |
| Total | 699 | 1,433 |

There are no amounts falling due after more than one year.

13. Provisions for Liabilities and Charges

| | 2019-20 | | | 2018-19 | | |
|--|--------------------------------|----------------|----------------|--------------------------------|----------------|----------------|
| | Early departure costs £'000 | Other £'000 | Total £'000 | Early departure costs £'000 | Other £'000 | Total £'000 |
| Balance at 1 April | - | - | - | 16 | - | 16 |
| Provided in the year | - | - | - | - | - | - |
| Provisions not required and written back | - | - | - | - | - | - |
| Provision utilised in the year | - | - | - | (16) | - | (16) |
| Balance at 31 March | - | - | - | - | - | - |

Early departure costs

The NIAO meets the additional pension costs of any employees who retire before they reach normal pensionable age. The total pension liability up to the normal retiring age in respect of such employees is charged to the account in the year in which the early retirement decision is made to establish a provision for the estimated payments discounted by the Treasury discount rate.

14. Contingent Liabilities

The Office has not entered into any guarantees or indemnities or provided any letters of comfort.

15. Related Party Transactions

None of the NIAO Audit and Risk Assurance Committee, Advisory Board, Senior Management Team members or other related parties has undertaken any material transactions with the NIAO during the year.

The NIAO has had a number of transactions with the Department of Finance.

16. Events after the reporting period

The COVID-19 outbreak has given rise to a period of significant uncertainty. These events pertain after the reporting date. They affect both the NIAO's operations and those of the bodies it audits. Despite necessary changes in the way of working the NIAO continues to carry out its objectives. However, these events have indicated uncertainty over the valuation of the NIAO's property. Whilst no adjustments have been required to the financial statements in respect of this, additional disclosures regarding the uncertainty over the valuation of the NIAO's office building has been included (see Accounting Policy Notes 1.2).

Date of authorisation for issue

The C&AG authorised the issue of these financial statements on 21 September 2020.





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