DWP Department for Work and Pensions

Disability Rights Commission

Annual Report and Accounts 2006-07

HC 864

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Disability Rights Commission

Annual Report and Accounts 2006-07

Annual Report presented to Parliament by the Secretary of State for Work and Pensions in pursuance of paragraph 16(3) of Schedule 1 to the Disability Rights Commission Act 1999 and Accounts presented to Parliament by the Secretary of State for Work and Pensions on behalf of the Comptroller and Auditor General in pursuance of paragraph 15(2) of Schedule 1 to the Disability Rights Commission Act 1999.

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DWP Department for Work and Pensions

17. Related Party Transactions

The Commission is a Non-Departmental Public Body, which is sponsored by Department for Work and Pensions. During the period the Commission has had various material transactions with the Department. None of the Commissioners has undertaken any material transactions with the Commission during the period.

18. Post Balance Sheet Event

The Disability Rights Commission will cease on 30th September 2007, when the Commission for Equality and Human Rights will take over all assets and liabilities.

19. Events after the Balance Sheet Date

The Disability Rights Commission's financial statements were authorised for issue on 26th June 2007.

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DWP Department for Work and Pensions

One such liability will arise in connection with a voluntary early severance scheme that will be made available to DRC staff. Subsequent to the Balance Sheet date, employees have been offered terms under a voluntary early severance scheme and payments thereunder are due to be made on or about 30th September 2007. However this will be funded by the Commission for Equality and Human Rights. DRC are not yet able to estimate the number of employees or the costs involved.

14. Capital Commitments

No capital commitments were outstanding at 31 March 2007.

15. Leases and hire purchase obligations

15.1 Operating Leases

The following amounts fall due during the year ending 31 March 2007 under operating leases.

	2006-07		**2005-06**	
	Land and Buildings	**Other Leases**	**Land and buildings**	**Other Leases**
Leases expiring within:	**£'000**	**£'000**	**£'000**	**£'000**
One year	7	4	–	–
Two to five years	324	–	332	4
More than five years	–	–	–	–
Total	**331**	**4**	**332**	**4**

DRC staff currently occupy space on the third floor of Arndale House in Manchester for which there is no formal lease agreement with the landlord (Equal Opportunities Commission). The annual rent in 2006-07 on this space is £53,579.

The London office in Grays Inn Road also has no formal lease. Annual rent costs in 2006-07 were £399,279.

15.2 Finance Leases

There were no obligations under finance leases.

16. Performance against key financial targets

The Department for Work and Pensions, the sponsor Department, has not set any financial targets for the Commission.

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11. Movements on Reserves

	Donated Assets	General Reserve	Deferred Capital Grant Reserve
	£'000	**£'000**	**£'000**
Opening Balance	493	3	1,097
Transfer to General Reserve		1,097	(1,097)
Historic cost charged to I&E in year	(123)	0	0
Change in GIA accounting policy	0	21,053	0
Operating Cost deficit		(20,981)	
Revaluation cost	6	0	0
Revaluation depreciation	(4)	0	0
Disposals	0	0	0
Balance at 31 March 07	**372**	**1,172**	**0**

12. Financial Instruments

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

The Commission has no significant exposure to liquidity, currency or interest rate risks.

13. Contingent Liabilities

The Commission has one outstanding legal case, which has been referred to the European Court of Justice. It is expected that this case will continue until after 30th September and at this point costs cannot be estimated. It is possible that if the cases were lost, adverse cost orders may be made.

Provisions are made within the Equality Act 2006 to set up a new Commission for Equality and Human Rights, which will take on the responsibilities of the Disability Rights Commission (DRC) from 1 October 2007. The DRC has been working with the transition team managing the setting up of the new Commission to ensure a smooth wind down of the DRC's activities. Some of these activities may give rise to contingent liabilities.

7. Creditors: amounts falling due within one year

	31 March 2007 £'000	31 March 2006 £'000
Creditors		
Trade creditors	480	719
Taxes and social security costs	286	262
Accruals	1,340	1,437
Deferred Income	150	326
	2,256	2,744

8. Provisions for Liabilities and Charges

A provision has been made of £47,500 for the costs on two legal cases currently being negotiated.

9. Net cash inflow/(outflow) from operating activities

	2006-07 £'000	Re-stated 2005-06 £'000
Operating Surplus/(Deficit)	(20,981)	(21,390)
Depreciation Charges	532	760
Revaluation of fixed assets	6	0
Release of Donated Asset Reserve	(126)	(127)
Decrease/(Increase) in Debtors	85	(44)
(Decrease)/Increase in Creditors	(488)	1,012
(Decrease)/Increase in Provisions	47	(88)
Net cash inflow/(outflow) from operating activities	**(20,928)**	**(19,877)**

10. Reconciliation of Movement in Net Funds

	£'000
Net funds as at 1 April 2006	2,131
Increase in cash in period	50
Net funds as at 31 March 2007	**2,181**

Part One

Disability Rights Commission Annual Report

2006-07

Chief Executive's Report and Management Commentary

Statutory Authority and Principal Activities

The Disability Rights Commission was established as a Non-Departmental Public Body (NDPB) under the Disability Rights Commission (DRC) Act 1999. The principal activities in the financial year 2006-2007 have been to enable the Commission to carry out the general duties, powers and specific powers outlined in the Act.

These are summarised as to:

- work towards the elimination of discrimination against disabled people;
- promote the equalisation of opportunities for disabled people;
- take steps to encourage good practice in the treatment of disabled people;
- to keep the Disability Discrimination Act (DDA) under review;
- assist disabled people by offering information, advice and support in taking cases forward;
- provide information and advice to employers and service providers;
- undertake formal investigations;
- prepare statutory codes of practice providing practical guidance on how to comply with the law; and
- arrange independent conciliation between service providers and disabled people in the area of access to goods and services.

The accounts for the year ended 31 March 2007 have been prepared in accordance with the Accounts Direction dated 13 February 2006 given by the Secretary of State for Work and Pensions, with the approval of the Treasury, in accordance with the Disability Rights Commission Act 1999.

5.2 Intangible Assets

	Software £'000
Cost or Valuation	
1 April 2006	660
Additions	27
Disposals	0
Revaluation	(4)
31 March 2007	683
Depreciation	
1 April 2006	529
Charge for year	90
Disposals	0
Revaluation	(3)
31 March 2007	616
Net Book Value	
31 March 2007	67
1 April 2006	131

6. Debtors

The table below shows debtors and prepayments.

Debtors falling due within one year

	31 March 2007 £'000	31 March 2006 £'000
Trade Debtors	101	9
Access to Work	41	40
Prepayments and accrued income	389	567
	531	616

5. Assets

5.1 Fixed Assets

The table below shows the analysis of Fixed Assets.

	Fixtures and Fittings	IT and Telecomm. Equipment	Furniture	TOTAL
	£'000	£'000	£'000	£'000
Cost or Valuation				
1 April 2006	2,102	1,799	507	4,408
Additions	0	42	4	46
Disposals	0	23	2	25
Revaluation	9	(7)	2	4
31 March 2007	2,111	1,811	511	4,433
Depreciation				
1 April 2006	1,167	1,559	221	2,947
Charge for year	210	181	51	442
Disposals	0	22	1	23
Revaluation	6	(7)	1	0
31 March 2007	1,383	1,711	272	3,366
Net Book Value				
31 March 2007	728	100	239	1,067
1 April 2006	935	240	286	1,461

Commissioners

Commissioners serving throughout the year were:

Sir Bert Massie – Chairman
Saghir Alam
Stephen Alambritis
Baroness Jane Campbell
Susan Daniels
Richard Exell
Dr Kevin Fitzpatrick
Christopher Holmes
John Hougham – Deputy Chairman
Elaine Noad
Evelyn Rank
Philippa Russell
Jenny White

Commissioner Michael Burton sadly died during the course of the year and Tim Escudier was subsequently appointed to the Commission.

All members, with the exception of the Chairman, are entitled in accordance with Treasury guidelines to claim an allowance of £250 for each day on which they meet as a Commission and when transacting Commission business. Fees and expenses claimed and paid to Commissioners during the year amounted to £134,000. The Chairman of the Commission, Bert Massie, received a salary of £88,618 (excluding Pension and Employers National Insurance Contributions). The Chief Executive Officer is Robert Niven. A register of Commissioners' interests is held and can be found on the DRC website at www.drc-gb.org.

Results and Financial Summary

Grant-in-Aid for the year amounted to £21.202m from the Department for Work and Pensions (DWP). This was used for recurrent expenditure of £20.978m, £74K for the purchase of capital assets and £150K was carried forward as deferred grant for use in 2007-08. The Commission records operating cost amount of (£20.983m) during the year ended 31 March 2007.

The Commission has assets with a net book value of £1.135m.

The success of DRC is most dependent on retaining and recruiting high calibre staff, who are skilled, competent and possess specialist knowledge, not freely available generally. The expertise and dedication of the staff is recognised as the prime contributory factor to furthering the rights of disabled people. This applies at all levels of the organisation and in all Directorates.

Charitable Donations

The Commission made no charitable donations during the year.

Key external developments in 2006-07

The wide ranging provisions of the Disability Discrimination Act (DDA) 2005 on transport and establishing a disability equality duty on all public bodies came into effect in December 2006. The Government confirmed that the new composite Commission for Equality and Human Rights will come into operation on 1 October 2007 with the DRC together with the Equal Opportunities and Race Equality Commissions ceasing to exist from that point. Legislation on welfare reform, in particular on Incapacity Benefit, continued its passage through Parliament.

Review of DRC Activities

The Commission came into operation on 25 April 2000, and occupies four main offices, located in Manchester, London, Edinburgh and Cardiff.

Recruitment continued throughout the year within its agreed ceiling of 205 full-time equivalent, well-qualified staff. Around one-third of these have declared a disability.

The DRC's key activities in 2006-07 have included:

- Playing a key part in ensuring ongoing practical successful implementation in practice of the Government's wide-ranging, continuing, decade-long programme of reform in disability rights legislation through the Disability Discrimination Act (DDA) 1995 and the Special Education Needs & Disabilities Act (SENDA) 2001 as well as through implementation of provisions of the Disability Discrimination Act 2005.
- The preparation of new and revised statutory Codes of Practice and related targeted guidance; information, advice and other materials for employers, service providers and disabled people and their organisations; major promotional campaigns, media and other communications activity; legal and other strategies to clarify and highlight what the law requires, with particular emphasis on DRC's powers to conduct Formal Investigations, to reach binding agreements with employers and service providers, and to support and intervene in cases at the higher, precedent-setting levels of the courts and tribunals.
- Continuing effective delivery of quality services, in particular through the DRC Helpline, Website and Conciliation, covering all aspects of existing disability rights legislation.
- Taking forward programmes of work to tackle major barriers to access faced by disabled people in key sectors of society and the economy – education; employment; services and transport; and health & independent living.

Contributions due to the **partnership** pension providers at the balance sheet date were £889. Contributions prepaid at that date were nil.

4. Other Operating Charges Analysed

	2006-07 £'000	2005-06 £'000
Running Costs		
Staff recruitment and training	451	689
Staff and Chairman's Travel and Subsistence	544	511
Equipment Lease costs	4	18
Premises Lease costs	336	245
Premises costs (non lease)	1,111	989
Support and Office Services	687	734
IT and Telecomm costs	355	327
Losses and special payments	0	0
Loss on disposal of fixed assets	2	3
Access to Work	123	140
Auditor's Remuneration	30	30
Programme		
Systems development	227	403
Research and consultation	1,366	584
Raising disability awareness	818	3,341
Providing advice and support	4,757	3,681
Education	275	268
Access to goods and services	100	251
Health and Independent Living	501	345
Employment	234	424
Disability Equality Duty	509	482
Total	**12,430**	**13,465**

Pension

The PCSPS is an unfunded multi-employer defined benefit scheme but the Disability Rights Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality “money purchase” stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

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

Employees joining after 1 October 2002 could opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £11,133 were paid to one or more of a panel of four appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £686, 0.8 per cent of pensionable pay, are due to the **PCSPS** to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

- Working to ensure that the Commission for Equality & Human Rights (CEHR) will sustain high priority for effectively tackling discrimination faced by disabled people.
- Working effectively in the devolved contexts in Scotland and Wales, and appropriate Whitehall Government Departments and with the other Equality Commissions.
- Considerable effort put into the Government’s Discrimination Law Review and the independent Equalities Review chaired by Mr Trevor Phillips.
- Continuous improvement in the use of DRC resources and ways of working.
- Extensive consultation to develop an agenda on the areas of public policy that will be crucial to the effective progression of disability equality over the next 10 years.

Specific outputs and achievements have included:

- Continuing increases in volumes handled by DRC services including the Helpline (over 104,495 contacts), Website (3.6 million visitor sessions) and the Conciliation Service (217 cases).
- Major progress in the DRC’s major programmes of external capacity building and transfer of expertise programmes, with many hundreds of cases supported at local level as well as extensive DRC-led training sessions and guidance for organisations with roles to play in promoting disability rights and equality.
- 50 new legal cases as well as a growing number of s.5 agreements (10) with companies and other organisations.
- Preparation and completion of statutory Codes of Practice on Access, Education, Transport and the Disability Equality Duty (DED) as well as extensive related guidance materials.
- Very major promotional and related activity to prepare for the introduction of the DED in December, with a GB-wide programme of conferences and publicity as well as advice to key organisations and disabled people. After December, the focus shifted to helping to ensure implementation by all public bodies. By the end of the year, the very large majority of such bodies had met the requirement and the DRC had put the remainder on warning of impending legal action unless they too rapidly met the requirement.
- Launch and conduct of an extended promotional campaign on the transport provisions of the DDA, with particular emphasis on encouraging disabled people to have greater confidence now in their opportunities and rights and on younger disabled people.

- A high profile launch of the report on the DRC's Health Formal Investigation, with its recommendations being increasingly reflected in the professional training and guidance provided for doctors and others. A full BSI standard was published reflecting the conclusions of the FI in the previous year on website accessibility.
- Launch and conduct of a FI on Public Fitness Standards.
- Publication of the "Disability Agenda", a far reaching set of recommendations aimed at putting disability at the centre of ten major public policy areas over the coming decade, with a view to their being taken forward by the CEHR and other key public bodies.

Future developments

Under the DRC's current three-year Strategic Plan, approved by the Secretary of State and covering England, Scotland and Wales, the DRC's main priorities and outputs in its remaining period in existence from April – end September 2007 are:

- Ensuring effective implementation of the Government's continuing programme of legislative reform on disability rights, including the major new provisions that came into effect in December 2006 on transport and on the general duty on all public bodies actively to promote disability equality.
- Continued input into the Government's Discrimination Law Review.
- Sector-based projects to close the gaps in participation rates between disabled and non-disabled people including in employment, education, the physical environment, transport, quality health care and independent living.
- Promoting implementation of the recommendations flowing from the DRC's Formal Investigation (FI) into primary health care outcomes for disabled people, particularly those with learning and mental health difficulties. The DRC will also complete and publish its FI into the regime of fitness standards governing entry to and progression in key occupations, in particular teaching, nursing and social care.
- Further use of the power to reach binding agreements with employers and providers, under Section 5 of the DRC Act, with respect to disabled peoples employment and access to goods, services, facilities and buildings.
- Continue to promote the Disability Agenda.
- Continuing activity aimed at ensuring the new Commission for Equality and Human Rights gives high priority to disability and the involvement of disabled people when it comes into operation.
- Continuing high-quality information, advice and conciliation services for disabled people, employers and providers backed up where necessary by legal action to clarify the law and to eliminate persistent discrimination.

3. Remuneration

3.1 Analysis of Employees

The average numbers of employees in post are shown below.

	2006-07	Re-stated 2005-06
Management	31	30
Operational Staff	121	132
Administration and Support	36	38
Agency Staff (inc. secondees)*	21	16
	209	**216**

* The 2005-06 figures have been re-stated to include secondees.

3.2 Analysis of Staff Costs

The table below shows total staff costs for the year.

	2006-07 £'000	2005-06 £'000
Wages and Salaries	5,912	5,525
Social Security Costs	480	454
Other Pension Costs	1,127	1,000
Seconded and Temporary Staff	819	590
Sub-Total	**8,338**	**7,569**
Commissioner costs	359	233
Total	**8,697**	**7,802**

For 2006-07, employers' contributions of £1,127,434 were payable to the PCSPS (2005-06 £1,000,180) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates have increased for 2006-07 following the scheme's actuaries' review of employer contributions. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Salary

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

A full year's depreciation is charged in the year of acquisition and none in the year of disposal for all assets.

Software development is not capitalised.

1.8 Leases

Expenditure in respect of operating leases is recognised in the accounts in the year to which the payments relate.

1.9 Pensions

Past and present employees are covered by the provision of the Civil Service Pension Schemes which are described at Note 3.2. The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependents' benefits. The Commission recognises the expected cost of these elements on a systematic basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Commission recognises the contributions payable for the year.

1.10 Tax

The Commission has no trading activity and therefore is not registered for VAT. It also falls outside the scope of Corporation Tax.

2. Income

2.1 Grants Received

		2006-07	2005-06
		£'000	**£'000**
Deferred Revenue Grant	(DWP RfR 4)	20,978	20,896
Deferred Capital Grant	(DWP RfR 4)	74	533
Deferred Income	(DWP RfR 4)	150	300
		21,202	**21,729**

The above figures include an amount of £150,000 which was transferred from deferred income and used as resource in 2006-07.

- Large scale programmes to strengthen the capacity of disability organisations and other third parties to promote disability rights and their implementation at regional and local levels.
- Sustaining continuous improvement in the use of all DRC resources.

Supplier Payment

The Commission is committed to complying with the Better Payment Practice Code (available from http://www.payontime.co.uk/). Unless subject to specific negotiation, at the outset with a new supplier or when contracts are being renewed, the Commission's policy with regard to all suppliers is to make payment within the stated credit terms or within 30 days of receipt of a valid invoice. A review of invoices paid during the year show that 77% were paid within 30 days of receipt. (77% in 2005-06). If the statistics were adjusted to remove invoices which were held under query, the percentage paid within 30 days, would improve significantly.

Employees

The Commission aims to give all staff equal access to training, career development and promotion opportunities.

Disabled people comprise over 33% of all DRC staff. In cases where an employee becomes disabled, or a disability worsens, the Commission will consider all reasonable adjustments to help them to continue in employment. The Commission welcomes job applications from people with disabilities in accordance with its equal opportunities policy which is to provide equal access to employment for all who are eligible, on the basis of ability, qualifications and fitness for work. Eleven Commissioners who served during the period were themselves disabled. The DRC concluded on time it's statutory obligations to update it's Race Equality Scheme and to publish and implement it's Disability and Gender Equality Schemes.

Employee Involvement

Effective communication with staff is a key factor in achieving our business objectives. Management hold team briefings and Information Technology is used extensively for staff communication. The Commission recognises the Public and Commercial Services Union (PCS) for collective bargaining purposes on behalf of staff.

Statement by Accounting Officer on the disclosure of information to auditors

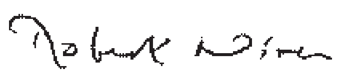
As far as I am aware, there is no relevant audit information of which the DRC's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the DRC's auditors are aware of that information.

Environmental Issues

The DRC has an active "Green Group" who monitor the Commission's impact on the environment and actively work towards DRC achievement of BS8555.

Auditing of Accounts

The accounts are audited by the Comptroller and Auditor General. The audit fee for 2006-7 is estimated to be £30,000.



Robert Niven
Accounting Officer,

21 June 2007

1.6 Analysis of Employees

The analysis of employees at note 3.1 reports the number of full time equivalent members of staff and is made on the following basis:–

Managerial includes senior management and heads of department.

Operational includes operational staff including those providing administration support to teams.

Administration and Support includes staff providing support services (Finance, IT and Human Resource functions).

1.7 Fixed Assets and Depreciation

Purchases and donated assets are capitalised where the expected useful lives of the assets exceed one year and where the cost of acquisition exceeds £2,500, either individually or in related groups. These assets are revalued annually using indices taken from the publication "Price Index Numbers for Current Cost Accounting" published by the Office for National Statistics.

The value of purchased and donated tangible fixed assets are reflected in a Deferred Capital Grant reserve and a Donated Asset reserve which is credited with the value of the original purchase or donation. Any subsequent downward revaluation of purchased or donated assets is charged to the income and expenditure account. Any upward revaluation is credited to the Deferred Capital Grant or Donated Asset reserve. An amount equal to the depreciation and, where appropriate, the downward revaluation is released from the Donated Asset Reserve each year to the income and expenditure account.

Assets are depreciated over their expected useful life by the straight line method. The classes and standard asset lives are reviewed annually. The depreciation rates applied to the main categories of assets are as follows:

Class of Asset	**Standard Useful Life**
Fixtures and Fittings	10 years or the remaining life of the lease if shorter
IT and Telecommunications Equipment	3 years
Furniture	10 years

Grant-in-Aid

Grant-in-Aid received used to finance activities and expenditure which support the statutory and other objectives of the Disability Rights Commission are treated as financing, credited to the General Reserve, because they are regarded as contributions from a controlling party.

Grant relating to capital expenditure used to acquire capital items is credited to a government grant reserve. It is released to expenditure over the useful life of the asset it has been used to acquire and an equal amount is transferred from the government grant reserve and is released to income.

1.3 Government Grants

1.3.1 Grant-in-Aid Received from DWP

Grant-in-Aid is paid to the Commission from Department for Work and Pensions, Request for Resources 4, in 2006-07, and is credited to reserves in the year in which it is received.

1.3.2 Deferred Capital Grant

Grants received, in respect of Commission capital expenditure, are credited to a Deferred Capital Grant Reserve.

1.4 Access to Work

The Commission makes use of the Access to Work scheme run by Jobcentre Plus, who consider what reasonable adjustments are needed to allow a person with a disability to perform a suitable role. The equipment or service to make the adjustment is bought by the Commission with Jobcentre Plus reimbursing an agreed proportion of the cost, up to 100%. The reimbursement by Jobcentre Plus is treated as exceptional income and is not included in the calculation of income the Commission may retain.

1.5 Interest on Capital

A notional charge for interest on capital has been included in the accounts. This is calculated on the average value of capital employed by the Commission during the year, at HM Treasury’s cost of capital rate of 3.5%.

Remuneration Report

(a) Remuneration Committee

The Commission has an Audit and Remuneration Committee. The terms of reference state that the committee may make recommendations to the Chairman and Commission on the appropriate level of remuneration for the Commission’s Chief Executive. It may also offer advice to the Chief Executive on the recruitment and remuneration of senior DRC staff.

The membership of the Remuneration Committee is:

John Hougham (Chairman)
Saghir Alam
Stephen Alambritis
Tim Escudier
Chris Holmes
Bert Massie

The Chairman, Bert Massie, is employed by the Royal Association for Disability and Rehabilitation and is on secondment to the Commission. He was appointed Chairman from 4 January 2000 and receives an annual salary of £88,618 per year. He is a member of the Royal Association for Disability and Rehabilitation Pension Scheme. The scheme provides a pension based on the length of service and final salary. The Commission meets the costs of the employer’s pension contributions, currently set at 27.7 per cent of salary; Employer’s National Insurance; and VAT charged by RADAR on their invoice.

During the period the Chairman’s actual remuneration was as follows:–

	2006-07	**2005-06**
	£’000	**£’000**
Remuneration	89	87
Employer’s National Insurance	10	10
Pension	39	20
VAT	24	21
Total Remuneration	**162**	**138**

As from the 1st April 2007 the Chairman will no longer be seconded from RADAR and will receive salary payments from the Disability Rights Commission.

Commissioners costs (excluding Chairman)

The Commissioners receive a fixed fee of £154 plus expenses from April to December, then this was increased to £250 plus expenses from January to March, for each day that they attend meetings of the Commission. These appointments are not pensionable. Details of the Commissioners are given in the Chief Executive's Report and Management Commentary. Analysis of the fees and expenses received by Commissioners during the period are shown in the following table:

	Actual Fees Paid		Actual Expenses Paid		Tax on T&S Expenses		Total Expenditure	
	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007
Commissioner	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Saghir Alam	5	10	3	4	2	2	10	16
Stephen Alambritis	2	3	1	1	0	0	3	4
Michael Burton	4	1	1	0	1	0	6	1
Jane Campbell	2	7	1	4	1	2	4	13
Susan Daniels	2	3	0	0	0	0	2	3
Richard Exell	3	10	1	2	0	1	4	13
Kevin Fitzpatrick	10	7	5	4	2	3	17	14
Christopher Holmes	14	15	2	3	1	2	17	20
John Hougham	1	4	1	1	0	1	2	6
Elaine Noad	3	6	2	2	1	1	6	9
Eve Rank	4	5	2	2	1	1	7	8
Philippa Russell	11	15	1	1	0	0	12	16
Jenny White	11	9	0	0	0	0	11	9
Tim Escudier	n/a	2	n/a	0	n/a	0	n/a	2
	72*	97	20	24	9	13	101	134

*This figure differs from the 2005-06 remuneration report due to a timing difference discrepancy identified in 2006-07.

Disability Rights Commission

NOTES TO THE ACCOUNTS

1. Accounting Policies

1.1 Basis of Accounting

The accounts for the Commission have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Work and Pensions on 13th February 2006.

The accounts are prepared on an accruals basis and the historical cost convention, modified to include revaluations of fixed assets to reflect their current costs.

Without limiting the information given in the accounts, and subject only to compliance with the requirements set out in the Accounts Direction, they also comply with the accounting and disclosure requirements of the Companies Act 1985, and with applicable accounting standards issued by the Accounting Standards Board except to the extent where HM Treasury has issued alternative guidance.

1.2 Change of accounting policy

With effect from the 2006-07 reporting period the Financial Reporting Manual requires Non-Departmental Public Bodies to account for grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPB's. This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current year is shown below. Note, there is no impact on the net liability position of the Disability Rights Commission as a result of this change in policy:

	At 31 March 2006 (as previously stated)	Impact of adopting the new policy	At 31 March 2006 (re-stated)
	£'000	**£'000**	**£'000**
Net Expenditure for 2005-06	141	(20,896)	(20,755)
General Reserve	3	1,097	1,100
Government Grant Reserve	1,097	(1,097)	0
Donated Assets Reserve	493	0	493

Cash Flow Statement

Year Ended 31 March 2007

	Note	2006-07 £'000	Re-stated 2005-06 £'000
Net cash inflow from operating activities	9	(20,928)	(19,877)
Capital expenditure and financial investment			
– Tangible fixed assets	5.1	(47)	(384)
– Intangible fixed assets	5.2	(27)	(148)
Financing	2	74	532
GIA		20,978	20,898
Increase in cash	**10**	**50**	**1,021**

***(b) The policy on the remuneration of senior managers (Directors) for current and future financial years is determined by the DRC Pay System.*

The pay system provides a mechanism for employees to move through Pay Zones towards a guaranteed rate for the job. Progression would be based on the individual's development towards achieving the competencies related to the Zone they are in.

All Pay Zones have pay steps at 20, 40, 60 and 80% of the Zone. With progression, employees will be guaranteed being on or above the:

- 20% point after a year's service
- 40% point after two years' service
- 60% point after three years' service
- 80% point after four years' service

This guarantee would apply where the individual's performance in their respective role is assessed (under the performance management system) as being good (level B) or outstanding (level A) and where progress is made towards meeting the Zone competencies. Progression is due on the anniversary of the start date in the job.

Starting pay for Senior Managers will normally be the minimum of the pay range for the zone (Zone 5). Under certain circumstances starting pay may be adjusted by agreement between the line manager and Human Resources Department. These are:

- Exceptional qualifications and or experience. Higher starting pay cannot exceed the 80% point for the zone
- Existing civil servants for whom the levels of starting pay in equivalent zone within their home department would have been higher
- Existing DRC employees whose starting pay in their new job is less than 5% higher than that in their previous role (on promotion)

Pay progresses through the pay points, year on year until the 80% point is reached. After this time a cost of living increase only is applied.

***(c) Performance is assessed through the DRC performance management system which incorporates a performance related pay element. This is a requirement under guidelines laid down by the Treasury and the Department for Work and Pensions. The DRC system supports the DRC strategic and business plan, as well as it's values and themes. It aims to be fair and equitable and is applied consistently across all groups and grades. An explanatory note on the system is attached at Appendix I.*

**(d) *There are no elements of remuneration which are not subject to performance conditions.*

(e) Directors who are offered permanent contracts within the DRC must give and receive three months notice to terminate these contracts.

(f) A schedule is attached at Appendix II outlining date of contract and notice period for each senior manager.

(g) No significant awards have been made to past senior managers.

(h) Salary and allowances

Chief Executive costs

The Chief Executive's basic annual salary is £94,860 a year plus entitlement to a non-pensionable bonus in recognition of his performance against a personal responsibility plan. A bonus will be awarded and for the purpose of the accounts is estimated at £9,000. Total actual emoluments were £141,571 including the employer's contributions of £24,051 to the Principal Civil Service Pension Scheme. The Chief Executive is an ordinary member of the Principal Civil Service Pension Scheme, with the Commission's contribution to the scheme amounting to the equivalent of 25.5% of salary.

Comparative figures for the previous year are as follows:-

Basic annual salary was £93,000 plus entitlement to a non-pensionable bonus in recognition of performance against a personal responsibility plan. During 2005-06, the bonus awarded was £4,650.00. Total actual emoluments were £136,539 including the employer's contributions of £22,878 to the Principal Civil Service Pension Scheme. The Commission's pension contributions were 24.6% of salary. (These figures have been revised from the published figures in 2005-06 following the confirmation of the bonus figure.)

The Disability Rights Commission Balance Sheet

as at 31 March 2007

	Note	31 Mar 2007 £'000	31 Mar 2007 £'000	Re-stated 31 Mar 2006 £'000
FIXED ASSETS				
Tangible assets	5	1,067		1,461
Intangible	5	68		129
CURRENT ASSETS				
Debtors and Prepayments	6	531		616
Cash at Bank and in hand		2,181		2,131
		2,712		2,747
CURRENT LIABILITIES				
Creditors – amount falling due within one year	7	(2,256)		(2,744)
NET CURRENT ASSETS		456		3
TOTAL ASSETS LESS CURRENT LIABILITIES			1,591	1,593
PROVISIONS FOR LIABILITIES AND CHARGES	8		(47)	0
NET ASSETS			**1,544**	**1,593**
CAPITAL AND RESERVES				
Donated Assets	11		372	493
Deferred Capital Grant Reserve	11		0	0
General Reserve	11		1,172	1,100
			1,544	**1,593**

The notes at pages 31 to 43 form part of these accounts

These financial statements were approved by the Commission on 20 June, 2007 and were signed on its behalf by:

Robert Niven

Chief Executive

Statement of Total Recognised Gains and Losses

Year Ended 31 March 2007

	Note	2006-07 £'000	Re-stated 2005-06 £'000
Surplus/(Deficit) for the year		(20,983)	(20,755)
Unrealised surplus/(loss) on revaluation of fixed asset	11	6	21
Total gains/(losses) during the period		(20,977)	(20,734)

	Salary including performance Pay (£k)	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/03/07 and related lump sum (£k)	CETV at 31/03/06 (Nearest £k)	CETV at 31/03/07 (Nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)
Bob Niven Chief Executive	115–120	0	0–2.5 Plus 17.5–20 Lump sum	35–40 Plus 130–135 Lump sum	795	852	20
Caroline Gooding Special Advisor	55–60	0	0–2.5 Lump sum 0	10–15 Lump sum 0	185	204	14
Liz Sayce Director of Communications and Policy	50–55	0	0–2.5 Plus 2.5–5 Lump sum	5–10 Plus 25–30 Lump sum	163	179	12
Nick O'Brien Director of Legal & Operations	60–65	0	0–2.5 Plus 0–2.5 Lump sum	10–15 Plus 35–40 Lump sum	194	209	10
Ann Wilmot Director of Resources	65–70	0	2.5–5 Lump sum 0	15–20 Lump sum 0	222	281	49
Will Bee Director for Wales	50–55	0	0–2.5 Plus 0 Lump sum	5–10 Plus 10–15 Lump sum	110	123	8
Mike Adams Director Delivery and Learning	50–55	0	0–2.5 Plus 0 Lump sum	10–15 Lump sum 0	88	99	9
Adam Gaines Director for Scotland	50–55	0	0–2.5 Plus 0–2.5 Lump sum	10–15 Plus 0–5 Lump sum	118	132	11
Jackie Tattersall Director Resources	50–55	0	0–2.5 Plus 0–2.5 Lump sum	0–5 Plus 10–15 Lump sum	66	76	9
Agnes Fletcher Director Policy and Communications	50–55	0	0–2.5 Lump sum 0	5–10 Plus 5–10 Lump sum	68	77	7
Mark Shrimpton Assistant Director	50–55	0	0–2.5 Lump sum 0	15–20 Lump sum 0	213	229	10

a. No payment for compensation for loss of office paid or receivable has been made under the terms of an approved Compensation Scheme.

b. No non-cash benefits (benefits in kind) have been made in this or the previous year.

4 Directors' pensions contributions were made to the Classic Scheme and others were to the Premium scheme. There were no payments made in respect of benefits in kind or to partnership pensions. Definitions of salary and pension scheme are as follows:–

Salary

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

Pension

(ii) Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

Columns 5 & 6 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The Disability Rights Commission Income and Expenditure Account

Period Ending 31 March 2007

	Note	2006-07 £'000	2006-07 £'000	Re-stated 2005-06 £'000
Income				
Access to Work		180		167
Release of Deferred Capital Grant	11	0		0
Release of Donated Asset Reserve	11	126		127
Other Income		378		342
Total Income			**684**	**636**
Commission Running Costs				
Staff and Commissioners Costs	3	(8,697)		(7,802)
Depreciation on Fixed Assets	5	(532)		(760)
Downward revaluation of Fixed Assets		(6)		0
Other Operating Charges	4	(12,430)		(13,462)
Total Expenditure			**(21,665)**	**(22,024)**
Operating Surplus/(Deficit) for the period			**(20,981)**	**(21,388)**
Loss on disposal of fixed assets			(2)	(3)
Cost of Capital			(35)	(19)
Surplus on ordinary activities			(21,018)	(21,410)
Write back Cost of Capital			35	19
Surplus/(Deficit) for the Financial Year			**(20,983)**	**(21,391)**
Retained (Deficit) brought forward			141	(138)
Retained Surplus/(Deficit) carried forward			**(20,842)**	**(21,529)**

The notes at pages 31 to 43 form part of these accounts

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Disability Rights Commission Act 1999 and Treasury directions made thereunder; and
- information given within the Annual Report, which comprises Statutory Authority and Principal Activities, Key external developments in 2006-07, Review of DRC Activities, Future Developments and the unaudited part of 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 Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

John Bourn

[redacted]

John Bourn
Comptroller and Auditor General

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

26 June 2007

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

(i) There are no elements of the remuneration package which is not cash.

(j) No compensation has been paid to former senior managers.

**Appendix I

Synopsis of Performance Management System

The DRC PM system supports the DRC strategic and business plan, as well as its values and themes. Its aim is to be fair and equitable, and applied consistently across all groups and grades.

The system consists of three main elements:–

- Induction
- One-to-one's
- Appraisal.

Competencies

The DRC has generic competencies for each zone. There are five behavioural areas within the competencies, which progress upwards through the zones. They emphasise the values and behaviours expected of staff whilst working at the DRC. These are:–

Knowledge and Awareness
Relationships and Teamworking
Management and Development
Problem solving and Decision making
Diversity

The competencies were developed in consultation with all groups of staff through focus groups held across the DRC.

The bonus fund is determined on an annual basis and approved by the Audit and Remuneration Committee.

I review whether the Statement on Internal Control reflects the Disability Rights 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 Disability Rights 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 Disability Rights Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Disability Rights 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 Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Disability Rights Commission Act 1999 and Treasury directions made thereunder, of the state of the Disability Right Commission's affairs as at 31 March 2007 and of its deficit for the year then ended;

DWP Department for Work and Pensions

The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Disability Rights Commission for the year ended 31 March 2007 under the Disability Rights Commission Act 1999. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total 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 Disability Rights Commission, Chief Executive and Auditor

The Chief Executive as accounting officer is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Disability Rights Commission Act 1999 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Disability Rights Commission's and Chief Executive's Responsibilities.

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 Disability Rights Commission Act 1999 and Treasury directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises Statutory Authority and Principal Activities, Key external developments in 2006-07, Review of DRC Activities, Future Developments and the unaudited part of 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 Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Disability Rights 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.

Appendix II

Date of contracts and notice periods for Senior Managers

Initial	Last Name	Job Title	Start Date	Start Date In Zone 5	Leaving Date	Notice Period
M	Adams	Director	05/09/2005	05/09/2005	N/A	3 months
W	Bee	Director	05/06/2000	01/04/2003	N/A	3 months
A	Fletcher	Director	22/01/2001	01/04/2004	N/A	3 months
A	Gaines	Dir for Scotland	17/04/2001	01/05/2005	N/A	3 months
C	Gooding	Special Adviser	03/04/2000	03/04/2000	N/A	3 months
N	O'Brien	Director	12/06/2000	12/06/2000	N/A	3 months
L	Sayce	Director	22/05/2000	22/05/2000	07/02/2006	N/A
A	Wilmot	Director	01/05/2003	01/05/2003	Seconded to CEHR– 04/09/2006	3 months
B	Niven	Chief Executive	05/06/2000	05/06/2000	N/A	3 months
M	Shrimpton	Asst Director	19/06/2000	01/04/2004	N/A	3 months
J	Tattersall	Director	15/08/2000	10/09/2006	N/A	3 months

** These sections are not subject to audit but are reviewed.

Robert Niven

Robert Niven
Accounting Officer,

21 June 2007

As in previous years, the DRC has pursued continuous improvement in its policies, processes and practices. Further scope was identified for improvement in devolved financial processes, including the methodology and professional support provided to non-financial managers. We have therefore introduced further enhanced training for managers as well as additional tightened arrangements on profiling and reporting. We have continued to monitor closely our recruitment and retention strategies in the light of the accelerating transition to the CEHR. These measures have included enhanced opportunities for training and development (including on linkages between disability and the other equality "strands" within the CEHR's remit) as well as for more flexible working. We introduced enhanced guidance to enable staff to assess their career options and how best to achieve their preferences through training in job-finding skills. Recruitment and retention have held up well in 2006-07. The DRC will keep the effectiveness of these measures under close review as the CEHR's start date of October 2007 approaches.

Within their annual report to the DRC for 2006-07, considered at the Audit and Remuneration Committee on 20 June 2007, in their statement of overall assurance the Internal Auditors stated that the DRC has an adequate, effective and reliable framework of internal control.

Robert Niven
Accounting Officer

21 June 2007

retention and motivation of staff as well as to the authority of the DRC itself. The system and its operation are also regularly reviewed by NAO and the DRC's internal auditors, and have received favourable reports.

The DRC Audit Committee's overall purpose is to assist the Accounting Officer to meet the standards of propriety and good governance expected of the Commission. Specific responsibilities include:

- approving the annual accounts with special regard to their compliance with UK Generally Accepted Accounting Practice;
- reviewing all relevant reports on the DRC by the National Audit Office as external auditor of the Commission (in accordance with the DRC Act), and the proposed course of action to be taken in response;
- considering the Commission's proposed internal audit plan and reports from the internal auditors to include the audit needs assessment;
- reviewing internal control systems and their ability to ensure propriety and deliver economic, effective and efficient use of the Commission's resources; and
- assessing the adequacy of the financial information presented to the Commission.

The Commission contracts with a highly-regarded accountancy firm for provision of internal audit service. The audit is performed to standards defined in the Government Internal Audit Manual. Regular reports are submitted which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Commission's systems of internal control together with recommendations for improvement.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of it's effectiveness is informed both by the work of the internal auditors who report to the Audit Committee and the DRC executive managers who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. I have discussed the implications with the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The DRC has made a number of improvements to its processes and controls in the light of these helpful recommendations. The organisation has in particular implemented further improvements in respect its ICT operations, management of external contracts, recording of staff sickness and absence, financial profiling and reporting, corporate governance and business planning as well as in other areas covered by internal audit reports and comments by the NAO. Steps are taken as soon as practicable in all cases in response to internal reports and other information in order to increase the effectiveness of controls to the high levels to which the Commission subscribes.

Part Two

Disability Rights Commission Annual Accounts

2006-07

Statement of the Disability Rights Commission and the Chief Executive's responsibilities

Under section 15 of schedule 1 to the Disability Rights Commission Act 1999, the Disability Rights Commission (the Commission) is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Work and Pensions, with the consent of the Treasury. The accounts are prepared on an accruals basis (modified by the revaluation of fixed assets) and must show a true and fair view of the Commission's state of affairs, of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Commission is required to comply with the requirements of the government financial reporting manual and in particular:

- Observe the accounts direction issued by the Secretary of State for Work and Pensions, 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 body will continue in operation.

The Accounting Officer for the Department for Work and Pensions has designated the Chief Executive as the Accounting Officer for the Commission. His relevant responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for safeguarding the Commission's assets, are set out in the non-departmental public bodies Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Statement on Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives, set by the Department's Ministers, whilst safeguarding the public funds and the Commission's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process 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. The system of internal control has been in place in the Commission for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The DRC has a thorough system of risk management that, in conjunction with the annual business planning process and quarterly reviews of performance against the Plan, assesses: key generic risks (financial, staff and other resources, reputational and the environment in which the DRC operates); risks to the DRC's specific key objectives for the year in question; and for each project within the Business Plan. At all three levels, controls are identified and put in place to manage those risks within acceptable levels.

The CEO has overall responsibility for ensuring effective operation of the Commission's risk management system, and for enabling the full Commission and its Audit Committee to review regular reports on outcomes and any re-assessment of risk. Ownership of risk on specific objectives and projects is clearly assigned to the most appropriate senior officer. As in previous years, the system operated effectively in 2006-07. Management of risk has been successful in respect of the main generic types of risks faced by the DRC (financial, reputational, a helpful environment in which to operate and having sufficient skilled and competent staff). The DRC has also sustained a strong record on delivery to time and standard of the Commission's key objectives and projects as set out in its Business and Strategic Plans including with respect to the new statutory Disability Equality Duty as well as the disability rights and obligations in transport and other legislative provisions that came into effect during the year. The system has in particular also enabled the DRC to continue to deliver effectively in the face of uncertainties posed by the impending establishment of the Commission for Equality and Human Rights in October 2007, and in particular the growing risks arising in respect of recruitment,