Northern Ireland Office

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

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

Laid before the Houses of Parliament by the Northern Ireland Office in accordance with Section 11(6) of the Northern Ireland (Monitoring Commission etc.) Act 2003

4th March 2008

Ordered by the House of Commons to be printed

4th March 2008

HC403 LONDON: The Stationery Office £13.90

Contents

Preface 3

1. Introduction and Background 4
Introduction 4
Background 4
Status of the Independent Monitoring Commission and its Duties 5

2. Management Commentary 7
Administration 7
Management Statement and Financial Memorandum 7
Reports 7
Accounts and Recoupment 7
Accessibility of IMC 8
Normalisation 8
Forward to the Accounts 9

3. Paramilitary Activity Reports 14
Requirements for Reports on Paramilitary Activity 14
The Sixth Report on Paramilitary Activity – Content and Action by the Secretary of State 15
The Seventh Report on Paramilitary Activity – Content and Action by the Secretary of State 15
The Eighth Report on Paramilitary Activity – Content and Action by the Secretary of State 16
The Tenth Report on Paramilitary Activity – Content and Action by the Secretary of State 17
The Twelfth Report on Paramilitary Activity – Content and Action by the Secretary of State 18

4. Security Normalisation Reports 19
Requirements for Reports on Security Normalisation 19
Reports under Article 5(2) of the International Agreement 20
The Ninth Report on Security Normalisation – Content and Action by the Secretary of State 20
The Eleventh Report on Security Normalisation – Content and Action by the Secretary of State 21

5. Arrangements for Article 6 Reports 22

6. Accounts 23
Statement of the Responsibilities of the IMC and the Accounting Officer 23
Statement on Internal Control 24
Remuneration Report 27
The Report of the Auditor to the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Ireland 29
Accounts 31
Notes to the Accounts 34

Preface

I am pleased to present my third annual report to Parliament under section 11(1) of the Northern Ireland (Monitoring Commission etc.) Act 2003. This report covers the twelve-month period 18 September 2005 to 17 September 2006 and also contains the audited accounts of the IMC for the 2005/06 financial year.

The IMC continue to provide an independent and reliable assessment of any continuing activity by paramilitary organisations, which has contributed enormously to the process of restoring devolution in Northern Ireland. The IMC also continue to closely monitor the process of security normalisation in Northern Ireland. They assess whether the public commitments I made on 1 August 2005 have been fully implemented in the light of their assessment of the paramilitary threat and the British Government's obligation to ensure the safety and security of the citizens of Northern Ireland.

This report does not refer to the important 13th report on paramilitary activity and the IMC's final report or normalisation published in September 2007 because they fell outside the twelve month period under review.

As ever, I am grateful to the Commissioners for their valuable contribution throughout this period. I commend their role in promoting the transition to a peaceful society and a stable and inclusive devolved Government in Northern Ireland.

SHAUN WOODWARD MP
SECRETARY OF STATE FOR NORTHERN IRELAND

1. Introduction and Background

Introduction

1.1 The Northern Ireland (Monitoring Commission etc.) Act 2003[1] ('the 2003 Act') makes provision associated with the Independent Monitoring Commission (IMC), established by an Agreement between the British and Irish Governments.

1.2 Section 11 of the 2003 Act requires an Annual Report to be laid before Parliament. The report must 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[2] ('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 alongside a Joint Declaration[3] from the Governments on steps necessary to build trust and confidence amongst the Northern Ireland political parties with a view to 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 ongoing paramilitary activity, and a programme of security normalisation measures initiated by the British Government (when that commenced). It would also consider claims that a party sitting in the Northern Ireland Assembly was in breach of its 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, that has been the 2003 Act and the Northern Ireland (Monitoring Commission etc.) Act

[1] c25
[2] c47
[3] Both documents are available on the NIO website www.nio.gov.uk

2003 (Immunities and Privileges) Order 2003[4]. These pieces of 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 is to permit the Northern Ireland Assembly to take remedial action in the light of an adverse report from the IMC. The 1998 Act was amended to allow the Assembly to take a number of measures against parties and Ministers on the basis of a cross-community vote. The 1998 Act already provides for the Assembly to vote to exclude a party or a Minister. These amendments added 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 parties, to resolve the matter in a manner consistent with the IMC report. The legislation has therefore made provision to enable the Secretary of State to exclude a party or Minister in circumstances where the IMC had recommended that and where the first Assembly motion for an exclusion resolution failed to attract cross-community support.

1.8 While the operation of the Northern Ireland Assembly is suspended under the Northern Ireland Act 2000[5], the Secretary of State has the ability to respond to IMC reports by reducing MLA salaries and party funding. The Northern Ireland Act 1998 and Northern Ireland Act 2000 (Modification) Order 2004[6] makes provision for this situation.

Status of the Independent Monitoring Commission and its Duties

1.9 The IMC is independent of the two Governments. Its functions are defined by the International Agreement establishing the Commission. Article 13 of the Agreement and section 2(1) of the 2003 Act state that the IMC is under a duty not to do anything which might prejudice national security, put at risk the life or safety of any person, or prejudice present or future legal proceedings.

---

[4] SI 2003 No 3126
[5] c1
[6] SI 2004 No 1164

1.10 The Agreement and the 2003 Act enable the Governments to confer immunity from suit and legal challenge on 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.

2. Management Commentary

Administration

2.1 Under Article 14 of the International Agreement, the Commission is 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 shall be submitted to both Governments.

2.2 Under Article 12 the two Governments must 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 During the period this report covers, work was completed on the corporate governance arrangements for the IMC in order to codify the relationship between the IMC and the British and Irish Governments. A management statement, including a financial memorandum, was agreed by the IMC and the British and Irish Governments, and sets out in greater detail certain aspects of the financial framework in which the Commission is required to operate.

Reports

2.4 The IMC made seven 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 April 2005 to March 2006 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 are borne equally by the two Governments.

Accessibility of IMC

2.7 Under Article 8 of the International Agreement, the IMC must be accessible to all interested parties and must consult as necessary on the issues mentioned in Articles 4 to 6 in preparing its reports and making recommendations as described in Article 7. The IMC continued to make itself available to speak to interested parties, and actively solicited the views of others. This included a trip to the USA which raised the profile of the Commission and allowed them to hear the views of interested parties.

Normalisation

2.8 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.

2.9 Under Article 5(1) of the International Agreement that established the IMC, when the British Government makes a commitment to a package of security normalisation measures, the Commission has an obligation to monitor whether those commitments are being 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 requires the IMC to report its findings to the two Governments at six-monthly intervals.

2.10 Two Article 5(1) reports were therefore prepared during the period covered by this report. They are covered in more detail in section 4 of this report.

Foreward to the Accounts for the year ended 31 March 2006

History and Statute 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 Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland. Its purpose is 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 is to report to the 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, are not living up to the standards required of them. The four Commissioners are entirely independent of both Governments.

Review of activities

<u>Corporate Governance</u>

2.13 Work has been 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 is required to keep proper accounts and proper 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 IMC.

<u>Reports</u>

2.14 The IMC made seven reports during the financial period.

Accessibility

2.15 Under Article 8 of the international Agreement, the IMC must be accessible to all interested parties and must consult as necessary on the issues mentioned in Articles 4 to 6 in preparing its reports and making recommendations as described in Article 7. As part of this, they travelled to the USA in February 2006. This raised the profile of the IMC and allowed them to hear the views of interested parties.

Membership of the IMC

Lord Alderdice
Dick Kerr
Joe Brosnan
John Grieve

Financial position as at 31 March 2006

2.16 The Commission's financial position for the year ended 31 March 2006 is set out in the Income and Expenditure Account and the Balance Sheet on pages 31 and 32 respectively. The deficit for the year rose to £657,960 from £543,320 in 2005. Increased staff costs and legal costs have contributed to this. The Commission had net assets of £30,874 at 31 March 2006, an increase of £90,638 on the previous period's net liabilities of £59,764. The increase in debtors in the period represents contributions due from the Irish Government. Ongoing cash requirements continue to be met from the NIO's grant funding.

Remuneration and pensions

2.17 Full details of the Commissioner's remuneration and pension interests for the year ended 31 March 2006 are contained in the Remuneration Report laid out on pages 27 to 28. 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 consider the identification and prioritisation of those risks which may prevent the Commission achieving its policies, aims and objectives.

Future developments

2.19 The IMC will continue to monitor as directed by its remit and produce reports on a regular cycle or as directed by the two Governments or on its own initiative. It will continue to remain accessible and meet with a wide range of people.

Post Balance Sheet events

2.20 There have been no significant events since the end of the financial year which would affect the results for the year or the assets and liabilities at the year end.

Equal opportunities

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

Health and safety

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

Employee involvement

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

Prompt payment

2.24 The IMC is committed to the prompt payment of bills for goods and services received in accordance with the confederation of British Industry's Prompt Payers code and British Standard BS7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

On their receipt, invoices are sent for processing to the Northern Ireland Office (NIO). During the year ended 31 March 2006, the NIO paid 76.4% of the invoices received within 30 days of receipt by the IMC.

Audit

2.25 These accounts have been audited by the comptroller and Auditor General. A fee of £5,000 has been charged by the National Audit Office in respect of audit services provided during the year.

Going Concern

2.26 The Balance sheet as at 31 March 2006 shows net assets of £30,874, consisting of £304,243 assets and £273,369 liabilities. The IMC's future funding requirements will be 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.

Deficit funding for the year ended 31 March 2006, taking into account the amounts required to meet the IMC's liabilities falling due in that year, has already been included in the Departments estimates for that year, which have been approved by Parliament. There is no reason to believe that the IMC's future funding from the Department of Justice in the Republic of Ireland and the Northern Ireland Office will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Disclosure of audit information

2.27 As 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.

STEPHEN BOYS SMITH

Accounting Officer

Date: 12/9/2007

3. Paramilitary Activity Reports

3.1 The IMC published five 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 IMC's reports, which are available publicly[7].

Requirements for Reports on Paramilitary Activity

3.2 Article 4 of the Agreement requires the IMC to monitor any continuing activity by paramilitary groups and it sets out the activities to be covered in reports. Article 4 also requires the IMC to assess whether the leaderships of paramilitary groups are directing or seeking to prevent continuing activities and it requires the IMC to assess trends in security incidents. The IMC must report to the two Governments at six-monthly intervals and can produce further ad hoc reports if it sees fit to do so, or at the request of the Governments.

3.3 Under Article 9 of the Agreement, the Governments must take steps to publish Article 4 reports and the 2003 Act further requires that reports must be laid in Parliament.

3.4 Article 7 of the Agreement requires the IMC to recommend any remedial action considered necessary when reporting on paramilitary activity under Article 4. The Commission may also recommend what measures, if any, the Northern Ireland Assembly should take but is limited in this respect to 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).

---

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

The Sixth Report on Paramilitary Activity – Content and Action by the Secretary of State

3.5 The Sixth Report, made under Articles 4 and 7 of the International Agreement was presented to the Secretary of State in early September 2005, and published on 22 September 2005 by means of a press release.

3.6 This was an ad hoc report, made by the IMC in response to evidence of a loyalist feud occurring in Northern Ireland over the summer of 2005. The IMC believed that there was still an association between the Progressive Unionist Party (PUP) and the UVF, and that the PUP had not done all that it could to prevent paramilitary activity.

3.7 The IMC renewed their recommendation made in their Fifth Report, which was to impose financial measures against the PUP in the Northern Ireland Assembly for twelve months.

The Seventh Report on Paramilitary Activity – Content and Action by the Secretary of State

3.8 The Seventh Report, made under articles 4 and 7 of the International Agreement, was laid in Parliament on 19 October 2005 by means of a Written Ministerial Statement. This report continued the six-monthly cycle required by the Agreement and covered the six-month period from 1 March to 31 August 2005.

3.9 The report recognised the potential significance of the PIRA statement of 28 July; that all members of the organisation had been instructed to give up all forms of criminal activity.

3.10 They reported that paramilitaries continued to exercise control over and exploit communities. The IMC said that their hold needed to be loosened in order to create a "culture of lawfulness" within which the normal democratic principles of law enforcement and human rights apply.

3.11 Paramilitary groups remained responsible for violent and other crime, with dissident republican groups the most committed to terrorism. Loyalist groups were responsible for much more violence than republican ones. The IMC noted the extent to which paramilitaries are involved in organised crime.

3.12 Following the publication of the Sixth and Seventh Reports, the Secretary of State made a statement to the Commons on 13 October in which he made clear that he had decided not to impose a financial penalty on the Progressive Unionist Party at that time. The Secretary of State noted that the PUP had taken steps in the right direction, and he wanted to encourage further transition to exclusively peaceful and democratic means.

The Eighth Report on Paramilitary Activity – Content and Action by the Secretary of State

3.13 The Eighth Report, made under Articles 4 and 7 of the International Agreement, was laid in Parliament on 1 February 2006 by means of a Written Ministerial Statement. This report was published in the middle of the normal six-month cycle, at the request of the British and Irish Governments.

3.14 In this report, the IMC said that there were indications of a dynamic change occurring in Northern Ireland in the process of transition to a society where a culture of lawfulness is the norm.

3.15 The IMC stated that all paramilitary groups were engaged in illegal activity to varying extents. Dissident republicans remained committed to terrorism and were deeply involved in organised crime. However, PIRA had taken the strategic decision to eschew terrorism and pursue a political path. Loyalist groups had not made the same strategic decision as PIRA, but there were early signs of change amongst loyalists.

3.16 The IMC recommended that the financial measures against Sinn Féin (as recommended in their Fourth Report) should not continue.

3.17 They also noted the considerable efforts on the part of the PUP leadership to end the UVF's feud with the LVF in the late summer, and the lead it had given on the need for the UVF to change their attitude to violence and other crime.

3.18 In light of these developments the IMC stated that they did not think that financial measures against the PUP were appropriate at that time.

The Tenth Report on Paramilitary Activity – Content and Action by the Secretary of State

3.19 The Tenth Report, made under Articles 4 and 7 of the International Agreement, was laid in Parliament on 26 April 2006. It came at the normal six-month point and covered the three-month period 1 December 2005 – 28 February 2006 (as the previous report came halfway through the six-monthly cycle).

3.20 In this report, the IMC stated that they had found continuing evidence of the PIRA leadership to following a political path and making efforts to secure full compliance with this strategy.

3.21 They stated that dissident republicans were still committed to terrorism and were heavily involved in serious, including violent, crime, and the pattern of violent and other crime by loyalist paramilitary groups was unchanged, although efforts to move the organisation away from criminal and violent activity were being made.

3.22 The IMC also stated that the last three months had seen further evidence of positive leadership from Sinn Féin, and were aware of the efforts made by the PUP and UPRG to move things in a better direction. However, they did not detect any tangible progress and remained hopeful that there would be significant progress before their next report.

The Twelfth Report on Paramilitary Activity – Content and Action by the Secretary of State

3.23 The Twelfth Report, made under Articles 4 and 7 of the International Agreement was published by press release on the 4 October 2006. It covered the six-month period 1 March to 21 August 2006.

3.24 This report included one new element: an assessment of the differences in paramilitary activity between late 2003, when the IMC was first established, and the six months under review in this report. This was used to paint a clear picture of what had and had not changed in three years and seven reports on paramilitary activity.

3.25 In summary, they concluded that PIRA had undergone the largest and most substantial change. Three years ago it was the most sophisticated and potentially the most dangerous of the groups and possessed the largest arsenal of guns and other material. Now, PIRA was firmly set on a political strategy, eschewing terrorism and other forms of crime. In that process, there had been a loss of paramilitary capability. The leadership had taken a firm stance against the involvement of members in criminality, both through public statements and internal directions. However, the issue of policing remained to be resolved.

3.26 Dissident republican groups were the least changed. The commitment of the leaders to terrorism and their aspirations remained as unswerving. They remained as dangerous and ruthless as they were three years ago, willing to commit extreme terrorist violence, and showing no signs of any form of change.

3.27 In loyalist groups, the level of violence was very much less than it was, but they remained involved in the same range of crimes. They showed no signs of decommissioning weapons, although there was less activity to sustain paramilitary capacity than there had previously been. In contrast to three years ago, there were some encouraging signs of the leadership developing plans to bring an end to paramilitary and criminal activity and to direct efforts towards community work.

4. Security Normalisation Reports

4.1 The IMC published two reports on security normalisation during the period covered by this report.

Requirements for Reports on Security Normalisation

4.2 The IMC Agreement makes two distinct provisions for the IMC to report on security normalisation activities undertaken by the British Government. The IMC's main responsibility is to monitor a programme of security normalisation triggered once an enabling environment had been achieved.

4.3 Article 5(1) of the Agreement requires the IMC to monitor whether security normalisation commitments made by the British Government are being delivered within agreed timescales, in the light of the Commission's assessment of the paramilitary threat and the Government's obligations to ensure the safety and security of Northern Ireland. The security normalisation activities to be included in these reports, to be delivered to the two Governments at six-monthly intervals, are set out in the Agreement. They include:

- the demolition of towers and observation posts in Northern Ireland;
- the withdrawal of troops from police stations in Northern Ireland;
- the closure and dismantling of military bases and installations in Northern Ireland;
- troop deployments and withdrawals from Northern Ireland and levels of British Army helicopter use; and
- the repeal of counter-terrorism legislation particular to Northern Ireland.

4.4 Following the Provisional IRA's statement of 28 July 2005, the Secretary of State determined that an enabling environment had been achieved. On August 2005 he published a two-year programme of security normalisation that would commence immediately. At the same time, he formally commenced IMC's obligation to monitor that programme under Article 5(1). The Secretary of State wrote to the IMC and to Michael McDowell (Irish Minister for Justice, Equality and Law Reform) under Article 15 of the International Agreement on 2 August 2005. This letter informed them that he was formally triggering the IMC's role in monitoring a programme of security normalisation under Article 5(1). The first report under Article 5(1) therefore covers the period 1 August 2005 to 31 January 2006.

Reports under Article 5(2) of the International Agreement

4.5 Before that enabling environment had been attained and the security normalisation programme triggered, the Agreement also allowed the British Government to commission the IMC, under Article 5(2), to prepare a report on such normalisation activities over such a specified period as are notified by the British Government.

4.6 In response to a request by the British Government, the IMC produced an Article 5(2) report – the **Second Report** – published on 20 July 2004. That report gave a current assessment of the normalisation activities set out in Article 5(1) of the International Agreement which had taken place since the British Government published its Security Strategy Paper in December 1999. It also set out a number of considerations about the IMC's future monitoring role.

4.7 When the security normalisation programme was announced and Article 5(1) was commenced, Article 5(2) ceased to have effect.

The Ninth Report on Security Normalisation – Content and Action by the Secretary of State

4.8 The Ninth Report, made under Article 5(1) of the International Agreement was published on 8 March 2006 by a Written Ministerial Statement. This was the IMC's first report under Article 5(1) and covers the period 1 August 2005 to 31 January 2006.

4.9 The IMC reported that they were satisfied that the commitments made in the first six months of the programme had been met. They noted the progress towards the normalisation of security, particularly through the demolition of specified towers and observation posts, the reduction in troop numbers and the closure of military bases in Northern Ireland.

4.10 They assessed that the measures required by the Government's security normalisation programme were proportionate at that time, and consistent with its obligation to consider public safety as its first and over-riding priority.

The Eleventh Report on Security Normalisation – Content and Action by the Secretary of State

4.11 The Eleventh Report, made under Article 5(1) of the International Agreement was published on 6 September 2006. It was the IMC's second report on the security normalisation programme and covers the period 1 February to 31 July 2006.

4.12 They concluded that the provisions of the programme relating to military support to the police, police estate and police patrolling patterns had been met. They also noted how the 12 July 2006 parading season was policed without the need for military assistance. This fostered security normalisation by encouraging community contact and greater support for the police.

4.13 Other positive steps towards security normalisation were noted as the start of the demolition of towers and observation posts in South Armagh, the continued reduction in troop numbers and the continuing downward trend in the use of military helicopters.

5. Arrangements for Article 6 Reports

5.1 Article 6 of the Agreement enables 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) defines 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) makes clear that any claims that relate to the operation of the institutional arrangements under Strand 1 of the Belfast Agreement can only be considered by the Commissioners appointed by the British Government (Lord Alderdice and John Grieve). Article 6(3) provides that such reports shall be made to the British Government only. Other reports under Article 6 are to be made to both Governments.

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

5.5 The Article 6 reporting arrangements are intended to operate in the context of a sitting Assembly. As such, no reports have been made by the IMC under Article 6 during this reporting period.

6. Accounts

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

6.1 Under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland the IMC is 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 must give a true and fair view of the IMC's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

6.2 In preparing the accounts the Accounting Officer is required 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 accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

6.3 The Accounting Officer for the Northern Ireland Office has designated the UK Joint Secretary to the IMC as the Accounting Officer for the IMC. His relevant responsibilities as Accounting Officer, including 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 Government Accounting.

Statement on Internal Control

Scope of responsibility

6.4 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Independent Monitoring Commission's policies, aims and objectives, as set out in Section 1 of the Northern Ireland (Monitoring Commission's etc) Act 2003, whilst safeguarding the public funds and Commission's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting and in my letter of designation as Accounting Officer.

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

6.6 The Commission is 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

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

6.8 The system of internal control is based on an ongoing process designed to identify and prioritise the principal 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.

6.9 The system of internal control has been in place in the Commission for the year ended 31 March 2006 and up to the date of approval of the annual accounts, and accords with Treasury guidance.

Capacity to handle risk

6.10 The Commission is committed to achieving high standards of corporate governance throughout the organisation, and to high eithical standards and integrity in all its dealings.

6.11 The Commission's management consider the identification and prioritisation of those risks which may prevent the Commission achieving its policies, aims and objectives.

The risk and control framework

6.12 The controls and systems operating within the Commission include:

- 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 is agreed with the Northern Ireland Office and Department of Justice; and
- maintaining financial management systems and administrative procedures, including delegated levels of authority.

Review of effectiveness

6.13 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The system of internal control is based on a framework of regular management information, financial and administrative procedures including the segregation of duties, management supervision and a system of delegation and accountability. In particular the system includes an internal audit service that has been appointed by the Commission which operates to standards defined in the Government Internal Audit Manual. The work of internal audit service is informed by an analysis of risk and a review of systems of control and reports on adequacy and effectiveness of these systems. The analysis of risk and the internal audit plans are approved by me.

6.14 My review of the effectiveness of the system of internal control is informed by the work of both internal and external auditors, and the management and staff from within the commission who have responsibility for the development and maintenance of the internal control framework.

Significant internal control problems

6.15 One internal control issue was identified by the Northern Ireland Audit Office ("NIAO")

Fixed assets

The NIAO identified a number of discrepancies between the Fixed asset register prepared by the NIO on our behalf and the actual assets held by us. We have now created a standalone fixed asset register which reflects all of our fixed assets. In addition the NIAO identified that the fixed assets were not individually tagged. Steps have been put in place to ensure all material assets are tagged.

STEPHEN BOYS SMITH

Accounting Officer

Date: 12/9/07

Remuneration report

Senior management

6.16 The Independent Monitoring Commission's activities are managed by the British joint secretary: Mr Stephen Boys Smith. The British Joint Secretary was initially appointed by the Government of the United Kingdom and Northern Ireland and substantiated by the Commissioners in January 2004. The post is part time. Mr Boys Smith is also the Commission's Accounting Officer.

Remuneration policy

6.17 Mr Boys Smith, the British Joint Secretary is a retired civil servant. He is paid a per diem rate set by the Commissioners.

Service Contracts

6.18 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.

6.19 The British Joint Secretary was appointed by way of a letter of appointment from the Secretary of State which was later confirmed by the Commissioners.

6.20 It is envisaged that the role of British Joint Secretary and Accounting Officer to the Commission will remain until the Commission completes its activities.

Salary and pension entitlements

6.21 The following sections provide details of the remuneration paid to British Joint Secretary.

	2005/06		2004/05	(15 months)
	Salary £'000	Benefits In kind £'000	Salary £'000	Benefits in Kind £'000
British Joint Secretary - Stephen Boys Smith	55-60	-	90-95	-

Salary

(i) 'Salary' includes the per diem fees paid to the British Joint Secretary.

Benefits –in-kind

(ii) The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

Pension

The post of British Joint Secretary is not pensionable

Signed

STEPHEN BOYS SMITH

Accounting officer

Date: 12/9/07

The Independent Auditor's Report to the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Ireland

I have audited the financial statements of the Independent Monitoring Commission for the year ended 31 March 2006. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses 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

The Independent Monitoring Commission and the Joint Secretary as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Article 14 of the Agreement establishing the Independent Monitoring Commission and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Responsibilities of the Independent Monitoring Commission and Accounting Officer.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the agreement establishing the Independent Monitoring Commission and directions made thereunder by the Secretary of State for Northern Ireland. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary, Statement of the Responsibilities of the Independent Monitoring Commission and the Accounting Officer and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Ireland and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Independent Monitoring Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects Independent Monitoring Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Independent Monitoring Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

Audit Opinion

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 by the Secretary of State for Northern Ireland, of the state of the Independent Monitoring Commission's affairs as at 31 March 2006 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the agreement establishing the Independent Monitoring Commission and directions made thereunder by the Secretary of State for Northern Ireland; and
- information given within the Annual Report, which comprises the Management Commentary, Statement of the Responsibilities of the Independent Monitoring Commission and the Accounting Officer and the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Ireland and the financial transactions conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SWIW 9SP
Date: 12 November 2007

Income and Expenditure Account
for the year ended 31 March 2006

	Note	2006	15-month period ended 31 March 2005
		£	£
Income			
Reimbursement from DOJ	2	675,471	565,886
Expenditure			
Staff costs	3	555,613	405,263
Depreciation	6	6,216	4,650
Permanent diminution	6	-	3,133
Notional cost of capital	5	(507)	(695)
Other operating costs	4	772,109	696,855
		1,333,431	1,109,206
Deficit for the Period		(657,960)	(543,320)
Amount Transferred to Reserves		(657,960)	(543,320)

All amounts above relate to continuing activities and include VAT where it is not possible to reclaim the input VAT.

Statement of Recognised Gains and Losses
for the year ended 31 March 2006

Retained deficit for the year	(657,960)	(543,320)
Unrealised gain on revaluation	-	22
	(657,960)	(543,298)

The notes on pages 34 to 43 form part of these accounts.

Balance Sheet as at 31 March 2006

	Note	2006 £	15-month period ended 31 March 2005 £
Fixed Assets			
Tangible assets	6	30,189	28,118
Current Assets			
Cash in hand		50	50
Debtors	9	274,004	14,623
		274,054	14,673
Current Liabilities			
Creditors (due within one year)	10	(138,839)	(102,555)
Net Current Assets/(Liabilities)		135,215	(87,882)
Provision for Liabilities and Charges		(134,530)	
Total Assets less Current Liabilities		30,874	(59,764)
Financed By:			
Capital and Reserves			
General Fund	12	30,852	(59,786)
Revaluation reserve	12	22	22
		30,874	(59,764)

STEPHEN BOYS SMITH

Accounting Officer

Date: 12/9/2007

The notes on pages 34 to 43 form part of these accounts

Cash Flow Statement
for the year ended 31 March 2006

	Note	2006 £	15-month period ended 31 March 2005 £
Cash Outflow from Continuing Operating Activities	14	(734,273)	(448,300)
Capital Expenditure	6	(14,832)	(35,879)
Cash Outflow Before Financing		(749,105)	(484,179)
Financing			
Cash inflow from financing	12	749,105	484,229
Increase in cash		-	50

The notes on pages 34 to 43 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

These financial statements have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State for Northern Ireland and the requirements of the Government Financial Reporting Manual (FReM). The particular accounting policies adopted by the IMC are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Accounting Convention

The accounts have been prepared in accordance with the historical cost convention. Revaluation of tangible fixed assets by reference to their current cost is considered annually but as stated below due to the immateriality of the amounts involved, the indices have not been applied to these accounts.

The accounts comply with the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by HM Treasury, in so far as those requirements are appropriate.

Fixed Assets

Fixed assets comprise of computer equipment, leasehold improvements and office equipment. Fixed assets would ordinarily have been stated at current costs using the appropriate indices compiled by Office for National Statistics. However, due to the immateriality of the amounts involved these indices were not applied. The level for capitalisation of a tangible fixed asset or group of assets is £1,000.

Depreciation

Depreciation is provided on a straight line basis on all fixed assets and is calculated to write off the cost (less any estimated residual value) of each asset over its expected useful life.

The estimated useful lives for depreciation purposes are as follows:

Office equipment	15 years
Computer software	5 years
Computer equipment	5 years

Capital Charge

A charge reflecting the cost of capital utilised by the IMC, is included in the operating costs. The charge is calculated at the government's standard rate of 3.5 per cent in real terms on all assets less liabilities.

VAT

The IMC does not have any income, which is subject to output VAT. The IMC recovers input VAT on contracted out services in accordance with guidance.

Pension Costs

The employees of the IMC are covered by the provisions of the Principal Civil Service Pension Scheme Northern Ireland, PCSPS (NI), which is described at Note 3. The defined benefit elements of the scheme is unfunded and is non-contributory except in respect of dependants' 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 recognises the contributions payable for the year.

Provisions for liabilities and charges

The IMC makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists, where the transfer of economic benefits is probable and a reasonable estimate can be made. The provision for liabilities and charges relates to irrecoverable legal costs in relation to defending a judicial review against the IMC.

2. Income

	2006	**15-month period ended 31 March 2005**
	£	**£**
Reimbursement from Department of Justice	675,471	565,886

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

3. Staff Numbers and Costs

Staff costs consist of:

	Directly employed staff	**Commissioners** [1]	**Staff on secondment and contract staff** [2]	**2006 Total**
	£	**£**	**£**	**£**
Wages & salaries	61,906	193,989	284,683	540,578
Social security costs	4,355	-	-	4,355
Pension costs	10,680	-	-	10,680
	76,941	193,989	284,683	555,613

	Directly employed staff £	Commissioners [1] £	Staff on secondment and contract staff [2] £	15-month period ended 31 March 2005 Total £
Wages & salaries	66,224	188,006	137,574	391,804
Social security costs	4,904	-		4,904
Pension costs	8,555	-		8,555
	79,683	188,006	137,574	405,263

[1] Commissioners are paid an agreed daily rate for their work in the IMC and are treated as being self-employed and therefore are responsible for payment of their own tax and social security costs.

[2] Amounts payable in respect of staff on secondment and contract staff includes amounts payable to the two Joint Secretaries (including the Accounting Officer) and one member of staff seconded from the Department of Justice.

The Principal Civil Service Pension Scheme Northern Ireland, PCSPS (NI), is an unfunded multi-employer, defined benefit scheme, producing their own resource accounts, but the IMC is unable to identify its share of the underlying assets and liabilities. 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 2006, employer's contributions of £10,680 (15 months ended 31 March 2005: £8,555) were payable to the PCSPS (NI) at one of four rates in the range 16 to 23.5 per cent (15 months ended 31 March 2005: 12 to 18.5 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. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The Remuneration Report on pages 27 and 28 contains further pension information.

Number of Employees

The average number of whole-time equivalent persons employed during the year was:

	2006	15-month period ended 31 March 2005
Employed on a full-time basis	3	3
Commissioners (of which there are 4 Commissioners)	2	2
Staff on secondment and contract staff (of which there are 3 staff)	2.5	2.5

Numbers and costs of Commissioners

The total emoluments of the Commissioners during the year ended 31 March 2006 amounted to £193,989 (15 months ended 31 March 2005: £188,006). The Commissioners are Non-Northern Ireland Civil Service therefore they are not pensionable.

	2006	15-month period ended 31 March 2005
Lord Alderdice	£35,588	£33,800
Dick Kerr	£53,577	£38,623
Joe Brosnan	£61,802	£37,411
John Grieve	£43,022	£78,172
	193,989	188,006

4. Other Operating Costs

	2006 £	15-month period ended 31 March 2005 £
Other operating costs comprise		
Accommodation costs	5,885	1,416
Rent	147,463	192,113
Travel, subsistence & hospitality	25,955	41,334
Publications	16,355	20,466
IT expenses	4,340	15,523
Telecommunications	8,381	18,409
Commissioners' expenses	178,433	161,606
Support staff expenses	92,034	85,346
Office staff expenses	305	-
Professional advisors' service	268,597	128,941
Auditor's remuneration	5,000	5,000
Stationery, printing & postage	4,460	13,483
Training	6,545	-
Other expenditure	8,356	13,218
	772,109	696,855

5. Notional Costs

The income and expenditure account bears a non-cash charge for interest relating to the use of capital by the IMC. The basis of the charge is 3.5 per cent of the average capital employed by the IMC during the year, defined as the total assets less current liabilities.

	2006 £	15-month period ended 31 March 2005 £
Cost of capital	507	(695)

6. Fixed Assets

Tangible Assets

	Office Equipment £	Leasehold improvements	Computer Equipment £	Total £
Cost at 1 April 2005	3,457	-	29,205	32,662
Additions	-	14,832	-	14,832
Disposals	-		(8,550)	(8,550)
Cost at 31 March 2006	3,457	14,832	20,655	38,944
Accumulated depreciation at 1 April 2005	251	-	4,293	4,544
Charge for the year	231	1,854	4,131	6,216
Disposals	-		(2,005)	(2,005)-
Accumulated depreciation at 31 March 2006	482	1,854	6,419	8,755
Net Book Value at 31 March 2006	**2,975**	**12,978**	**14,236**	**30,189**
Net Book Value as 31 March 2005	3,206	-	24,912	28,118

Disposals of computer equipment relate to the return of certain IT assets, which had previously been capitalised in the IMC's accounts, to the sponsoring division within the Northern Ireland Office.

7. Capital Commitments

There were no outstanding capital commitments as at 31 March 2006.

8. Contingent Liabilities

There were no contingent liabilities as at 31 March 2006.

9. Debtors

	2006 £	15-month period ended 31 March 2005 £
Debtors	259,793	14,549
Prepayments	14,211	74
	274,004	14,623

10. Creditors

	2006 £	15-month period ended 31 March 2005 £
Amounts falling due within one year		
Creditors	-	11,610
Accruals	138,839	90,945
	138,839	102,555

11. Provision of Liabilities and charges

	2006 £	15-month period ended 31 March 2005 £
Opening balance	-	-
Created in year	134,530	-
Released in year	-	-
Closing Balance	134,530	-

12. Reconciliation of Movements in Reserves

	General Fund £	Revaluation Reserve £	Total 2006 £
At 1 April 2005	(59,786)	22	(59,764)
Transfer from income and expenditure account	(657,960)	-	(657,960)
Financing from vote	749,105	-	749,105
Cost of capital	(507)	-	(507)
Surplus on revaluation of fixed assets	-	-	-
At 31 March 2006	**30,852**	**22**	**30,874**

13. Financial Commitments under Operating Leases

At 31 March 2006 the IMC had annual commitments under non-cancellable operating leases expiring as follows:

	2006 £	15-month period ended 31 March 2005 £
Expiry within 1 year	27,025	26,438
Expiry after 1 year, but not more than 5 years	-	-
Expiry thereafter	-	-
Total	27,025	26,438

The IMC has entered into a six month Licence Agreement for the use of their office facilities, which may be terminated by giving 2 months notice. The amounts disclosed above represent two months rental payments i.e. the non-cancellable commitment.

14. Reconciliation of results for the Period to Net Cash Flow from Operating Activities

	2006	15-month period ended 31 March 2005
	£	£
Deficit for the period	(657,960)	(543,320)
Depreciation	6,216	4,650
Permanent Diminution	-	3,133
Loss on disposal of fixed assets	6,545	-
Cost of capital	(507)	(695)
(Increase)/Decrease in debtors	(259,381)	(14,623)
Increase/(Decrease) in creditors	36,284	102,555
Increase/(Decrease) in provisions for liabilities and charges	134,530	-
Net Cash Outflow From Operating Activities	(734,273)	(448,300)

15. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the non-trading nature of its activities and the way in which executive Non Departmental Public Bodies are financed, the IMC is not exposed to the degree of risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The IMC has no powers to borrow or invest surplus funds and has limited end year flexibility. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the IMC in undertaking its activities.

As permitted by FRS 13, debtors and creditors that mature or become payable within 12 months from the balance sheet date have been excluded from this disclosure.

Liquidity Risk

The IMC is financed through the Northern Ireland Office Request for Resources 1 and is accountable to Parliament through the Secretary of State for Northern Ireland and is not therefore exposed to significant liquidity risk.

Interest-Rate Risk

All financial assets and liabilities of the IMC carry nil rates of interest and therefore are not exposed to interest rate risk.

Currency Risk

The IMC does not trade in foreign currency and therefore has no exposure to foreign currency risk.

Fair Values

The book values and fair values of the IMC's financial assets and financial liabilities as at 31 March 2006 are as set out below:

Primary Financial Instruments**:**

	Book Value	Fair Value
	£	**£**
Financial Assets		
Petty cash	50	50
Financial Liabilities		
None	-	-

16. Related Party Transactions

The IMC is 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 is 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.

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
PC2196 10/08
Printed on paper containing minimum 75% fibre content

TSO
information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries: 0870 600 5522
Fax orders: 0870 600 5533
E-mail: customer.services@tso.co.uk
Textphone 0870 240 3701

TSO Shops
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-294835-6