



**Annual Report
&
Accounts
2005/06**

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DASA ANNUAL REPORT & ACCOUNTS 2005/06

Contents

Section 1 Foreword by the Chief Executive

Section 2 Directors' Report and Management Commentary

- Directors' Report
- Key achievements and developments during 2005/06
- Performance against Agency Key Targets for 2005/06
- DASA Key Targets 2006/07
- Performance against the DASA Balanced Scorecard
- Resources
- Risks
- Financial Performance

Section 3 Remuneration Report

Section 4 Statement of the Agency's and Chief Executive's Responsibilities

Section 5 Statement on Internal Control

Section 6 Certificate and Report of the Comptroller and Auditor General

Section 7 Accounts

Foreword by the Chief Executive

2005/06 has been a successful year for the Defence Analytical Services Agency (DASA) and this report details our performance against the targets in our Corporate Plan for the year. We missed one of our Key Targets due to an error in a statistical press release relating to one of our major outputs where no tolerance is allowed. However our overall performance has been very pleasing.

DASA has been charged with having more impact on policy and decision making within the Ministry of Defence (MOD) and for the first time this year this was explicitly reflected in our targets – interpreted as the delivery of new products and services, and the engagement of new departmental customers. The Agency's performance in these respects has been very positive with a significant amount of new work being identified. Some common themes in this new work has enabled us to better focus our efforts to have more impact on policy and decision making in MOD in the future – this is reflected in our Corporate Plan for 2006/07, specifically in the development of a DASA Information Strategy.

DASA's success depends very largely on the skills and experience of our people. The development of departmental information systems over this year has put DASA staff under a lot of pressure whilst they also worked to deliver our normal outputs and develop new business opportunities. Our success has been due to the expertise and efforts of staff across the Agency for which I am very grateful. 2006/07 promises to be no less demanding but we should see increasing benefits from the foundations laid in this year – I look forward to working with all in DASA to deliver our challenging plans in the coming year.

Mike McDowall
CE DASA
30 June 2006

Directors' Report

DASA is an Executive Agency of the Ministry of Defence (MOD).

These accounts have been prepared in accordance with a Direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

DASA was formed by an amalgamation of three MOD statistical divisions in April 1992 and agency status was granted in that year. The Directorate of Economic Advice was merged into DASA in April 2004.

The role of DASA is to provide economic and statistical information, analysis and advice to the MOD and to provide Parliament, other Government Departments and the Public with defence-related statistics and analytical information. It has been an agency of the MOD since 1992. More detail on DASA's role and responsibilities is contained in its Framework Document*

DASA's strategic direction is set by its Owner, the MOD's Finance Director, with the support of an Advisory Board whose members are shown in Figure 1. The Owner is responsible for the strategic direction of the Agency and for ensuring that the services provided or proposed are appropriate to the wider MOD needs. The Owner approves DASA's Corporate Plan*, performance targets and budget, and monitors DASA's performance. DASA's Key Targets are approved by the Minister of State for the Armed Forces and announced in Parliament each year. DASA's performance against its Key Targets is reported through this Annual Report and Accounts.

DASA's main products and services are:

- Defence National Statistics*
- Statistics, analysis and interpretation on a wide range of defence activity for use within MOD (personnel, financial, logistics, commercial, health, and equipment)
- Forecasting to support the Department's financial, personnel and equipment planning
- Appraisal and evaluation policy, scrutiny and advice to support the MOD's investment decisions
- Consultancy services, advice and research including modelling, economic and statistical analyses, surveys and problem solving

DASA has a strong customer focus, collocating with customers where practical. The Agency headquarters is at Bath with other staff located in London, Innsworth, Portsmouth, Upavon and Bristol. DASA seeks to understand its customers' developing needs and has a number of Customer Advisory Groups to aid this process.

DASA employs a mixture of economists, statisticians, IT specialists and other analysts, and administrative staff. It is an Investor in People, and seeks to provide an environment in which individual contribution, team working, continuous improvement and a good work/life balance are encouraged.

Figure 1: DASA Owner's Advisory Board 2005/06

Trevor Woolley	Finance Director and Owner
Maj Gen Mans	Deputy Adjutant General
Surg Vice Admiral Ian Jenkins	Surgeon General
Dr Chris Mace	Director General Resources, Defence Logistics Organisation
Nicholas Evans	DG Management and Organisation
John Pitt-Brooke	Director General Media and Communications
Stephen French	Director General Equipment
R Adm M Kimmons	Chief of Staff 2nd Sea Lord
Carole Tolley	Director General Financial Management (to October 2004)
Julian Miller	Director General Service Personnel Policy
John Pitt-Brooke	Director General Civilian Personnel
Deborah Loudon	Director General Civilian Personnel (from Jan 05)
Stan Porter	Commercial Director and Supply Relations, DPA
Richard Pearson	Consultant (External Member)
Bernard Silverman	Professor of Statistics, Oxford University (external member)
Mike McDowall	Chief Executive, DASA
Janet Dougharty	Director DASA Personnel Statistics & Planning
Ian Gouldbourne	Director DASA Logistics, Surveys, Consultancy and Research
Neil Davies	Director DASA Directorate of Economic Statistics & Advice
Nigel Gerdes	Deputy Director DASA Corporate Services Division
Nick Blatchley	Deputy Director DASA Health Services
Ashley Adams	DASA Non-Executive Director

Chief Executive and Executive Committee

The Chief Executive of DASA is responsible for all aspects of the day to day running of the Agency. He is directly accountable to the Principal Accounting Officer of the MOD (the Permanent Under Secretary) for the propriety and regularity of the Agency's expenditure and its prudent and economical administration. All Board members hold substantive Civil Service contracts. Civil Service Management Code regulations apply on termination of appointment of the Chief Executive and other members of the Executive Committee. The salaries of the Chief Executive and other Board members are determined through the Senior Civil Service or other Civil Service pay award mechanisms as appropriate. Details of Executive Committee remuneration are contained within the Remuneration Report.

The Chief Executive of DASA is the Head of Profession for statistics in the Ministry of Defence, with additional responsibilities for the quality of Defence National Statistics as set out in the National Statistics Framework Document. This role is currently delegated to Director Personnel Statistics and Planning. Director DASA DESA is the Senior Economic Advisor to the Ministry of Defence and Head of Profession of economists in the Department.

The achievement of DASA's Corporate Plan is directed and monitored by the DASA Executive Committee and DASA Strategic Board whose members during 2005/06 are shown in figures 2 and 3 below.

Figure 2: DASA Executive Committee 2005/06	
Mike McDowall	Chief Executive
Janet Dougharty	Director Personnel Statistics and Planning
Ian Gouldbourne	Director Logistics, Surveys, Consultancy and Research
Neil Davies	Director for Economic Statistics and Advice
Nick Blatchley	Deputy Director Health Statistics
Nigel Gerdes	Deputy Director Corporate Services Division

Figure 3: DASA Strategic Board 2005/06	
Mike McDowall	Chief Executive
Janet Dougharty	Director Personnel Statistics and Planning
Ian Gouldbourne	Director Logistics, Surveys, Consultancy and Research
Neil Davies	Director for Economic Statistics and Advice
Nick Blatchley	Deputy Director Health Statistics
Nigel Gerdes	Deputy Director Central Services Division
Ashley Adams	Non-Executive Director
Richard Pearson	Adviser (member of the Owner's Advisory Board)
Bernard Silverman	Adviser (member of the Owner's Advisory Board)

Policy on the Payment of Creditors

All the Agency's bills, with the exception of a very small number of minor payments through a local imprest account, are paid through the Defence Bills Agency (DBA). In 2005/06, DBA had a target of paying 99.9% of correctly presented bills within 11 calendar days of receipt. Actual performance against this target was 99.98%. No interest payments arose from the implementation of the Late Payment of Commercial Debts (Interest) Act 1998.

Employment Policies

The Agency's policy is to employ and promote staff on the basis of individual merit in a non-discriminatory manner, reflecting MOD's policy on equality and diversity and the employment and training of disabled persons. The Agency has its own Equal Opportunities Officer, and is actively encouraging training aimed at the personal development of all staff. The Agency has a Safety, Health, Environment and Fire Committee, chaired by the Chief Executive. The Agency is an Investor in People, and was re-accredited against the new standard in September 2004.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with Section 7 (3)(b) of the Government Resources and Accounts Act 2000. The notional cost of the statutory audit is £29,000. The auditors received no remuneration for the provision of non audit services during the year.

*Available at www.dasa.mod.uk

Management Commentary

Key Achievements and developments during 2005/6

DASA was charged with having more impact on policy and decision making within the Ministry of Defence (MOD) and this was explicitly reflected in one of its targets in 2005/6 – interpreted as the delivery of new products and services, and the engagement of new departmental customers. Some common themes in this new work gained has enabled DASA to better focus efforts to have more impact on policy and decision making in MOD in the future – this is reflected in DASA's Corporate Plan for 2006/07, specifically in the development of its Information Strategy.

DASA either achieved or substantially achieved four out of five Key Targets compared with seven out of seven in 2004/5. It missed Key Target 2 due to an error in a statistical press release relating to one of its major outputs where no tolerance is allowed. Overall most targets have been met or exceeded. Performance against Key Targets and the Balanced Scorecard are detailed later within this Commentary.

The main area of increased activity relates to DASA's work in response to MOD's new Joint Personnel Administration (JPA) system which will impact significantly on a high proportion of DASA's operations and outputs which have developed over a long period of time. In particular, DASA will have to implement a change of software, the way data is held and design new interrogation tools and business processes. This scale of business change is new to DASA and has presented a number of challenges in addition to those presented by issues encountered by the main JPA project. Particular issues for DASA relate to the availability of specific knowledge and skills at the right time as well as difficulties associated with bringing in change within a geographically dispersed organization. A significant amount of internal resource is being committed to this project. DASA is conscious of these challenges and has appointed an experienced MOD project manager to support the DASA JPA Senior Responsible Officer and committed two staff to the new JPA Business Information Cell which will provide more direct access to the JPA database, enabling the Agency to resolve data quality and coverage issues more effectively. Nonetheless, the delivery of good quality data remains high risk.

In parallel with this work, DASA started to implement a programme of change in line with its IT Strategy which involved the deployment of new technologies in order to increase automation of processes and improve performance and data quality. These new technologies will also enhance DASA's ability to hold and disseminate data and information to customers and wider MOD. This has involved the procurement of new hardware and software as well as in training in its use.

As noted in DASA's Annual Report and Accounts 2004/5, DASA reorganised into 3 Directorates and 2 Divisions as at 1 April 2005:

- Personnel Statistics and Planning (PS&P)
- Logistics, Surveys, Consultancy and Research (LSC&R)
- Directorate of Economic and Statistical Advice (DESA)
- Health Statistics (HS)
- Corporate Services Division (CSD)

As a result Nick Blatchley DD HS and Nigel Gerdes DD CSD were both appointed to the Executive Committee and Strategic Board.

Nigel Gerdes transferred to another MOD agency with effect from 12 June 2006.

A summary of other key achievements and developments is as follows:

Personnel Statistics and Planning

In addition to work to prepare for the new Joint Personnel Administration system, PS&P delivered a number of Tri-Service Publications (TSP), some of which are National Statistics, undertaken modeling work on RAF structures and introduced a new forecasting model on RAF flying. They have also taken the lead on answering Parliamentary Questions on deployment amongst other personnel statistics.

On the civilian side, PS&P have produced monthly civilian rundown & redeployment pool monitoring report and associated analysis, analysis of the results from the MOD Band D and Band B Assessment & Development Centre exercises, and Bonus scheme analysis and demographic monitoring.

Logistics, Surveys, Consultancy and Research

Logistics has undertaken key work for the DLO on workforce planning, stock valuation and stores data cleansing. The evolving Lean Support branch has started close collaboration with DLO on optimal support planning to improve equipment availability while Surveys has a wide range of customers and had a major role in the preparation of the Tri-Service Attitude Survey and Equality & Diversity survey work.

Consultancy & Research has a major project on Human Capital Research, managing the seven year survey, which will look at how attitudes changed over the course of military service personnel careers

Directorate of Economics and Statistical Advice

DESA's Appraisal and Evaluation Branch scrutinised 313 business cases subject to Central Approval, over 20% up on 2004/05. The Branch work with Top Level Budget (TLB) Senior Finance Officers to raise the standard of TLB investment appraisals (IA) continued to bear fruit with the Corporate Governance Question Review finding a further improvement from 50% to 66% in the proportion of IAs judged as fit for purpose. The Economic Statistics Branch completed a review of the MOD Policy to switch from use of Input to Output Indices in Contract Variation of Price arrangements. The General Economic Advice Branch completed the development of a set of fuel price forecasting models and held a successful seminar for stakeholders on the wider economic aspects of the Defence Industrial Strategy. The Pay and Pensions Branch completed implementation of the National Statistics Quality Review of War Pensions Statistics.

Health Statistics

The MOD health statistical information improvement programme continued and principal developments during the year included: several revamped and new mortality reports following a radical overhaul of data collection and analysis systems for deaths, support to the Kings Centre for Military Health Research (KCMHR), Op TELIC epidemiological research programme (data collection completed March 2006), new software tools for RAF medical downgradings, Regional Rehabilitation Units and Patient Care Pathway Tracking that have provided the foundation for the further development of a new series of reports in each of these areas, an initial draft post-Op TELIC health report and, from October 2005 onwards, responsibility for quarterly reporting on the numbers of mental health cases seen by the Department of Community Mental Health (DCMH).

Corporate Services Division

The new DASA core IT system has been commissioned and is in service. Plans are well advanced for the close down and disposal of the legacy system. During the year a number of IT web based products based on the revised architecture have been produced and well received by customers. Basic Desktop Infrastructure and its support have been transferred to Defence Communication Services Agency (DCSA). Good progress has been made on DASA systems being prepared to receive JPA data. DASA continues to use and develop project management activity in support of its developments and products.

Another significant development is the transfer of a number of personnel management responsibilities to the new People, Pay and Pensions Agency (PPPA) under the MOD's People Programme. This has impacted on the responsibilities of CSD and meant increased line management responsibilities for staff in DASA.

Performance against Agency Key Targets for 2005/06

Four of the targets for 2005/06 remain largely unchanged from 2004/05. The main change relates to a new target which covers the introduction of new products and services. Two previous key targets relating to National Statistics quality reviews and Staff Satisfaction respectively were subsumed within the balanced scorecard.

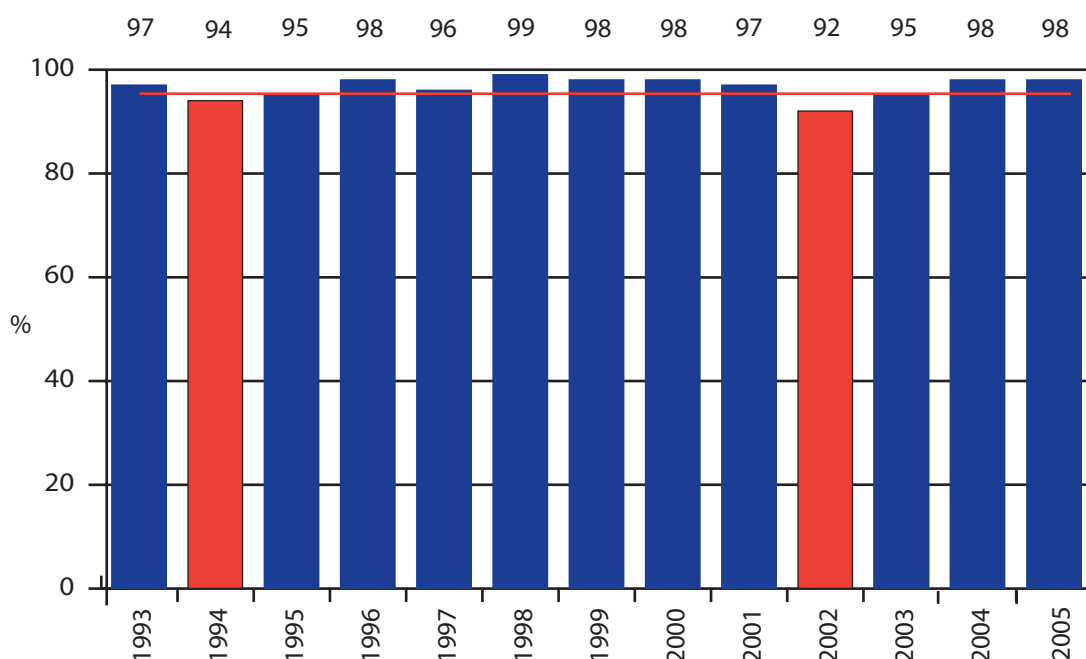
Delivering Services to Meet Customer Needs

Key Target 1. To meet at least 95% of the timeliness and quality targets in the 46 Service Level Agreements with customers, and Project Agreements for surveys, modelling and other one-off projects.

Service Level Agreements with customers cover about 75% of DASA's work. They are reviewed with customers each year and made progressively more demanding. For other areas of DASA's business, project agreements are made with customers on what is to be delivered and when. This Key Target has been used since 1992/1993 and provides a continuous benchmark of DASA's performance. The target measures performance against over 470 timeliness and quality targets.

Met – 98.8% achieved.

Graph 1: Timeliness and Quality Targets met



Key Target 2. To publish the five key defence National Statistics on time, with no major errors and with no breaches of the pre-release access arrangements, and meet 95% of the timeliness and quality targets for other defence National Statistics publications.

DASA produces all defence National Statistics. 2003/04 was the first full year when DASA had to comply with the National Statistics Code of Practice. This Key Target measured DASA's performance against the over-130 timeliness and quality targets for defence National Statistics publications. All National Statistics publications have pre-announced release dates and National Statistics processes are subject to audit by the Statistics Commission. This Key Target was failed due to an error in a statistical press release relating to one of DASA's major outputs where no tolerance is allowed. However, 99.3% of timeliness and quality targets for other defence National Statistics publications were met.

Failed – 99.3% achieved.

Key Target 3. Deliver five key new products and/or services.

This is a new Key Target which was introduced to encourage and measure the introduction of new products and services to DASA customers. Four of the five new products identified were successfully introduced. A fifth has been delayed due to issues arising from the related MOD project.

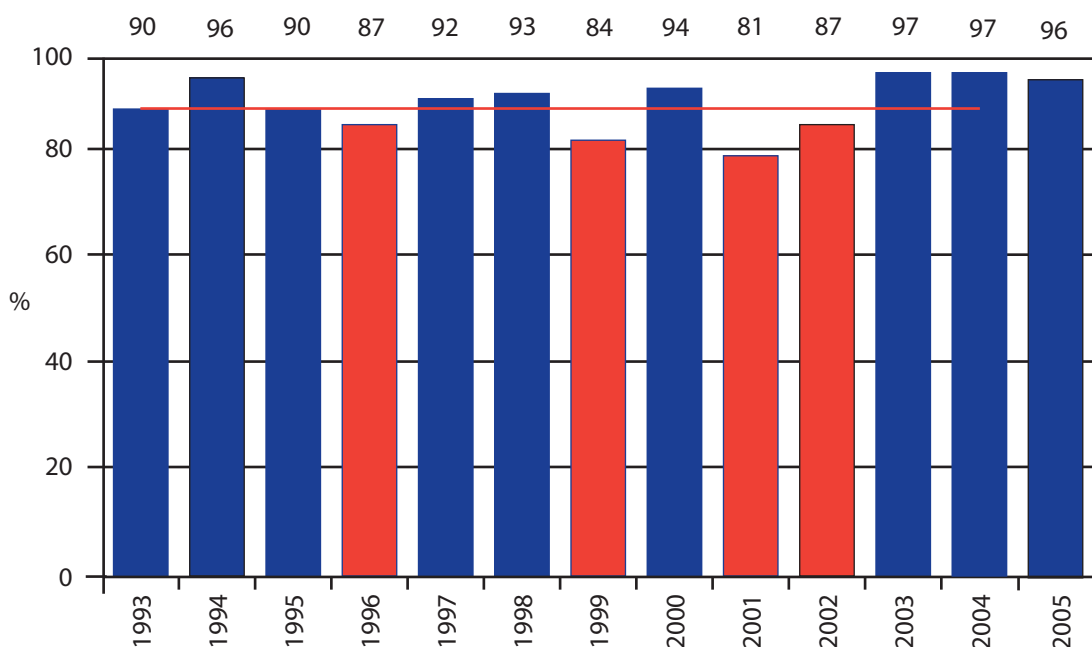
Substantially met – 4/5 achieved

Key Target 4. To have at least 90% of customers saying in the annual Customer Satisfaction Survey, that they are satisfied with the overall service they receive from DASA.

Each year DASA asks its main customers (about 70) a number of questions about their perception of the service they receive and how they expect it to change in the future. The responses are used to improve the service. A Key Target on customer satisfaction has been used since 1993/1994 and provides a continuous measure of performance.

Met – 95.8% achieved.

Graph 2: Customers at least satisfied with the service



Key Target 5. To make sufficient efficiency gains to provide the necessary resources to enable DASA to deliver Key Target 3.

Sufficient efficiency gains were made which enabled these activities to be undertaken.

Met.

DASA Key Targets 2006/7

The following key targets have been approved by the Minister for Armed Forces and announced to Parliament by means of a Written Statement on 9 May 2006.

Key Target 1: Support our MOD policy and decision making customers by meeting at least 95% of the timeliness and quality targets in our Service Level and Project Agreements, and by scoring at least 90% in our Customer Satisfaction Survey.

Key Target 2: Increase DASA's support for policy and decision making within MOD by delivering five key new products and/or services.

Key Target 3: Support the Department's accountability by publishing the five key National Statistics on time, with no major errors and in accordance with National Statistics guidelines and protocols; by meeting at least 95% of the timeliness and quality targets for other defence National Statistics, and by meeting timeliness targets for answering Parliamentary Questions.

Key Target 4: Develop and agree, by end July 2006, a DASA Information Strategy; implement actions planned under that strategy for 2006/07

Key Target 5: Make sufficient efficiency gains to ensure DASA can implement and manage the new DASA JPA personnel data system

Performance against the DASA Balanced Scorecard

Scorecard Quadrant A: Meeting customer needs

- A1 To deliver analytical services to meet the needs of MOD customers
 A2 To publish defence National Statistics, and meet other external needs
 A3 To have more impact on decision and policy making within MOD

Performance measures		Targets	Final Position
A1	Timeliness and quality of agreed products and services	Meet at least 95% of the timeliness and quality targets in the 47 Service Level Agreements with customers (see list in Annex A) and Project Agreements for Surveys, modelling and other one-off projects. <i>(Key Target 1)</i>	98.8% achieved
A2	Timeliness and quality of defence National Statistics	Publish the five key National Statistics on time, with no major errors and with no breaches of the pre-release access arrangements, and meet at least 95% of the timeliness and quality targets for other defence National Statistics publications. <i>(Key Target 2)</i>	Target failed due to a single error where no tolerance is allowed. 99.3% achieved for other defence National Statistics.
	Timeliness of responses to Parliamentary Questions, Ministerial Enquiries and Data Protection Act and Freedom of Information Act requests	95% met on time	Achieved. Near 100% met.
A3	New products and services introduced	Delivery of corporate information from roll-out of RAF JPA - End March 06	Target re-set to June 06 reflecting progress of main project
		Develop quarterly reporting processes to monitor manpower reductions for Civilians by June 2005 and Services by February 2006	Achieved
		Develop, agree and implement programme of measures with Command Services to secure improvements to quality of TLB Investment Appraisals and Post Project Evaluations - end March 2006	Achieved
		Develop statistics and analyses in support of Defence Industrial Strategy - end March 2006	Achieved
		Provide management information and analysis to help the DLO monitor its performance - end March 2006	Achieved
	New customers supported and products/services provided	5 new customers supported	Achieved
		5 new products/ services (not identified at the start of the year) introduced.	Achieved
	Level of customer satisfaction	Marketing/Customer strategy for DASA products and services introduced	Achieved. Open Day held and marketing leaflet introduced
		Customer SLAs reviewed	Achieved
		At least 90% of customers report satisfaction with the overall service they receive from DASA <i>(Key Target 4)</i>	Achieved. 95.8% of respondents reported satisfaction with DASA services.

Scorecard Quadrant B: Investing in Quality

- B1 To understand and improve the quality and timeliness of defence statistics and analyses
- B2 To manage data inputs and suppliers effectively
- B3 To improve the efficiency and effectiveness of DASA's information systems and production processes

Performance measures		Targets	Final Position
B1	Quality Review Programme conducted and recommendations addressed	Implement agreed programme arising from earlier quality reviews	Achieved. War Pensions NSQR undertaken. Phase 2 recommendations implemented from Finance and Economic Statistics NSQR
	Compliance with National Statistics Code of Practice and other relevant legislation	No breaches requiring reporting to the National Statistician reported to the National Statistician	Achieved. No breaches reported.
		No breaches of the Data Protection Act	Achieved. No breaches reported
	Documents to National Statistics standards	Develop documentation of existing and new outputs to National Statistics (NS) standards	Partially achieved – work ongoing.
B2	Quality of input data	Monitor and review SLAs with major data suppliers	Achieved.
		Increase coverage of SLAs with data suppliers	Achieved.
		Introduce quality monitoring diagnostics as systems updated and new systems introduced.	Achieved.
	Alignment with new departmental administrative systems data output	Ensure Joint Personnel Administration (JPA) and Human Resources Management System (HRMS) developments provide data needed by DASA to maintain and build on existing products and services	Progress made but testing with live data from JPA started late due to late running of main project.
B3	Quality and flexibility of DASA's production processes and systems	Rationalise IT platform according to IS Strategy plans and timetable	Achieved.
		Introduce programme of producing generic components for similar processes	Achieved. Increased use of object orientated code and class re-use.
		IT system supports new products and services planned in A3	Achieved. Server under construction, ETL introduced.

Scorecard Quadrant C: Developing our people

- C1 To create an environment where people want to work
 C2 To have the right number of people and right skills to deliver

	Performance measures	Targets	Final Position
C1	Staff satisfaction levels	At least 85% of staff report that they are satisfied working in DASA as reported in the annual Staff Opinion Survey	Failed. Staff satisfaction recorded as 67%.
	Sickness rates	DASA absence rates below MOD average and reducing	Achieved. Average 5.3 days sick leave taken.
C2	Sufficient staff in post to meet customer needs	Minimise recruitment times	Achieved
	Average training and development time	5 days for permanent staff	Achieved. Average 8.4 days training taken.
	Development of business skills necessary to effect business change	Create a culture of programme and project management	Partially achieved. Programme Office established and Project Managed appointed.
	Timely completion of performance reports and six-month reviews	All (unless extenuating circumstances apply)	Achieved.

Scorecard Quadrant D: Building a better business

- D1 To maintain a sound system of Corporate Governance
- D2 To adhere to Departmental requirements
- D3 To ensure DASA will be able to meet the future needs of the MOD

Performance measures		Targets	Final Position
D1	Implement management actions from external audits	Implement accepted recommendations from 2004/05 NAO audit of DASA accounts	Substantially achieved.
	Risk identified and managed effectively	Risk Register is maintained and routinely monitored by management.	Achieved. Risk reviewed by Executive Committee on a monthly basis.
	DASA finances managed effectively and efficiently	Deliver Corporate Plan within available funding	Achieved.
		Produce audited Annual Report and Accounts before Parliament goes into summer recess	Achieved.
		Make sufficient gains to provide the necessary resources to enable DASA to deliver Key Target 3 (Key Target 5)	Achieved.
D2	Compliance with Business Continuity, Health and Safety and security requirements	Maintain Business Continuity Plan (BCP) and Safety, Health, Environment and Fire (SHEF) plans and effectiveness	Achieved – and ongoing.
	Timely financial and performance reporting to meet Departmental requirements	Departmental requirements met	Achieved.
D3	DASA seen as proactive; able to react quickly to new demands because they have been anticipated	Implement forward looking research capability	Achieved. Working group established.
		Demonstrate potential business benefits of new products and services to potential customers	Achieved. High level of interest in Separated Service products and Human Capital Project.

Resources

DASA is financed through grants of Supply approved annually by Parliament to meet the Net Cash Requirement of the MOD of which DASA is a part. Under the Government Resources and Accounts Act 2000, no resources may be drawn from the Fund by the MOD other than required for the service of the specified year or retained in excess of that need.

In 2005/6 had an operating budget of £8.601M and a capital investment budget of £0.254M

The Balance Sheet at 31 March 2006 shows a positive Taxpayers' Equity of £271K.

Management of Resources

DASA has operated shadow delegated budgets during 2005/6 in preparation for full running in 2006/7. This has involved the provision of a budget to Directors and Deputy Directors with which to manage their business areas. This has provided useful lessons for full running in 2006/7 when delegated budget holders will be held accountable for their performance against budget.

Risks

In 2005/6 DASA developed a formal approach to risk and issue management across the Agency as part of the work to enhance corporate governance. The main areas of risk are those which may damage DASA's credibility and reputation or prevent DASA from delivering to customers' expectations.

- **Data quality and supply** – poor quality and timeliness of data supply affect DASA's reputation, even though generally outside its control. Most of DASA's data comes from the Department's administrative systems, many of which have been or are about to change. Stability and confidence in the new data takes a considerable time, post roll-out, to achieve. The new systems being introduced, such as JPA, offer the potential for better data, but only if there is continuing investment and attention to data collection. DASA's mitigation is the implementation of more robust data quality controls, the construction of meta-data to describe DASA's holdings and more flexible systems to enable corrective rework when required, at lower cost. These actions will form part of DASA's Information Strategy which is under development for 2006/7 and beyond.
- **Technology** – DASA relies heavily on IS/IT, and has seen many business benefits over many years from the prompt adoption of technology lead advances. However, with basic infrastructure passing to Defence Information Infrastructure (DII) there is a risk the provided service will not keep pace with DASA's developments. In mitigation, processing is being moved from desktops to core systems with high levels of protection for data and data recovery. Major work is underway to produce web based products for customers which aid the benefits realisation for DII by utilising the connectivity to reach growing numbers of the department. Again, these actions will form part of DASA's Information Strategy.
- **Recruitment and Retention of staff** – DASA's ability to deliver depends on having sufficient staff with the right skills. Resilience remains a key issue in DASA's small dispersed organisation. A number of enforced accommodation moves which are likely to take place in 2006/7 are anticipated to increase the challenge of maintaining a workforce of the necessary numbers and skills. DASA will continue to aspire to be a good employer, offering challenging jobs, providing development and training and work/life balance, but perception of poor pay and progression remains a factor for people leaving the agency.

Financial Performance

DASA's net operating costs were £9,001K which compares with £8,811K in 2004/05.

Within this figure, staff costs have increased by £933K from the previous year. The reasons for the change are a combination of increased staff and pay increases. This increase has been offset to some extent by the replacement of agency staff by permanent staff that have lower salary costs. The increase in staff has resulted in increased outputs and investment in development. The staff costs were on budget and planned.

A breakdown of staff numbers is shown in note 2 of the accounts. Turnover of DASA staff is higher than in MOD in general. The reasons for this will be investigated in 2006/7.

Despite the increase in staff numbers, there have been reduced other operating costs of £743K from the previous year. Again, there is a combination of reasons including:

- Transfer of responsibility for IT links to another part of MOD
- Decrease in depreciation in accordance with guidance from MOD
- Decrease in external recruitment for which DASA has to pay
- General tighter budgetary control

Tangible Fixed Assets have increased in total by £361K from 2004/5 due to the purchase and build of DASA's new servers. These will replace the old servers which are wearing out and provide additional storage capacity.

There has been a decrease in Creditors Falling Due Within 1 Year, to some extent due to an increased use of the Government Procurement Card.

As Accounting Officer of DASA, I am responsible for the disclosure of relevant audit information. I can confirm that:

- There is no relevant audit information of which the auditors are unaware;
- I have taken all necessary steps to ensure that I am aware of the relevant audit information; and
- I have taken all necessary steps to establish that the auditors are aware of the information.

Mike McDowall
CE DASA
30 June 2006

Remuneration Report

a. Members of the DASA Executive Committee (EC) have substantive civil service contracts or are in the armed forces. Appointments may be terminated in accordance with the Civil Service Management Code.

b. Salaries of the EC are determined through the Senior Civil Service Salaries Review Body, the Senior Salaries Review Body or as part of a Departmental pay award as appropriate.

c. The salary and pension entitlements of the Management Board are shown below. The disclosure note has been drawn up in accordance with DAO(GEN)12/00 dated 21 December 2000 where written consent has been obtained from all the members of the Management Board prior to publication of their salaries. The following information is audited.

	Salary, including performance pay		Real increase in pension	Real increase in lump sum	Total accrued pension at 60 at 31 March 2006	Total accrued lump sum at 60 at 31 March 2006	Cash Equivalent Transfer Value		
	<i>(in bands of £5000)</i>		<i>(in bands of £2500)</i>				<i>(to the nearest £1)</i>		
	05/06 £000s	04/05 £000s	05/06 £000s	05/06 £000s	05/06 £000s	05/06 £000s	31 March 2006 £000s	31 March 2005 £000s	Real increase funded by employer 31 March 2006 £000s
Mike McDowall Chief Executive (from November 2004)	100-105	25-30	2.5-5.0	N/A	40.0-42.5	N/A	703	615	77
Nick Blatchley Deputy Director Health Division	55-60	Not on Board	0-2.5	0-2.5	10.0-12.5	30.0-32.5	195	177	13
Neil Davies Director Economic Statistics and Advice	75-80	70-75	0-2.5	0-2.5	25.0-27.5	62.5-65.0	353	320	17
Janet Dougharty Director Personnel Statistics & Planning	55-60	60-65	0-2.5	2.5-5.0	20.0-22.5	62.5-65.0	316	285	17
Nigel Gerdes Deputy Director Corporate Services Division (from April 05)	55-60	Not on Board	0-2.5	0-2.5	2.5-5.0	12.5-15.0	68	53	13
Ian Gouldbourne Director Logistics, Surveys, Consultancy & Research (from June 2004)	60-65	45-50	0-2.5	5.0-7.5	17.5-20.0	52.5-55.0	225	192	26

None of the above received benefits in kind.

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

d. Remuneration of external members of DASA's Boards and Committees

i Remuneration of external members of the Strategic Board and DASA's Advisory Board:

External members of the Owner's Advisory Board are paid by the MOD an annual fee of £5000 each (2004/05 £5000).

ii Remuneration of the Chairman of the Corporate Governance Committee:

The independent Chair of the Corporate Governance Committee, Ashley Adams, who is also a member of the Strategic Board and sits as an independent member on bonus panels, is paid a per diem fee of £350 for meetings attended. In 2005/06 this amounted to £12,764 (2004/05 £10,158)

e. Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Price Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. 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 some benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Columns 7 & 8 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 9 reflects the increase in CETV effectively funded by the employer. It takes account of 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.

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 CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Mike McDowall
CE DASA
30 June 2006

Statement of the Agency's and Chief Executive's Responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury has directed the Defence Analytical Services Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its net operating cost, recognised gains and losses and cash flows for the financial year.

In preparing the Accounts the Agency and the Chief Executive is required to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

The Departmental Accounting Officer for the Ministry of Defence has designated the Chief Executive of the Defence Analytical Services Agency as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting'.

Statement on Internal Control – 2005/06 – DASA

1. Scope of responsibility

As Chief Executive of DASA, I have responsibility for maintaining a sound system of internal control that supports the achievement of DASA's aims and objectives, set by DASA's Owner and Ministers, whilst safeguarding the public funds and departmental assets for which I am personally accountable, in accordance with the responsibilities assigned to me by the Permanent Under Secretary in my Letters of Designation and Delegation.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process which aims to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage and mitigate them efficiently, effectively and economically. The system of internal control has been in place throughout the year and up to the date of approval of the annual report and accords with Treasury guidance.

3. Capacity to handle risk

Leadership is given to the management of risk by:

- The Directors' commitment to the operation of the corporate risk and issues system and log;
- A risk strategy and policy, which clearly defines ownership of risks and issues and actively progresses control and mitigation;
- The support of projects being run using formal project management methodology and thus having risk and issues logs that are actively managed;
- Monthly reporting by all branches of problems and issues as they arise;
- An independent chair of the Corporate Governance committee advising the Chief Executive;
- Feedback mechanisms allowing risks and issues to be raised at any level, formally or informally, and an open "no blame" culture that allows risks to be addressed.

Staff training is provided in risk management in accordance with MOD guidelines by MOD training courses. DASA staff who are working in project management have training which covers risk management.

4. The risk and control framework

DASA's capacity to handle risk has been developed using Treasury and MOD guidance and is overseen by Corporate Governance Committee. This committee is chaired by an independent member, and includes representatives of the National Audit Office and Defence Internal Audit.

The framework within DASA for the identification and control of risk includes:

- A comprehensive planning process, which takes into account stakeholder's views, to construct DASA's Corporate Plan and set DASA's corporate objectives and targets. The Corporate Plan, which is approved by the Owner and his Advisory Board, identifies what DASA is expected to deliver, the risks to delivery, and our plans to mitigate those risks. The Corporate Plan cascades to Directorate Plans, and into objectives for Branches and individuals.
- A risk management strategy and policy backed up by an on-line system for reporting and monitoring risks, and which allows for risks to be filtered up to the appropriate level.
- Regular monitoring and review of progress, and of the DASA corporate risk register, is conducted by DASA's Strategic Board (quarterly) and Executive Committee (Monthly) and overseen by the Corporate Governance Committee.
- Opportunities to discuss stakeholder's requirements, priorities and expectations include the Owner's Advisory Board, Customer Advisory Groups and regular performance reviews against Service Level Agreements.
- A system of financial control and audit implemented by DASA's own Finance Team, supported by DIA and overseen by the Corporate Governance Committee.
- A systematic approach to security and Safety, Health, Environment and Fire (SHEF) risks and issues with representation in all locations and an active SHEF committee chaired by myself.
- Special arrangements for ensuring DASA's Defence National Statistics conform to the National Statistics Code of Practice. Compliance is reported annually to the National Statistician and is subject to audit by the Statistics Commission. All National Statistics are subject to periodic quality reviews, which include external assessment. DASA's activities under National statistics are co-ordinated by its National Statistics Steering Group.

5. Review of effectiveness

As Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control. My review has been informed by the work of the internal auditors, and the executive managers within DASA who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the independent chair of DASA's Corporate Governance Committee. Plans to address weaknesses and ensure continuous improvement of the systems are in place.

The key findings of my review are:

- No systems failures of materiality which could affect the Agency's defence outputs occurred.
- Fraud, theft and financial abuse. No incidents were reported or identified during the year.
- Health of financial systems questionnaire. The questionnaire was completed on time with no weaknesses to report. Management checks are undertaken on transactions in accordance with the Central TLB Assurance matrix. A central finance review of the Agency's assurance activities in the period was satisfied with the coverage.
- During the year the quality and accuracy of financial reporting has been enhanced. A period of shadow running of delegated budgets has been completed in preparation for 2006/07 when Directors shall have delegated financial approval.
- NAO Management Letter. Good progress has been made in respect of the observations made in last year's audit.
- Business Continuity Plans. Tests of business continuity have been carried out at all DASA locations. Follow up action has had to be given more impetus but will be completed by the end of 2005/06, to be followed by a cross DASA desk exercise and a lessons learnt review
- SHEF. SHEF policy has been updated and circulated throughout the Agency. No significant incidents occurred during the year.
- IT security. An external accreditor has reviewed DASA IT security; no major issues were identified.
- Agency risk and issues register. A new risk and issue system has been produced. It is electronic (linked to the DASA Intranet) and available at every desktop across DASA enabling full staff involvement, a complete audit trail on management action, and the ability to move items to the appropriate level for action. The Corporate Risk and Issue register is reviewed regularly by Directors.
- Project Management. Project management skills and practices have been strengthened in the Agency with the appointment of a project manger for the DASA JPA project, who also has a responsibility to encourage the development of project management more widely. A formal post implementation evaluation of the IT development project has been carried out and will set the model for future such evaluations.
- A Programme Office is being piloted in order to support better resource management across the Agency's workload.
- Innovation. I am satisfied that the process of developing the Corporate Plan; the various feedback mechanisms in the Agency; and a culture of encouraging continuous development, all contribute to DASA's ability to identify and exploit opportunities. However we shall trial the extension of the new on-line risk management system to include opportunities.
- Sharing risks. Increasingly the Agency is sharing and discussing its assessment of risks around major projects with customers and stakeholders in order to maximise our ability to mitigate risk. This will be encouraged further.
- Non-exec directors. During the year we have involved our non-executive directors more closely in the development of the Agency's business. This has helped us identify opportunities as well as risks.

Mike McDowall
CE DASA
30 June 2006

Defence Analytical Services Agency

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements for the Defence Analytical Services Agency for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Agency, Chief Executive and auditor

The Agency and Chief Executive are responsible for preparing the Annual Report and financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the part of the Financial Statements and Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 23-25 reflects the Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword by the Chief Executive, the Directors' Report and Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2006 and of the net operating cost and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
5 July 2006

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

2005/06 STATEMENT OF ACCOUNTS

OPERATING COST STATEMENT for the Year ended 31 March 2006

Operating Costs	Notes	2005/06 £000	2004/05 £000
Staff Costs	2	6,956	6,023
Supplies and Services Consumed	3	673	873
Accommodation and Associated Costs	4	629	756
Other Administration Costs	5	743	1,159
		9,001	8,811
Net Operating Cost		9,001	8,811

There were no recognised gains and losses other than those recognised in the Operating Cost Statement. All expenditure relates to continuing operations.

The notes on pages 31 to 42 form part of these accounts. The movement on the General Fund is set out at note 11 on page 38.

BALANCE SHEET
as at 31 March 2006

	Notes	31 March 2006 £000	31 March 2005 £000
Fixed Assets			
Tangible Fixed Assets	6	712	351
Current Assets			
Debtors	7	0	41
Current Liabilities			
Creditors amounts falling due within one year	8	(441)	(1,060)
Net Current Liabilities		(441)	(1,019)
Long Term Liabilities			
Creditors amounts falling due after one year		0	0
Total Assets Less Liabilities		271	(668)
Provision for Liabilities and Charges	9	0	0
NET ASSETS/(LIABILITIES)		271	(668)
Taxpayers' Equity			
General Fund	11	271	(668)
		271	(668)

Mike McDowall
CE DASA
30 June 2006

CASH FLOW STATEMENT
for the year ended 31 March 2006

	Notes	2005/06 £000	2004/05 £000
Net Cash Outflow from Operating Activities	12	8,661	7,481
Capital Expenditure			
Payments to acquire tangible fixed assets		342	11
Net Cash Outflow before Financing		9,003	7,492
Net Financing from Defence Resource Account		9,003	7,492
Financing		9,003	7,492
Movement in Cash		0	0

NOTES TO THE ACCOUNTS

Note 1. Accounting Policies

i. Statement of Account Policies

The financial statements have been prepared in accordance with the Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

ii. Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

iii. Value Added Tax

The Agency is not separately registered for Value Added Tax (VAT) and VAT collected is accounted for centrally by the Ministry of Defence. The Agency's accounts do, however, include non-recoverable VAT attributable to its activities.

iv. Notional charges

a. Audit Fee

DASA is not charged an audit fee by the National Audit Office. The audit fee disclosed represents the notional charge to the Operating Cost Statement based on the cost of services provided.

b. Intra-departmental Services

Notional amounts are included in operating costs for charges in respect of services provided from other areas of the Ministry of Defence. The amounts charged are calculated to reflect the full cost of providing these services to the Agency.

c. Cost of Capital

A notional charge for cost of capital is included in operating costs. This is calculated as 3.5 per cent of the average monthly value of net total assets (3.5% in 2004/05).

v. Tangible Fixed Assets and Depreciation

a. Capitalisation and Revaluation

Computers and office equipment are capitalised where the useful life exceeds one year and the cost of acquisition and installation exceeds the capitalisation threshold of £1,000. The values of fixed assets are revised annually, between formal revaluations, using indices provided by the Department.

Adjustments arising on revaluation of fixed assets, including adjustments to previous depreciation provisions (backlog depreciation) are taken to a revaluation reserve. Any impairment in the value of fixed assets is charged to the Operating Cost Statement as an Other Administration Cost.

b. Depreciation

Depreciation on computers and office equipment is provided at rates calculated to write off the cost of acquisition or valuation by equal instalments over the asset's estimated useful life. Asset lives are periodically reviewed for technological obsolescence. Estimated useful lives are as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Computer hardware (including networks):	2 to 5 years.
Office machinery	5 to 10 years.

vi. Creditors due within one year

Creditors due within one year represent the amount due to suppliers within one year for goods and services including accrued expenses and liabilities.

vii. Stocks

The Agency does not hold significant stocks.

viii. Early Retirement

The Civil Service White Paper, 'Continuity and Change' (CM2627) published in July 1994, announced new arrangements for funding early departure costs of civil servants departing between 1 October 1994 and 31 March 1997. Under these arrangements 20 per cent of the cost was to be borne by Agencies and departments and the remaining 80 per cent, which would have otherwise fallen upon the Departments' running costs, was to be met centrally from the Civil Superannuation Vote. For 1996/97 the 80:20 arrangements applied only after the body had used all its existing 1996/97 expenditure provision for early departure costs.

HM Treasury issued a direction that the 20% borne by the Agency should be charged to the Operating Cost Statement straight away and taken to a Provision on the Balance Sheet. The Treasury also directed that a notional charge for the 80% element borne by the Civil Superannuation Vote should be reflected in the Agency's Operating Cost Statement each year. However from 1 April 1999 H M Treasury's Resource Accounting Manual no longer requires the notional charge to be made.

With regard to retirements that took place after 1 April 1997, the Defence Analytical Services Agency has made 100% provision for liabilities to be incurred in future years.

ix. Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and non-contributory.

The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis.

Liabilities for payment of future benefits are a charge on the PCSPS.

x. Cash Balances

Apart from minor transactions through a local imprest account which is cleared to a nil balance at the balance sheet date, the Agency does not pay or receive money on its own account. All other cash payments are made by the MOD's central accounting organisations on behalf of the Agency. All transactions both locally and centrally processed, are brought to account by MOD in the Departmental Resource Account and are disclosed in aggregate in the Cash Flow Statement.

xi. Taxation and Social Security

As the Ministry of Defence charges the Agency during the year with the gross payments, inclusive of PAYE and National Insurance contributions, due to Agency employees, the Department is liable for the payment of any liabilities which may be due to the Inland Revenue or Department for Work and Pensions at the Balance Sheet date, and these are not disclosed in the Agency's balance sheet.

Note 2. Staff Costs and Numbers**i. Staff Costs were as follows:**

	2005/06	2004/05
	£000	£000
Salaries, wages and allowances	5,506	5,014
Social security costs	452	411
Pension costs	998	598
	6,956	6,023

Salary costs also include taxable payments attributable to a special bonus scheme whereby civilian staff are paid a bonus in recognition of a well performed one-off task. Currently there is no limit on the number of awards that can be made within a financial year, although the total value of these bonus payments should not exceed 0.4% of the overall civilian payroll.

Staff are covered by the provisions of the PCSPS. The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities and therefore no Financial Reporting Standard 17 asset or liability is included in these accounts.

A full actuarial valuation was carried out at 31 March 2003 and details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005/06, employer's contributions of £998,000 were payable to the PCSPS (£598,000 in 2004/05) at one of four rates in the range of 16.5% to 24.0% of pensionable pay based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation.

Rates, subject to revalorisation of the salary bands, were increased from 1 April 2005. The contribution rates reflect benefits as they are accrued not when the costs are actually incurred and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Only one member of staff have taken up this option as at 31st March 2006, the employer's contributions to the Partnership Pension for 2005-6 amounted to £124.60.

ii. The average number of full time equivalent employees during the year was:

	2005/06	2004/05
	£000	£000
Economists	9	10
Statisticians & Analysts	121	100
IT Specialists	26	31
Administrators	32	24
Students	13	10
	201	175

Note 3. Supplies and Services Consumed

Supplies and Services consumed comprise cash and notional cost elements as follows:	2005/06	2004/05
	£000	£000
Data preparation, production and other contracted out services	229	255
Stationery	31	28
IT running costs	413	590
	673	873

Note 4. Accommodation and Associated Costs

Other administration costs comprise cash costs and non-cash cost and notional cost elements as follows:	2005/06	2004/05
	£000	£000
Rent	87	90
Contribution in lieu of rates	59	60
Utilities	66	50
Telecommunications	29	129
Works and Maintenance	388	427
	629	756

Note 5. Other Administration Costs

Other administration costs comprise cash costs and non-cash cost and notional cost elements as follows:	2005/06	2004/05
	£000	£000
Travel and Subsistence	329	303
Office Running Costs	134	352
Services provided by MOD	245	209
Audit Fee	29	24
Depreciation	85	244
Net write (on)/off of Computer and Office Equipment	(77)	35
Cost of Capital	(2)	(8)
	743	1,159

Note 6. Tangible Fixed Assets

	2005/06	2004/05
	£000	£000
Computers and Office Equipment		
Cost or Valuation at 1 April	1,406	1,195
Additions	369	226
Revaluation	(181)	(70)
Fixed Assets Transferred off	(85)	0
Fixed Asset Transferred on	27	55
Valuation at 31 March	1,536	1,406
Accumulative Depreciation at 1 April	1,055	791
Depreciation charge during the year	85	244
Revaluation	(138)	(19)
Depreciation adjustment	(183)	0
Depreciation charge during the year for fixed asset write on	5	39
Accumulative Depreciation at 31 March	824	1,055
Net book Value at 31 March	712	351
Net book Value at 1 April	351	404

Tangible Fixed Assets also include one Asset Under Construction (AUC). The value of this asset in 2004/05 was £214,847. The value of this asset in 2005/6 is £435,142.

Note 7. Debtors

	31 March	31 March
	2006	2005
	£000	£000
Amounts falling due within one year:		
Prepayments	0	41
	0	41

There are no amounts included within debtors owed by other Central Government Bodies.

Note 8. Creditors

Amounts falling due within one year:	31 March	31 March
	2006	2005
	£000	£000
Trade creditors	(156)	(344)
Capital creditors	(27)	(215)
Other creditors	(258)	(501)
	(441)	(1,060)

There are no amounts included within creditors owed to other Central Government Bodies.

Note 9. Provisions for Liabilities and Charges

The movement in the early retirement provision are shown below:	2005/06	2004/05
	£000	£000
Provision for early retirement at 1 April	0	(24)
Released in year	0	24
Provided in year	0	0
Provision for early retirement at 31 March	0	0

Note 10. Capital Commitments

There is no capital expenditure that has been contracted for but has not been provided for in the accounts in either current or prior year.

Note 11. Reconciliation of Net Operating Cost to Changes in General Fund

This note also includes the movement in Government Funds.	Notes	2005/06 £000	2004/05 £000
Net financing from Defence Resource Account		9,003	7,492
Notional Items	13	937	938
Less: Net operating Cost		(9,001)	(8,811)
Net Increase/(Decrease) in General Fund		939	(381)
General Fund Opening Balance		(668)	(287)
General Fund Closing Balance		271	(668)

Note 12. Reconciliation of Net Operating Cost to Changes in General Fund

	Notes	2005/06 £000	2004/05 £000
Net Operating Cost		9,001	8,811
Adjustment for notional and non-cash transactions			
Depreciation	13	(85)	(244)
Net write on/(off) of computer and office equipment	13	77	(35)
<u>Notional and Non-Cash Charges included in:</u>			
Supplies and Services Consumed	13	(1)	(26)
Accommodation and Associated Costs	13	(664)	(687)
Other Administration Costs	13	(272)	(225)
<u>Movements in net current assets</u>			
(Decrease)/Increase in debtors and prepayments	7	(41)	41
Decrease/(Increase) in creditors due within 1 year	8	646	(178)
Movement in provision for liabilities and charges	9	0	24
Net Cash Outflow from Operating Activities		8,661	7,481

Note 13. Non-Cash and Notional Items

	2005/06	2004/05
	£000	£000
<u>Notional Costs</u>		
Supplies and Services Consumed		
IT Running Costs	1	26
	<hr/> 1	<hr/> 26
Accommodation and Associated Costs		
Rent	87	90
CILOR	59	60
Utilities	66	50
Telecommunications	75	64
Works and Maintenance	377	423
	<hr/> 664	<hr/> 687
Other Administration Costs		
Services provided by MOD	245	209
Audit Fee	29	24
Cost of Capital Charge	(2)	(8)
	<hr/> 272	<hr/> 225
Total Notional Costs	937	938
Depreciation	85	244
Net write (on)/down of computer and office equipment.	(77)	35
	<hr/> 8	<hr/> 279
Total notional and non-cash costs	945	1,217

Note 14. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the largely non-trading nature of its activities and the way in which government Agencies are financed, the Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities, or for trading. The fair values of all the Agency's financial assets and liabilities approximate to their book values. In line with FRS 13, short term debtors and creditors (those which mature or become payable within 12 months from the balance sheet date) have been excluded from these disclosures (except for those relating to currency risk).

Interest rate risk

The Agency has no financial assets and liabilities on which interest is earned or paid. The Agency is therefore not exposed to significant interest rate risk.

Foreign currency risk

The Agency does not hold assets or liabilities denominated in a foreign currency, and income and expenditure denominated in a foreign currency is negligible. The Agency is therefore not exposed to significant currency risk.

The Ministry of Defence, through whose Resource Account the Agency is financed, enters into forward purchase contracts annually with the Bank of England to cover the majority of its foreign exchange requirements for the following year. The details of the outstanding foreign currency contracts are given in its Departmental Resource Account.

Liquidity risk

The Agency is not exposed to significant liquidity risk, as liquidity requirements are met by financing from the Ministry of Defence Resource Account, and it has no borrowing facilities. The Department's resource requirements are voted annually by Parliament.

Note 15. Related Party Transactions

DASA is an Agency of the Ministry of Defence, which is regarded as a related party. During the period 1 April 2005 to 31 March 2006 the Defence Analytical Services Agency has had significant material transactions with the Ministry of Defence. During the year none of the senior staff and other key management staff, or other related parties, has undertaken any material transactions with the Defence Analytical Services Agency.

Note 16. Post Balance Sheet Events

On 1 April 2006 the Ministry of Defence transferred responsibility for accounting for fixed assets from DASA to other parts of the Ministry of Defence. Where the Agency retains the risks and rewards of ownership of these assets they will continue to be accounted for on the Agency's balance sheet in accordance with FRS 5 and SSAP 21. In other cases the costs of the use of these assets will be communicated to DASA by the asset owners and charged to the operating cost statement. Consequently, these centrally accounted for assets will not be included on the Agency's balance sheets as they will be accounted for as operating leases under SSAP 21. There is no effect on the 2005-06 accounts as a result of this change, and as a result no adjustments have been made to these financial statements.

Note 17. Contingent Liabilities

There are no contingent liabilities for the current or prior year.

Note 18. Losses and Special Payments

There are no losses or special payments to report in the current or prior year.

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