Northern Ireland Office

Secretary of State's Seventh and Eighth Report under Section 11(1) of the Northern Ireland (Monitoring Commission etc.) Act 2003

Secretary of State’s Seventh and Eighth Report including accounts of the Independent Monitoring Commission for the years ended 31 March 2010 and 31 March 2011
Under Section 11(1) of the Northern Ireland (Monitoring Commission etc.) Act 2003

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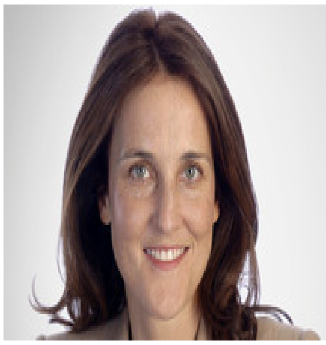
Preface



I am pleased to present the seventh and eighth annual reports to Parliament under section 11(1) of the Northern Ireland (Monitoring Commission etc.) Act 2003. The seventh report covers the twelve-month period 18 September 2009 to 17 September 2010 and contains the audited accounts of the IMC for the 2009/2010 financial year. The eighth report covers the six month period 18 September 2010 to 31 March 2011 and contains the audited accounts of the IMC for the 2010/2011 financial year.

During their existence, the IMC provided an independent and reliable assessment of any continuing activity by paramilitary organisations, offering a clear picture of both the progress made and of the challenges that lay ahead to secure peace in Northern Ireland.

The seventh report covers the 22nd and 23rd report on paramilitary activity. It also covers the 24th report (3rd adhoc report) produced by the IMC on the murder of Bobby Moffett, who was shot dead by two masked men on the Shankill Road on 28 May 2010. The eighth report covers the 25th report on paramilitary activity and the 26th and final report on Change, Impact and Lessons Learnt.

The IMC performed an invaluable role during its seven years in operation and played a significant part in supporting and enabling historic changes over this period. I am very grateful to the Commissioners and their staff for their sustained commitment to the people of Northern Ireland and for the efforts they made to bring an end to paramilitarism.

THERESA VILLIERS MP
SECRETARY OF STATE FOR NORTHERN IRELAND

1. Introduction and Background

Introduction

1.1 The Northern Ireland (Monitoring Commission etc.) Act 2003 ('the 2003 Act') which made provision for the establishment of the Independent Monitoring Commission (IMC) was repealed on the 31st March 2011.

1.2 Section 11 of the 2003 Act required an Annual Report to be laid before Parliament. The report was to cover two matters:

- the operation of the Agreement that established the IMC; and
- the operation of those parts of the 2003 Act that amend the Northern Ireland Act 1998 ('the 1998 Act').

Background

1.3 The Agreement between the British and Irish Governments that led to the establishment of the IMC was published on 1 May 2003. This was published alongside a Joint Declaration[1] from the Governments on the steps necessary to build trust and confidence amongst the Northern Ireland political parties with a view to the restoration of the Belfast Agreement institutions.

1.4 The Agreement set out the functions of the new body. The IMC would monitor and report on any ongoing paramilitary activity and a programme of security normalisation measures initiated by the British Government. The IMC would also consider any claims that parties sitting in the Northern Ireland Assembly were in breach of their commitments under the Belfast Agreement.

1.5 The IMC was formally established on 7 January 2004, by means of an International Agreement between the British and Irish Governments. Supplementary legislation was required in each country. In the UK, this was the 2003 Act and also the Northern Ireland (Monitoring Commission etc.) Act 2003 (Immunities and Privileges) Order 2003[2]. This legislation established the IMC as an independent body in international law and allowed it to operate in the United Kingdom and Ireland.

1.6 The effect of this legislation was to permit the Northern Ireland Assembly to take remedial action in the light of an adverse report from the IMC. To this end, The Northern Ireland Act 1998 (the 1998 Act) which already provided for the Assembly to vote to exclude a party or Minister, was amended to allow the Assembly to take a number of additional measures against parties and Ministers on the basis of a cross-community vote. These amendments included the ability to reduce MLA salaries and party funding and to vote on a motion of censure.

1.7 If the Assembly were to fail to give effect to an IMC recommendation, it would be for the British Government, in consultation with the Irish Government and the Northern Irish political parties, to resolve the matter in a manner consistent with the IMC report. The legislation therefore made provision to enable the Secretary of State to exclude a party or Minister in instances where the IMC had made recommendations that this should be done and where the first Assembly motion for an exclusion resolution failed to attract cross-community support.

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[1] Both documents are available on the NIO website www.nio.gov.uk
[2] SI 2003 No 3126

Status of the Independent Monitoring Commission and its Duties

1.8 The IMC was independent of the two Governments and its functions were defined by the International Agreement establishing the Commission. Article 13 of the Agreement and section 2(1) of the 2003 Act placed a duty upon the IMC not to undertake any activities that could prejudice national security, put at risk the life or safety of any person or prejudice present or future legal proceedings.

1.9 The Agreement and the 2003 Act enabled the Governments to confer immunity from suit and legal challenge to the IMC. In the United Kingdom, the Northern Ireland (Monitoring Commission etc.) Act 2003 (Immunities and Privileges) Order 2003 was made to confer such immunities upon the Commission.

SECRETARY OF STATE'S SEVENTH REPORT ON THE IMC

2. IMC Activities

Administration

2.1 Under Article 14 of the International Agreement, the Commission was required to keep proper accounts and records of all monies received or expended by it, and, at the joint request of the two Governments, appoint auditors who shall audit the accounts of the Commission. The reports of the auditors were to be submitted to both Governments.

2.2 Under Article 12 the two Governments were to provide, on a basis to be determined by them, such monies, premises, facilities and services as may be necessary for the proper functioning of the Commission.

Management Statement and Financial Memorandum

2.3 Corporate governance arrangements for the IMC codified the relationship between the IMC and the British and Irish Governments. This was achieved through a management statement, including a financial memorandum, which was agreed by the IMC and the British and Irish Governments, and set out in greater detail certain aspects of the financial framework in which the Commission was required to operate.

Reports

2.4 The IMC made three reports during the year covered by this report. These are commented on in more detail in the next section of this document.

Accounts and Recoupment

2.5 The IMC's accounts for the period 1 April 2009 to 31 March 2010 were completed and subject to audit. These accounts are included later in this report.

2.6 On the basis of those accounts, a recoupment exercise was conducted to recover half the costs of the Commission from the Irish Government. The costs of the IMC were borne equally by the two Governments.

Accessibility of IMC

2.7 Under Article 8 of the International Agreement, the IMC was to be accessible to all interested parties and the Commissioners were to consult as necessary on the issues mentioned in Articles 4 to 6 in preparing reports and making recommendations as described in Article 7.

Normalisation

2.8 The Provisional IRA made a statement on 28 July 2005 announcing an end to armed conflict and other activities. In response to this statement, the British Government announced on 1 August 2005 that it was satisfied that an enabling environment would be achieved and it launched a security normalisation programme. This envisaged the gradual reduction of the security response in Northern Ireland over a two-year period, with a view to achieving security normalisation by 31 July 2007.

2.9 Under Article 5(1) of the International Agreement that established the IMC, when the British Government made a commitment to a package of security normalisation measures, the Commission had an obligation to monitor whether those commitments were fully implemented, in the light of its assessment of the paramilitary threat and the British Government's obligation to ensure the safety and security of the community as a whole. The International Agreement required the IMC to report its findings to the two Governments at six-monthly intervals.

2.10 As noted in the fifth report, the normalisation programme was complete. Since then the IMC have not had a role in reporting on security normalisation.

Foreword to the Accounts for the year ended 31 March 2010

History and statutory background

2.11 The Independent Monitoring Commission (IMC) was established and became operational on 7 January 2004 under the Northern Ireland (Monitoring Commission etc) Act 2003 and the Agreement between the British and Irish Governments. Its purpose was to help promote the establishment of stable and inclusive devolved government in a peaceful Northern Ireland. The accounts have been prepared in a form directed by the Secretary of State for Northern Ireland in accordance with the agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland.

Principal activities

2.12 The duty of the IMC was to report to the British and Irish Governments on the activity by paramilitary groups, the normalisation of security measures in Northern Ireland and on claims by Assembly parties that other parties, or Ministers in the devolved Executive, were not living up to the standards required of them. The four Commissioners were entirely independent of both Governments.

Review of activities

Corporate Governance

2.13 Work was undertaken on the corporate governance arrangements for the IMC in order to codify the relationship between the IMC and the British and Irish Governments. Under Article 14 of the International Agreement, the IMC was required to keep proper accounts and records of all monies received or expended by it and, at the joint request of the two Governments, appoint auditors to audit the accounts of the IMC.

Reports

2.14 The IMC made three reports during the financial period.

Membership of the IMC

2.15 The Commissioners who served during the year were:

- Lord Alderdice
- Dick Kerr
- Joe Brosnan
- John Grieve

Financial position as at 31 March 2010

2.16 The Commission's financial position for the year ended 31 March 2010 is set out in the Net Expenditure Account and the Statement of Financial Position on pages 36 and 37 respectively. The net expenditure for the year increased to £403,291 from £365,243 in 2008-09. Increased staff expenses and professional fees have contributed to this. The Commission had assets less liabilities of £281,226 at 31 March 2010, a decrease of £48,775 on the previous period's assets less liabilities of £330,001. The increase in accruals for professional fees in the period contributes largely to this variance. Ongoing cash requirements continued to be met from the NIO's funding.

Remuneration and pensions

2.17 Full details of the Commission's remuneration and pension interests for the year ended 31 March 2010 are contained in note 3 to the accounts. Salaries of the joint secretaries are contained in the Remuneration Report laid out on pages 23 to 25. Pensions are provided to staff through the Principal Civil Service Pension Scheme Northern Ireland. Further information on pension costs can be found in Note 3 to the Accounts.

Risk management

2.18 The Commission's management considered the identification and prioritisation of those risks which may have prevented the Commission achieving its policies, aims and objectives.

Equal opportunities

2.19 It was the policy of the IMC to promote equality of opportunity. The IMC provided equal opportunity for all job applicants and employees. All recruitment, promotion and training was based on a person's ability and job performance and excluded any consideration of an applicant's/employee's religious beliefs, political opinion, sex, marital status or disability.

Health and safety

2.20 The IMC was committed to providing for staff and visitors an environment that was as far as possible safe and free from risk to health.

Employee involvement

2.21 The IMC recognised the importance of good industrial relations and was committed to promoting and maintaining effective communication and consultation with its staff, and to creating and maintaining good morale. Staff involvement was maximised through regular team meetings and staff briefings. NIPSA was the IMC's recognised trade union.

Prompt payment

2.22 The Northern Ireland Office is a signatory to the code of practice launched by the Department for Business Innovation and Skills in December 2008 to help increase the speed of payments between customers and their suppliers. The prompt payment code was developed in partnership with the Institute of Credit Management and aims to establish a clear and consistent policy in the payment of business bills. Further details regarding this are available at www.promptpaymentcode.org.uk.

2.23 The NIO has shown its support and commitment to the principles of the code by becoming a signatory and is committed to ensuring it can also deliver in line with agreed policy

2.24 Monthly statistics submitted to the Department for Business Innovation & Skills and subsequently reviewed at Cabinet meetings, highlight that the Department consistently achieved more than 90% of payments to suppliers within 10 working days during the financial year. In terms of the overall performance for 2009-10, 92% of NIO invoices were paid within 10 working days following receipt of a properly rendered invoice compared to 82% during the four months to 31 March 2009 following the introduction of this new Government target.

Audit

2.25 These accounts have been audited by the Comptroller and Auditor General. A fee of £6,500 has been charged by the National Audit Office in respect of audit services provided during the year. A fee of £2,400 has also been charged by the National Audit Office for the audit of the Trigger Point 4: Audit of the Shadow Accounts.

Going concern

2.26 The Statement of Financial Position as at 31 March 2010 shows assets less liabilities of £281,226, consisting of £389,737 total assets and £180,513 total current liabilities. The IMC's future funding requirements were met by future deficit funding from the IMC's sponsoring Department, the Northern Ireland Office. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such funding may not be issued in advance of need. The Commission was dissolved on 31 March 2011

Events occurring after the reporting period

2.27 On 12 April 2010, policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a new Northern Ireland Department. This did not have any impact on the status of the Independent Monitoring Commission, which continued to be funded through the Northern Ireland Office. The Commission's accountability framework and corporate governance arrangements remained unchanged.

2.28 On 12 May 2010, Rt. Hon Owen Paterson MP replaced the Rt. Hon Shaun Woodward MP as Secretary of State for Northern Ireland.

2.29 On 4th November 2010, the Secretary of State, Owen Paterson announced his intention to bring the work of the IMC to a close. The agreed date of cessation of the IMC was 31st March 2011.

Disclosure of audit information

2.30 As Principal Accounting Officer I am required to ensure that all relevant audit information is provided to the auditors. I have taken all reasonable steps to make myself aware of any relevant audit information and have ensured that all such information has been made available to the auditors. I also confirm that there is no relevant audit information about which I am aware that the auditors have not been informed about.

Personal Data Related Incidents

2.31 No such incidents occurred in the period.

Sickness absence data

2.32 Given the time elapsed we have no data to include

JULIAN KING
Principal Accounting Officer
Date: 4 April 2013

3. Paramilitary Activity Reports

3.1 The IMC published three reports on paramilitary activity during the period covered by this report. This report focuses on the requirements of section 11 of the 2003 Act. It does not attempt to summarise in any detail the IMC's reports, which are available publicly[3].

Requirements for Reports on Paramilitary Activity

3.2 Article 4 of the Agreement between the British and Irish governments required the IMC to monitor any continuing activity by paramilitary groups, setting out the activities to be covered within reports. Article 4 also required the IMC to assess any trends in security incidents and whether leaders of paramilitary groups were involved in the direction or seeking to prevent continuing activities. The IMC had a duty to report biannually to the two Governments and could also produce further ad hoc reports as it saw fit, or at the request of the Governments.

3.3 Under Article 9 of the Agreement both Governments were obliged to publish Article 4 reports. The 2003 Act required the British government to lay these reports in Parliament.

3.4 Article 7 of the Agreement required the IMC to recommend any remedial action considered necessary when reporting on paramilitary activity. The Commission were also able to recommend what measures, if any, the Northern Ireland Assembly should take but was limited in this respect to only recommending measures provided for in the Northern Ireland Act 1998 as amended by the 2003 Act (exclusion, reduction of salaries, reduction of financial assistance to parties and censure).

[3] The full reports are available via the Northern Ireland Office website at www.nio.gov.uk

The Twenty-Second Report on Paramilitary Activity[4] – Content and Action by the Secretary of State

3.5 The twenty-second report, made under Articles 4 and 7 of the International Agreement was presented to the Secretary of State in October 2009, and published on 4 November 2009 by means of a press release.

3.7 The twenty-second IMC report examined the severity of the threat posed by dissident republicans. It concluded that the activities of both the Real IRA and the Continuity IRA, including the murders of Sappers Patrick Azimkar, Mark Quinsey and PC Stephen Carroll in March and a number of other extremely serious incidents, were designed to undermine peaceful political progress. The IMC noted that the completion of devolution could be a potent intervention and would form a platform for co-operation against those trying to undermine the peace process.

3.8 The IMC also acknowledged the very real progress towards decommissioning made by loyalists. They concluded the UVF was an organisation on its way to going out of business and that the leadership of the UDA had given a significant lead to change the organisation and shown remarkable commitment and progress in community development.

3.9 The IMC analysed the threat posed by dissident republicans and concluded that the early devolution of policing and justice could potentially be the best response as policing and justice would no longer be a point of contention across the political divide; rather "it would be a platform for cooperation against those trying to undermine the peace process".

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[4] The full report is available via the Independent Monitoring Commission's website at www.independentmonitoringcommission.org/documents/uploads/Twenty-Second%20Report.pdf

The Twenty-Third Report on Paramilitary Activity[5] – Content and Action by the Secretary of State

3.10 The twenty-third report, made under articles 4 and 7 of the International Agreement, was published on the 26 May 2010 by press release. This report continued the six-monthly cycle required by the Agreement and covered the six months from 1 September 2009 to 28 February 2010, updating the situation presented in the twenty-second report, which covered the proceeding six months.

3.11 The report covered the serious threat posed by dissident republicans. It also covered the murder of Kieran Doherty, attacks on police officers and the attack on the offices of the Policing Board. The IMC also reported on progress made on decommissioning and the impact of the devolution of policing and justice powers on their role.

3.12 The IMC reported on the continued and significant threat posed by dissident republicans and conclude that they remain highly active and dangerous. During the six months under review, the Real IRA (RIRA) was responsible for a ruthless and intensive campaign of violence; they committed and publicly claimed one murder and tried, but failed, to murder many others.

3.13 The IMC noted the positive progress on decommissioning by both loyalist and republican paramilitaries prior to the end of the amnesty in February 2010. This, combined with the closing of the IMC marked an extremely important change, and is a tribute to the great work carried out by the Commission.

[5] The full report is available via the Independent Monitoring Commission's website at www.independentmonitoringcommission.org/documents/uploads/Twenty-Third%20Report.pdf

3.14 The IMC also noted that with the devolution of policing and justice, the criminal justice system would now be accountable to the people of Northern Ireland. This therefore offered a potent response to paramilitaries by encouraging greater public support and confidence.

The Twenty-Fourth Report on Paramilitary Activity[6] (Third ad hoc report) – Content and Action by the Secretary of State

3.15 The twenty-fourth report, made under articles 4 and 7 of the International Agreement, was published on the 15 September 2010 by press release. This report was submitted under the powers available in Articles 4 and 7 of the International Agreement establishing the Independent Monitoring Commission. Article 4(c) enabled reports to be submitted to the British and Irish Governments on an ad hoc basis and this was the third occasion on which these powers had been exercised.[7]

3.16 The IMC gave a number of reasons for issuing an adhoc report on the murder of Bobby Moffett in May 2010. Most importantly, it believed that the UVF had played a role in the murder, representing a retrograde step at a time when all paramilitary groups other than dissident republicans had moved decisively away from violence. The murder also had potential implications for the Progressive Unionist Party (PUP) and for the role the UVF would play or believed it was entitled to play in future. The IMC felt they should address those issues immediately rather than in a subsequent report.

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[6] The full report is available via the Independent Monitoring Commission's website at www.independentmonitoringcommission.org/documents/uploads/Twenty-Fourth%20Report.pdf
[7] The first ad hoc report under IMC initiative was on the robbery at the headquarters of the Northern Bank in Belfast in December 2004: IMC Fourth Report, February 2005. The second such ad hoc report was on the feud between the UVF and the LVF in the spring and summer of 2005: IMC Sixth Report, September 2005.

3.17 The IMC concluded that Moffett’s murder was committed by the UVF and sanctioned by members at leadership level. The IMC further stated that the absence of condemnation of the killing by the UVF’s leadership, lends weight to their conclusion that the UVF have in effect, adopted the consequences of this murder.

3.18 In May 2007 the UVF issued a statement in which it said that it would renounce violence, and transform itself from a military into a civilian organization. In the three years since this statement the IMC were confident that the leadership of the organisation would continue to pursue this strategy. However, the IMC believed that the UVF abused its power with this murder and could not therefore expect to escape either responsibility or criticism.

4. Requirements for Adhoc Reports

4.1 The British and Irish Governments had powers under Article 4 (c) to ask the IMC to produce an adhoc report. The IMC published one ad hoc report during the period, as detailed above.

5. Arrangements for Article 6 Reports

5.1 Article 6 of the Agreement enabled the Commission to consider a claim by a party represented in the Northern Ireland Assembly that another party or Minister was, broadly speaking, in breach of their commitments under the Belfast Agreement.

5.2 Article 6(1) defined the claims the Commission may consider. These are claims that a Minister or party is not committed to non-violence and exclusively peaceful and democratic means; or that a Minister has failed to observe any other terms of the pledge of office; or that a party is not committed to such of its members as are or might become Ministers observing the other terms of the pledge of office.

5.3 Article 6(2) made clear that any claims that related to the operation of the institutional arrangements under Strand 1 of the Belfast Agreement could only be considered by the Commissioners appointed by the British Government (Lord Alderdice and John Grieve). Article 6(3) provided that such reports would be made to the British Government only. Other reports under Article 6 were to be made to both Governments.

5.4 Otherwise, the arrangements that applied to reports on paramilitary activity applied to Article 6 reports; the IMC could make recommendations as to remedial action and measures to be taken by the Assembly, and its Article 6 reports would be made public.

5.5 The Article 6 reporting arrangements operated in the context of a sitting Assembly. During the reporting period 18 September 2009 to 17 September 2010 there were no requests made for Article 6 reports.

6. Remuneration report

Senior management

6.1 The Independent Monitoring Commission's activities were managed by the British Joint Secretary, Mr Stephen Boys Smith, and the Irish Joint Secretary, Mr Michael Mellett. The British Joint Secretary was initially appointed by the Government of the United Kingdom and Northern Ireland and the appointment was substantiated by the Commissioners in January 2004. The Irish Joint Secretary was initially appointed by the Government of Ireland and the appointment was substantiated by the Commissioners in January 2004.

6.2 Mr Boys Smith was also the Commission's Accounting Officer until the closure of the IMC on the 31st March 2011.

Remuneration policy

6.3 The Joint Secretaries were retired civil servants. They were paid salaries agreed by the Commissioners. In Mr Boys Smith's case a per diem rate and in Mr Mellett's case an annual rate. The remuneration of the Commissioners emoluments is included in staff numbers and related costs at Note 3d on page 48.

Performance conditions

6.4 The Commissioners regularly monitored the performance of the Joint Secretaries, including, in Mr Boys Smith case, his role as Accounting Officer.

Service contracts

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

6.6 The British Joint Secretary was appointed by way of a letter of appointment from the Secretary of State which was later substantiated by the Commissioners. The Irish Joint Secretary was initially appointed by the Government of Ireland and substantiated by the Commissioners in January 2004.

6.7 It was envisaged that the role of the British Joint Secretary, the Accounting Officer and Irish Joint Secretary to the Commission would remain in post until the Commission completed its activities.

Salary and pension entitlements (Audited Information)

6.8 The following sections provide details of the remuneration paid to the Joint Secretaries.

	2009/10		**2008/09**	
	Salary	**Benefits in kind**	**Salary**	**Benefits in kind**
	£'000	**£'000**	**£'000**	**£'000**
British Joint Secretary (Stephen Boys Smith)	20-25	-	25-30	-
Irish Joint Secretary (Michael Mellett)	100-105	-	95-100	

6.9 The Irish Joint Secretary was paid in Euro which has been converted to sterling in accordance with the exchange rate policy detailed at note 1.9 Mr Mellett's salary was determined by the Irish Government in accordance with the Irish Department of Justice pay scales which were determined on a calendar year basis.

6.10 Salary

'Salary' includes the per diem fees paid to the British Joint Secretary and, in the case of the Irish Joint Secretary, an allowance for working outside the Republic of Ireland.

*6.*11 Benefits-in-kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of the above employees received benefits in kind.

6.12 Pension

The posts of British and Irish Joint Secretary were not pensionable.

Julian King

JULIAN KING
Principal Accounting Officer
Date: 4 April 2013

7. Financial Statements for the year ended 31st March 2010

Statement of the Independent Monitoring Commission and the Accounting Officer Responsibilities

7.1 Under the Agreement between the British and Irish Governments, the IMC was required to prepare accounts, in the form and on the basis determined by the Secretary of State with the approval of HM Treasury. The accounts were prepared on an accruals basis and were required to provide a true and accurate reflection of the IMC's state of affairs at year end, its operating costs, changes in taxpayers equity and cash flows for the financial year.

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

- Observe the accounts direction issued by the Northern Ireland Office on behalf of the Secretary of State 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, unless it is inappropriate to presume that the entity will continue in operation.

7.3 The Principal Accounting Officer for the Northern Ireland Office designated the UK Joint Secretary to the IMC as the Accounting Officer for the IMC. His relevant responsibilities as Accounting Officer included his responsibility for the propriety and regularity of the public finances and for the keeping of proper records are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money. His role ceased as of 31 March 2011 and his responsibilities transferred to the Northern Ireland Office Principal Accounting Officer.

Julian King

JULIAN KING
Principal Accounting Officer
Date: 4 April 2013

Statement on Internal Control

Scope of responsibility

7.4 The Northern Ireland Office Principal Accounting Officer, had responsibility for maintaining a sound system of internal control that supported the achievement of the Independent Monitoring Commission's policies, aims and objectives, whilst safeguarding public funds and the Commission's assets for which that post holder was personally responsible. This was in accordance with the responsibilities assigned to the post holder in Managing Public Money. During 2009-10, the Principal Accounting Officer for the Northern Ireland Office designated the UK Joint Secretary to the IMC as the Accounting Officer for the IMC. This responsibility has now reverted back to the Principal Accounting Officer.

7.5 The Independent Monitoring Commission was an independent statutory body, established under the Northern Ireland (Monitoring Commission etc.) Act 2003 and the Agreement between the Government of the United Kingdom and the Government of Ireland. The Commission discharged its functions independently from both Governments.

7.6 The Commission was funded jointly by the Secretary of State through the Northern Ireland Office and the Department of Justice in the Republic of Ireland.

The purpose of the system of internal control

7.7 The system of internal control was designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it therefore only provided reasonable and not absolute assurance of effectiveness.

7.8 The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the

Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

7.9 The system of internal control was in place in the Independent Monitoring Commission for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accorded with HM Treasury guidance.

Capacity to handle risk

7.10 The Commission was committed to achieving high standards of corporate governance throughout the organisation, and to high ethical standards and integrity in all its dealings.

7.11 The Commission identified all significant risks to its business and developed an IMC Risk Register which was the responsibility of the Commission's management. Each member was responsible for the identification and prioritisation of those risks within their areas of responsibility which could have prevented the Commission achieving its policies, aims and objectives. Each member reviewed the actions taken to mitigate this risk to an acceptable level. For each identified risk, the register included the probability rating, possible causes, business implications, actions for mitigation and any other information required to manage the risk.

The risk and control framework

7.12 The procedures in place for verifying risk management and internal control were regularly reviewed. The risk register was reviewed on a bi-annual basis.

7.13 The controls and systems which operated within the Commission included:

- The implementation of a Strategic Internal Audit Plan and Audit Needs Assessment;
- The day to day management of risk and the internal control framework by the managers and staff within the Commission;
- The operation of a performance management system for staff;
- The maintenance of financial planning and budgeting systems with an annual budget which was agreed with the Northern Ireland Office and the Department of Justice in the Republic of Ireland; and
- Maintenance of financial management systems and administrative procedures, including delegated levels of authority.

7.14 No loss of information/data security issues were reported in the year

Review of effectiveness

7.15 The Northern Ireland Office Principal Accounting Officer, had responsibility for reviewing the effectiveness of the system of internal control. During 2009-10, the Principal Accounting Officer for the Northern Ireland Office, designated the UK Joint Secretary to the IMC as the Accounting Officer for the IMC. This responsibility has now reverted back to the NIO Principal Accounting Officer.

7.16 The review of the effectiveness of the system of internal control was informed by the work of both internal and external auditors, and the management and staff from within the Commission who had responsibility for the development and maintenance of the internal control framework.

Significant Internal Control Problems

7.17 In respect of the 2009-10 financial year the internal auditors considered a limited assurance rating to be appropriate. The report identified a number of issues in relation to the internal control system, such as the lack of review processes in respect of the nominal ledger and budget centre reports and the undue reliance on NIO undertaking the payment function. The report also noted issues in respect of the Commission's compliance with the NIO's hospitality policy and the need to retain and review payroll documentation processed by the NIO payroll unit.

7.18 The Commission accepted the recommendations made by the internal auditors and worked to implement the recommendations as soon as was practicable.

Julian King

JULIAN KING
Principal Accounting Officer
Date: 4 April 2013

THE INDEPENDENT AUDITOR'S REPORT TO THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE REPUBIC OF IRELAND

I have audited the financial statements of the Independent Monitoring Commission for the year ended 31 March 2010 under the Agreement establishing the Independent Monitoring Commission. These comprise the Statement of Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes.

These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Independent Monitoring Commission, the Accounting Officer and Auditor

As explained more fully in the Statement of the Independent Monitoring Commission and the 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, in accordance with Article 14 of the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State.

My responsibility is to audit the financial statements in accordance with Article 14 of the agreement establishing the Independent Monitoring Commission and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

In addition I read all the financial and non-financial information in the Secretary of State's Seventh Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State, of the state of the Independent Monitoring Commission's affairs as at 31 March 2010 and of its net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland; and

- the information given in the Secretary of State's Seventh Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
Date 18 April 2013

Net Expenditure Account for the year ended 31 March 2010

	Note	2009-10	2008-09 Restated
		£	£
Expenditure			
Staff costs	3	340,647	349,548
Depreciation	4	2,372	5,197
Notional cost of capital	4	10,793	7,588
Other Expenditures	4	461,192	374,902
		815,004	737,235
Income			
Operating Income	5	400,920	364,404
Net Expenditure		(414,084)	(372,831)
Cost of Capital		10,793	7,588
Net Expenditure after cost of capital charge		(403,291)	(365,243)

The notes on pages 37 to 51 form part of these accounts.

Statement of Financial Position as at 31 March 2010

	Notes	2010 £	2009 Restated £	1 April 2008 Restated £
Non-current assets:				
Plant and equipment	6	3,409	5,781	10,978
Total non-current assets				
Current assets:				
Trade and other receivables	8	386,330	389,828	176,387
Total current assets		386,330	389,828	176,387
Total assets		389,739	395,609	187,365
Current liabilities				
Trade and other payables	9	(108,513)	(65,608)	(83,801)
Total current liabilities		(108,513)	(65,608)	(83,801)
Assets less liabilities		281,226	330,001	103,564
Taxpayers Equity				
Revaluation reserve		22	22	22
General reserve		281,204	329,979	103,542
Total		281,226	330,001	103,564

Julian King

JULIAN KING

Principal Accounting Officer

Date 4 April 2013

The notes on pages 37 to 51 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2010

	2009-10	2008-09 Restated
	£	£
Cash flows form operating activities		
Net expenditure after cost of capital and interest	(403,291)	(365,243)
Depreciation	2,372	5,197
(Increase)/Decrease in trade and other receivables	3,498	(213,441)
Increase/(Decrease) in trade payables	42,905	(18,193)
Net cast outflow from operating activities	(354,516)	(591,680)
Cash flows from financing activities		
Financing from parent department	354,516	591,680
Net financing	-	-
Net increase/(decrease) in cash and cash equivalents in the period	-	-
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	-	-

The notes on pages 37 to 51 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Revaluation Reserve	General Reserve	Total Reserves
	£	£	£
Balance at 31 March 2008	22	105,745	105,767
Changes in accounting policy	-	(2,203)	(2,203)
Restated balance at 1 April 2008	22	103,542	103,564
Changes in taxpayers' equity for 2008-09			
Retained Deficit	-	(365,243)	(365,243)
Total recognised Income and expenses for 2008 – 09	-	(365,243)	(365,243)
Funding from Parent	-	591,680	591,680
Balance at 31 March 2009	22	329,979	330,001
Changes in taxpayers'equity for 2009-10			
Retained Deficit	-	(403,291)	(403,291)
Total recognised Income and expenses for 2009 – 10	-	(403,291)	(403,291)
Funding from Parent	-	354,516	354,516
Balance at 31 March 2010	22	281,204	281,226

The notes on pages 37 to 51 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The principal accounting policies which have been adopted in the preparation of these financial statements are as follows:-

1.1 **Accounting Convention**

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the Independent Monitoring Commission by reference to their current costs. These accounts are states in pounds/sterling

1.2 **Income**

The IMC received income from the Department of Justice in the Republic of Ireland for 50% of operational costs (excluding non-cash). All accounting transactions were processed through the NIO and are included in the NIO Resource Accounts.

1.3 **Capital Charge**

A charge, reflecting the cost of capital utilised by IMC, is included in operating costs. The charge is calculated at the real rate set by the Department of Finance and Personnel, currently 3.5 per cent (2008-09: 3.5 per cent) on the average carrying amount of all assets less liabilities.

1.4 **Pensions**

The employees of the IMC were covered by the provisions of the Principal Civil Service Pension Scheme Northern Ireland (PCSPS (NI)), which is described in note 3. The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependant's benefits. The organisation recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution elements of the scheme, the organisation recognised the contributions payable for the year. http://www.dfpni.gov.uk/dfp-superannuation-resource-accounts-year-ended-31-march-2010.pdf

1.5 **Plant and equipment**

Expenditure on plant and equipment of £1,000 or more is capitalised. On initial recognition, assets are measured at cost including any costs attributable to bringing them into working condition. Plant and equipment would ordinarily have been stated at current costs, using the appropriate indices compiled by the Office for National Statistics. However, due to the immateriality of the amounts involved these indices were not applied.

1.6 **Intangible assets**

Expenditure on intangible assets which are software licenses and the associated costs of implementation is capitalised where the cost is £1,000 or more. All software utilised by the IMC was purchased externally and is therefore recognised as plant and equipment.

1.7 **Provisions**

The IMC made provision for liabilities and charges where, at the period end, a legal or constructive liability existed, where the transfer of economic benefits was probable and a reasonable estimate could be made.

1.8 **Depreciation**

Plant and equipment, with the exception of leased assets, are depreciated on a straight line basis in order to write off the cost, less estimated residual value of each asset over its expected useful life at the following rates.

Office Equipment......................................	15 years
Leasehold improvements	2-5 years
Computer Equipment	5 years

1.9 **Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as non current assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in current liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the net expenditure account so as to produce constant periodic rates of charge on the net obligations outstanding in each period. Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.10 **Foreign Currencies**

The IMC was subject to exchange risk as it received invoices in dollars and Euro. However, any exchange difference incurred was not expected to be material and no measure to mitigate risk was therefore in place. Foreign currency was translated at the exchange rate applicable on the date expenditure was incurred by IMC except for salaries paid in Euro. All salary invoices from the Department of Justice were translated at the exchange rate applicable at the end of each quarter.

1.11 **Value added tax**

The IMC did not have any income, which was subject to output VAT. The IMC recovered input VAT on contracted out services in accordance with NIO guidance.

1.12 **Employee Benefits**

Under IAS 19 Employee Benefits legislation, 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. The cost of untaken leave has been determined using data from electronic leave records.

1.13 **Accounting Estimates**

No material accounting estimates or judgments were made by IMC in preparing these accounts.

1.14 **Segmental Reporting**

Segmental reporting as detailed by IFRS 8, Operating Segments, was considered by IMC. IMC was funded jointly by income from the Department of Justice in the Republic of Ireland and the Northern Ireland Office. Expenditure was largely Commissioners and support staff expenses and rents once salaries and administrative costs are removed. The Commission's Accounting Officer was the Chief Operating Decision Maker. It is not considered that the reporting of information is segmented.

All income and expense, assets and liabilities relate to the sole activity of the IMC. All activities of the IMC and assets held by the IMC were within the UK.

1.15 **Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2010**

In accordance with IFRS 1 First Time Adoption of International Financial Reporting Standards, three statements of Financial Position covering 2009-10, 2008-09, and 2007-08 have been presented in the 2009-10 accounts. Where restatement of balances has been required to make the transition to IFRS, this is indicated in the relevant note.

IMC implemented IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) with the date of transition to IFRS being 1 April 2008 for the purposes of preparing the opening IFRS statement of financial position.

The following standard had a material impact on the financial statements:

- IAS 19 Employee Benefits

Details of the financial impact of this standard are contained in Note 2. Any adjustments arising from differing accounting policies resulting from the application of IFRS for the first time have been taken through the General

Fund. The remaining standards, interpretations and amendments to published standards that became effective during 2009-10 have been reviewed and none were found to be relevant to the operations of IMC.

1.16 **Accounting standards, interpretations and amendments to published standards not yet effective**

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2010 or later periods, but which have not been adopted early by IMC.

2 First Time Adoption of IFRS

	General Fund £	Revaluation reserve £
Taxpayers' equity at 31 March 2008 under UK GAAP	105,745	22
Adjustments for:		
IAS 19 Employee benefits- Accrued untaken leave	(2,203)	-
Taxpayers' equity at 1 April 2008 under IFRS	103,542	22
Taxpayers' equity at 31 March 2009 under UK GAAP	332,380	22
Adjustments for:		
IAS 19 Employee benefit-Accrued untaken leave	(2,401)	
Taxpayers' equity at 1 April 2009 under IFRS	329,979	22

The adoption of IFRS has no impact on the cash position of IMC. No reconciliation is therefore required for prior year cash flow.

Net expenditure for 2008-09 under UK GAAP	(365,045)
Adjustments for:	
Movement in accrued untaken paid leave	(198)
Net expenditure for 2008-09 under IFRS	(365,243)

3. Staff numbers and related costs

3(a) Staff costs comprise:

	2009-10			2008-09 Restated
	Total	**Permanently employed staff**	**Others**	**Total**
Wages and salaries	323,884	69,842	254,042	332,864
Social security costs	4,738	4,738	-	4,758
Other pension costs	12,025	12,025	-	11,926
Total Net Costs	340,647	86,605	254,042	349,548

Figures for 2008-09 have been restated in line with International Financial Reporting Standards arrangements.

3(b) Pension:

The Principal Civil Service Pensions Scheme Northern Ireland, PCSPS (NI), is an unfunded multi-employer defined benefit scheme, producing its own resource accounts, but the IMC is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out at 31 March 2007 and details of the PCSPS (NI) can be found in the resource accounts of the Department of Finance and Personnel: Superannuation and Other Allowances (Principal Civil Service Pension Scheme (Northern Ireland)).

For the year ending 31 March 2010, employer's contribution of £12,025 (31 March 2009 £11,926) were payable to the PCSPS (NI) at one of four rates in the range 16 to 23.5 per cent of pensionable pay, based on salary bands.

In accordance with FReM, full actuarial valuations should be carried out every four years. However, formal actuarial valuations for unfunded public service pension schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design. Details can be found in the PCSPS (NI) resource accounts.

3(c) Average number of persons employed

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

	2009-10			**2008-09**
	Total	**Permanent staff**	**Others**	**Total**
Directly employed	**4.5**	**3.0**	**1.5**	**4.5**
Staff on secondment and contract staff	**2.0**	**-**	**2.0**	**2.0**
Total	**6.5**	**3**	**3.5**	**6.5**

3(d) Numbers and costs of Commissioners

The total emoluments of the Commissioners during the year ended 31 March 201 amounted to £77,157 (31 March 2009: £89,916). The Commissioners are Non-Northern Ireland Civil Servants therefore they are not pensionable.

	2009-10	2008-09
	£	£
Lord Alderdice	19,210	24,245
Richard Kerr	11,431	18,668
Joe Brosnan	17,916	21,978
John Grieve	28,600	25,025
	77,157	89,916

4. Other expenditure

	2009-10	2008-09
	£	£
Rent	170,488	161,575
Commissioners' expenses	121,215	95,361
Support staff expenses	24,414	36,534
Travel, subsistence and hospitality	21,525	21,451
Auditor's remuneration	15,362	6,000
IT expenses	10,352	9,969
Stationery, printing and postage	7,745	9,516
Publications	1,615	8,786
Professional advisors' fees	49,310	8,306
Telecommunications	5,460	5,477
Accountancy fees	16,599	4,500
Other expenditure	14,378	4,146
Accommodation costs	2,729	3,281
	461,192	374,902
Non Cash Items:		
Depreciation	2,372	5,197
Notional cost of capital	10,793	7,588
	13,165	12,785
Total	**474,357**	**387,687**

5. Income

	2009-10	2008-09
	£	£
Reimbursement from Department of Justice	400,920	364,404
Total	400,920	364,404

6. Property, Plant and Equipment

2009/10

	Office Equipment	Leasehold Improvements	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2009	5,233	19,332	20,655	45,220
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2010	5,233	19,332	20,655	45,220
Depreciation				
At 1 April 2009	1,475	19,332	18,632	39,439
Charged in year	349	-	2,023	2,372
Disposals	-	-	-	-
At 31 March 2010	1,824	19,332	20,655	41,811
Net book value 31 March 2010	3,409	-	-	3,409
Net book value 31 March 2009	3,758	-	2,023	5,781

The IMC owned all its assets and had no finance leases or PFI contracts.

2008/09

	Office Equipment	Leasehold Improvements	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2008	5,233	19,332	20,655	45,220
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2009	5,233	19,332	20,655	45,220
Depreciation				
At 1 April 2008	1,125	18,583	14,534	34,242
Charged in year	350	749	4,098	5,197
Disposals	-	-	-	-
At 31 March 2009	1,475	19,332	18,632	39,439
Net book value 31 March 2009	3,758	-	2,023	5,781
Net book value 31 March 2008	4,108	749	6,121	10,978

The IMC owned all its assets and had no finance leases or PFI contracts.

7. **Financial Instruments**

As the cash requirements of the IMC were met through funding from the Northern Ireland Office and the Department of Justice, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the IMC's expected purchase and usage requirements and the IMC was therefore exposed to little credit, liquidity or market risk.

8. **Trade receivables and other current assets**

	2009-10	**2008-09**
	£	**£**
Amounts falling due within one year		
Trade receivables - (DoJ)	337,005	364,404
Trade receivables -Other	846	2,803
Prepayments and accrued income	48,479	22,621
Total	386,330	389,828
Balances with bodies external to UK Government	386,330	389,828

9. **Trade payables and other current liabilities**

	2009-10	**2008-09**
	£	**£**
		Restated
Amounts falling due within one year		
Accruals and deferred income	108,513	65,608
Total	108,513	65,608
Balances with UK Government bodies	43,788	29,480
Balances with bodies external to UK Government.	64,725	36,128

10. **Commitments under leases**

10.1 Operating leases

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

	2009-10	2008-09
	£	**£**
Buildings		
Not later than one year	27,025	26,450
Later that one year and not later than five years	-	-
Later than five years	-	-
Total	27,025	26,450

The IMC entered into a six-month License Agreement for the use of their office facilities, which they where able to terminate by giving two months notice. The amounts disclosed above represent two months rental repayments i.e. the non-cancellable commitment.

11. **Related-party transactions**

The IMC was an independent statutory body, established under the Northern Ireland (Monitoring Commission etc) Act 2003 and the Agreement between the Government of the United Kingdom and Northern Ireland and the Government of Ireland, and funded jointly by the Secretary of State through the Northern Ireland Office and the Department of Justice in the Republic of Ireland.

The Northern Ireland Office was regarded as a related party. During the year, the IMC had various material transactions with the Northern Ireland Office.

In addition, the IMC has had a small number of material transactions with other Government Departments.

None of the IMC members, staff or other related parties undertook any material transactions with the IMC during this year.

12. **Contingent Liabilities**

The IMC had no contingent liabilities at 31 March 2010 (31 March 2009: Nil)

13. **Losses and Special Payments**

No losses and special payments that required separate disclosure because of their nature or amount were incurred (2008-09: Nil)

14. **Events Occurring After the Reporting Period**

Details of all events after the reporting period are included in sections 2.27, 2.28 and 2.29 of this report. The financial statements were authorised for issue by the Principal Accounting Officer on the same date that the Comptroller and Auditor General signed his audit report.

SECRETARY OF STATES EIGHTH REPORT ON THE IMC

8. IMC Activities

Administration

8.1 Under Article 14 of the International Agreement, the Commission was required to keep proper accounts and proper records of all moneys received or expended by it and, at the joint request of the two Governments, appoint auditors who shall audit the accounts of the Commission. The reports of the auditors were to be submitted to both Governments.

8.2 Under Article 12 the two Governments were to provide, on a basis to be determined by them, such monies, premises, facilities and services as may be necessary for the proper functioning of the Commission.

Management Statement and Financial Memorandum

8.3 Corporate governance arrangements for the IMC codified the relationship between the IMC and the British and Irish Governments. This was achieved through a management statement, including a financial memorandum, which was agreed by the IMC and the British and Irish Governments, and set out in greater detail certain aspects of the financial framework in which the Commission was required to operate.

Reports

8.4 The IMC made two reports during the six months covered by this report. These are commented on in more detail in the next section of this document.

Accounts and Recoupment

8.5 The IMC's accounts for the period April 2010 to March 2011 were completed and subject to audit. These accounts are included later in this report.

8.6 On the basis of those accounts, a recoupment exercise was conducted to recover half the costs of the Commission from the Irish Government. The costs of the IMC were borne equally by the two Governments.

Accessibility of IMC

8.8 Under Article 8 of the International Agreement, the IMC was to be accessible to all interested parties and the Commissioners were to consult as necessary on the issues mentioned in Articles 4 to 6 in preparing reports and making recommendations as described in Article 7.

Normalisation

8.9 The Provisional IRA made a statement on 28 July 2005 that announced an end to armed conflict and other activities. In response to this statement, the British Government announced on 1 August 2005 that it was satisfied that an enabling environment would be achieved and it launched a security normalisation programme. This envisaged the gradual reduction of the security response in Northern Ireland over a two-year period, with a view to achieving security normalisation by 31 July 2007.

8.10 Under Article 5(1) of the International Agreement that established the IMC, when the British Government made a commitment to a package of security normalisation measures, the Commission had an obligation to monitor whether those commitments were being fully implemented, in light of its assessment of the paramilitary threat and the British Government's obligation to ensure the safety and security of the community as a whole. The International Agreement required the IMC to report its findings to the two Governments at six-monthly intervals.

8.11 As noted in the seventh report, the normalisation programme was complete. Since then the IMC have not had a role in reporting on security normalisation.

Foreword to the Accounts for the year ended 31 March 2011

History and statutory background

8.12 The Independent Monitoring Commission (IMC) was established and became operational on 7 January 2004 under the Northern Ireland (Monitoring Commission etc) Act 2003 and the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland. Its purpose was to help promote the establishment of stable and inclusive devolved government in a peaceful Northern Ireland. The accounts have been prepared in a form directed by the Secretary of State for Northern Ireland in accordance with the agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland.

Principal activities

8.13 The duty of the IMC was to report to the British and Irish Governments on the activity by paramilitary groups; on the normalisation of security measures in Northern Ireland and on claims by Assembly parties that other parties, or Ministers in a devolved Executive, were not living up to the standards required of them. The four Commissioners were entirely independent of both Governments.

Review of activities

<u>Corporate Governance</u>

8.14 Work was undertaken on the corporate governance arrangements for the IMC in order to codify the relationship between the IMC and the British and Irish Governments. Under Article 14 of the International Agreement, the IMC was required to keep proper accounts and records of all monies received or expended by it and, at the joint request of the two Governments, appoint auditors to audit the accounts of the IMC.

Reports

8.15 The IMC made two reports during the financial period.

Membership of the IMC

8.16 The Commissioners who served during the year were:

- Lord Alderdice
- Dick Kerr
- Joe Brosnan
- John Grieve

Financial position as at 31 March 2011

8.17 The Commission's financial position for the year ended 31 March 2011 is set out in the Statement of Comprehensive Net Expenditure and the Statement of Financial Position on pages 80 and 81 respectively. The net operating cost for the year decreased from £403,291 to £389,541. A decrease in Commissioner's expenses has contributed to this. The Commission had assets less liabilities of £305, 464 at 31 March 2011, an increase of £24,238 on the previous period's assets less liabilities of £281,226.

Going Concern

8.18 On 4th November 2010, the Secretary of State, Owen Paterson announced his intention to bring the work of the IMC to a close on the 31 March 2011. The Commission ceased to exist on this date. Accordingly, the going concern presumption is not appropriate and these accounts have been prepared on a break-up basis. No provision for costs of closure was required. All remaining assets and liabilities were transferred into the Northern Ireland Office on 1 April 2011. Activities in relation to the Commission have been treated as discontinuing.

Remuneration and pensions

8.19 Full details of the Commission's remuneration and pension interests for the year ended 31 March 2011 are contained in Note 2 to the accounts. Salaries of the joint secretaries are contained in the Remuneration Report laid out on pages 67 to 69. Pensions are provided to staff through the Principal Civil Service Pension Scheme Northern Ireland. Further information on pension costs can be found in Note 2 to the Accounts.

Risk management

8.20 The Commission's management considered the identification and prioritisation of those risks which may have prevented the Commission achieving its policies, aims and objectives.

Future developments

8.21 Following the Secretary of States announcement to bring the activities of the Commission to a close on the 31 March 2011, the remaining assets and liabilities transferred to the Northern Ireland Office. These financial statements have been prepared on a break-up basis as due to the above circumstances it is inappropriate to prepare the accounts on a going concern basis. Upon the cessation of the Independent Monitoring Commission, responsibility passed to the Accounting Officer of the Northern Ireland Office. As a result, they have been signed by the Director General of the Northern Ireland Office as Principal Accounting Officer.

Equal opportunities

8.22 It was the policy of the IMC to promote equality of opportunity. The IMC provided equal opportunity for all job applicants and employees. All recruitment, promotion and training was based on a person's ability and job performance and excluded any consideration of an applicant's/employee's religious beliefs, political opinion, sex, marital status or disability.

Health and safety

8.23 The IMC was committed to providing for staff and visitors an environment that was as far as possible safe and free from risk to health.

Employee involvement

8.24 The IMC recognised the importance of good industrial relations and was committed to promoting and maintaining effective communication and consultation with its staff, and to creating and maintaining good morale. Staff involvement was maximised through regular team meetings and staff briefings. NIPSA was the IMC's recognised trade union.

Prompt payment

8.25 The Northern Ireland Office (NIO) is a signatory to the prompt payment code launched in December 2008 by the Department of Business, Innovation and Skills which aim to establish a clear and consistent policy across government in the payment of business bills. Further details regarding this are available at www.promptpaymentcode.org.uk.

8.26 The NIO has shown its support and commitment to the principles of the code by becoming a signatory and is committed to ensuring it can also deliver in line with agreed policy.

8.27 Monthly statistics submitted to the Department for Business Innovation & Skills and subsequently reviewed at Cabinet meetings, highlight that the Department consistently achieved more than 90% of payments to suppliers within 10 working days during the financial year. In terms of the overall performance for 2010-11, 99% of NIO invoices were paid within 10 working days following receipt of a properly rendered invoice compared to 92% during the four months to 31 March 2010.

Audit

8.28 These accounts have been audited by the Comptroller and Auditor General. A fee of £14,000 has been charged by the National Audit Office in respect of audit services provided during the year.

Events occurring after the reporting period

8.29 There were no events occurring after the balance sheet date as the Commission was dissolved on that date.

Disclosure of audit information

8.30 As Principal Accounting Officer I am required to ensure that all relevant audit information is provided to the auditors. I have taken all reasonable steps to make myself aware of any relevant audit information and have ensured that all such information is available to the auditors. I would also confirm that there is no relevant audit information about which I am aware that the auditors have not been informed about.

Personal Data Related Incidents

8.31 No such incidents occurred in the period.

Sickness absence data

8.32 Given the time elapsed we have no data to include.

Julian King

JULIAN KING
Principal Accounting Officer
Date: 4 April 2013

9. Paramilitary Activity Reports

9.1 The IMC published one report on paramilitary activity and a final valedictory report on changes, impact and lessons learned during the period covered by this report. This report focuses on the requirements of section 11 of the 2003 Act. It does not attempt to summarise in any detail IMC's reports, which are available publicly[8].

Requirements for Reports on Paramilitary Activity

9.2 Article 4 of the Agreement between the British and Irish governments required the IMC to monitor any continuing activity by paramilitary groups, setting out the activities to be covered within reports. Article 4 also required the IMC to assess any trends in security incidents and whether leaders of paramilitary groups were involved in the direction or seeking to prevent continuing activities. The IMC had a duty to report bi-annually to the two Governments and could also produce further ad hoc reports as it saw fit, or at the request of the Governments.

9.3 Under Article 9 of the Agreement, the Governments were obliged to publish Article 4 reports. The 2003 Act required the British government to lay these reports in Parliament.

9.4 Article 7 of the Agreement required the IMC to recommend any remedial action considered necessary when reporting on paramilitary activity. The Commission was also able to recommend what measures, if any, the Northern Ireland Assembly should take but was limited in this respect to only recommending measures provided for in the Northern Ireland Act 1998 as amended by the 2003 Act (exclusion, reduction of salaries, reduction of financial assistance to parties and censure).

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[8] Via the Northern Ireland Office's website www.nio.gov.uk

The Twenty-Fifth Report on Paramilitary Activity – Content and Action by the Secretary of State

9.5 The twenty-fifth report, made under Articles 4 and 7 of the International Agreement was presented to the Secretary of State in October 2010, and published on 4 November 2010 by means of a press release.

9.6 The report examined the activities of the various dissident groups and concluded that they continued to pose a substantial and potentially lethal threat, particularly against members of the security forces.

9.7 CIRA remained very active and although it did not operate at the same heightened pitch as RIRA it threatened and might have taken lives on a number of occasions. The two factions of RIRA, especially Óglaigh na hÉireann (ONH), were responsible for a very major campaign of violence directed particularly against members of the security forces. However, in terms of weapons, money, personnel and support the present dissident campaign in no way matched the range and tempo of the PIRA campaign of the Troubles.

9.8 In relation to Loyalist organisations, the IMC reported that the UDA continued their efforts to break with the past. However, the picture was complex with local brigade loyalties overlaid by difference between those promoting change. The IMC concluded that some members continued to be involved in a variety of illegal activity, some of it serious. They believed progress was likely to “remain patchy” and it was unlikely that tensions between centralism and localism would be fully resolved.

9.9 The IMC reported that the UVF leadership was committed to winding down the organisation. There remained good evidence of their intention, for example in the discouragements by the leadership of criminal activity by members.

9.10 PIRA maintained its political course. The IMC praised the PIRA senior figures who sought to control the disorders which took place in North Belfast during the Twelfth of July parades in 2010, and the mobilising of their supporters against future disorders.

The Twenty-Sixth and Final Report on changes, impact and lessons learned over the period 2004 – 2011 – Content and Action by the Secretary of State

9.11 The twenty-sixth report, made under articles 4 and 7 of the International Agreement, was published on the 4 July 2011 by Written Ministerial Statement. This report continued the six-monthly cycle required by the Agreement however this final report differed from the IMC's previous reports as the focus was on documenting the changes, impacts and lessons learned by the IMC during their seven years in operation.

9.12 Both the British and Irish Governments requested that the IMC produce a valedictory report covering the period 2004 - 2011 prior to the ending of the Commission on 31 March 2011.

9.13 The report met the requirements of the two Governments, which were to:-

- provide an overview of the changes in the levels and nature of paramilitary activity since the IMC was established;
- review the work of the Commission and what, in the view of the Commission, was critical to its success; and
- include any useful lessons that can be learned.

9.14 The Commission's final report documented the changes that had taken place during their seven years in operation and provided an assessment of the factors that helped it in delivering its remit and the lessons learnt.

9.15 The report identified the factors it believed were influential in the success of their work, and also reflected on things that they would have chosen to do differently if they were to repeat their work.

9.16 In addition, the IMC concluded that the Commission had completed its work and the time was now right for them to close. This was consistent with the views of both the British and Irish Government.

10. Adhoc Reports

10.1 The IMC did not publish any ad hoc reports during the period covered by this report.

Requirements for Adhoc Reports

10.2 The British and Irish Governments had powers under Article 4 (c) to ask the IMC to produce an adhoc report.

11. Arrangements for Article 6 Reports

11.1 Article 6 of the Agreement enabled the Commission to consider a claim by a party represented in the Northern Ireland Assembly that another party or Minister was, broadly speaking, in breach of their commitments under the Belfast Agreement.

11.2 Article 6(1) defined the claims the Commission may consider. These are claims that; a Minister or party is not committed to non-violence and exclusively peaceful and democratic means; that a Minister has failed to observe any other terms of the pledge of office; or that a party is not committed to such of its members as are or might become Ministers observing the other terms of the pledge of office.

11.3 Article 6(2) made clear that any claims that related to the operation of the institutional arrangements under Strand 1 of the Belfast Agreement could only be considered by the Commissioners appointed by the British Government (Lord Alderdice and John Grieve). Article 6(3) provides that such reports would be made to the British Government only. Other reports under Article 6 were to be made to both Governments.

11.4 Otherwise, the arrangements that applied to reports on paramilitary activity applied to Article 6 reports; the IMC could make recommendations as to remedial action and measures to be taken by the Assembly, and its Article 6 reports would be made public.

11.5 The Article 6 reporting arrangements operated in the context of a sitting Assembly. During the reporting period 18 September 2010 to 31 March 2011 there were no requests made for Article 6 reports.

12. Remuneration Report

Senior management

12.1 The Independent Monitoring Commission's activities were managed by the British Joint Secretary: Mr Stephen Boys Smith and the Irish Joint Secretary, Mr Michael Mellett. The British Joint Secretary was initially appointed by the Government of the United Kingdom and Northern Ireland and the appointment was substantiated by the Commissioners in January 2004. The Irish Joint Secretary was initially appointed by the Government of Ireland and the appointment was substantiated by the Commissioners in January 2004.

12.2 Mr Boys Smith was also the Commission's Accounting Officer. He was discharged from his responsibilities as Chief Accounting Officer and his position was mutually terminated as of the 31 March 2011.

Remuneration policy

12.3 The Joint Secretaries were retired civil servants. They were paid salaries agreed by the Commissioners, in Mr Boys Smith's case a per diem rate and in Mr Mellett's case an annual rate. The remuneration of the Commissioners emoluments is included in staff numbers and related costs at Note 3 on page 89.

Performance conditions

12.4 The Commissioners regularly monitored the performance of the Joint Secretaries, including, in Mr Boys Smith's case whilst he was responsible for the role of Accounting Officer.

Service contracts

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

12.6 The British Joint Secretary was appointed by way of a letter of appointment from the Secretary of State which was later substantiated by the Commissioners. The Irish Joint Secretary was initially appointed by the Government of Ireland and substantiated by the Commissioners in January 2004.

12.7 It was envisaged that the role of the British Joint Secretary, the Accounting Officer and Irish Joint Secretary to the Commission would remain until the Commission completed its activities.

Salary entitlements (Audited Information)

12.8 The following sections provide details of the remuneration paid to the Joint Secretaries.

	2010/11		2009/10	
	Salary	**Benefits in kind**	**Salary**	**Benefits in kind**
	£'000	**£'000**	**£'000**	**£'000**
British Joint Secretary (Stephen Boys Smith)	40-45	-	20-25	-
Irish Joint Secretary (Michael Mellett)	80-85	-	100-105	-

The Irish Joint Secretary was paid in Euro which has been converted to sterling in accordance with the exchange rate policy detailed at note 1.9. Mr Mellett's salary was determined by the Irish Government in accordance with Department of Justice pay scales which are determined on a calendar year basis.

Salary

'Salary' includes the per diem fees paid to the British Joint Secretary and in the case of the Irish Joint Secretary an allowance for working outside the Republic of Ireland.

Benefits-in-kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. None of the above employees received benefits in kind.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. No bonus was payable to any officer of the Commission.

Compensation payments

No compensation or loss of office payments were payable by the Commission in the year.

Pension

The posts of British and Irish Joint Secretary are not pensionable.

Julian King

JULIAN KING

Principal Accounting Officer

Date: 4 April 2013

13. Statement of the Independent Monitoring Commission and the Accounting Officer Responsibilities

13.1 Under the Agreement between the British and Irish Governments, the IMC was required to prepare accounts, in the form and on the basis determined by the Secretary of State with the approval of HM Treasury. The accounts are prepared on an accruals basis and were required to provide a true and accurate reflection of the IMC's state of affairs at the year end, its operating costs, changes in taxpayers equity and cash flows for the financial year.

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

- Observe the accounts direction issued by the Northern Ireland Office on behalf of the Secretary of State 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.

Due to the circumstances outlined in Note 1 to the financial statements, the Principal Accounting Officer feels it is inappropriate to prepare the accounts on a going concern basis.

13.3 The then Accounting Officer for the Northern Ireland Office, Hilary Jackson designated the UK Joint Secretary to the IMC as the Accounting Officer for the IMC. His relevant responsibilities as Accounting Officer, included his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money. His role ceased as of 31 March 2011 and his responsibilities transferred to the Northern Ireland Office Principal Accounting Officer

Julian King

JULIAN KING
Principal Accounting Officer
Date: 4 April 2013

Statement on Internal Control

Scope of responsibility

13.4 The Northern Ireland Office Principal Accounting Officer, had responsibility for maintaining a sound system of internal control that supported the achievement of the Independent Monitoring Commission's policies, aims and objectives, whilst safeguarding the public funds and the Commission's assets for which the post holder is personally responsible. This was in accordance with the responsibilities assigned to the post holder in Managing Public Money. During 2010-11, the Principal Accounting Officer for the Northern Ireland Office designated the UK Joint Secretary to the IMC as the Accounting Officer for the IMC. This responsibility has now reverted back to the Principal Accounting Officer.

13.5 The Independent Monitoring Commission was an independent statutory body, established under the Northern Ireland (Monitoring Commission etc.) Act 2003 and the Agreement between the Government of the United Kingdom and Northern Ireland and the Government of Ireland. The Commission discharged its functions independently from both Governments.

13.6 The Commission was funded jointly by the Secretary of State through the Northern Ireland Office and the Department of Justice in the Republic of Ireland.

The purpose of the system of internal control

13.7 The system of internal control was designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it therefore only provided reasonable and not absolute assurance of effectiveness.

13.8 The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

13.9 The system of internal control was in place in the Independent Monitoring Commission for the year ended 31 March 2011.

Capacity to handle risk

13.10 The Commission was committed to achieving high standards of corporate governance throughout the organisation, and to high ethical standards and integrity in all its dealings.

13.11 The Commission identified significant risks to its business and developed an IMC Risk Register which was the responsibility of the Commission's management. Each member was responsible for the identification and prioritisation of those risks within their areas of responsibility which could have prevented the Commission achieving its policies, aims and objectives. Each member reviewed the actions taken to mitigate this risk to an acceptable level. The register included for each identified risk, the probability rating, possible causes, business implications, actions for mitigation and any other information required to manage the risk.

The risk and control framework

13.12 The procedures in place for verifying risk management and internal control were regularly reviewed. The risk register was reviewed on a bi-annual basis.

13.13 The controls and systems operating within the Commission included:

- The implementation of a Strategic Internal Audit Plan and Audit Needs Assessment;
- The day to day management of risk and the internal control framework by the managers and staff within the Commission;
- The operation of a performance management system for staff;
- The maintenance of financial planning and budgeting systems with an annual budget which was agreed with the Northern Ireland Office and the Department of Justice; and

- Maintenance of financial management systems and administrative procedures, including delegated levels of authority.

13.14 No loss of information/data security issues were reported in the year

Review of effectiveness

13.15 The Accounting Officer, had responsibility for reviewing the effectiveness of the system of internal control.

13.16 The review of the effectiveness of the system of internal control was informed by the work of both internal and external auditors, and the management and staff from within the Commission who had responsibility for the development and maintenance of the internal control framework.

13.7 Internal audit identified a number of issues in relation to the internal control system, such as the lack of review process in respect of the nominal ledger and budget centre reports and the undue reliance on NIO undertaking the payment function. The report also noted issues in respect of the Commission's compliance with the NIO's hospitality policy and the need to retain and review the payroll documentation processed by the NIO payroll unit.

13.8 A rental of deposit of £9500.00 should have been returned to the NIO from the landlord of Executive Suites following the termination of the IMCs lease on the premises. All reasonable efforts have been made to reclaim the deposit however, we have been informed that Executive Suites have ceased trading and the rental deposit will not be refunded.

Julian King

JULIAN KING

Principal Accounting Officer

Date: 4 April 2013

THE INDEPENDENT AUDITOR'S REPORT TO THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE REPUBIC OF IRELAND

I have audited the financial statements of the Independent Monitoring Commission for the year ended 31 March 2011. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes.

These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Independent Monitoring Commission, the Accounting Officer and auditor

As explained more fully in the Statement of the Independent Monitoring Commission and the Accounting Officer's Responsibilities, the Independent Monitoring Commission and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, in accordance with Article 14 of the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland. 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). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

In addition I read all the financial and non-financial information in the Secretary of State's Eighth Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, in accordance with the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland, of the state of the Independent Monitoring Commission's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland; and

- the information given in the Secretary of State's Eighth Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
Date 18 April 2013

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

	Note	2010-11	Restated 2009-10
		£	£
Expenditure			
Staff costs	2	367,249	340,647
Depreciation	3	349	2,372
Other Expenditure	3	411,138	461,192
Net Operating Cost		778,736	804,211
Income			
Operating Income	4	389,195	400,920
Net Operating Cost		(389,541)	(403,291)

All amounts above relate to discontinuing operations of the Commission.

The Commission has no recognised gains and losses other that the deficit above £389,541 (2009/10: £403,291) and therefore no separate statement of other comprehensive expenditure is required.

The notes on pages 81 to 92 form part of these accounts.

Statement of Financial Position

As at 31 March 2011

	Notes	2011 £	Restated 2010 £
Non-current assets:			
Plant and equipment	5	3,060	3,409
Total non-current assets			
Current assets:			
Trade and other receivables	7	416,611	386,330
Total current assets		416,611	386,330
Total assets		419,671	389,739
Current liabilities			
Trade and other payables	8	(114,207)	(108,513)
Total current liabilities		(114,207)	(108,513)
Assets less liabilities		305,464	281,226
Taxpayers' equity			
Revaluation reserve		22	22
General reserve		305,442	281,204
Total taxpayers' equity		305,464	281,226

The Independent Monitoring Commission ceased to exist as at the 31 March 2011 All assets and liabilities transferred to the Northern Ireland Office on 1 April 2011.

The financial statements were approved by the Principal Accounting Officer, Julian King.

Julian King

JULIAN KING
Principal Accounting Officer
Date 4 April 2013

The notes on pages 81 to 92 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2011

	2010-11	Restated 2009-10
	£	£
Cash flows from operating activities		
Net operating cost	(389,541)	(403,291)
Depreciation	349	2,372
(Increase)/Decrease in trade and other receivables	(30,281)	3,498
Increase/(Decrease) in trade payables	5,694	42,905
Net cast outflow from operating activities	(413,779)	(354,516)
Cash flows from financing activities		
Financing from parent department	413,779	354,516
Net financing	-	-
Net increase/(decrease) in cash and cash equivalents in the period	-	-
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	-	-

The notes on pages 81 to 92 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2011

	Revaluation Reserve £	General Reserve £	Total Reserves £
Balance at 31 March 2009	22	329,979	330,001
Changes in taxpayers' equity for 2009-10			
Retained Deficit	-	(403,291)	(403,291)
Total recognised Income and expenses for 2009 – 10	-	(403,291)	(403,291)
Funding from Parent	-	354,516	354,516
Balance at 31 March 2010	22	281,204	281,226
Changes in taxpayers' equity for 2010-11			
Retained Deficit	-	(389,541)	(389,541)
Total recognised Income and expenses for 2010 – 11	-	(389,541)	(389,541)
Funding from Parent	-	413,779	413,779
Balance at 31 March 2011	22	305,442	305,464

The notes on pages 81 to 92 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

On 4th November 2010, the Secretary of State, Owen Paterson announced his intention to bring the work of the IMC to a close on the 31 March 2011. The Commission ceased to exist on this date. Accordingly, the going concern presumption is not appropriate and these accounts have been prepared on a break-up basis. No provision for costs of closure was required. All remaining assets and liabilities transferred into the Northern Ireland Office on 1 April 2011. Activities in relation to the Commission have been treated as discontinuing.

The principal accounting policies which have been adopted in the preparation of these financial statements are as follows:-

1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention modified to account for the revaluation of non current assets, at their value to the Independent Monitoring Commission by reference to their current costs. These accounts are stated in pounds/sterling.

1.2 **Income**

The IMC received income from the Department of Justice in the Republic of Ireland for 50% of operational costs (excluding non-cash). All accounting transactions were processed through the NIO and are included in the NIO Resource Accounts.

1.3 **Pensions**

The employees of the IMC were covered by the provisions of the Principal Civil Service Pension Scheme Northern Ireland (PCSPS (NI)), which is described in note 3. The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependant's benefits. The organisation recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution elements of the scheme, the organisation recognised the contributions payable for the year. http://www.dfpni.gov.uk/dfp-superannuation-resource-accounts-year-ended-31-march-2011.pdf

1.4 **Plant and equipment**

Expenditure on plant and equipment of £1,000 or more is capitalised. On initial recognition, assets are measured at cost including any costs attributable to bringing them into working condition. Plant and equipment would ordinarily have been stated at current costs, using the appropriate indices compiled by the Office for National Statistics. However, due to the immateriality of the amounts involved these indices were not applied.

1.5 **Intangible assets**

Expenditure on intangible assets which are software licenses and the associated costs of implementation is capitalised where the cost is £1,000 or more. All software utilised by the IMC was purchased externally and is therefore recognised as plant and equipment.

1.6 **Provisions**

The IMC made provision for liabilities and charges where, at the period end, a legal or constructive liability exists, where the transfer of economic benefits is probable and a reasonable estimate could be made.

1.7 **Depreciation**

Plant and equipment, with the exception of leased assets, are depreciated on a straight line basis in order to write off the cost, less estimated residual value of each asset over its expected useful life at the following rates.

Office Equipment......................................	15 years
Leasehold improvements	2-5 years
Computer Equipment................................	5 years

1.8 **Leasing and hire purchase commitments**

Assets obtained under hire purchase contracts and finance leases are capitalised as non current assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in current liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the net expenditure account so as to produce constant periodic rates of charge on the net obligations outstanding in each period. Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 **Foreign Currencies**

The IMC was subject to exchange risk as it receives invoices in dollars and Euro. However, any exchange difference incurred was not expected to be material and no measure to mitigate risk was therefore in place. Foreign currency was translated at the exchange rate applicable on the date expenditure was incurred by IMC except for salaries paid in Euro. All salary invoices from the Department of Justice were translated at the exchange rate applicable at the end of each quarter. The IMC did not recognise any foreign exchange gain or loss

1.10 **Value added tax**

The IMC did not have any income, which was subject to output VAT. The IMC recovered input VAT on contracted out services in accordance with NIO guidance.

1.11 **Employee Benefits**

Under IAS 19 Employee Benefits legislation, 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. The cost of untaken leave has been determined using data from electronic leave records.

1.12 **Accounting Estimates**

No material accounting estimates or judgements were made by IMC in preparing these accounts.

1.13 **Segmental Reporting**

Segmental reporting as detailed by IFRS 8, Operating Segments, was considered by IMC. IMC was jointly funded by income from the Department of

Justice (Republic of Ireland) and the Northern Ireland Office. Expenditure was largely Commissioners and support staff expenses and rents once salaries and administrative costs were removed.

The Commission's Accounting Officer was the Chief Operating Decision Maker. It is not considered that the reporting of information is segmented.
All income and expense, assets and liabilities relate to the sole activity of the IMC. All activities of the IMC and assets held by the IMC were within the UK.

1.14 **Changes in Accounting Policy/Prior Year Restatement**

In accordance with the Department of Finance and Personnel guidelines, FD (DFP) 02/11, the IMC have removed the notional cost of capital charge from the financial statements.

The removal of the cost of capital charges from budgets, estimates and financial statements have been approved on the grounds that they will result in improved consistency of financial reporting in accordance with HM Treasury's "alignment" project.

The prior year totals have been restated in the accounts to reflect this change in treatment and the effect of this change is shown in the table below:

Impact of Prior Period adjustment	**2009/10**
	£000
Net Expenditure	(414,084)
Removal of Cost of Capital	10,793
Adjusted Net Operating Cost	**(403,291)**

2. Staff numbers and related costs

2(a) Staff costs comprise:

	2010-11			2009-10
	Total	**Permanently employed staff**	**Others**	**Total**
Wages and salaries	346,589	88,090	258,499	323,884
Social security costs	5,601	5,601	-	4,738
Other pension costs	15,059	15,059	-	12,025
Total Net Costs	367,249	108,750	258,499	340,647

2(b) Pension:

The Principal Civil Service Pensions Scheme Northern Ireland, PCSPS (NI), is an unfunded multi-employer defined benefit scheme, producing its own resource accounts, but the IMC is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out at 31 March 2007 and details of the PCSPS (NI) can be found in the resource accounts of the Department of Finance and Personnel: Superannuation and Other Allowances (Principal Civil Service Pension Scheme (Northern Ireland)).

For the year ending 31 March 2011, employer’s contribution of £15,059 (31 March 2010 £12,025) were payable to the PCSPS (NI) at one of four rates in the range 18 to 25 per cent of pensionable pay, based on salary bands.

Employer Contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary.

2(c) Average number of persons employed

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

	2010-11 Total	Permanent staff	Others	2009-10 Total
Directly employed	4.5	3.0	1.5	4.5
Staff on secondment and contract staff	2.0	-	2.0	2.0
Total	6.5	3.0	3.5	6.5

2(d) Numbers and costs of Commissioners

The total emoluments of the Commissioners during the year ended 31 March 2011 amounted to £93,823 (31 March 2010: £77,157). The Commissioners are Non-Northern Ireland Civil Servants therefore they are not pensionable.

	2010-11	2009-10
	£	£
Lord Alderdice	21,905	19,210
Richard Kerr	13,321	11,431
Joe Brosnan	20,897	17,916
John Grieve	37,700	28,600
	93,823	77,157

3. Other expenditure

	2010-11	2009-10
	£	£
Rent	163,725	170,488
Commissioners' expenses	76,187	121,215
Support staff expenses	29,282	24,414
Travel, subsistence and hospitality	27,516	21,525
Auditor's remuneration	14,000	15,362
IT expenses	12,082	10,352
Stationery, printing and postage	6,893	7,745
Publications	10,055	1,615
Professional advisors' fees	37,974	49,310
Telecommunications	5,271	5,460
Accountancy fees	6,720	16,599
Other expenditure	17,910	14,378
Accommodation costs	3,523	2,729
	411,138	461,192
Non Cash Items:		
Depreciation	349	2,372
Total	**411,487**	**463,564**

4. Income

	2010-11	2009-10
	£	£
Reimbursement from Department of Justice	389,195	400,920
Total	389,195	400,920

5. Property, Plant and Equipment 2010/11

	Office Equipment	Leasehold Improvements	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2010	5,233	19,332	20,655	45,220
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2011	5,233	19,332	20,655	45,220
Depreciation				
At 1 April 2010	1,824	19,332	20,655	41,811
Charged in year	349	-	-	349
Disposals	-	-	-	-
At 31 March 2011	2,173	19,332	20,655	42,160
Net book value 31 March 2011	3,060	-	-	3,060
Net book value 31 March 2010	3,409	-	-	3,409

The IMC owns all its assets and has no finance leases or PFI contracts.

Property, Plant and Equipment 2009/10

	Office Equipment	Leasehold Improvements	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2009	5,233	19,332	20,655	45,220
Additions	-	-	-	-
Disposals	-	-	-	-

At 31 March 2010	5,233	19,332	20,655	45,220
Depreciation				
At 1 April 2009	1,475	19,332	18,632	39,439
Charged in year	349	-	2,023	2,372
Disposals	-	-	-	-
At 31 March 2010	1,824	19,332	20,655	41,811
Net book value 31 March 2010	3,409	-	-	3,409
Net book value 31 March 2009	3,758	-	2,023	5,781

The IMC owned all its assets and had no finance leases or PFI contracts.

6. Financial Instruments

As the cash requirements of NDPB are met through funding from the Northern Ireland Office and the Department of Justice, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments related to contracts to buy non-financial items in line with the IMC's expected purchase and usage requirements and the IMC was therefore exposed to little credit, liquidity or market risk.

7. Trade receivables and other current assets

	2010-11	2009-10
	£	£
Amounts falling due within one year		
Trade receivables - Department of Justice	389,384	337,005
Trade receivables - Other	288	846

Prepayments and accrued income	26,939	48,479
Total	416,611	386,330
Balances with bodies external to UK Government	416,611	386,330

8. Trade payables and other current liabilities

	2010-11	2009-10
	£	£
Amounts falling due within one year		
Accruals and deferred income	114,207	108,513
Total	114,207	108,513
Balances with UK Government	42,230	43,788
Balances with bodies external to UK Government	71,977	64,725

9. Commitments under leases

a. Operating leases

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

	2010-11	2009-10
	£	£
Buildings		
Not later than one year	-	27,025
Later that one year and not later than five years	-	-
Later than five years	-	-
Total	-	27,025

Property leases were terminated as at 31 March 2011 and no charges were payable in relation to this termination.

10. Related-party transactions

The IMC was an independent statutory body, established under the Northern Ireland (Monitoring Commission etc) Act 2003 and the Agreement between the Government of the United Kingdom and Northern Ireland and the Government of Ireland, and funded jointly by the Secretary of State through the Northern Ireland Office and the Department of Justice in the Republic of Ireland.

The Northern Ireland Office was regarded as a related party. During the year, the IMC has had various material transactions with the Northern Ireland Office.

In addition, the IMC has had a small number of material transactions with other Government Departments.

None of the IMC members, staff or other related parties has undertaken any material transactions with the IMC during this year.

11. Contingent Liabilities

The IMC had no contingent liabilities at 31 March 2011 (2009-2010: Nil)

12. Losses and Special Payments

No losses and special payments that required separate disclosure because of their nature or amount were incurred at 31 March 2011 (2009-10: Nil)

13. Events Occurring After the Reporting Period

There were no events occurring after the balance sheet date as the Commission was dissolved on that date. All remaining assets and liabilities were transferred to the NIO at net book value as at 31 March 2011. The financial statements were authorised for issue by the Accounting Officer on the same date that the Comptroller and Auditor General signed his audit report.

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