



Northern Ireland Audit Office

2016-17

ANNUAL REPORT AND ACCOUNTS



Northern Ireland Audit Office Annual Report and Accounts
For the year ended 31 March 2017

*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*

27 June 2017



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Performance Report

158



ACCOUNTS AUDITED

138 CENTRAL
GOVERNMENT

20 LOCAL GOVERNMENT



9 VALUE FOR
MONEY REPORTS

2 GENERAL REPORTS

1 GOOD PRACTICE GUIDE

£26
MILLION



IN SAVINGS FOR THE
TAXPAYER



SUPPORTED THE
ASSEMBLY IN ITS
SCRUTINY OF PUBLIC
SPENDING, PARTICULARLY
IN RELATION TO THE
RENEWABLE HEAT
INCENTIVE SCHEME



11 LOCAL
GOVERNMENT ANNUAL
IMPROVEMENT REPORTS



CO-ORDINATED THE
NATIONAL FRAUD
INITIATIVE IN
NORTHERN IRELAND

PROMPT
PAYMENT OF
SUPPLIERS

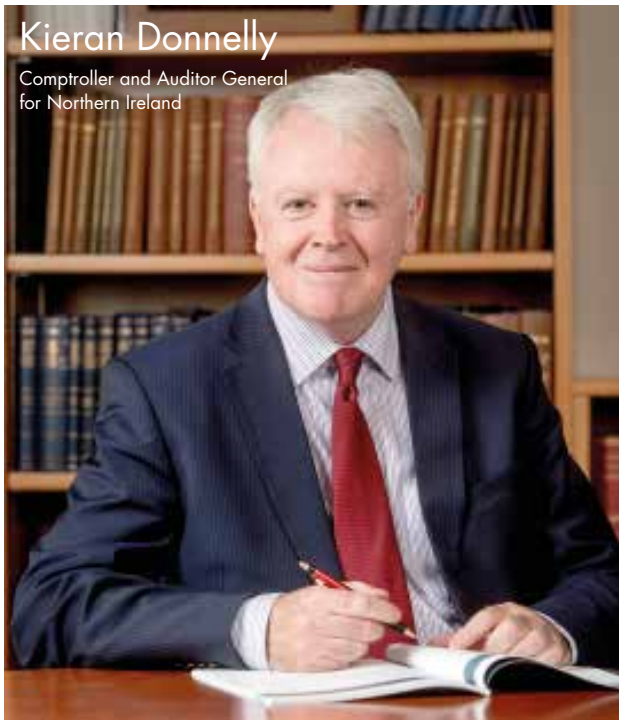
98.1% WITHIN
30 DAYS
95.1% WITHIN
10 DAYS

?

DEALT WITH 10
MLA QUERIES AND
58 ISSUES RAISED BY
WHISTLEBLOWERS

93%

OF AUDITED BODIES
AGREE NIAO DELIVERS
QUALITY SERVICES



Overview

Comptroller and Auditor General's Statement

In 2017 we celebrate the thirtieth anniversary of the establishment of the Northern Ireland Audit Office. It is a time to reflect with pride on our achievements in delivering an independent and professional public audit service to elected representatives, public sector bodies and the citizens of Northern Ireland. Over the years, there have been significant changes to the structure of government, the delivery of public services and public sector accountability and, as an Office, we have adapted our ways of working and responded to the challenges of auditing an evolving and increasingly complex public sector landscape. As a strong and independent audit institution we have been steadfast in providing assurance and advice on the use of public funds, and supporting and promoting improvement in the delivery of public services. This will remain our priority going forward.

In this annual report, I am pleased to set out our achievements in 2016-17. We have delivered the audit of 158 accounts from across the central and local government sectors, and produced 23 public reports covering the findings of our financial audit work, value for money examinations in areas such as justice, employment and health, a good practice guide on Board Effectiveness, and Local Government Annual Improvement Reports for councils. One of our most significant publications in 2016-17 was the Renewable Heat Incentive Scheme, which arose from our financial audit work and demonstrates the important role the Office plays in providing timely insight on emerging issues and holding government to account. We provided independent support to the Assembly's Public Accounts Committee in its seven sessions on this report between September 2016 and January 2017.

In addition, we pursued some 68 concerns relating to the use of public money raised by elected representatives and the wider public. This provides invaluable insight to inform us of the systemic issues that we should be focusing on.

We have a responsibility to provide value for money on the services we provide to stakeholders, and a key measure we use is the savings to the public purse resulting from our work and that of the Public Accounts Committee. While this can fluctuate from year to year, savings of £26.0 million were achieved in 2016-17, representing 3.4 times the net cost of the Office.

Our achievements have been secured against a backdrop of real cost reductions of 18 per cent over the past four years, and considerable change in our internal operations as we prepare to effectively meet our responsibilities in the medium to longer term. Change has included the restructuring of the

business to improve our flexibility and agility to better balance work flow and meet peaks in activity, and the implementation of voluntary exit schemes to control costs and assist in moving to a more optimal grade structure. More change is planned as we prepare for the future, including the audit of digitilisation in government.

As Comptroller and Auditor General, I wish to thank all my staff for their contribution to the successful outcomes of the Office in 2016-17. The skills and experience of our people underpin the provision of the professional cost-effective service that we provide to the Assembly and those we audit and a continuing priority for the Office will be providing high quality training and development so that they can give of their best and meet their full potential.



Kieran Donnelly
Comptroller and Auditor General for
Northern Ireland

23 June 2017

Purpose and activities of the NIAO

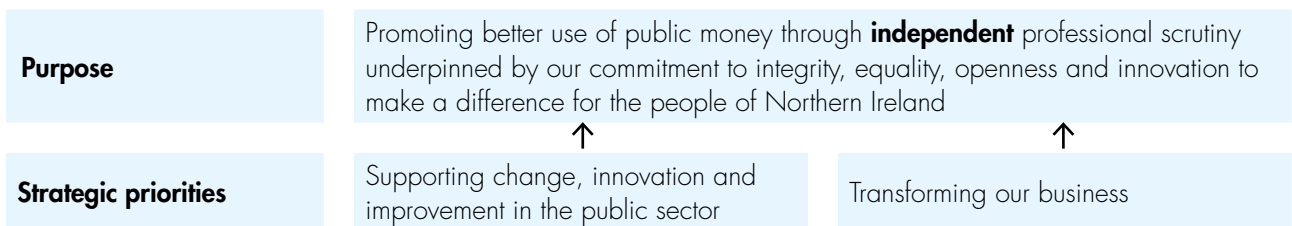
1987-2017

PROMOTING BETTER USE OF PUBLIC MONEY FOR 30 YEARS

Our role

The Northern Ireland Audit Office (“the NIAO” or “the Office”), established in 1987, seeks to hold public bodies to account for the way they spend public money. 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 purpose and strategic priorities



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/assembly-business/committees/2016-17/audit/) 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

Our audit remit covers both the central and local government sectors in Northern Ireland. The C&AG is responsible for the external audit of central government bodies and reporting the results of his work to the Assembly. The audit of local government bodies is the responsibility of the Local Government Auditor, a member of NIAO staff designated by the Department for Communities, with the consent of the C&AG. The results of this work are reported to the Department for Communities.

The five dimensions to our work are shown below:

<p>FINANCIAL AUDIT</p> 	<p>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.</p>
<p>PUBLIC REPORTING</p> 	<p>Independently examining and reporting to the Assembly on whether public bodies spend taxpayers' money economically, efficiently and effectively (value for money reporting).</p> <p>Audit, assessment and reporting on local councils' performance improvement responsibilities.</p> <p>Providing public bodies with constructive advice in the form of good practice reports across a range of areas.</p>
<p>GOVERNANCE AND FRAUD PREVENTION AND DETECTION</p> 	<p>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.</p>
<p>SUPPORT TO THE NORTHERN IRELAND ASSEMBLY AND THE PUBLIC</p> 	<p>Working closely with the Public Accounts Committee (the "PAC") on evidence sessions based on our reports; providing support to Departmental committees; and responding to enquiries from elected representatives as well as citizens.</p>
<p>COMPTROLLER FUNCTION</p> 	<p>Authorising the issue of public funds from the Consolidated Fund for Northern Ireland.</p>

The gross expenditure and any associated income of each of the above elements are shown in Note 2 to the Office's Financial Statements.

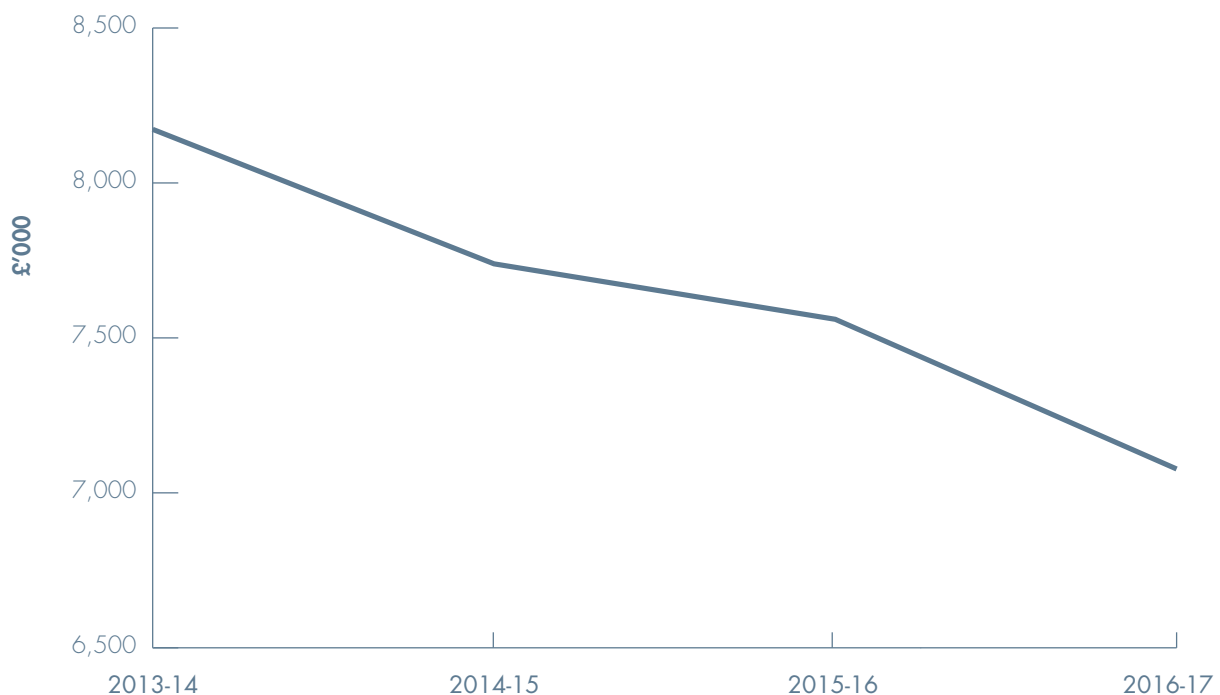
Key issues and risks

This is a period of extensive change across government, with the Northern Ireland Public Sector continuing to face fiscal austerity. This presents a major challenge for public bodies as they assess and prioritise their services and the way in which they are delivered, to meet the needs and expectations of the public, including those of an ageing population. In times of such significant change, public audit has a major role to play in providing independent assurance and advice on the use of public funds, holding government to account and supporting and promoting improvement in the delivery of public services.

Over this reporting period we have responded to the challenges and developments in our external operating environment. One such development is digital transformation, which is part of a wide ranging programme of reform in government. The public sector is likely to continue to strengthen centralised capacity for digital delivery and increase access to on-line government services. This has significant ramifications for the Office. It requires that we further develop our skills and capabilities to audit IT systems and collect, collate and analyse data (including open data) to audit effectively in the future. We commenced preparatory work in 2016-17, and 'audit in the digital era' forms a key strand in our Digital Services Strategy 2017-18 to 2019-20.

Like the rest of the public sector, the Office has faced significant budgetary pressures. We have reduced our annual net resource outturn (costs) by 13.4¹ per cent (equating to 18 per cent in real terms) in the four years up to and including 2016-17, primarily through the implementation of a staff Voluntary Exit Scheme (VES) closely based on that of the Northern Ireland Civil Service.

Cost Reductions 2013-14 to 2016-17



¹ Excludes ring fenced VES funding

In the two years to 31 March 2017, VES resulted in the departure of 20 permanent members of staff (18.1 Full Time Equivalent). It has also helped facilitate the move to a more optimal grade structure (achieved through rationalising the management structure and bolstering front-line resources), and to align staff resources with the reducing number of accounts to be audited as a result of government restructuring. A further VES exercise will take place in 2017-18.

In addition to the implementation of VES, the Office continues to bring about change in its internal operations to effectively meet the medium to long term challenges that it faces:

- A new business structure, introduced in January 2015, has helped improve the flexibility and agility of the organisation to balance workflow better, meet peaks in activity, and reduce reliance on temporary appointments. A further focus of the new model is to increase opportunities for staff career development, as well as providing job enrichment and enhancing succession planning. Staff development is vital to the Office as it is through the skills, expertise and cumulative experience of staff that we are able to deliver a challenging programme of audit work. Developing the skills base, particularly in our public reporting work which has been affected by the loss of experience through VES, continues to be a high priority. In 2016-17, Baker Tilly Mooney Moore (the Office's External Auditor) conducted a value for money study on NIAO's workforce strategy and planning, and its report made a number of recommendations relating to skills, succession planning and talent management which are currently being considered by the Office.
- Leadership and management roles, responsibilities and accountabilities have been examined in a 'Review of Top Structure' commissioned by the C&AG in 2016-17. One of the planned outcomes will be the appointment of a Chief Operating Officer (see Governance Statement page 36).

The above developments continue to engage the Office in the management of change, and associated issues relating to organisational culture and staff motivation. Staff feedback and day-to-day communication will be an essential component in monitoring engagement and managing the transformation of the business. We consult and engage with the respective branches of the Northern Ireland Public Service Alliance and Association of First Division Officers on matters affecting staff. Our overall focus will remain on creating the right working environment so our people can give their best in all that they do.

Performance Analysis

Our performance

The NIAO Corporate Plan (available at www.niauditoffice.gov.uk), prepared annually and covering the next three financial years, sets out the Office's strategic aims and forward plans, together with detail on how it proposes to deliver these aims, the resources that it requires to do so, and its key performance measures.

Financial audit

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

Number of Financial Audits	2016-17	2015-16
Central Government		
Accounts audited	138	155
Of which qualified	12	18
Local Government		
Accounts audited	20	68
Of which qualified	0	0

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 2016-17, we certified 138 central government accounts (2015-16; 155). The decrease in the number of audits is a result of a number of factors, including the Education Authority replacing six arm's length bodies. We also had an increase of six audits outstanding at the year-end as there were governance and potential qualification issues to be considered.

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 (regularity).

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, or conform to the authorities which govern them, then the C&AG will qualify his opinions on the accounts.

Twelve central government accounts were qualified in 2016-17 (2015-16; 18). Of the twelve, seven 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 2016-17 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 includes audits of the European Agricultural Fund, lottery and whole of government accounts.

Local government

A senior member of NIAO staff, Louise Mason, is designated by the Department for Communities, with the consent of the C&AG, as the Local Government Auditor. The Local Government Auditor, assisted by NIAO staff, is responsible for the audit of local government bodies. In 2016-17 we completed the audits of 20 local government accounts (2015-16; 68). The decrease in the number of audits relates to the establishment of the 11 new councils. These 11 councils replaced the 26 legacy councils, shadow councils, statutory transition committees and a number of joint committees. None of the opinions on the local government accounts certified in 2016-17 were qualified (2015-16; nil).

There is no requirement for the Local Government Auditor to provide a 'regularity' opinion in her audits of local government bodies.

Public reporting

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

Number of Public Reports	2016-17	2015-16
Value for Money	9	6
General	2	3
Good Practice	1	1
Local Government Annual Improvement Reports ²	11	-
Total	23	10

The titles of the reports completed in 2016-17 are shown below. All were published by 31 March 2017 except for 'Continuous improvement arrangements in policing 2017' and the 'Management of the Transforming your Care reform programme' which were published on 4th and 11th April 2017 respectively. Copies of the full reports can be obtained from the website at www.niauditoffice.gov.uk.

² Published under a new statutory duty, see page 15.

Value for Money

Managing Legal Aid

Contracted Training Programmes

National Fraud Initiative: Northern Ireland 2016

The Rivers Agency: Flood Prevention and Management

Northern Ireland Public Sector Voluntary Exit Schemes

Managing emergency hospital admissions

Continuous improvement arrangements in policing 2017

Management of the Transforming your Care reform programme

Renewable Heat Incentive Scheme³

General

Local Government Auditor's Report 2016

Financial Audit & Reporting 2016

Good Practice

Board Effectiveness – A Good Practice Guide

Local Government Annual Improvement Reports

11 Local Government Annual Improvement Reports (one per council)

Value for Money Reports

The main component of public reporting is our examinations into the economy, efficiency and effectiveness (value for money) with which 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 2016-

³ Our report on the Renewable Heat Incentive Scheme (July 2016) arose from our financial audit work, providing timely insight on emerging issues and supporting the Assembly in holding government to account.

17, these covered a range of topics across the Northern Ireland public sector in areas such as justice, employment and health. In these reports, we sought to measure performance; identify the factors underlying that performance; and offer practical recommendations aimed at adding value.

Specific examples of our value for money reports include the following:

Managing Legal Aid

This report, which examines the management of the criminal and non-criminal legal aid systems by the Department of Justice and the Legal Services Agency, is a follow up to our 2011 report on Managing Criminal Legal Aid. Having concluded in the original publication that expenditure was out of control (criminal legal aid had increased from £22 million in 2000-01 to £60 million in 2009-10 and non-criminal legal aid from £16 million to £37 million), this latest report found that reforms to the system had not been implemented within a reasonable timeframe and had not reduced the high costs of legal aid in Northern Ireland.

It found that the lack of a statutory registration scheme impacted significantly on the reform programme and the legal aid system lacked a basic mechanism to ensure quality of service and deliver accountability and transparency in the use of public money; the quality of its information to estimate and forecast expenditure had not improved and the Agency's counter-fraud strategy is neither comprehensive nor embedded into day-to-day management, despite this being a key recommendation in the 2011 PAC Report.

Contracted Training Programmes

This report assessed the two training programmes, Training for Success and Apprenticeships NI, which were operated by the former Department of Employment and Learning. The total cost of these schemes, which had 97,000 participants over the period 2007 to 2015, was £469 million.

The report found that the overall quality of training was good and, in the later years under review, the Department implemented improvements in contract management. However, significant numbers of participants left without qualifications and without positive progression to further education, training or employment. There were also concerns around the assessment of value for money of the programmes.

Managing Emergency Hospital Admissions

This report focused on the management of emergency admissions of patients into hospital. In addressing this issue, it highlighted the many challenges presented by emergency care, including the financial pressures facing the health and social care sector, shortages of emergency medical staffing, the effects of demographic changes, and an historical configuration of hospital services which is widely recognised as unsustainable.

Despite these challenges, the report found that the considerable focus on emergency care over recent years by the Department of Health is now securing some improvement. However, there remains room for further improvement, as many patients are still being admitted to hospital unnecessarily when they could be treated more appropriately elsewhere in the system, and too many patients admitted as emergencies still face unnecessary delays in their discharge from hospital, due to problems in securing appropriate care packages in their homes or the community.

Renewable Heat Incentive Scheme

The most significant report published in 2016-17 by the NIAO was that of the Renewable Heat Incentive Scheme. It was issued following the C&AG's audit of the 2015-16 accounts of the former Department of Enterprise, Trade and Investment, which raised concerns around the implementation of the scheme. He had qualified his audit opinion because a substantial part of the scheme expenditure (£11.9 million) was not approved by the former Department of Finance and Personnel and because he was not satisfied that the systems to prevent or detect abuse of the scheme were adequate.

The report stated that the scheme:

- did not have any viable cost controls;
- did not mirror the GB scheme and introduce cost control measures;
- was over-generous in incentivisation for applicants;
- facilitated the possibility of funding that was, at best, not in line with the spirit of the scheme and, at worst, possibly fraudulent;
- was not properly monitored and controlled; and
- did not identify the risks of overspending.

As a result of the weaknesses, the scheme overspent on its budget and the resulting shortfall has to be met from the Northern Ireland block grant. This shortfall has the potential to be measured in hundreds of millions of pounds.

Between September 2016 and January 2017, an unprecedented seven PAC evidence sessions were held on this issue. It has also been discussed in numerous occasions in the Assembly Chamber and ministers have been required to brief their relevant statutory committees. However the PAC was unable to complete its work as the NI Assembly dissolved and a Public Inquiry was announced in January 2017. The C&AG will continue to monitor this scheme closely.

General Reports

Our general reports draw from financial audit work and we publish our overall findings in each of the sectors we audit. In 2016-17 we produced reports on central government and local government, enabling us to identify specific themes arising and lessons to be learnt from our annual audits, and importantly help promote accountability.

Good Practice Guides

Our guide on “Board Effectiveness: A Good Practice Guide” (November 2016) highlighted the importance of effective boards in the current climate of change. It provides a quick and easy way to access clear and concise advice to maximise the effectiveness of a board.

Local Government Annual Improvement Reports

Under a new statutory duty⁴, the Office published, for the first time, 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.

Governance and fraud prevention and detection

The Office works closely with audited bodies to promote good practice in governance arrangements and help combat fraud. It is our view that good governance structures which are well embedded in organisations are a key attribute to achieving corporate goals and are crucial, particularly in times of financial constraint. During this financial year we attended the audit committees of the majority of 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 of audited bodies 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 Committee Members.

The Office continues to play an important role in supporting public sector bodies in their fight against fraud. Ongoing budgetary pressures mean it is of particular importance that public bodies use every means at their disposal to prevent and detect misuse of public funds in order to maximise frontline resources. In our promotion of better use of public money, the Office maintains a small counter fraud unit which reviews and monitors the arrangements in departments for the prevention, detection, investigation and reporting of fraud.

A key focus in recent years has been the prevention and detection of fraud and error through data matching. Data matching involves comparing pieces of data or information held by one body against other records held by the same or another body, 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. In the four exercises to date in Northern Ireland, almost £33 million of fraud and error has been identified. The fifth exercise is currently underway and we will report on the outcome in 2018.

⁴ Sections 93-95 of the Local Government Act (Northern Ireland) 2014

We encourage public sector bodies to make the NFI a key part of their counter fraud strategies and continue to explore ways of developing the NFI further through the inclusion of additional public sector bodies and new data matches, for example the current exercise includes new matches in relation to the social housing waiting list. In addition, we are now promoting the use of real time data matching under the NFI in order to prevent fraud and error entering the system, as opposed to detecting it after it has occurred.

Support to the Northern Ireland Assembly and the public

We provide independent support to the Assembly 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 PAC.

We present our value for money 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.

2016-17 was a unique year in that only two reports were considered by the PAC: Managing Legal Aid; and the Renewable Heat Incentive Scheme. As reported on page 14, seven evidence sessions took place on the Renewable Heat Incentive Scheme prior to the dissolution of the Assembly in January 2017.

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.

MLA queries

We also pursue concerns raised with us by elected representatives or members of the public. In 2016-17, MLAs raised 10 separate concerns, all of which we have followed up (2015-16; 12 cases). Some remain under investigation.

Category of Concern	2016-17	2015-16
Non-entitlement to/misuse of public funds	5	4
Procurement / contracts	3	3
Governance	1	3
Efficiencies	1	2
Total Cases	10	12

Whistleblowing

The C&AG 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 (collectively referred to as whistleblowers).

In 2016-17, 58 disclosures about the use of public money were received from whistleblowers (2015-16; 39 cases). Twenty-eight of the 58 disclosures have been closed. Disclosures from whistleblowers are encouraged, dealt with professionally and treated in confidence, as appropriate.

Category	2016-17	2015-16
Grant Related	3	-
Non-entitlement to/misuse of public funds	1	4
Procurement / Contracts	13	8
Conflict of interest	10	3
Abuse of Expenses / Travel & Subsistence	2	-
Failure to follow proper procedures	3	9
Planning issues	2	-
Governance issues	9	7
Other	13	6
No remit	2	2
Total Cases	58	39

Of the 58 disclosures, 15 related to our local government remit, three of which were received from Councillors (2015-16; 12 disclosures related to local government, three of which were received from Councillors). The rest related to central government.

Stakeholder engagement

In maximising efficiencies and providing value for money, we engage with other audit agencies and key stakeholders, including the Assembly and the bodies we audit. It is important that we understand their issues and perspectives, and recognise that insights come from time spent on site with our stakeholders.

During 2016-17 we took part, for a third time, in an independent survey of MLAs to gauge their understanding and appreciation of the work of the NIAO. The responses showed that 90 per cent of MLAs surveyed were aware of the work of the Office (2015-16; 90 per cent). Fifty four per cent of MLAs had a favourable opinion or impression of the Office (2015-16; 53 per cent) with a further 42 per cent being neither favourable nor unfavourable (2015-16; 38 per cent). In terms of advocacy, 44 per cent of those surveyed speak highly of the Office (2015-16; 41 per cent) with a further 48 per cent being neutral on the matter (2015-16; 50 per cent).

We were involved in training of new MLAs following the May 2016 election and we plan to participate in further induction training to raise awareness of our Office, particularly where there are new MLAs.


We have also formally surveyed a sample of our audited bodies, involving departments, larger arm's length bodies and local councils, the results of which are recorded in the table below⁵. Feedback was largely positive and encouraging in terms of the quality of the audits which we delivered. However, it was noted that the results were less favourable in the returns made for

⁵ Includes positive responses and excludes "Don't know" and "Not applicable" responses

the Public Reporting element of the survey. In keeping with our commitment to auditees, we will arrange for engagement auditors to follow up on any specific matters identified.

Results of Auditee Survey

	% positive responses
Overall Quality of Service	93
Impact of Financial Audit	89
Impact of Public Reporting	67
Quality of Communications	98
Provision of Service to Audit Committee	100
Other General	97

In September 2015, the Office joined Twitter  (@NIAuditOffice #publicscrutiny #audit). Our tweets continue to cover new reports, PAC activity and miscellaneous NIAO talks and presentations.

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 in contributing to improved public services.

During 2016-17, quantified financial impacts of £26.0 million were achieved as a result of the work of the Office and the PAC (2015-16; £14.3 million). This figure has been independently validated by the Office's External Auditor and represents 3.4 times the net resource outturn of the Office (2015-16; 1.7 times). 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 NIAO recommendations overlap with audited bodies' own performance improvement work, the Office will consider the percentage share of the quantified financial impact that can be attributed to its influence.

The following examples demonstrate the main financial impacts achieved during 2016-17.

Primary Care Prescribing Report

Our report on Primary Care Prescribing (27 November 2014) commended the efficiency savings achieved at that time but highlighted that there were opportunities to improve efficiencies further. This conclusion was reinforced in a report by the PAC in 2015. While it is not possible to isolate the impact of these reports from other performance improvement factors within the health and social care system, the Department's broad acceptance of the recommendations they contain provides some assurance that they have had an influence on improved outcomes. In the two years since the two reports, data drawn together by the Health and Social Care Board shows that £35 million of additional prescribing efficiency savings have been delivered.

NIAO Impact £7.0m

Property Asset Management in Central Government Report

Our 2012 report on Property Asset Management in Central Government identified that significant savings could be generated across the entire office estate if a more co-ordinated approach to property asset management was adopted. We identified the need for mandatory central property controls to be introduced to prevent the signing of new leases and lease extensions and to centralise disposals. As a result, savings of £17.7 million have been generated (based on information supplied by departments which is held centrally by the Asset Management Unit, Strategic Investment Board); the NIAO has claimed 40 per cent of this figure.

NIAO Impact £7.0m

Managing Legal Aid Report

Savings were achieved for the Legal Services Agency from the introduction of standard fees in the payment of legal aid for all Crown Court cases, an issue highlighted in our report on Managing Criminal Legal Aid (June 2011) and the subsequent PAC report. In its response to this, the Department of Justice acknowledged that there was a need for new arrangements. This will save £5 million each year and NIAO has recorded an impact of 50 per cent.

NIAO Impact £2.5m

Financial Audit of Legal Services Agency

As part of the financial audit of the Legal Services Agency, we raised the issue of disallowance of late legal aid claims in our Report to those charged with Governance to the Legal Services Agency (previously the Commission). As a result, the Legal Services Agency applied disallowances to late legal aid claims submitted by the legal profession since 2012. This resulted in the Agency saving £2.1 million between 2012 and 2016. NIAO has claimed 50 per cent of the value of this saving.

NIAO Impact £1.05m

Key performance measures

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 2016-17 against these key measures is as follows:

Ensuring ongoing efficiency in our work

Target

To deliver a comprehensive programme of work with reduced resources (financial and staff).

Performance

The Office sought to use its resources flexibly and in a prioritised manner to discharge its audit functions and provide a quality audit service to the Assembly. While the number of accounts has reduced since 2015-16, as shown on page 10, the Office delivered broad ranging audit outputs including new local government performance reports within a net outturn cost that was 7.2 per cent (6.4 per cent excluding VES) lower in 2016-17 compared with 2015-16.

Timeliness of our outputs

Financial Audit

Target

To certify 164 accounts; to audit the accounts of at least 70 per cent of audited bodies within seven months and 87 per cent within twelve months.

Performance

Certification of 158 accounts. The variance against target was due to an increase in the number of accounts not certified at the year-end (see page 10).

76.4 per cent of audits delivered within seven months and 92.7 per cent within 12 months.

Public Reporting

Target

To produce around 25 public reports.

Performance

23 reports produced (see page 11). A general report on audit findings in the Health sector was not produced in 2016-17. This report will be undertaken in 2017-18. Two good practice guides were planned for 2016-17. One was completed; the other remains under consideration.

Quality of our outputs

We apply comprehensive quality control processes to our work.

Financial audit

Target

We apply the International Standard on Quality Control (ISQC 1), incorporating monitoring arrangements to ensure that our financial audit has complied with our audit methodology and underlying professional auditing standards. We require annual confirmation of compliance.

Performance

Seven accounts were reviewed by teams independent of the audit team. Five of the reviews were conducted by teams from the other UK public audit agencies. All audit opinions were found to be appropriate with no significant compliance issues identified.

Public reporting

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.

Performance

The reports reviewed in 2016-17 achieved an average score of 3.5.

Resource Accounts 2016-17

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 73 to 90 have been prepared by the Office on a resource basis in accordance with the 2016-17 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. Supply Estimates are the means by which authority is sought from the Assembly for spending. The Supply Estimate position, shown in this section of the Performance Analysis and in the Statement of Assembly Supply and supporting notes on pages 60 to 64, is the Main Estimates position for 2016-17. We sought a Spring Supplementary Estimate in 2016-17 but given the political context, it and the associated Budget Bill did not proceed.

The Office produces a Corporate Plan on an annual basis which sets out developments in the work programme for a three year rolling period and the related resource requirements. This plan is presented to the Assembly Audit Committee, established under Section 66 of the Northern Ireland Act 1998. Once the Assembly Audit Committee has examined the Corporate Plan and endorsed the resource bid, the Office prepares its Estimate. The 2016-17 Main Estimate was agreed by the Assembly Audit Committee in March 2016 and included in the Budget Act which was enacted in July 2016.

Resources

The resources used by the Office in 2016-17 are set out in the following table:

	Estimate	Outturn	Saving/(Excess)	
	£'000	£'000	£'000	%
Gross Resource Outturn	10,613	10,248	365	3.4
Income	2,607	2,607	0	0
Net Resource Outturn (NRO)	8,006	7,641	365	4.6
Voluntary Exit Scheme (VES)	565	564	1	0.2
NRO excluding VES	7,441	7,077	364	4.9
Capital	40	3	37	92.5

Savings arose from:

- a reduction in salaries arising from changes in working patterns, VES departures, periods of long term staff illness and unpaid leave and a reduced liability for employee benefits (i.e. untaken annual leave) compared with the forecast;
- a reduction in the depreciation charge for the year;

- a combination of other reductions, including less expenditure than forecast on outsourcing (consultancy and contracted-out audit work) and NFI costs; and
- less capital expenditure than forecast. Expenditure in 2016-17 totalled only £3,000 (2015-16; £36,000). The main item was the purchase of a defibrillator for the Office.

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

Use of resources in 2016-17		Use of resources in 2015-16	
Staff costs	68%	Staff costs	69%
Contracted-out audit	11%	Contracted-out audit	12%
General office expenses	14%	General office expenses	11%
Non-cash	2%	Non-cash	2%
Voluntary exit costs	5%	Voluntary exit costs	6%

In 2016-17, resources were used as follows:

How resources were used to meet objectives in 2016-17		How resources were used to meet objectives in 2015-16	
Financial Audit	60%	Financial Audit	61%
Public Reporting	25%	Public Reporting	23%
Governance and Fraud Prevention and Detection	7%	Governance and Fraud Prevention and Detection	6%
Support to the NI Assembly and the public	8%	Support to the NI Assembly and the public	10%

The cost for administering the Comptroller Function was £10,000, 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
 - central and local government bodies in respect of the National Fraud Initiative; and
- recoupment of salary and associated costs for seconded staff.

Each element of income, and the costs associated with it, is shown in the Accountability Report, at page 65.

Any income in excess of the Estimate must be surrendered as Consolidated Fund Extra Receipts. In 2016-17, excess income of £35,000 was earned as a result of earlier than anticipated completion of chargeable audit work and additional income in respect of European Agricultural Fund work and outward secondments.

Resources required in the future

The Corporate Plan covering the period 2017-18 to 2019-20 sets out the Office's strategic aims and how these will be delivered. Due to the political context, the 2017-18 Budget has not yet been approved. Following engagement with the Audit Committee of the Assembly in the Autumn of 2016, the C&AG anticipates a reduction of 4 per cent in the NIAO's annual budget. Planned resources are shown in the table below.

	2017-18 £'000
Gross Resource Requirement	10,125
Income	2,446
Net Resource Requirement (NRR)	7,679
Voluntary Exit Scheme (VES)	595
NRR excluding VES	7,084
Capital	40

The Net Resource Requirement provided in the 2016-17 Estimate included £565,000 to fund a Voluntary Exit Scheme (VES) which resulted in 6 members of staff (Full Time Equivalent: 5.37) departing in the latter part of the year. The Office has bid for and secured funding of £595,000 to run a further VES in 2017-18.

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 given below:

	2016-17 £'000	2015-16 £'000
Net Resource Outturn	7,641	8,237
Consolidated Fund Extra Receipts	(39)	(108)
Non-supply expenditure	163	196
Net Operating Cost	7,765	8,325
Consolidated Fund Extra Receipts	4	1
Inter-departmental notional charge	0	(2)
Resource Budget Outturn of which	7,769	8,324
Department Expenditure Limits (DEL)	7,788	8,387
Annually Managed Expenditure (AME)	(19)	(63)

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 2016-17, the Office paid 98.1 per cent of bills (2015-16; 99.1 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 2016-17, we met this standard for 95.1 per cent of invoices received (2015-16; 98.9 per cent).

Late in 2016-17, we introduced online banking which will help us deliver our future prompt payment commitments.

Future development of the business

Our two strategic priorities for the three years commencing 2017-18 are as follows:

- supporting change, innovation and improvement in the Public Sector; and
- transforming our business.

In supporting change, innovation and improvement, we will:

- **Provide timely and targeted reports on key issues and initiatives:** Our work programme will reflect major reform initiatives and is likely to focus on the Executive's Programme for Government, austerity, service delivery, cross-cutting initiatives in government and promoting good practice.
- **Provide assurance to the Assembly on public sector accounts:** We will continue to provide assurance to the Assembly and the local government sector on the annual accounts prepared by public sector organisations such as departments, agencies, health trusts, district councils and other public bodies. While carrying out this work, we will use our audit expertise to identify ways to improve these organisations' financial management and corporate governance.
- **Promote a strong counter fraud culture across the public sector:** We will continue to provide advice and guidance on fraud related matters to public sector organisations and co-ordinate the participation of NI public sector organisations in the National Fraud Initiative (NFI), a biennial UK wide data matching exercise to combat fraud and error.
- **Respond to public concerns and whistleblowers:** This is often a valuable source of intelligence and insight to inform us of the systemic issues that we should be focusing on. We will ensure that our responses are consistently timely and proportionate and that we escalate issues for investigation, where appropriate.

We are committed to providing a high quality cost effective service to the Assembly and those we audit. In achieving this, it is essential that we adapt our ways of working and fully prepare the organisation to meet the challenges of a continually changing and increasingly complex operating environment. In respect of transformation of our business, we are committed to:

- **Embedding internal changes and evolving the business:** Changes introduced to our business model in 2015 are yielding dividends in terms of enhancing knowledge and skills sharing and improving the flexibility and agility of the organisation to better balance workflow and meet peaks in activity. We will continue to drive further improvement in organisational performance and the development of staff. In 2017-18 we will produce a new workforce strategy taking fully into consideration the findings and recommendations of the external audit value for money study on NIAO workforce strategy and planning, and evolve the governance of the Office in response to the independent review of the NIAO top structure (see page 36).
- **Providing an environment where our people feel motivated, challenged and supported and are given the necessary training to help develop their skills.** Over the next three years our skills development priorities are to:
 - deepen our expertise in the strategic issues that departments and other public bodies face;
 - develop and expand our expertise and knowledge in growth and innovative areas within the public sector, including digital transformation;
 - develop and extend our data analytic capability;
 - continue to support our people’s personal development, particularly in leadership and management skills, through the introduction of a talent management strategy;
 - promote greater collaboration and team working; and
 - continue to seek secondment opportunities as a means of widening operational experience and enhancing skills and career development.
- **Delivering efficiencies through better ways of working:** We will endeavour to find ways of working better, including further streamlining and implementing efficiencies in our audit and business support (human resources, finance, facilities, digital, quality and communications) processes.

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 on the input of a personal code, 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 Central Procurement Directorate, 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 its environmental footprint, the NIAO introduced travel initiatives aimed at encouraging staff to avail of more sustainable modes of transport to travel to and from work:

- Translink's TaxSmart Scheme is an employer salary sacrifice scheme where the NIAO purchases travel passes for employees and the employee repays the NIAO from their gross salary, while Translink's Annual Commuter Travelcard involves an interest free loan to employees to allow them to purchase travelcards, with repayments made out of net salary.
- The Northern Ireland Civil Service's Cycle to Work scheme was implemented in 2013-14 and to date 19 NIAO staff have participated.

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.

The Office continued its involvement with Business in the Community Northern Ireland (BITCNI), a membership organisation for companies that are committed to doing business responsibly and working together on societal issues where they can make a real difference. In April 2016, 24 members of staff volunteered to improve a National Trust woodland area, with a further 11 visiting the same woodland area in October 2016 to carry out additional volunteering duties. Thirteen members of staff also volunteered and helped develop grounds at a local primary school

in March 2017. Other members of staff have participated in the Time to Read programme at local schools and volunteered as business advisors as part of the eye4education programme.

In addition, various other fund raising events were arranged by staff groups to support very worthwhile charities such as the NI Hospice (nominated charity for 2016), Marie Curie and Macmillan Cancer Support.



NIAO staff volunteering at Minnowburn, April 2016

Kieran Donnelly

Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

23 June 2017

Accountability Report



NET RESOURCE
OUTTURN FOR 2016-17

£7.64 million

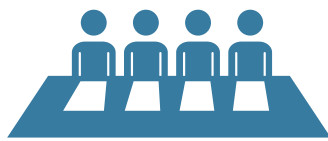


UNQUALIFIED
INDEPENDENT
AUDITOR'S REPORT



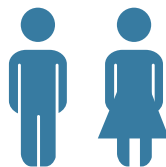
NET RESOURCE OUTTURN
SAVINGS (EXCLUDING
VES) COMPARED WITH
LAST YEAR

6.4%
£483,000



NEW SENIOR
MANAGEMENT TEAM

**£6.98
Million**
STAFF COSTS



STAFF IN POST AT **31 MARCH 2017: 108**
SENIOR MANAGEMENT TEAM: **8**
(5 MALE AND 3 FEMALE)
OTHER STAFF: **100**
(45 MALE AND 55 FEMALE)

Corporate Governance Report

Directors' Report

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

NIAO Executive Team (to January 2017)

Subject to the C&AG's statutory role as corporation sole, the Executive Team was the principal mechanism for decision making in the NIAO until January 2017. It comprised the C&AG and three Assistant Auditors General:

Kieran Donnelly

C&AG (Chair)

Louise Mason

Assistant Auditor General and Local Government Auditor

Eddie Bradley (to January 2017)

Assistant Auditor General

Janet Sides

Assistant Auditor General

NIAO Senior Management Team (from February 2017)

As detailed in the Governance Statement, the Executive Team was replaced by a Senior Management Team in February 2017 as the key decision-making body. This team is chaired by the C&AG and its membership is as follows:

Louise Mason

Assistant Auditor General and Local Government Auditor

Colette Kane

Director

Janet Sides

Assistant Auditor General

Denver Lynn

Director

Rodney Allen

Director

Sean McKay

Director

Neil Gray

Director

Tomas Wilkinson

Director

NIAO Audit Committee

The NIAO Audit Committee supports the C&AG as Accounting Officer in his responsibility for issues of risk, control and governance. It is composed solely of non-executives. In 2016-17 its membership was as follows:

Áine Gallagher

Áine Gallagher, Chair of the Audit Committee, is the Director of Corporate and Business Services for the Northern Ireland Hospice with responsibility for finance, people and development, estates and IT, as well as playing a lead role as a member of the Corporate Leadership Team on strategic development and corporate governance of the organisation. It has 450 staff working across almost 40 locations. She previously worked as Director of Operations for Culture Company 2013 Ltd; as a member of the Corporate Finance Appraisal and Advisory Division in Invest NI; and with PricewaterhouseCoopers, where she trained as a Chartered Accountant and worked for 10 years between the audit and advisory departments. She is also a member of the C&AG's Advisory Group.

Paul Douglas

Paul Douglas has 28 years' experience in a large public sector organisation, the PSNI, with 15 years as a senior manager, working closely with stakeholders to develop key strategic goals to reduce crime and build safer communities. He was accountable for all aspects of performance within his area and had responsibility for human resources and financial management. Between 2008 and 2010, he was involved in the strategic change process as his area moved from four districts to one. He currently serves as a Lay Commissioner with the N.I. Judicial Appointments Commission. Paul is chair of the C&AG's Advisory Group.

Gillian Body

Gillian Body has 35 years' experience in public audit. Currently Assistant Auditor General with the Wales Audit Office, she has responsibility for the full range of value for money work undertaken by that Office across the Welsh public sector. She is CIPFA qualified and spent her early career working for the National Audit Office. She has also had secondments with the Office of the Comptroller and Auditor General in Dublin and with the Australian National Audit Office in Canberra. From February 2010, she was temporarily appointed as the Auditor General for Wales, until the current Auditor General took up the post in October 2010.

Pat Cumiskey

Pat Cumiskey has over 40 years experience in a number of audit and senior financial management positions in the public sector, including a five year spell, initially as a CIPFA trainee, in the early years of the NIAO. During 25 years in the senior management team of Banbridge District Council he was appointed Acting Chief Executive in 2014 to lead the council through its final year before transition to Armagh City, Banbridge and Craigavon Borough Council. He currently serves as Lay-member to the Northern Ireland Valuation Tribunal. Pat is also a member of the C&AG's Advisory Group.

As set out in the Memorandum of Understanding agreed between the NIAO and the Audit Committee of the Assembly, each 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. The same periods apply to membership of the Advisory Group.

C&AG's Advisory Group

Providing objective and impartial advice to the C&AG, the Group's membership in 2016-17 was as follows:

Executives	Non-Executives
Kieran Donnelly	Paul Douglas (Chair)
Eddie Bradley	Pat Cumiskey
Louise Mason	Áine Gallagher
Janet Sides	

Eddie Bradley (to January 2017)

Assistant Auditor General

Eddie Bradley, together with Louise Mason, had responsibility for the oversight, quality and delivery of the C&AG's audit programme. He also performed the role of Head of Public Reporting.

Louise Mason

Assistant Auditor General and Local Government Auditor

Louise Mason, together with Eddie Bradley to January 2017 and Janet Sides from February 2017, had responsibility for the oversight, quality and delivery of the C&AG's audit programme. She performed the role of Head of Financial Audit and was designated by the Department for Communities, with the consent of the C&AG, as the Local Government Auditor.

Janet Sides

Assistant Auditor General

Janet Sides has responsibility for the central programme of work which includes finance, human resources, premises, communications, compliance and ethics, and information and IT management. From February 2017, together with Louise Mason, she had responsibility for the oversight, quality and delivery of the C&AG's audit programme, and performed the role of Head of Public Reporting.

Register of interests

None of the non-executive or executive members of the Office's governance structures in 2016-17 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 appointed Baker Tilly Mooney Moore as the external auditor of the NIAO for a three year term commencing with the audit of the 2013-14 accounts, with the option to extend for a further two years. This extension has been applied.

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 18. 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

So far as the C&AG is aware, there is no relevant information of which the auditors are unaware. 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. 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.

Complaints

The Office has 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 our website at www.niauditoffice.gov.uk/index/contact_us/complaints_page.htm. 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.

Five complaints were received during 2016-17, one of which remains under consideration. Of the other four complaints, two were not upheld. A further case was dealt with through informal procedures and one complaint was partially upheld - both of these cases identified some learning points for the Office. 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 1068

Health and Safety

The Office has a health and safety policy, which is made available to all staff. Suitably trained staff perform health and safety responsibilities.

No incidents were recorded during 2016-17 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 net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing these 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; and
- prepare the accounts on a going concern basis.

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 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.

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

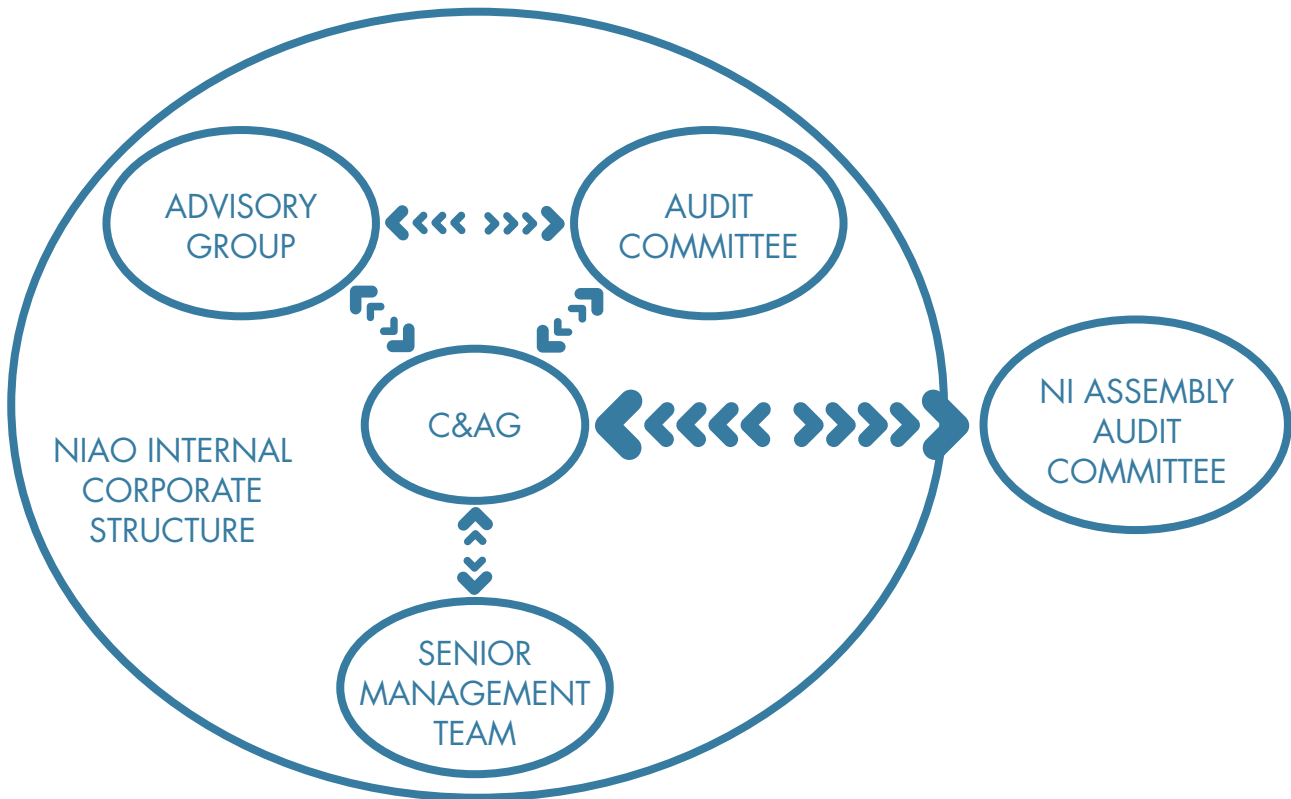
The NIAO's governance structure reflects the statutory position of the C&AG, as set out in two key pieces of legislation:

- 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 his statutory functions.
- The Northern Ireland Act 1998 requires that, in exercising his functions, except for any function conferred on him 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 his statutory audit functions, with responsibility for the programme of audit work, all audit opinions and judgements resting with him 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 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. They are also set out in a 'Memorandum of Understanding on the Governance and Accountability Arrangements of the Northern Ireland Audit Office' (MOU) agreed between the Audit Committee of the Assembly, which oversees the performance of the NIAO, and the NIAO www.niassembly.gov.uk/assembly-business/committees/2016-2017/audit/.

NIAO Governance Structure



In 2016-17, I commissioned external consultants to review NIAO's top structure. The purpose of the review was to advise on the most appropriate organisation, structure and allocation of responsibilities within senior management to support me in my statutory role and to effectively meet the current and future challenges facing the Office. In response to this review, which reported in December 2016, I decided, as an interim measure, to strengthen NIAO governance and organisational effectiveness by widening the membership of the then key decision-making entity in the organisation (the Executive Team) to include NIAO Directors who have responsibility for operational performance. The restructured leadership team (called the Senior Management Team) first met on 16 February 2017. Its composition will be reviewed in 2017-18 as I implement further change to internal governance arrangements, including the planned appointment of a Chief Operating Officer. I also plan to examine the role, responsibilities and membership of the Advisory Group, and will seek to agree a revised MOU with the Audit Committee of the Assembly.

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

I am accountable to the Assembly 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 at <https://www.niauditoffice.gov.uk/governance-niao>.

NIAO Executive Team (to January 2017) and Senior Management Team (from February 2017)

The Executive Team comprised myself, as Chair, and the Assistant Auditors General. It was replaced by the Senior Management Team in February 2017, and encompasses the additional membership of NIAO Directors (listed on page 30).

The leadership team (Executive Team replaced by Senior Management Team) normally 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 Code, the business of the team covered the five key areas of strategic clarity, commercial sense, talented people, results focus and management information.

The Executive Team met nine times during the year which covered normal scheduled business. One further meeting was convened to consider the draft Annual Report and Accounts 2015-16. There was full attendance of members at all meetings.

The Senior Management Team met twice in 2016-17, with seven of the nine members present at its February meeting and full attendance at its March meeting.

Relevant non-members are invited to attend these meetings. Over the course of the year, attendance took place in relation to items such as the Office's Stakeholder Engagement Strategy, the Voluntary Exit Scheme and the provision of information to the leadership team.

Following on from a review in 2015-16 to consider the quality of data presented to the Executive Team, an updated suite of management information was introduced in 2016-17. This exercise was conducted to ensure clear, consistent and comparable information was available to support decision making and drive improvement. This work has enhanced transparency in the provision of performance information across all of the Office's functions. However, the Office recognises the need to do further work in this area, and has incorporated a requirement in its Digital Services Strategy 2017-18 to 2019-20 to improve the extraction and reporting of management information from our systems to increase transparency and better support decision making at all levels.

NIAO Audit Committee

The NIAO Audit Committee's membership comprises non-executives only. One post may be allocated to a representative from a public audit agency in the UK or Ireland. Other members are appointed by open competition, based on merit, and are ex officio members of the C&AG's

Advisory Group. The appointment panel comprises three people, including myself and a member of the Audit Committee of the Assembly.

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. At least one member of the NIAO Audit Committee will have recent and relevant financial experience. (See pages 30 and 31 for commentary on members.)

The NIAO Audit Committee's role is one of supporting me, 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 audit⁶ and external audit (see page 32) and the adequacy of management's response to issues identified by audit activity, including external audit's management letter. The NIAO Audit Committee's terms of reference are available at <https://www.niauditoffice.gov.uk/audit-committee>.

The NIAO Audit Committee normally meets at least five times a year. It may request the attendance of officials of the Office to assist with its discussions on any particular matter. Attendance of members in 2016-17 was as follows:

Members present	NIAO Audit Committee				
	20/04/16	21/06/16	20/09/16	24/11/16	02/03/17
Áine Gallagher (Chair)	✓	✓	✓	✓	✓
Paul Douglas	✓	✓	✓	✓	✓
Gillian Body	✓	✓	✓	✓	✓
Pat Cumiskey	✓	✓	✓	✓	✓

On behalf of the NIAO Audit Committee, the Chair provides me with an annual report summarising the Committee's work for the year. The 2016-17 report covered:

- committee members and attendees;
- meetings;
- risk management;
- key issues;
- workforce matters;
- internal control;
- internal audit;
- external audit and annual report;
- whistleblowing;
- committee matters;
- benchmarking;

⁶ Following open competition, Haines Watt was appointed as Internal Auditor with effect from 2016-17 for a three year period

- governance; and
- the future.

The NIAO Audit Committee is satisfied that it has discharged 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 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 2017-18.

C&AG's Advisory Group

The role of the Advisory Group is to provide objective and impartial advice to assist me in the discharge of my functions. The group 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 the 2013 Code. It has no decision making authority.

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

In 2016-17, the Advisory Group's programme focused extensively on HR issues, including performance management, training and development and workforce strategy and planning. It also considered the issues of stakeholder engagement, and measurement of NIAO's impact.

The attendance at the five meetings of the Advisory Group in 2016-17 is shown below:

Members present	C&AG's Advisory Group				
	20/04/16	21/06/16	20/09/16	24/11/16	02/03/17
Kieran Donnelly (C&AG)	✓	✓	✓		✓
Paul Douglas (Chair)	✓	✓	✓	✓	✓
Áine Gallagher	✓	✓	✓		✓
Pat Cumiskey	✓	✓	✓	✓	✓
Eddie Bradley (to January 2017)		✓	✓	✓	
Louise Mason	✓	✓	✓	✓	✓
Janet Sides	✓	✓	✓	✓	✓

In addition, other officials of the Office attended, as required, to assist with the discussion of agenda items.

Corporate Secretariat

The Office's corporate secretariat function helps ensure that all elements of its governance structure are provided with an appropriate support service.

Risk management and control

The Office's approach to risk management is guided by professional best practice and takes full cognisance of the context and environment in which it operates. We assess how the achievement of our policies, aims and objectives might be affected by the risks we face, and a system of internal control is designed which mitigates those risks. The system is not designed to eliminate all risk but to strike an appropriate, proportionate balance between control, cost of control and risk taking.

The NIAO has a comprehensive risk management strategy which sets out roles and responsibilities and determines procedures for risk identification, monitoring, reporting and escalation of issues.

The Corporate Risk Register is compiled and managed by the leadership team, having full regard to both 'top down' and 'bottom up' identification and management of risks significant to the NIAO. An issues log is also maintained to record serious issues that arise which threaten the operation and/or reputation of the Office. Emerging risks are added as required, and mitigating actions are put in place and monitored.

In managing risk to the achievement of policies, aims and objectives, the Office applies a range of measures, including:

- recruiting talented staff, providing professional accountancy qualifications, developing training programmes and providing development opportunities;
- developing, maintaining and communicating principles and policies for staff conduct, compliance with which is expected by all. Each year all staff sign a Code of Conduct. Breaches may lead to investigation and other action in accordance with the NIAO's disciplinary policy;
- appropriate methodologies for the NIAO's work, conforming with International Standards on Auditing; and
- control over the quality of audits managed through a system of internal and external review. In particular, the International Standard on Quality Control 1 is applied to financial audit engagements. The outcomes of review processes are reported to the NIAO Audit Committee.

During 2016-17, the Corporate Risk Register was a standing item at each meeting of the Executive Team, the Senior Management Team and the NIAO Audit Committee. Following discussions with the Executive Team and the NIAO Audit Committee, and recommendations made by Internal Audit, I carried out an in-depth review of the Office's risk management arrangements in the latter half of the year. The key outcomes of this review, which have been introduced in 2017-18, are: redefined and streamlined corporate risks; a reformatted risk register based on a 'three lines of defence' model⁷ of risk management; the amalgamation of the former three risk registers (one corporate and two operational) into one register; and adjustments to our approach to risk appetite.

⁷ Line 1: Business Operations – the arrangements which exist within clusters and other planning areas that can be used to derive assurance on how objectives are being met and resources and risks managed.

Line 2: Corporate Oversight – Senior Management Team.

Line 3: Providers of assurance, internal and external. This includes our internal and external auditors who provide independent and objective assurance over the organisation's framework of governance, risk management and control.

During 2016-17, the Office assessed its risk appetite as cautious, meaning that tolerance for risk taking is limited to those events where there is little chance of any significant repercussion for the Office should there be a failure. We now determine a risk appetite for each risk.

Corporate risk 2016-17 – Areas of focus

As a result of the in-depth review of the Office's risk management arrangements noted above, the Office's risk areas have been re-shaped into four key areas of risk: reputation; resources; influence and change management, as shown below. The former risks managed by the Office in 2016-17, which included up to seven, have been fully subsumed into these areas and accordingly the key actions and issues in the table below relate to 2016-17 onwards.

Risk Area	NIAO Risk Appetite	Key Actions and Issues during the year
<p>Reputation (covering independence, understanding of our role, relationship with key stakeholders and external issues)</p> <p>Reputational damage through any failure (actual or perceived) to operate independently, impartially and to the highest ethical standards, resulting in the breakdown of relationships with key stakeholders.</p>	<p>Cautious</p> <p>Our reputation is key to our organisation. We must be seen to be independent, apolitical, professional and an exemplar of good practice in all aspects of our work.</p>	<p>We have enhanced our communications with our key stakeholders, through surveys with our auditees and MLAs. In the ongoing press coverage around the Renewable Heat Incentive Scheme we have been recognised as a key player in the process. We have sought to maintain our high standard of professionalism and protect our independence.</p> <p>We continued to work proactively to support positive change and innovation across all parts of the public sector, including issuing best practice guidance which is being well received by our target audience.</p>
<p>Resourcing</p> <p>Insufficient resources to deliver Office objectives and failure to make optimal use of existing resources.</p>	<p>Cautious</p> <p>We need to make optimal use of all of our resources. However, we are prepared to accept:</p> <ul style="list-style-type: none"> • a limited overrun in cost of projects; • a limited overrun in delivery of projects; 	<p>We have regular engagement with the Department of Finance, the Assembly Audit Committee and the PAC on our current and future funding requirements. We have managed budget reductions of five per cent in both 2015-16 and 2016-17 and are working to a further four per cent reduction in 2017-18. The use of a Voluntary Exit Scheme has been essential</p>

Risk Area	NIAO Risk Appetite	Key Actions and Issues during the year
	<ul style="list-style-type: none"> a very limited adverse outcome in the management of financial resources. 	<p>in reducing the pay bill to manage these reductions but also to facilitate the move to a more optimal grade structure, and to align our staff resource requirements with business needs.</p> <p>We recognise that we are in a period of change, and accordingly carefully prioritise and manage the delivery of audit outputs within existing resource availability, accepting minor and unavoidable shortfalls in performance.</p>
<p>Influence</p> <p>Not using our influence to drive real and sustained improvement in governance, financial management and performance across the public sector.</p>	<p>Open</p> <p>We are prepared to direct our audit resources to present well researched, high quality audit evidence on matters which may require fundamental changes in the public sector. We should have sufficient appetite to review and challenge public bodies to ensure we can influence and drive real and sustained improvement in governance, financial management and performance across the public sector.</p> <p>We do not shy away from open and frank debate with the wider public sector in their resistance to the implementation of our key recommendations.</p>	<p>As a result of our public reporting and financial audit work we continued to influence and drive real and sustained improvement across the public sector.</p> <p>Through our impacts exercise we have identified £26.0 million in financial savings in 2016-17 (see page 18).</p>

Risk Area	NIAO Risk Appetite	Key Actions and Issues during the year
<p>Change Management</p> <p>Keeping pace with developments which impact on the work of the Office and ensuring that transitioning to new structures and working practices is managed appropriately.</p>	<p>Open</p> <p>We are willing to take decisions that have long term benefits to the Office but may impact on delivery in the short term.</p>	<p>Over this period the evolution of the business remained to the fore. We focused on ensuring the provision of a quality, cost effective professional audit service to the Assembly, audited bodies and the wider public now and in the future.</p> <p>In this time of significant and ongoing change in the external operating environment, including the increased digitalisation of government, and in the internal environment, including changes to the way we work, and forthcoming developments arising from the Top Structure Review, the External Audit Review of Workforce Strategy and Planning and the ongoing review of the Office's accommodation requirements, we recognise the uncertainties this creates for staff, and the challenges faced in adapting to a new organisational culture and working environment. It is important that we carefully manage change, including communicating and engaging with staff in an open and informative manner about plans and developments, seeking their views and input.</p>

Other areas of focus

Sickness Absence

I have been concerned at the significant increase in NIAO sickness absence as shown below:

Year	Average days' sickness absence per employee	% Loss Rate
2014-15	7.7	3.14
2015-16	9.1	3.58
2016-17	14.2	5.53

While short-term absence decreased from an average 4.15 days per employee (equating to a percentage loss rate of 1.63 per cent) in 2015-16 to 3.73 days per employee (1.45 percentage loss rate) in 2016-17, long-term sickness absence (20 consecutive working days or more) rose from an average of 4.95 days per employee (1.95 percentage loss rate) in 2015-16 to 10.5 days per employee (4.08 percentage loss rate) in 2016-17. At this point, I have no evidence to indicate that this is anything other than a spike with no underlying systemic cause; in particular there is no evidence that work-related matters had a significant impact on the 2016-17 level of long term absence.

I have been closely monitoring the rise in long-term sickness absence, and it is a standing item on the Senior Management Team agenda. Unavoidable absences due to sickness and injury will, of course, occur and the Office is committed to supporting the health of its workforce. It provides a range of positive healthcare and fitness initiatives for all its employees. In dealing with individual absence issues, the Office aims to act reasonably and fairly at all times, taking account of all the circumstances.

The Office has 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. We commenced a review of this policy in 2016-17 with a view to improving its ease of use by staff, and plan to issue a revised policy in 2017-18, on which training will be provided.

Subsistence Expenses

In September 2016, HMRC conducted a review of our handling of staff subsistence expenses and found non-compliance with tax rules. HMRC calculated an outstanding liability of tax and national insurance contributions of approximately £49,000 going back to 2010. The Office immediately corrected the error and has paid the sum due. A penalty of approximately £6,100 has been suspended until August 2017, and will not be required to be paid if the Office can demonstrate that it has complied with conditions of the suspension and does not become liable for any further penalties. I am satisfied that we have implemented appropriate action in response to this matter.

2017-18 Budget Position

The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017-18. In the absence of a budget for 2017-18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provide for the Permanent Secretary of the Department of Finance to issue resources and cash to departments and independent bodies such as ourselves from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed.

Statement of information risk

Together with the staff of the NIAO, I 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. The NIAO has a duty to respect this privileged access and to ensure that the personal information entrusted to it is safeguarded properly.

The NIAO has 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. NIAO staff are made aware of these policies and controls, and awareness is reinforced through information security training. Checks for compliance with the Data Protection Act 1998 have been performed in 2016-17, and no significant weaknesses were identified.

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 Senior Management Team, and a network of staff 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 Audit Committee. In addition to its annual audit of the financial statements and review of the Office's financial impacts, the external auditor carried out a value for money study of workforce strategy and planning at NIAO in 2016-17. While making recommendations for improvement, the auditor's opinion was that NIAO takes an adequate approach to workforce planning and they were satisfied that at a strategic level, the organisation is cognisant of the importance of workforce planning as the organisation continues to progress through ongoing change.

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

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 2016-17 including strategic planning and risk management, performance management, financial controls, staff utilisation and work planning, and management of financial audits. 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 provided assurance that 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 2016-17 which affected the achievement of the Office's key policies, aims and objectives.



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

23 June 2017

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 82 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.

NIAO staff normally hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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.

In 2016-17 we ended performance related pay. Instead pay progression for all staff including senior management solely related to an incremental step, where appropriate. The pay award involved a minimum percentage uplift in gross terms which was awarded to all 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 (and former Executive Team). The information on pages 48 to 55 is covered by the audit opinion.

Remuneration (including salary) and pension entitlements (Audited)

	2016-17					2015-16				
	Salary	Bonus Payments	Benefits in kind (to nearest)	Pension Benefits*	Total**	Salary	Bonus Payments	Benefits in kind (to nearest)	Pension Benefits*	Total**
	£'000	£'000	£100)	£'000	£'000	£'000	£'000	£100)	£'000	£'000
Kieran Donnelly *** C&AG	140-145	-	-	2	140-145	140-145	-	-	34	175-180
Louise Mason *** Assistant Auditor General	100-105	-	-	31	130-135	95-100	-	-	43	140-145
Janet Sides *** Assistant Auditor General	100-105	-	-	32	130-135	95-100	-	-	45	140-145
Eddie Bradley **** Assistant Auditor General (until 31 Jan 2017)	80-85 (95-100 full year equivalent)	-	-	10	90-95	90-95	-	-	44	135-140
Rodney Allen ***** Director (SMT from 1 Feb 2017)	10-15 (80-85 full year equivalent)	-	-	7	20-25	-	-	-	-	-
Neil Gray ***** Director (SMT from 1 Feb 2017)	10-15 (75-80 full year equivalent)	-	-	5	15-20	-	-	-	-	-
Colette Kane ***** Director (SMT from 1 Feb 2017)	10-15 (70-75 full year equivalent)	-	-	5	15-20	-	-	-	-	-
Denver Lynn ***** Director (SMT from 1 Feb 2017)	10-15 (80-85 full year equivalent)	-	-	3	15-20	-	-	-	-	-
Sean McKay ***** Director (SMT from 1 Feb 2017)	10-15 (80-85 full year equivalent)	-	-	4	15-20	-	-	-	-	-

	2016-17					2015-16				
	Salary	Bonus Payments	Benefits in kind (to nearest)	Pension Benefits*	Total**	Salary	Bonus Payments	Benefits in kind (to nearest)	Pension Benefits*	Total**
	£'000	£'000	£100)	£'000	£'000	£'000	£'000	£100)	£'000	£'000
Tomas Wilkinson ***** Director (SMT from 1 Feb 2017)	10-15 (75-80 full year equivalent)	-	-	5	15-20	-	-	-	-	-
Band of Highest Earner's Total Remuneration**	140-145					140-145				
Median Total Remuneration £	45,748					45,739				
Ratio	3-1					3-1				

* 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.

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

*** The C&AG along with Louise Mason and Janet Sides (Assistant Auditors General) served on the Executive Team until January 2017. From February 2017 they served on the Senior Management Team (SMT), which replaced the Executive Team as the key decision-making body.

**** Eddie Bradley (Assistant Auditor General) served on the Executive Team until January 2017 at which point he left the organisation under voluntary exit terms.

***** Directors who have served on the Senior Management Team (SMT) from February 2017. No prior year comparators have been provided as they did not reside on the Executive Team which was the key decision-making body in 2015-16.

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

'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 2016-17.

Non-Executive Members

During 2016-17 the following remuneration was payable to non-executives in undertaking their NIAO Advisory Group and NIAO Audit Committee role duties:

	Date of contract	Length of contract (yrs)	2016-17 Salary £'000	2015-16 Salary £'000
Áine Gallagher	17-11-14	3	7.5 - 10	5 - 7.5
Paul Douglas	17-11-14	3	5 - 7.5	5 - 7.5
Pat Cumiskey	06-11-15	3	5 - 7.5	2.5 - 5

No remuneration was paid to Gillian Body from the Wales Audit Office.

Pension entitlements (Audited)

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

Name and Title	Accrued pension at pension age as at 31/3/17 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV* at 31 March 2017 £'000	CETV* at 31 March 2016 (or date of joining) £'000	Real increase in CETV* £'000
Kieran Donnelly** C&AG	55-60 plus lump sum of 170-175	0-2.5 plus lump sum of 0-2.5	1,266	1,263	2
Louise Mason** Assistant Auditor General	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5	698	641	26
Janet Sides** Assistant Auditor General	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 5-7.5	816	751	28
Eddie Bradley*** Assistant Auditor General (until 31 Jan 2017)	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-2.5	751	731	7
Rodney Allen **** Director (SMT from 1 Feb 2017)	30-35 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	549	543	4
Neil Gray **** Director (SMT from 1 Feb 2017)	15-20 plus lump sum of nil	0-2.5 plus lump sum of nil	209	205	3
Colette Kane **** Director (SMT from 1 Feb 2017)	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 0-2.5	438	434	3
Denver Lynn **** Director (SMT from 1 Feb 2017)	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-2.5	803	798	3
Sean McKay **** Director (SMT from 1 Feb 2017)	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	790	784	4
Tomas Wilkinson **** Director (SMT from 1 Feb 2017)	15-20 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	250	246	2

* CETV = cash equivalent transfer values

** The C&AG along with Louise Mason and Janet Sides (Assistant Auditors General) served on the Executive Team until January 2017. From February 2017 they served on the Senior Management Team (which replaced the Executive Team as the key decision-making body). The

C&AG's CETV at 31 March 2016 has been restated after updated figures were provided by Civil Service Pensions. He opted out of the Northern Ireland Civil Service Pension Scheme in 2016-17.

**** Eddie Bradley (Assistant Auditor General) served on the Executive Team until January 2017 at which point he left the organisation under voluntary exit terms.*

***** Directors who have served on the Senior Management Team (SMT) from February 2017.*

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

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

Increases to public service pensions are the responsibility of HM Treasury. Pensions are

reviewed each year in line with the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2016 was 1 per cent and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 to 31 March 2018 are as follows:

Scheme Year 1 April 2017 to 31 March 2018

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – Classic members or classic members who have moved to alpha	Contribution rates – All other members
From	To	From 01 April 2017 to 31 March 2018	From 01 April 2017 to 31 March 2018
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,422.99	4.6%	4.6%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 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 pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha is linked to the member's State Pension age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

Cash Equivalent Transfer Values

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

Real increase in CETV

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

In accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), Eddie Bradley left under voluntary exit terms on 31 January 2017. He received a compensation payment in the range of £165,000 - £170,000.

Review of Fair Pay (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.

The banded remuneration of the highest-paid earner in NIAO in the financial year 2016-17 was £140,000 to £145,000 (2015-16: £140,000 to £145,000). This was 3.1 times (2015-16: 3.1) the median remuneration of the workforce, which was £45,748 (2015-16: £45,739).

Remuneration ranged from £5,875 to £141,322 (2015-16: £5,000 to £140,300).

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

The highest paid earner of the Office is the C&AG who is also the Accounting Officer. However, as noted on page 47, the salary of the C&AG is met from the Consolidated Fund rather than the Office's Supply Estimate.

Staff Report

The 108 permanent full time equivalent staff at 31 March 2017 (2015-16: 109) comprised:

	Male	Female
Senior Management Team	5	3
Other Staff	45	55
Total	50	58

The reduction in the number of permanent staff reflects the outcome of the Office's Voluntary Exit Scheme (see page 8 for further comment) and in year staff resignations but also the recruitment of additional staff at Graduate Trainee Accountant level.

Staff Costs (Audited)

Staff costs comprise:

	2016-17 £'000			2015-16 £'000
	Permanently employed staff	Others	Total	Total
Wages and Salaries	5,108	83	5,191	5,492
Social Security Costs	565	-	565	494
Other Pension Costs	1,226	-	1,226	1,345
Total net costs	6,899	83	6,982	7,331

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 pension arrangements are unfunded multi-employer defined benefit schemes. The scheme does not identify the NIAO's share of the underlying assets and liabilities. The most up-to-date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the Department of Finance's Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2017.

For 2016-17, employers' contributions of £1,225,550.07 were payable to the NICS pension arrangements (2015-16: £1,344,654.18) at one of three rates in the range 20.8 per cent to 26.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2017-18, the rates will range from 20.8 per cent to 26.3 per cent. The

contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2015-16: £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8 per cent to 14.75 per cent (2015-16: 3 per cent to 14.7 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £nil, 0.5 per cent (2015-16: £nil, 0.5 per cent) of pensionable pay were payable to the NICS Pension Arrangements 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 (2015-16: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2015-16: £nil).

Average number of persons employed (Audited)

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

Permanent Staff	2016-17			2015-16
	Others	Total		Total
102	1	103		121

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

There were no compulsory redundancies in 2016-17 (2015-16: nil). Other departures relate to the Voluntary Exit Scheme and the number and overall costs are disclosed in the table below. 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	- (2015-16: -)	- (2015-16: -)	- (2015-16: -)
£10,000 - £25,000	- (2015-16: -)	- (2015-16: 4)	- (2015-16: 4)
£25,001 - £50,000	- (2015-16: -)	- (2015-16: 3)	- (2015-16: 3)
£50,001 - £100,000	- (2015-16: -)	4 (2015-16: 6)	4 (2015-16: 6)
£100,001 - £150,000	- (2015-16: -)	1 (2015-16: 1)	1 (2015-16: 1)
£150,001 - £200,000	- (2015-16: -)	1 (2015-16: -)	1 (2015-16: -)
Total number of exit packages	- (2015-16: -)	6 (2015-16: 14)	6 (2015-16: 14)
Total cost	- (2015-16: -)	£564,000 (2015-16: £677,000)	£564,000 (2015-16: £677,000)

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.

The Office has applied for and obtained funding which will enable a third Voluntary Exit Scheme to be implemented in 2017-18.

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.

Our sickness absence statistics for 2016-17 are reported on page 44.

Staff Equality Policies

The NIAO is fully committed to the effective promotion of equality of opportunity in all its employment policies and procedures. This includes ensuring that all applications for employment are considered fairly and consistently, on the basis of merit. The NIAO strives to create an environment where all 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 the Office.

The NIAO will continue to consult as widely as possible to ensure that any organisation or group which has a legitimate, particular interest in its work and/or likely impact of its policies on its disability duties will be included in the process of engagement.

Consultancy

In 2016-17, the Office paid £57,000 (2015-16: £23,000) 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 2016-17, the Office paid £83,000 (2015-16: £111,000) 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 that were in place during 2016-17 costing over £58,200 per annum. The Office had no off-payroll engagements commencing, ending or operating during 2016-17.

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 (FRM) requires the NIAO to prepare a Statement of Assembly Supply (SOAS) and supporting notes to show resource outturn against the Supply Estimate presented to the Assembly, in respect of each request for resources.

Summary of Resource Outturn 2016-17

	Note	ESTIMATE			OUTTURN			Net total outturn compared with Estimate: saving/ (excess) £'000	2015-16 Outturn £'000
		Gross Expenditure	Accruing Resources	Net Expenditure	Gross Expenditure	Accruing Resources	Net Total		
		£'000	£'000	£'000	£'000	£'000	£'000		
Request for Resource A*	SOAS1	10,613	2,607	8,006	10,248	2,607	7,641	365	8,237
Total resources	SOAS2	10,613	2,607	8,006	10,248	2,607	7,641	365	8,237
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 2016-17

	Note	Estimate	2016-17 £'000 Outturn	Net Total outturn compared with Estimate: saving/ (excess)	2015-16 £'000 Outturn
Net Cash Requirement	SOAS3	8,341	8,008	333	7,604

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	2016-17 £'000 Forecast		2016-17 £'000 Outturn	
		Income	Receipts	Income	Receipts
Total	SOAS4	-	-	39	<i>111</i>

The Assembly was dissolved in January 2017 for an election on 2 March. An Executive had not been formed by the year-end, therefore the process of approving the 2016-17 Spring Supplementary and the associated Budget Bill did not take place. Consequently, the Supply Estimate position shown in the Statement of Assembly Supply is the Main Estimates position for 2016-17. Explanations of variances between the Main Estimate and outturn figures are given in Note SOAS1 and the Performance Report.

SOAS1 Analysis of Net Resource Outturn by Function

	2016-17 £'000							2015-16 £'000	
	OUTTURN			ESTIMATE					
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net total outturn compared with Estimate	Prior Year Outturn
Request for Resources A									
Function A-1	-	10,248	-	10,248	2,607	7,641	7,995	354	8,235
Function A-2	-	-	-	-	-	-	1	1	-
Function A-3	-	-	-	-	-	-	10	10	2
RESOURCE OUTTURN	-	10,248	-	10,248	2,607	7,641	8,006	365	8,237

Savings arose from a reduction in salaries arising from a reduced pay bill resulting from VES, changes in staff working patterns and periods of long term staff illness and a reduced liability for employee benefits (i.e. untaken annual leave) compared with the forecast. Other reductions included less expenditure than forecast on outsourcing (consultancy and contracted out audit work) and NFI costs.

More detailed explanations of the variances are given in the Performance Report.

We were aware of some of the easements above as part of the 2016-17 January Monitoring process co-ordinated by the Department of Finance. Had the Spring Supplementary Estimate that we sought been approved, the above surplus would have reduced to £249,000.

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)

Function A-2: Audit and Assurance Services (Annually Managed Expenditure)

Function A-3: Notional Charges

SOAS2 Reconciliation of Net Resource Outturn to Net Operating Cost

	Note	2016-17 £'000			2015-16 £'000
		Outturn	Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn		7,641	8,006	365	8,237
Non-supply income (CFERs)	SOAS5	(39)	-	39	(108)
Non-supply expenditure	4	163	197	34	196
Net Operating Cost in Statement of Comprehensive Net Expenditure		7,765	8,203	438	8,325

SOAS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	Net Total Outturn compared with Estimate: saving / (excess) £'000
Net Resource Outturn	SOAS2	8,006	7,641	365
Capital				
Acquisition of non-current assets	6,7	40	3	37
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	4	(215)	(168)	(47)
New provisions and adjustments to previous provisions	12	(1)	1	(2)
Other non-cash items	4	(10)	-	(10)
Changes in working capital other than cash		500	512	(12)
Use of provision	12	21	19	2
Net Cash Requirement		8,341	8,008	333

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)

	2016-17 Forecast £'000		2016-17 Outturn £'000	
	Income	Receipts	Income	Receipts
Operating income and receipts - excess Accruing Resources	-	-	35	<i>107</i>
Other operating income and receipts not classified as Accruing Resources	-	-	4	<i>4</i>
Total income payable to the Consolidated Fund	-	-	39	<i>111</i>

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

	Note	2016-17 £'000	2015-16 £'000
Operating Income	5	2,646	2,506
Income authorised to be used as Accruing Resources		2,607	2,398
Operating income payable to the Consolidated Fund	SOAS4	39	108

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.

	2016-17 £'000			2015-16 £'000		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
Fee Income						
NAO Agency Fees	440	439	1	459	458	1
Other Financial Audit Fees	966	957	9	1,025	1,070	(45)
Local Government Audit Fees	888	867	21	868	829	39
NFI	167	167	-	14	14	-
	2,461	2,430	31	2,366	2,371	(5)
Other Income						
CFERs	4			1		
Income from secondments	181			139		
	2,646			2,506		

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.

Remote Contingent Liabilities

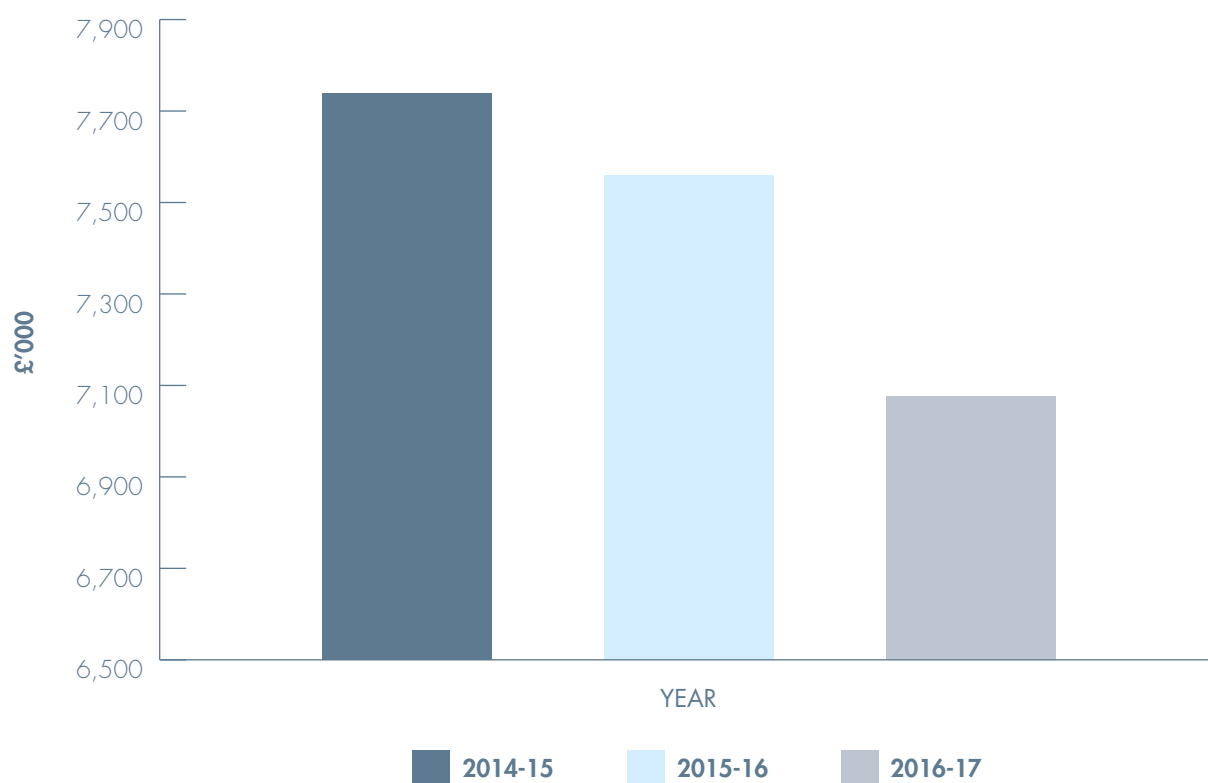
In addition to contingent liabilities reported within the meaning of International Accounting Standard (IAS) 37, the Office is required to report liabilities for which the likelihood of economic benefit in settlement is too remote to meet the definition of a contingent liability. The Office has no such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

Long Term Expenditure Trends

The Office's outturn in Estimate and Budget terms for the period 2014-15 to 2016-17 is set out below. 2016-17 figures relate to the Main Estimate and underpinning budget figures whereas 2014-15 and 2015-16 figures relate to the Spring Supplementary Estimates and underpinning budget figures for these years.

Estimate

	2014-15 £'000	2015-16 £'000	2016-17 £'000
Net Resource Outturn (NRO)	7,739	8,237	7,641
Voluntary Exit Scheme (VES) expenditure	-	677	564
NRO excluding VES	7,739	7,560	7,077

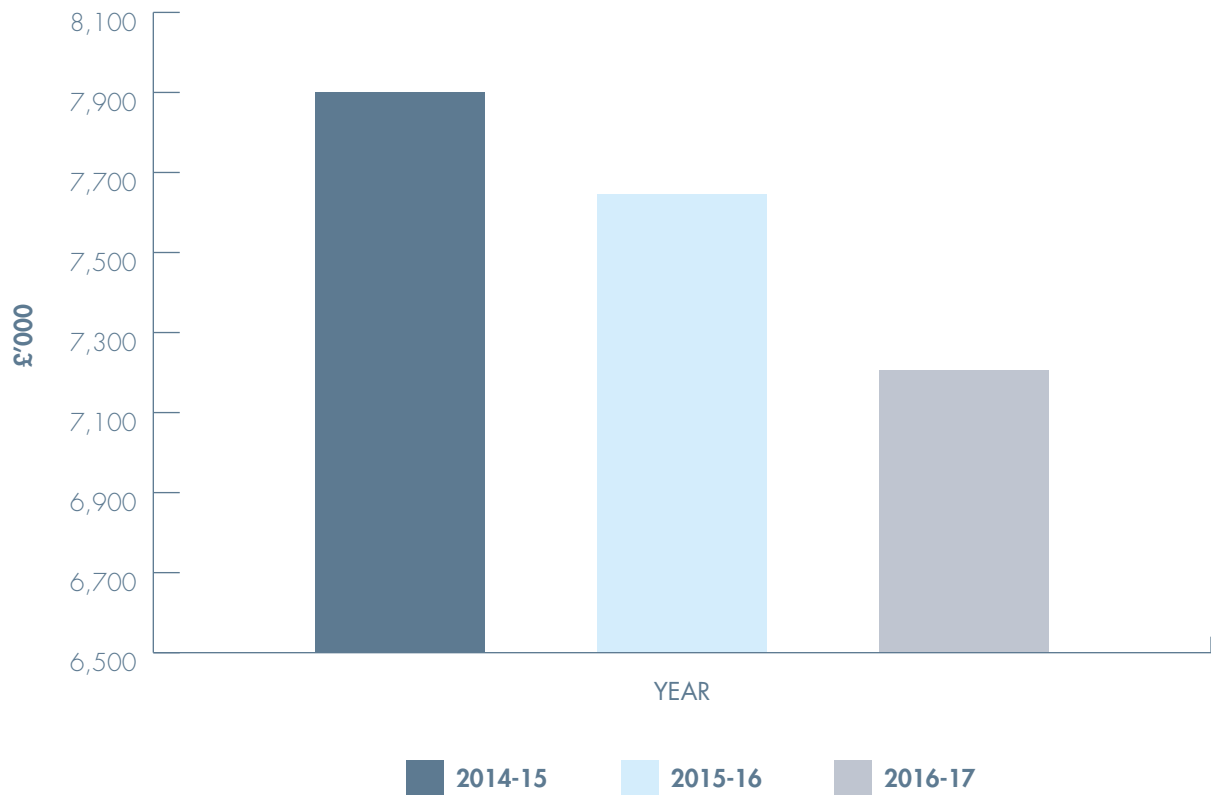
Net Resource Outturn excluding VES

As indicated on page 23 staff costs account for approximately 68 per cent of the Office's outturn each year (2015-16: 69 per cent). The Statement of Comprehensive Net Expenditure on page 74 and its notes provide a breakdown of income and expenditure in 2015-16 and 2016-17.

Budget

	2014-15 £'000	2015-16 £'000	2016-17 £'000
Resource DEL	7,977	8,387	7,788
Resource AME	(77)	(63)	(19)
Resource Budget Outturn	7,900	8,324	7,769
VES expenditure	-	677	564
Resource Budget Outturn excluding VES	7,900	7,647	7,205

Resource Budget Outturn excluding VES



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

	2014-15 £'000	2015-16 £'000	2016-17 £'000
Capital DEL	37	36	3

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) and 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. The Office's capital requirements in 2016-17 were minimal. Further information is provided in the Performance Report (page 23).



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

23 June 2017

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 2017 under the Audit (Northern Ireland) Order 1987. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the Statement of Assembly Supply and the related notes, the other Assembly Accountability Disclosures, and the information in the Remuneration and Staff Report which is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Audit Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Audit Office; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Performance and Accountability Report sections of the Annual Report and within the unaudited part of the Remuneration and Staff Report to identify any material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We are required to obtain sufficient evidence to give reasonable assurance that the Statement of Assembly Supply properly presents the Outturn against voted Assembly Control totals and that those totals have not been exceeded.

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

Opinion on Regularity

In 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 2017 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.

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 2017 and of its comprehensive net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Audit (Northern Ireland) Order 1987 and the relevant Department of Finance guidance.

Opinion on other matters

In our opinion:

- the Other Assembly Accountability Disclosures and those parts of the Remuneration and Staff 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 and Accountability Report sections of the Annual Report and within the unaudited part of the Remuneration and Staff Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Remuneration and Staff 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.

We have no observations to make on these financial statements.

Baker Tilly Mooney Moore

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

23 June 2017

Financial Statements

NET EXPENDITURE

2016-17: **£7.77 million**

2015-16: **£8.33 million**

AUDIT FEE INCOME

2016-17: **£2.46 million**

2015-16: **£2.37 million**

OTHER INCOME

2016-17: **£185,000**

2015-16: **£140,000**

STAFF COSTS

2016-17: **£6.98 million**

2015-16: **£7.33 million**

OTHER COSTS

2016-17: **£3.43 million**

2015-16: **£3.50 million**

TOTAL ASSETS LESS LIABILITIES

2016-17: **£3.33 million**

2015-16: **£2.76 million**

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2017

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

	Note	2016-17		2015-16	
		£'000	£'000	£'000	£'000
Other Operating Income	5		(2,646)		(2,506)
Staff Costs	3	6,982		7,331	
Purchase of Goods and Services	4	3,262		3,301	
Depreciation	4	168		199	
Provision Expense	4	(1)		-	
Total Operating Expenditure			10,411		10,831
Net Operating Expenditure	SOAS2		7,765		8,325
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		(199)		(132)
Comprehensive Net Expenditure for the year			7,566		8,193

The notes on pages 78 to 90 form part of these accounts

Statement of Financial Position

as at 31 March 2017

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 2017		31 March 2016	
		£'000	£'000	£'000	£'000
Non-current Assets					
Property, plant and equipment	6	3,332		3,266	
Intangible Assets	7	59		90	
<i>Total non-current assets</i>			3,391		3,356
Current Assets					
Inventories		313		338	
Trade receivables		145		72	
Prepayments		46		55	
Cash and cash equivalents	10	97		387	
<i>Total current assets</i>			601		852
Total Assets			3,992		4,208
Current liabilities					
Trade and other payables	11	(626)		(1,388)	
Provisions	12	(19)		(20)	
<i>Total current liabilities</i>			(645)		(1,408)
Total assets less current liabilities			3,347		2,800
Non-current liabilities					
Provisions	12	(17)		(36)	
<i>Total non-current liabilities</i>			(17)		(36)
Total assets less liabilities			3,330		2,764
Taxpayers' equity:					
General Fund			326		(41)
Revaluation Reserve			3,004		2,805
Total equity			3,330		2,764



Kieran Donnelly
Comptroller and Auditor General for Northern Ireland

23 June 2017

The notes on pages 78 to 90 form part of these accounts

Statement of Cash Flows for the year ended 31 March 2017

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	2016-17 £'000	2015-16 £'000
Cash flows from operating activities			
Net operating expenditure		(7,765)	(8,325)
Adjustment for non-cash transactions	4	167	201
(Increase) / Decrease in trade receivables and prepayments		(64)	89
Decrease in Inventories		25	21
(Decrease)/Increase in trade payables	11	(762)	545
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		363	(195)
Use of provisions	12	(19)	(63)
Net cash outflow from operating activities		(8,055)	(7,727)
Cash flows from investing activities			
Purchase of property, plant and equipment	6,11	(5)	(26)
Purchase of intangible assets	7	-	(15)
Net cash outflow from investing activities		(5)	(41)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		7,715	7,730
From the Consolidated Fund (non-Supply)	4	163	196
Net financing		7,878	7,926
Net (decrease) / increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(182)	158
Payments of amounts due to the Consolidated Fund		(108)	(32)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(290)	126
Cash and cash equivalents at the beginning of the period	10	387	261
Cash and cash equivalents at the end of the period	10	97	387

The notes on pages 78 to 90 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

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 2015		589	2,673	3,262
Net Assembly Funding - drawn down		7,730	-	7,730
Net Assembly Funding - deemed		261	-	261
Consolidated Fund Standing Services	4	196	-	196
Supply payable adjustment	11	(386)	-	(386)
CFERs payable to the Consolidated Fund	SOAS4	(108)	-	(108)
Comprehensive Net Expenditure for the year		(8,325)	132	(8,193)
Non-cash charges - notional costs	4	2	-	2
Balance at 31 March 2016		(41)	2,805	2,764
Net Assembly Funding - drawn down		7,715	-	7,715
Net Assembly Funding - deemed		386	-	386
Consolidated Fund Standing Services	4	163	-	163
Supply payable adjustment	11	(93)	-	(93)
CFERs payable to the Consolidated Fund	SOAS4	(39)	-	(39)
Comprehensive Net Expenditure for the year		(7,765)	199	(7,566)
Non-cash charges - notional costs	4	-	-	-
Balance at 31 March 2017		326	3,004	3,330

The notes on pages 78 to 90 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 require the NIAO to prepare resource accounts.

In meeting this requirement, the financial statements have been prepared in accordance with the 2016-17 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.

1.2 Property, plant and equipment

Land and buildings have been included on the basis of professional valuations performed by Land & Property Services (LPS). The valuations provided by LPS as at 31 October 2016 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.

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.

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 Inventory and work in progress

Inventory consists of work in progress which is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.6 Operating income

Operating income is income which relates directly to the operating activities of the Office. It principally comprises fees and charges for services provided by statute or by agreement with the National Audit Office (NAO) and client organisations. 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. It includes not only income appropriated in aid of the Estimate but also income 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 Pensions

Past and present employees of the NIAO 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.

1.8 Early Departure Costs

The NIAO 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.

1.9 Other provisions

The NIAO 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.

1.10 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 2016-17 this was at a rate of 6 per cent (2015-16: 5 per cent) based on the percentage of business income over total income.

1.11 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.

1.12 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.

1.13 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.

2. Statement of Operating Costs by Operating Segment

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

	2016-17			2015-16		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Audit	6,192	2,299	3,893	6,562	2,353	4,209
Public Reporting	2,642	-	2,642	2,480	-	2,480
Governance and Fraud Prevention and Detection	766	167	599	669	14	655
Support to the NI Assembly and the public	801	180	621	1,104	139	965
Comptroller Function	10	-	10	16	-	16
Total	10,411	2,646	7,765	10,831	2,506	8,325

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 and the public - Working closely with the Public Accounts Committee on evidence sessions based on our reports; providing support to Departmental committees; and responding to enquiries from elected representatives as well as citizens.

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

3. Staff Costs

	2016-17 £'000	2015-16 £'000
Wages and Salaries	5,191	5,492
Social Security Costs	565	494
Other Pension Costs	1,226	1,345
Total net costs	6,982	7,331

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	2016-17		2015-16	
		£'000	£'000	£'000	£'000
Contracted Out Audits		1,141		1,251	
Accommodation		345		330	
National Fraud Initiative Costs		141		14	
Recruitment and training		171		135	
Consolidated Fund Standing Services (C&AG's salary)		163		196	
Office Supplies/Equipment		42		41	
Computer Services		377		409	
Travel and Subsistence		78		89	
Professional Services Bought In		61		29	
Other Indirect Costs		90		47	
Legal Fees		20		27	
Internal Auditor's Fees		20		30	
External Auditor's Fees - Audit		23		20	
External Auditor's Fees - Other		25		4	
Hospitality		1		-	
			2,698		2,622
Voluntary Exit Costs			564		677
			3,262		3,299
Non- cash items					
Depreciation	6,7	168		199	
Provision provided for in year	11	-		-	
Provision not required written back	11	(1)		-	
Notional Costs		-		2	
			167		201
Total			3,429		3,500

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 (2015-16: £4,000).

This is included within the External Auditor's Fees – Other category. Also within the External Auditor's Fees – Other category above is an amount of £20,000 for the production of a value for money report⁸ in 2016-17.

The movement in the Consolidated Fund Standing Services charge (which relates to the C&AG's salary) from the prior year is due to his decision in 2016-17 to opt out of the NICS pension scheme.

5. Operating Income

	2016-17 £'000	2015-16 £'000
Income from NAO	440	459
Other Audit Fees	1,854	1,893
NFI Receipts	167	14
Other Income	185	140
Total	2,646	2,506

8 "Value for Money Study of Workforce Strategy and Planning at NIAO"

6. Property, plant and equipment

2016-17

	Land £'000	Buildings £'000	Information Technology £'000	Furniture and Fittings £'000	Total £'000
Cost or Valuation					
At 1 April 2016	350	2,868	68	175	3,461
Additions	-	-	1	2	3
Disposals	-	-	(14)	(47)	(61)
Revaluations	-	82	3	1	86
At 31 March 2017	350	2,950	58	131	3,489
Depreciation					
At 1 April 2016	-	2	53	140	195
Charged in year	-	111	10	11	132
Disposals	-	-	(14)	(47)	(61)
Revaluations	-	(113)	3	1	(109)
At 31 March 2017	-	-	52	105	157
Carrying amount at 31 March 2016	350	2,866	15	35	3,266
Carrying amount at 31 March 2017	350	2,950	6	26	3,332

All assets at 31 March 2017 are owned by the NIAO.

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

2015-16

	Land	Buildings	Information Technology	Furniture and Fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 2015	350	2,850	110	176	3,486
Additions	-	18	3	-	21
Disposals	-	-	(45)	(2)	(47)
Revaluations	-	-	-	1	1
At 31 March 2016	350	2,868	68	175	3,461
Depreciation					
At 1 April 2015	-	-	83	126	209
Charged in year	-	133	15	15	163
Disposals	-	-	(45)	(2)	(47)
Revaluations	-	(131)	-	1	(130)
At 31 March 2016	-	2	53	140	195
Carrying amount at 31 March 2015	350	2,850	27	50	3,277
Carrying amount at 31 March 2016	350	2,866	15	35	3,266

All assets at 31 March 2016 were owned by the NIAO.

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

7. Intangible Assets

2016-17

	Software Licences £'000
Cost or valuation	
At 1 April 2016	217
Additions	-
Disposals	(26)
Revaluations	13
At 31 March 2017	204
Depreciation	
At 1 April 2016	127
Charged in year	35
Disposals	(26)
Revaluations	9
At 31 March 2017	145
Carrying amount at 31 March 2016	90
Carrying amount at 31 March 2017	59

All assets at 31 March 2017 are owned by the NIAO.

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

2015-16

	Software Licences £'000
Cost or valuation	
At 1 April 2015	206
Additions	15
Disposals	(4)
Revaluations	-
At 31 March 2016	217
Depreciation	
At 1 April 2015	95
Charged in year	36
Disposals	(4)
Revaluations	-
At 31 March 2016	127
Carrying amount at 31 March 2015	111
Carrying amount at 31 March 2016	90

All assets at 31 March 2016 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 2017.

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. Cash and cash equivalents

	2016-17 £'000	2015-16 £'000
Balance at 1 April	387	261
Net change in cash and cash equivalent balances	(290)	126
Balance 31 March*	97	387

*The above balance is held at a commercial bank.

11. Trade payables and other current liabilities

	2016-17 £'000	2015-16 £'000
Amounts falling due within one year		
VAT	47	83
Trade payables and Accruals	247	295
Employee benefits accrual	199	163
	493	541
Voluntary Exit Scheme	-	348
Total excluding amounts due to the Consolidated Fund	493	889
Amounts issued from the Consolidated Fund for supply but not spent at year end	92	386
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	4	1
Receivable	35	107
Sub Total	624	1,383
Other payables: capital creditor	2	5
Total	626	1,388

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

12. Provisions for Liabilities and Charges

	2016-17			2015-16		
	Early departure costs £'000	Other £'000	Total £'000	Early departure costs £'000	Other £'000	Total £'000
Balance at 1 April	56	-	56	119	-	119
Provided in the year	-	-	-	-	-	-
Provisions not required and written back	(1)	-	(1)	-	-	-
Provision utilised in the year	(19)	-	(19)	(63)	-	(63)
Balance at 31 March	36	-	36	56	-	56

Analysis of Expected Timings

	2016-17			2015-16		
	Early departure costs £'000	Other £'000	Total £'000	Early departure costs £'000	Other £'000	Total £'000
Not later than one year	19	-	19	20	-	20
Later than one year and not later than five years	17	-	17	36	-	36
Balance at 31 March	36	-	36	56	-	56

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.

13. Contingent Liabilities

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

As referred to in the Governance Statement, HMRC undertook a review of subsistence payments during 2016-17 and this identified a level of non-compliance. As a result the Office was required to pay a figure of approximately £49,000 to settle the identified liability. A penalty of approximately £6,100 was levied at the same time but HMRC suspended this until August 2017. There is a potential that the Office will have to pay this penalty fine but importantly, it will not be payable at all if compliance with the conditions of the suspension can be demonstrated and we do not become liable for any further penalties. At this point we are satisfied that this will be the case.

14. Related Party Transactions

None of the NIAO Audit Committee, Advisory Group, Executive Team (up to January 2017) or Senior Management Team (from February 2017) 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.

15. Events after the reporting period

There were no reportable events between the end of the reporting period and the date the accounts were signed.

Date of authorisation for issue

The C&AG authorised the issue of these financial statements on 23 June 2017.



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