

Presented pursuant to the Government Resources and Accounts Act 2000 c.20, s.6

Northern Ireland Office

Resource Accounts 2006-07

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Resource Accounts

2006-07

(For the year ended 31 March 2007)

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List of Acronyms and Abbreviations

AinA	Appropriations in Aid
ALB	Arm's Length Body
AME	Annually Managed Expenditure
ASLC	Accrued Superannuation Liability Charge
CA	Compensation Agency
C&AG	Comptroller and Auditor General
CBI	Confederation of British Industry
CEO	Chief Electoral Office
CETV	Cash Equivalent Transfer Value
CFERs	Consolidated Fund Extra Receipts
CGIP	Corporate Governance Improvement Project
CJINI	Office of the Chief Inspector of Criminal Justice in Northern Ireland
CSO	Crown Solicitor's Office
CSP	Civil Service Pensions
DAC	Departmental Audit Committee
DEL	Departmental Expenditure Limit
DFP	Department of Finance and Personnel
DIS	Departmental Investment Strategy
DUP	Departmental Unallocated Provision
EU	European Union
EYF	End Year Flexibility
FReM	Financial Reporting Manual
FSNI	Forensic Science Northern Ireland
HIA	Head of Internal Audit
HMT	HM Treasury
IIP	Investors in People
MOTO	Memorandum of Terms of Occupancy

NDPB	Non-Departmental Public Body
NED	Non-Executive Director
NLF	National Loans Fund
NIO	Northern Ireland Office
NIPB	Northern Ireland Policing Board
NIPS	Northern Ireland Prison Service
OFMDFM	Office of the First Minister and Deputy First Minister
OJEC	Official Journal of European Communities
ONS	Office for National Statistics
PCPF	Parliamentary Contributory Pension Fund
PCSPS	Principal Civil Service Pension Scheme
PCSPS (NI)	Principal Civil Service Pension Scheme of Northern Ireland
PIP	Performance Improvement Programme
PPC	Prisoners' Private Cash
PPP	Public Private Partnership
PSA	Public Service Agreement
PSNI	Police Service of Northern Ireland
RICS	Royal Institute of Chartered Surveyors
SIC	Statement on Internal Control
VAT	Value Added Tax
VLA	Valuation Land Agency
YJA	Youth Justice Agency

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ANNUAL REPORT

The Northern Ireland Office (NIO) presents its annual report and accounts for the financial year ended 31 March 2007.

DIRECTORS REPORT

1. Ministers and the Departmental Board

The Secretary of State for Northern Ireland has Ministerial responsibility for the affairs of the Department. He was supported during the majority of the year of account by one Minister of State and three Parliamentary Under Secretaries of State who together also carried the responsibilities of the devolved administration in Northern Ireland which has been suspended since October 2002.

The Secretary of State was also supported by the Permanent Secretary, other senior departmental officials and two Non-Executive Directors who comprised the Departmental Board. During the majority of the financial year ending 31 March 2007 representation was as follows:

Secretary of State

The Rt Hon Peter Hain MP

Ministers of State

The Rt Hon Lord Rooker (to 9 May 2006)

David Hanson MP

Parliamentary Under Secretaries of State

Angela Smith MP (to 5 May 2006)

Shaun Woodward MP (to 5 May 2006)

Paul Goggins MP (from 5 May 2006)

Maria Eagle MP (from 5 May 2006)

David Cairns MP (from 9 May 2006)

Officials

Those officials who constitute the Departmental Board held the following positions:

Jonathan Phillips	Permanent Secretary (Chair)
Robert Hannigan	Director General, Political
Nick Perry	Director General, Policing and Security
David Brooker	Director of Communications
Stephen Leach	Director, Criminal Justice
Paul Priestly	Director of Resources (to 20 March 2007)
Anthony Harbinson	Director of Resources (from 26 March 2007)
Carol Moore	Director, Policing and Security
Chris Maccabe	Director, Political (Belfast)
Hilary Jackson	Director, Political (London)
Robin Masefield	Director, Northern Ireland Prison Service
Oswyn Paulin	Crown Solicitor (to 16 February 2007)
James Conn	Crown Solicitor (from 19 February 2007)

The Permanent Secretary, as Accounting Officer, is accountable for the overall operation and performance of the Department.

2. Appointment of Senior Officials

The appointments of the Permanent Secretary and Directors have been made in terms consistent with the Civil Service Management Code. They were appointed by a variety of means, namely inter-departmental transfers, promotion and direct recruitment.

3. Principal Activities of the Department

The Northern Ireland Office exists to support the Secretary of State for Northern Ireland in taking forward Government policy in Northern Ireland. In addition to supporting and fostering the political and democratic process in Northern Ireland, the Department has an overall policy responsibility for upholding law, order and security, including the provision of criminal justice services such as policing, prison and probation services.

4. Departmental Boundary

The accounts of the NIO comprise a consolidation of the income and expenditure, assets and liabilities of those entities falling within the departmental resource accounting boundary as follows:

- NIO Core Department;
- Northern Ireland Prison Service (NIPS);
- Compensation Agency (CA);
- Forensic Science Northern Ireland (FSNI);
- Youth Justice Agency (YJA); and
- Commissions and Judicial Inquiries associated with the Department (see Note 36 for full details).

5. Bodies outside of the Departmental Boundary

The following is a description of the bodies outside of the Departmental Boundary for which the NIO still retains lead policy responsibility. These entities are either analogous to, or classified as, an Executive Non Departmental Public Body:

- Police Service of Northern Ireland;
- Probation Board Northern Ireland;
- Northern Ireland Policing Board;
- Office of the Police Ombudsman for Northern Ireland;
- Northern Ireland Police Fund;
- Criminal Justice Inspection Northern Ireland;
- Northern Ireland Human Rights Commission;
- Northern Ireland Memorial Fund – transferred to OFMDFM on 1 September 2006;
- RUC George Cross Foundation.

6. Departmental reporting cycle

Departmental Report

The Departmental Report (DR) is compiled in the last month of the reporting year and is available from The Stationery Office (TSO) and on the NIO website www.nio.gov.uk. This report provides a detailed explanation of the NIO's policies, priorities, objectives and the spending plans which support them, and the activities and achievements of the Department.

Autumn Performance Report

The Department produces an annual Autumn Performance Report (APR) which contains more detailed information on the corporate performance against Public Service Agreement objectives and targets. This is available at TSO and on the NIO website www.nio.gov.uk.

Parliamentary Estimates

Every two years the NIO, as a government department, makes bids to the Treasury for funding for the subsequent three year period as part of the spending review exercise. This funding, if approved, is notified by Treasury to the NIO in the Spending Review Settlement, which is available at TSO and on the Treasury website www.hm-treasury.gov.uk. Every year the NIO is given Parliamentary approval for its expenditure when parliament votes the Main Supply Estimates. Subject to Parliament's agreement, the Estimates may be amended during the year at one of the Supplementary Estimates stages (Summer Supply, Winter Supply and Spring Supply). The Estimates are published by TSO and contain details of voted monies for all government departments. The Estimates documents are also available on the Treasury website.

7. Pensions and Early Departure Costs

Present and past employees of the Department and its Agencies are covered by either the Principal Civil Service Pension Scheme (PCSPS) or the PCSPS (NI) Scheme. Those entities within the boundary covered by each scheme meet the costs of pensions provided for the staff they employ by the payment of charges called Accrued Superannuation Liability Charges (ASLC). This is charged to the Operating Cost Statement on an accrued basis annually.

The Department is also required to meet the additional cost of benefits beyond the normal PCSPS and PCSPS (NI) benefits in respect of employees who retire early. The Department provides in full for this cost, charged against the Operating Cost Statement when the early retirement programme has been announced.

Notes 1.16, 1.17 and 9 to the accounts provide greater detail on how the Department's pension liabilities are calculated.

8. Disclosure of Audit Information to the National Audit Office (NAO)

The Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the NIO's auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant information of which the NIO's auditors are unaware.

9. Disclosure of remuneration paid to auditors for non-audit work

During the reporting year there were no payments made to the NIO's auditors for any non-audit work completed.

10. Register of Interests

Other than those disclosed in note 34 there are no company directorships or significant interests held by Board members. A Register of Interests is maintained for all board members.

MANAGEMENT COMMENTARY

1. Aims and Objectives

The aim of the NIO is to build and maintain a safe, peaceful and prosperous society as envisaged in the 1998 Agreement, within which devolved government is operating on a stable basis, the rights and identities of all traditions in Northern Ireland are respected and safeguarded, and there is confidence in public institutions.

The main objectives of the NIO are to support the Secretary of State in:

- supporting the devolved institutions in Northern Ireland when devolution returns and encouraging further political development through positive and constructive relations with the Assembly and Executive and Irish Government and effective contributions to the British-Irish Council and British-Irish Intergovernmental Conference;
- building and sustaining confidence in the effectiveness and efficiency of the police service and police oversight and accountability arrangements in Northern Ireland;
- promoting and building confidence in a criminal justice system in Northern Ireland that is efficient, effective and responsive through implementing the published plan of agreed changes deriving from the accepted recommendations of the review of the criminal justice system established under the 1998 Agreement;
- upholding and maintaining the rule of law by developing and maintaining a policy, legislative and strategic framework, that takes account of the need to secure justice and rights of the individual, that provides for a sufficient counter terrorist capability and seeks to minimise the potential for and causes and effects of public order disturbances and community strife;
- lessening the impact of crime by working in partnership with other criminal justice agencies; to maintain and develop policies aimed at preventing or reducing the threat of crime, fear of crime and incidence of crime and to provide support for the victims of crime;
- executing the supervisory and custodial sentences of the courts so as to punish offenders appropriately, protect the people of Northern Ireland and help reduce the risk of re-conviction; and
- achieving value for money.

The Department's Statement of Operating costs by Departmental Aim and Objectives provides an analysis of the utilisation of resources against the Department's aim and objectives.

2. Principal Activities

The Department's principal activities are set out in the Northern Ireland Office 2007 Departmental Report. The main business of the Department is to sustain the political process and to support the law, order and criminal justice systems.

3. Important events which have occurred since the financial year-end

The St Andrews Agreement laid the foundation for the Northern Ireland Political Parties to agree on 26 March 2007 to re-enter devolved government. On 8 May 2007 power sharing was restored to the NI Assembly. This political settlement will provide the new devolved administration with a solid foundation to deliver a stable and lasting government. The NIO has been in existence to secure a lasting peace in Northern Ireland. Now that devolution has been achieved the NIO will make the necessary preparations to enable policing and justice powers to be devolved to the Assembly by May 2008 if they agree that timetable.

The NIO has been working over a number of years to identify surplus capital assets as part of its Departmental Investment Strategy. A 48 acre site in Bangor was identified for sale. The sale of the land took place on 26 April 2007 for proceeds of £65m. Part of the proceeds was used to finance a new Juvenile Justice Centre while the remainder will be used for the department's capital spending programme.

4. Departmental Report and Autumn Performance Report

The Departmental Report (DR) is compiled in the last month of the reporting year and is available from The Stationery Office (TSO) and on the NIO website www.nio.gov.uk. This report provides a detailed explanation of the NIO's policies, priorities, objectives and the spending plans which support them, and the activities and achievements of the Department. The Department produces an annual Autumn Performance Report (APR) which contains more detailed information on the corporate performance against Public Service Agreement objectives and targets. This is available at TSO and on the NIO website www.nio.gov.uk.

5. Financial Objectives

The NIO is required to operate within the constraints of funds voted to it by Parliament. The NIO is also expected to achieve value for money in carrying out its activities in pursuit of its objectives.

6. Financial Performance Review

In order to achieve these financial objectives for 2006-07 the organisation had in place business planning and budgetary monitoring and control systems operating throughout the Core Department and its Agencies. Other organisations within its boundary are subject to financial control and accountability arrangements as set down in the relevant Accounting Officer designations, Management Statements and Financial Memorandums.

The outturn shown in the Statement of Parliamentary Supply of these Accounts reflects achievement of these financial objectives and an effective financial management performance for the year.

The Statement of Operating Costs by Departmental Aim and Objectives illustrates the distribution of expenditure across the Departmental objectives.

7. Service Developments and Cost Pressures

The Department continued to implement its Public Service Agreement (PSA) objectives, including ongoing developments in the reform of policing and the criminal justice system. Cost pressures during the year were met by the prudent application of the Departmental Unallocated Provision (DUP) resources along with reprioritisation of budget allocations and effective cost control at directorate level. Savings generated as part of the SR2004 efficiency targets were also used in-year.

8. Financial Risk

The Department continues to be financed directly from the Treasury through the supply process.

The NIO continues to develop further its risk management approach to business planning, which incorporates financial and other risks into the planning and performance management framework. The risk management arrangements are described more fully in the Statement on Internal Control (SIC) which forms part of these Accounts.

In planning and managing investment programmes the NIO recognises the need to maintain flexibility in handling the risks inherent in such programmes. Its Departmental Investment Strategy (DIS) was revised in

light of the SR2004 settlement. In order to ensure value for money all substantive capital investment is routed through a business case evaluation process that takes account of both affordability and the potential for using a Public Private Partnership (PPP) approach to procurement. In this latter case our recognition of the risks associated with this approach are informed by the conclusions of "PPP: Meeting the Investment Challenge" published by the Treasury during 2003/04.

9. The Future

Further development of risk management and corporate governance systems and processes is continuing throughout 2007-08 to improve the internal control framework in accordance with the Treasury guidance. The Improving Financial Management Initiative is a primary driver of change within the organisation's financial environment and further developments are anticipated in our financial information and monitoring systems so that risks are more regularly reviewed and acted upon and outcomes analysed to identify both progress and improvement in performance.

The Department's efficiency programme was launched as a result of SR2004, in conjunction with the Central Government Efficiency Review initiative, and has identified areas for cost reduction, both in the short term, and over the current spending review period (2005-06 to 2007-08).

The Department has been working closely with HM Treasury in the Comprehensive Spending Review 2007 process that will set the Departments budgets for the years 2008/09, 2009/10 and 2010/11.

10. Corporate Governance

A Corporate Governance Improvement Project (CGIP) was launched in April 2005 with the aim of updating and improving the NIO's Corporate Governance practice in the light of the principles and standards set in the *Code of Good Practice on Corporate Governance in Central Government Departments*. The project was completed in April 2006 and a new standing group (Corporate Governance Improvement Group) has been established in order to keep our corporate governance practice under continuing review. Over the past year improvements to the Department's corporate governance arrangements have included the:

- introduction of a pilot assurance statement process for 2006/07 and live operation for 2007/08;
- appointment of two new non-executive directors (NEDs) to the Departmental Board. One NED will chair the Audit Committee and the other chairs the three senior remuneration committees;
- completion of an annual review of the Departmental Board's effectiveness;
- development of a Sponsored Bodies Database, which is presented to the Audit Committee quarterly;
- enhancement of the financial forecasting process between central finance and Directorates; and
- appointment of a qualified accountant to the post of Director of Resources.

Departmental Board

The Secretary of State is supported by the staff of the Department, led by the Permanent Secretary and a Departmental Board. The Departmental Board is a team which provides corporate leadership to the organisation as a whole, takes ownership of the Department's performance and provides support for the head of the Department. The Board is made up of executive and (independent) non-executive directors and senior officials from those larger agencies and bodies that conduct business for the Department. The Board leads the management of the Department in the delivery of Ministers' objectives.

The Departmental Board is the senior tier of decision making by officials in the NIO and is responsible for the establishment and monitoring of the corporate governance arrangements of the Department. The Board operates as a collegiate forum under the leadership of the Permanent Secretary to manage the running of the Department. It is not the principal policy making body of the NIO. Policy is determined by the Secretary of State and his Ministerial team. This does not mean that the Board does not discuss policy, but it does so in the context of setting and directing the strategic planning that ensures delivery of Ministerial policy decisions and the operational management of their implementation.

The key organisational structures which support the delivery of effective corporate governance in the NIO are:

- Departmental Board
- NIO Audit Committee;
- Remuneration Committees; and
- Corporate Governance Improvement Group.

The NIO Departmental Report 2007 provides more detail on the Departmental Board, Audit Committee and Remuneration Committees. This is available on the NIO website www.nio.gov.uk.

Independent Board Members

The Department has two independent non-executive directors which is considered appropriate in the context of a small department. Their role is to provide strategic advice to the Board, contribute to decision making and support good governance of the Department. They provide constructive challenge to the Board's business, an external objective perspective and a different range of experience to complement the executive Board members.

Northern Ireland Office Audit Committee

As Accounting Officer, the Permanent Secretary has a responsibility to assure himself that there are appropriate arrangements in place within the NIO and bodies funded by the NIO to ensure effective corporate governance, manage risk and operate internal controls. The Departmental Audit Committee (DAC) supports the Accounting Officer in monitoring the corporate governance and control systems (including financial reporting) in the Department.

The primary function of the DAC is to test and challenge the assurances provided to the Accounting Officer, the way in which these assurances are developed and the systems and approaches on which the assurances are based. In order to enhance the objectivity of the advice, the DAC is chaired by an independent non-executive director. The Audit Committee is constituted as a sub-committee of the Departmental Board and acts in an advisory capacity, having no executive powers. Part of the Internal Audit work programme includes assessing the completeness and effectiveness of the Department's corporate governance arrangements. The Chair of the DAC reports annually to the Departmental Board.

Arrangements with Arm's Length Bodies

The Board ensures that there are robust governance arrangements with the Arm's Length Bodies (ALBs), setting out the terms of their relationship, in order to promote high performance and safeguard propriety and regularity. These governance arrangements are contained in written agreements with each of the Department's ALBs which define how the relationship works. These documents reflect the increased emphasis on departments conducting business with and through partnership organisations. Each departmental agreement with an ALB is drawn up to reflect the ALB's legal standing and the environment in which it operates.

The agreement documents are reviewed and updated periodically and include clear information about;

- shared aims and performance targets
- arrangements for reporting and consultation in order to ensure that the Departmental Board receives information enabling it to monitor corporate governance controls, risk controls and internal controls; and
- where relevant, the process of board and senior management appointments in the ALB.

The controls and arrangements in place within each ALB are presented in a Corporate Governance Database to the DAC at each meeting and Directors responsible for ALBs are invited to attend the DAC to discuss Corporate Governance controls.

The Departmental Accounting Officer places reliance on Departmental Sponsors in the Department to ensure that the bodies they sponsor operate sound governance arrangements. Directors responsible for ALBs must also provide an assurance that they have reviewed the extent to which the Governance requirements of the ALBs has been met and report any variances in their bi-annual statements.

PUBLIC INTEREST AND OTHER

11. Employment of Disabled Persons

The NIO follows the Civil Service Code of Practice on the Employment of Disabled People which aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement in the NIO is based solely on ability, qualifications and suitability for the post.

12. Equal Opportunities

The NIO is an equal opportunities employer. The NIO's Equal Opportunities Policy states that "all eligible persons shall have equal opportunity for employment and advancement in the Department on the basis of their ability, qualifications and aptitude for the work...". Policies are in place to guard against discrimination on grounds of gender, marital status, colour, race, nationality, ethnic or national origin, disability, religious belief, age, responsibility for children or dependants, sexual orientation or political opinion. These policies aim to ensure that there are no unfair or illegal discriminatory barriers to employment and advancement in the Department.

The NIO has an Equal Opportunities Officer who is responsible for developing and promulgating equal opportunities policies and acting as an inter-departmental liaison officer with the Department of Finance and Personnel (DFP) and the Cabinet Office.

13. Payment of Suppliers

The NIO, including its agencies, is complying with the Confederation of British Industry's (CBI) Prompt Payment Code and British Standard for achieving good payment performance in commercial transactions (BS7890 – *Achieving Good Payment Performance in Commercial Transactions*). Under the Standard, the policy is to pay bills in accordance with contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. The prompt payment results for 2006-07 showed that 88.1 per cent (2005-06: 86.7 per cent) of invoices were paid in accordance with the terms of the Standard.

14. Departmental Auditor

These accounts are audited by the Comptroller and Auditor General (C&AG) who is appointed by statute and reports to Parliament on the audit examination. His certificate and report is produced at pages 23 and 24. The notional audit fee for the work performed by his staff during the reporting period which relates to the audit of these accounts was £158k (2005-06: £154k).

The C&AG may also undertake other statutory activities that are not related to the audit of the department's accounts such as value for money reports. No such activity took place during the year.

15. Environmental Matters

The Departmental Report contains the detail of the NIO's policy on Sustainable Development Issues. The NIO and its agencies are committed to the Government's policy on sustainable development and in their day-to-day activities strive towards maintaining the best possible environmental performance. The NIO core will

play its part in helping Government achieve its targets on three fronts: through co-operation with the Northern Ireland Civil Service departments, through work carried out by the Department's Office Services Unit and through the Green Champions' Forum – a cross-departmental group of staff.

The NIO Core's key targets are:

- to reduce energy consumption and increase the use of energy from renewable sources;
- to reduce, re-use, recycle and compost, and to cut the amount of waste going to landfill; and
- to ensure that where appropriate procurement contracts contribute to wider government sustainable development targets.

In addition to the improvements that were reported in previous years the following were secured in 2006/07:

- implementation of a recycling scheme on the Stormont Estate
- production of a waste management action plan
- promotion of sustainable development through an awareness seminar and publication of information on the NIO Intranet
- investing in renewable energy sources at Hillsborough Castle; and
- participation in the DEFRA managed Government Carbon Offsetting Fund which seeks to offset the carbon emissions from all Ministerial and official air travel.

16. Corporate Social Responsibility

The Departmental Report contains more detail on the NIO's Corporate Social Responsibility policy. With the assistance of Business in the Community (BiTC), the Department has developed a Corporate Social Responsibility policy. This reinforces the Department's commitment to making a positive impact in the community in which it operates. The NIO's decision to sign up for gold membership of BiTC's Cares programme meant a commitment to six volunteer challenges. The partnership with BiTC has flourished, with a series of corporate challenges under the broad theme of "Children's Education and Development". The NIO also took part in BiTC's Cares @ Christmas 2006 initiative, with donations going to the BBC Family Appeal (in aid of the Salvation Army and St Vincent de Paul).

17. Departmental Staff

The Department is committed to a programme of continuous improvement – the Performance Improvement Programme (PIP). This focuses on building on the Department's many strengths by improving communications, developing the leadership and management skills of its senior people, and developing a culture where staff at all grades are enabled to perform to their full potential and contribute to the delivery of the business requirements.

The integrated approach to business planning, which cascaded Departmental and Directorate plans down through a balanced scorecard approach to branch and individual performance report forms, was commended by Investors in People (IIP) assessors. This approach is being mainstreamed to ensure that IIP principles are embedded into all planning and training policies.

18. Explanation of Variances

Explanation of the variances between estimate and outturn is given in Note 2. Explanation of the variations between estimate Net Cash Requirement and Outturn Net Cash Requirement is given in Note 4.

19. Reconciliation between Resource Expenditure Outturn and Resource Budget Outturn

	2006-07 £000	2005-06 £000
Net Resource Outturn (Estimates)	11,308,043	11,471,228
<i>Adjustments to remove:</i>		
Provision voted for earlier years	-	-
<i>Adjustments to additionally include:</i>		
Non-voted expenditure in the OCS	-	-
Consolidated Fund Extra Receipts in the OCS	-	-
Other adjustments	(553,213)	(1,150,892)
Net Operating Cost (Accounts)	10,754,830	10,320,336
<i>Adjustments to remove:</i>		
Capital grants to local authorities	-	-
Capital grants financed from the Capital Modernisation Fund	-	-
European Union income and related adjustments	221,170	271,768
Voted expenditure outside budget	(9,738,670)	(9,301,768)
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	-	-
Resource consumption of non departmental public bodies	200,855	96,902
Unallocated resource provision	-	-
Other adjustments	-	-
Resource Budget Outturn (Budget)	1,438,185	1,387,238
<i>of which:</i>		
Departmental Expenditure Limits (DEL)	1,224,193	1,174,958
Annually Managed Expenditure (AME)	213,992	212,280

REMUNERATION REPORT

1. Remuneration committee

The Permanent Secretary has his salary considered by the Permanent Secretaries' Remuneration Committee, which requires approval from the Prime Minister.

The NIO Senior Pay Committee, which is comprised of the Permanent Secretary and two Non-executive Directors, considers the Board members' pay in line with the parameters of the Senior Salaries Review Body.

The NIO Main Pay Committee is comprised of the Director of Resources, one Non-executive Director, the Director of Policing and Security and the Political Director, and also considers Grade 5 general service pay in line with the parameters of the Senior Salaries Review Body. In the same way, the NIO Legal Pay Committee considers the pay of SCS Legal staff, and consists of the Director of Resources, the Crown Solicitor, the Deputy Director of Public Prosecutions and one Non-executive Director.

2. Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

In reaching its recommendations, the Review Body considers the following:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

3. Performance appraisal

The performance of senior managers is assessed through annual reports, as directed by Cabinet Office, which must be countersigned, in the same manner as all other staff. In addition, a pay recommendation must also be forwarded to the remuneration committee for senior staff, to determine their performance tranche and eligibility for a non-consolidated bonus.

The whole of senior civil service pay, both consolidated pay awards and non-consolidated bonuses, is determined on the basis of performance assessments.

4. Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be made on merit on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made. The officials covered by this report hold appointments which are open-ended until they reach the normal retirement age. The default retirement age is 65. While staff retain the option to retire at age 60, they also have the right to remain in post up to age 65. In addition, they may request to work beyond their 65th birthday, subject to the agreement of the Permanent Secretary. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

5. Salary and pension entitlements

[Audited information]

The following sections provide details of the remuneration and pension interests of the Ministers and the most senior officials of the Department.

A Remuneration:

Ministers	2006-07		2005-06	
	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
The Rt Hon Peter Hain MP – Secretary Of State	76,400	-	67,049 (74,902 full year equivalent)	-
The Rt Hon Lord Rooker MP – Minister Of State (until 9 May 2006)	12,114 (113,372 full year equivalent)	-	101,486 (113,372 full year equivalent)	-
David Hanson MP – Minister Of State	39,631	-	34,781 (38,854 full year equivalent)	-
Angela Smith MP – Parliamentary Under Secretary (until 5 May 2006)	2,828 (29,491 full year equivalent)	-	29,491	-
Shaun Woodward MP – Parliamentary Under Secretary (until 5 May 2006)	2,828 (29,491 full year equivalent)	-	26,399 (29,491 full year equivalent)	-
Paul Goggins MP – Parliamentary Under Secretary (from 5 May 2006)	27,279 (30,081 full year equivalent)	-	-	-
Maria Eagle MP – Parliamentary Under Secretary (from 5 May 2006)	27,279 (30,081 full year equivalent)	-	-	-

As part of the arrangements for introducing disclosure for Ministers, only those Ministers who were in post on 31 March 2006 need be included in the 2005-06 comparative figures.

David Cairns MP is not included in the above figures as his salary is paid by the Scotland Office.

[Audited information]

Officials	2006-07		2005-06	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Jonathan Phillips Permanent Secretary	155-160	-	45-50 (145-150 full year equivalent)	-
Robert Hannigan Director General, Political	110-115	-	30-35 (100-105 full year equivalent)	-
Hilary Jackson Director Political, (London)	110-115	-	30-35 (95-100 full year equivalent)	-
Stephen Leach Director, Criminal Justice	105-110	6,200	95-100	5,500
David Brooker Director of Communications	80-85	-	80-85	-
Nick Perry Director General, Policing and Security	110-115	-	95-100	-
Carol Moore Director, Policing and Security	85-90	-	85-90	-
Anthony Harbinson Director of Resources (from 26 March 2007)	0-5 (80-85 full year equivalent)	-	-	-
Paul Priestly Director of Resources (until 20 March 2007)	75-80 (80-85 full year equivalent)	-	75-80	-
Robin Masefield Director, Northern Ireland Prison Service	100-105	6,600	90-95	5,700
Chris Maccabe Director, Political (Belfast)	90-95	-	90-95	-
James Conn Crown Solicitor (from 19 February 2007)	10-15 (80-85 full year equivalent)	-	-	-
Oswyn Paulin Crown Solicitor (until 16 February 2007)	80-85 (95-100 full year equivalent)	-	90-95	-
		12,800		11,200

Only those Officials who were in post on 31 March 2006 need be included in the 2005-06 comparative figures.

Salary*[Audited Information]*

“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. This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the costs of the additional ministerial remuneration; the salary for their services as an MP (2006-07: £60,277; 2005-06: £59,095) and various allowances to which they are entitled are borne centrally. However the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The net benefits in kind shown above are in respect of detached duty allowances and expenses, on which the tax payable is met by the Department.

The NIO currently provides houses for some board members. These are not considered as benefits in kind due to operational security requirement reasons.

B Pension Benefits:*[Audited information]*

Ministers	Real increase in pension at age 65 £000	Accrued pension at age 65 at 31/03/07 and related lump sum £000	CETV at 31/03/07 £000	CETV at 31/03/06 £000	Real increase in CETV £000
The Rt Hon Peter Hain MP – Secretary Of State	0-2.5	10-12.5	129	113	6
The Rt Hon Lord Rooker MP – Minister Of State	0-2.5	12.5-15	184	181	2
David Hanson MP – Minister Of State	0-2.5	2.5-5	34	24	5
Angela Smith MP – Parliamentary Under Secretary	0-2.5	2.5-5	30	30	0
Shaun Woodward MP – Parliamentary Under Secretary	0-2.5	0-2.5	7	6	0
Paul Goggins MP – Parliamentary Under Secretary	0-2.5	2.5-5	31	23	4
Maria Eagle MP – Parliamentary Under Secretary	0-2.5	2.5-5	36	30	2

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office on or after the age of 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate, and 9% if they have opted for the 1/40th accrual rate.

There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the Ministerial salary.

The Cash Equivalent Transfer Value (CETV)

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

This takes account of the increase in accrued pension due to inflation and contributions paid by the Minister. It is calculated using common market valuation factors for the start and end of the period.

[Audited information]

Officials	Real increase in pension and related lump sum at age 60 £000	Accrued pension at age 60 at 31/03/07 and related lump sum £000	CETV at 31/03/07 £000	CETV at 31/03/06 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Jonathan Phillips Permanent Secretary	5-7.5, plus 15-17.5 lump sum	60-65, plus 185- 190 lump sum	1,261	1,118	96	-
Robert Hannigan Director General, Political	0-2.5, plus 5-7.5 lump sum	5-10, plus 25-30 lump sum	122	96	23	-
Hilary Jackson Director, Political (London)	0-2.5, less 0-2.5 lump sum	40-45, plus 100- 105 lump sum	819	767	24	-
Stephen Leach Director, Criminal Justice	0-2.5, plus 2-2.5 lump sum	35-40, plus 115- 120 lump sum	859	813	14	-
David Brooker Director of Communications	0-2.5, plus 0-2.5 lump sum	30-35, plus 100- 105 lump sum	676	644	9	-
Nick Perry Director General, Policing and Security	2-2.5, plus 5-7.5 lump sum	30-35, plus 95- 100 lump sum	512	470	33	-
Carol Moore Director, Policing and Security	0-2.5, plus 0-2.5 lump sum	35-40, plus 110- 115 lump sum	828	600	0	-
Anthony Harbinson Director of Resources (from 26 March 2007)	2.5-5, plus 10-12.5 lump sum	20-25, plus 60- 65 lump sum	321	309	1	-
Paul Priestly Director of Resources (until 20 March 2007)	0-2.5, plus 5-7.5 lump sum	20-25, plus 65- 70 lump sum	377	290	26	-
Robin Masefield Director, Northern Ireland Prison Service	0-2.5, plus 2.5-5 lump sum	35-40, plus 115- 120 lump sum	792	746	19	-
Chris Maccabe Director, Political (Belfast)	0-2.5, plus 0-2.5 lump sum	40-45, plus 125- 130 lump sum	1,049	744	5	-
James Conn Crown Solicitor (from 19 February 2007)	0-2.5, plus 0-2.5 lump sum	15-20, plus 55- 60 lump sum	326	322	2	-
Oswyn Paulin Crown Solicitor (until 16 February 2007)	0-2.5, plus 5-7.5 lump sum	30-35, plus 100- 105 lump sum	693	*665	35	-

* Due to an error by the payroll provider, CETV of 36 was incorrectly disclosed in the 2005-06 audited accounts.

All the senior managers of the department are members of the Classic Scheme.

Two Non-executive board members were appointed to the Departmental Board of the Northern Ireland Office in June 2006 to replace two board members who were appointed in March 2001. Non-executive board member's remuneration currently amounts to £13,750 per annum. No pension benefits are provided.

The information given above relates to the ministers and senior managers of the Northern Ireland Office. Equivalent information relating to the Department's on-vote Agencies consolidated into the departmental resource account, which are the Compensation Agency, Northern Ireland Prison Service, Forensic Science Northern Ireland and Youth Justice Agency, is given in their separate accounts.

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of $1/80^{\text{th}}$ 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 $1/60^{\text{th}}$ of final pensionable salary 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 in the same way as in 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.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the 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.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary.

Real Increase in CETV

This 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.

Jonathan Phillips
Accounting Officer

2 July 2007

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

1. Under the Government Resources and Accounts Act 2000, the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department, with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
4. In preparing the accounts, the Accounting Officer is required to comply with the *Government Financial Reporting Manual* prepared by the Treasury, and in particular to:
 - observe 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 accounts; and
 - prepare the accounts on a going concern basis.
5. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in *Government Accounting*.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Ireland Office's (NIO's) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Designated Accounting Officer of each agency or other self-accounting unit falling within the departmental boundary is responsible for the maintenance and operation of the system of internal control in that body, and has signed a statement relating to that system which is reproduced in the accounts of the body.

The Department reviews the accountability framework with its NDPBs as required. This includes reviewing Accounting Officer designations and Management Statements. The Department has reviewed the internal control arrangements within NDPBs and other satellite bodies (including self accounting bodies) listed in the Boundary statement of these Accounts and will continue to implement any necessary improvements.

Identification and management of risk is part of the process of development and review of policy in the Department. Policy decisions are taken by the Secretary of State and Ministers in the full knowledge of the risks involved and the arrangements for managing them. The Secretary of State also approves the Department's PSA and its Business Plan, and reports on progress to the Chief Secretary to the Treasury, drawing on the delivery plans which include risk identification and management.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than 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 departmental 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 NIO 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.

3. Capacity to handle risk

Corporate governance and risk management in the NIO continued to develop over the past year, led by myself as Accounting Officer and supported by the Board. Corporate governance responsibilities have been delegated to the appropriate level throughout the Department. Risk management is now embedded into the business planning process at both strategic and operational levels. The Public Service Agreement negotiated as part of the 2004 Spending Review fully incorporated risk management into the delivery, planning and monitoring mechanisms. Departmental staff have been trained in business planning techniques which incorporate risk management as an integral part of the planning and monitoring process. The Departmental Plan incorporates a high-level risk register, endorsed at Board level, and each risk has a risk owner who is a Board Director. Risk is cascaded down from the Departmental register through Directorate and Divisional plans each of which has an associated risk register.

The Department continued to work closely with the Treasury's Assurance, Control and Risk Team to update its risk management policy and risk management toolkit. The department continues to maintain or improve upon its rating against all of the seven capabilities in the Treasury Risk Management Assessment Framework.

4. The risk and control framework

The Departmental Board has developed a systematic approach to monitoring the financial and business performance of the Department and its risk management arrangements. The Board also reviews progress against PSA targets and objectives throughout the year.

The Department's directorates and agencies identify and evaluate risk as an integral part of constructing their business plans, and they develop strategies to minimise or mitigate identified risks as part of that process. Directors inform the Board about their Directorate-specific risks, and these are considered by the Board as a whole in the context of the overall corporate risk tolerance levels. The Departmental Risk Register identifies the highest level risks which are reviewed quarterly by the Departmental Board. The organisation's risk priorities are in the areas of political development, PSA reporting, and project management. The Board has agreed a Departmental Risk Appetite Framework which sets a Departmental profile for any category of risk within the Department.

Risk is considered as part of policy formulation and implementation from unit level to Board level. This means that factors that might affect delivery are integrated into the Department's operational procedures. There are a number of interlocking mechanisms such as the Criminal Justice Board on which partner bodies sit with the NIO to consider, among other things, the delivery of joint objectives and management of the associated risks.

In respect of the Department's arm's length bodies (ALBs), I rely on Directors in the Core Department to ensure that the bodies which they sponsor operate sound governance arrangements. Directors must also provide an assurance that they have reviewed the extent to which the governance requirements for our ALBs have been met.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the relevant framework, and comments made by the external auditors in their management letter and other reports. The Departmental Board and Departmental Audit Committee have advised me on the findings of these sources of assurance and I have initiated activities to address weaknesses and ensure continuous improvement of the system where necessary.

The Departmental Board, led by me, has a corporate role in objective setting, agreeing priorities and implementing Ministerial policy. This is conducted within the Public Service Agreement framework, and the monitoring and review of progress and management of the key risks associated with the delivery of the Department's objectives and targets is a regular item on the Board agenda.

The Audit Committee, which is chaired by a Non-Executive Director, has monitored the Department's risk management and internal controls on a regular basis during the financial year. The Committee met three times during the 2006/07 financial year to consider internal control and risk arrangements. It endorses Internal Audit plans and reviews reports from both Internal and External Auditors.

An Internal Audit Unit operating to the Government Internal Audit Standards covers the Core Department and its four agencies (NI Prison Service, Compensation, Forensic Science and Youth Justice). The Head of Internal Audit (HIA) in the Department acts separately in that capacity for each organisation. Internal Audit submit regular reports to the respective Audit Committees and the Accounting Officers. These include an independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the Department's system of internal control, corporate governance and risk management, together with recommendations for improvement. At least annually the HIA provides each Accounting Officer with a report on Internal Audit activity for his/her specific organisation. Each organisation has its own Audit Committee. Internal Audit work programmes, informed by risk assessments, are given direction by the respective Audit Committees which also approve Internal Audit's annual plans. The HIA receives Internal Audit reports from satellite bodies and

reports significant internal control issues to the Departmental Audit Committee.

Financial controls have been further developed throughout the Department during 2006/07 to strengthen the control framework and reduce risk. I continue to give priority to the detection and investigation of fraud.

A Corporate Governance Improvement Project was launched in April 2005 with the aim of updating and improving the NIO's corporate governance practice in light of the principles and standards set in the Code of Good Practice on Corporate Governance in Central Government Departments. The project was completed in April 2006 and a new standing group (Corporate Governance Improvement Group) has been established in order to keep our corporate governance practice under continuing review. Over the past year improvements to the Department's corporate governance arrangements have included the:

- introduction of a pilot assurance statement process for 2006/07 and live operation for 2007/08;
- appointment of two new Non-executive directors (NEDs) to the Departmental Board. One NED chairs the Audit Committee and the other chairs the three senior remuneration committees;
- completion of an annual review of the Departmental Board's effectiveness;
- development of a Sponsored Bodies Database, which is presented to the Audit Committee quarterly;
- enhancement of the financial forecasting process between central finance and Directorates; and
- appointment of a qualified accountant to the post of Director of Resources.

Internal Audit will continue to monitor and review the internal controls and corporate governance arrangements in place within each Directorate.

For each of the Department's arm's length bodies, I rely principally on the Statement on Internal Control that each body's Accounting Officer makes as part of its annual accounts. These are supplemented by assurance statements provided by Directors in the Department responsible for sponsoring each body.

Work continues on developing the financial forecasting and budget management arrangements within the Department. This is particularly important as we prepare for the Comprehensive Spending Review 2007 settlement, which will set the Department's budgets from 2008/09 to 2010/11. Corporate governance, business continuity and risk management will also continue to be developed. This work will form part of my review of effectiveness in 2007/08.

6. Significant Internal Control Problems

Forensic Science Northern Ireland (FSNI) has identified a number of internal control issues. These are detailed in their Statement on Internal Control as part of their Agency Accounts. Action plans are in place to resolve the outstanding issues and the Department's Criminal Justice Directorate will monitor these.

The Youth Justice Agency (YJA) has identified that an overall business continuity plan is required for the Agency. While each of the four Directorates' has continuity arrangements in place for specific areas of their business, the Agency does not have an overarching plan. This will be taken forward during 2007/08.

Problems arose during the year in relation to the Crown Solicitor's Office which is a legal office attached to the Department. The Crown Solicitor's Office had to install new case management and financial software, following the failure of their previous system. The problems included the operation of a number of key controls. I have requested that Internal Audit carry out a review of the internal controls in the Crown Solicitor's Office as a priority in 2007-08.

Jonathan Phillips
Accounting Officer

2 July 2007

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Northern Ireland Office for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives 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 Accounting Officer and auditor

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

My responsibility is to audit the financial statements 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 HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Director's Report, Management Commentary 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 Department 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 the Department'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 to form an opinion on the effectiveness of the Department'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 certificate 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 opinions

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 Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department'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 Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report, which comprises the Directors report, Management Commentary 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
Comptroller and Auditor General

10 July 2007

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

The maintenance and integrity of the Department's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Statement of Parliamentary Supply

Summary of Resource Outturn 2006-07

CONSOLIDATED								2006-07 £000	2005-06 £000
Estimate				Outturn				Net total Outturn compared with Estimate: saving/ (excess)	NET TOTAL
Note	Gross Expenditure	A in A	NET TOTAL	Gross Expenditure	A in A	NET TOTAL			
Request for Resources 1	2	1,312,300	(14,258)	1,298,042	1,250,594	(13,368)	1,237,226	60,816	1,292,038
Request for Resources 2	2	10,010,001	-	10,010,001	9,517,500	-	9,517,500	492,501	9,030,000
Total Resources	3	11,322,301	(14,258)	11,308,043	10,768,094	(13,368)	10,754,726	553,317	10,322,038
Non Operating-cost A in A				1,300			1,300		4,050

Net cash requirement 2006-07

CONSOLIDATED				2006-07 £000	2005-06 £000
Note	Estimate	Outturn	Net total outturn compared with estimate: Outturn saving/(excess)		Outturn
Net cash requirement	4	11,471,735	10,770,071	701,664	10,329,003

Explanations of variances between Estimate and outturn are given in Note 2.

The notes on pages 33 to 84 form part of these accounts

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to Consolidated Fund (cash receipts being shown in italics):

CONSOLIDATED	Note	2006-07 Forecast		2006-07 Outturn	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Total	5	-	-	728	670

The notes on pages 33 to 84 form part of these accounts

Operating Cost Statement

for the year ended 31 March 2007

							2006-07 £000	2005-06 £000	
Core Department							Consolidated	Core Department	Consolidated
Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income			
Administration costs									
Staff costs	9	29,966		47,509			30,371	47,553	
Other administration costs	10		34,700		43,347		32,974	41,932	
Operating income	12		(3,625)			(12,078)	(4,264)	(12,516)	
Programme costs									
Request for Resources 1:									
Staff costs	9	15,275		110,369			12,268	103,562	
Programme costs	11		971,768		1,049,473		1,026,260	1,111,576	
Less: income	12		(779)			(1,290)	(983)	(1,771)	
EU income	12		-			-	-	-	
Request for Resources 2:									
Staff costs	9	-		-			-	-	
Programme costs	11		9,854,490		9,854,490		9,420,053	9,420,053	
Less: income	12		(115,821)			(115,821)	(118,285)	(118,285)	
EU income	12		(221,169)			(221,169)	(271,768)	(271,768)	
Totals		45,241	10,860,958	(341,394)	157,878	10,947,310	(350,358)	10,126,626	10,320,336
Net operating cost	3, 13		10,564,805			10,754,830	10,126,626	10,320,336	

All income and expenditure are derived from continuing operations.

The notes on pages 33 to 84 form part of these accounts

Statement of Recognised Gains and Losses

for the year ended 31 March 2007

	2006-07 £000		2005-06 £000	
	Core Department	Consolidated	Core Department	Consolidated
Prior period adjustment	-	(4,365)	-	-
Net gain/(loss) on Actuarial Valuation of NILGOSC pension deficit	-	838	-	-
Net gain on revaluation of tangible fixed assets	50,086	72,135	6,499	15,993
Net gain on revaluation of intangible fixed assets	-	7	-	-
Recognised gains and losses for the financial year	50,086	68,615	6,499	15,993

The notes on pages 33 to 84 form part of these accounts

Balance Sheet

as at 31 March 2007

	Note	Core Department	Consolidated	2006-07 £000	Core Department	2005-06 £000 Restated Consolidated
Fixed assets:						
Tangible assets	14	175,174	409,156		118,557	327,631
Intangible assets	15	1,935	2,395		2,210	2,814
Investments	16	<u>1,492,189</u>	<u>1,492,189</u>		<u>1,394,424</u>	<u>1,394,424</u>
		1,669,298		1,903,740	1,515,191	1,724,869
Debtors falling due after more than one year	18	-		3,850	-	4,319
Current assets:						
Stocks	17	29	1,635		32	1,563
Debtors	18	127,552	129,514		118,804	119,753
Cash at bank and in hand	19	<u>48,742</u>	<u>43,723</u>		<u>66,715</u>	<u>63,065</u>
		176,323		174,872	185,551	184,381
Creditors (amounts falling due within one year)	20	<u>(144,777)</u>		<u>(206,191)</u>	<u>(135,723)</u>	<u>(214,273)</u>
Net current assets/(liabilities)		31,546		(31,319)	49,828	(29,892)
Total assets less current liabilities		1,700,844		1,876,271	1,565,019	1,699,296
Creditors (amounts falling due after more than one year)	20	(1,492,189)	(1,497,107)		(1,394,424)	(1,404,260)
Provisions for liabilities and charges	21	<u>(2,798)</u>	<u>(51,620)</u>		<u>(2,251)</u>	<u>(65,914)</u>
		(1,494,987)		(1,548,727)	(1,396,675)	(1,470,174)
		205,857		327,544	168,344	229,122
Taxpayers' equity:						
General fund	22	115,708		181,096	127,088	147,838
Revaluation reserve	23a	90,149		146,448	41,256	81,284
Donated asset reserve	23b	-		-	-	-
		205,857		327,544	168,344	229,122

Jonathan Phillips
Accounting Officer

2 July 2007

The notes on pages 33 to 84 form part of these accounts

Cash Flow Statement

for year ended 31 March 2007

CONSOLIDATED	2006-07 £000	2005-06 £000
Note		
Net cash outflow from operating activities	24a (10,741,260)	(10,309,462)
Capital expenditure and financial investment	24b, 24c (133,173)	(80,379)
Receipts due to Consolidated Fund which are outside the scope of the Department's activities	241	217
Payments of amounts due to the Consolidated Fund	(2,357)	(1,313)
Financing	24d 10,857,207	10,453,999
(Decrease)/increase in cash in the period	24e (19,342)	63,062

The notes on pages 33 to 84 form part of these accounts

Consolidated Statement of Operating Costs by Departmental Aims and Objectives

for the year ended 31 March 2007

CONSOLIDATED Aim	2006-07 £000			2005-06 £000		
	Gross	Income	Net	Gross	Income	Net
Request for Resources 1						
Objective 1	86,176	(2,011)	84,165	48,816	(2,124)	46,692
Objectives 2 & 4 (Note 1)	900,067	(785)	899,282	971,449	(1,315)	970,134
Objectives 3 & 5 (Note 1)	129,335	(10,385)	118,950	154,821	(10,661)	144,160
Objective 6	135,120	(187)	134,933	129,537	(187)	129,350
Request for Resources 2						
Objective 1 (Note 2)	9,854,490	(336,990)	9,517,500	9,420,053	(390,053)	9,030,000
Net Operating Costs	11,105,188	(350,358)	10,754,830	10,724,676	(404,340)	10,320,336

Request for Resources 1

Aim

To secure a lasting peace in Northern Ireland based on the Good Friday Agreement in which the rights and identities of all traditions in Northern Ireland are fully respected and safeguarded and in which a safe, stable, just, open and tolerant society can thrive and prosper.

- Objective 1 - To support the devolved institutions in Northern Ireland when devolution returns and encourage further political development through positive and constructive relations with the Assembly and Executive and the Irish Government and effective contributions to the British-Irish Council and British-Irish Intergovernmental Conference.
- Objective 2&4 - To build and sustain confidence in the effectiveness and efficiency of the police service and police oversight and accountability arrangements in Northern Ireland. To uphold and maintain the rule of law by developing and maintaining a policy, legislative and strategic framework, that takes account of the need to secure justice and the rights of the individual that provides for a sufficient counter-terrorist capability and seeks to minimise the potential for and causes and effects of public order disturbances and community strife. (Note 1)
- Objective 3&5 - To promote and build confidence in a criminal justice system in Northern Ireland that is efficient, effective and responsive through implementing the published plan of agreed changes deriving from the accepted recommendations of the review of the criminal justice system established under the Good Friday Agreement. To lessen the impact of crime by working in partnership with other criminal justice agencies to maintain and develop policies aimed at preventing or reducing the threat of crime, the fear of crime and the incidence of crime and to provide support for the victims of crime. (Note 1)
- Objective 6 - To execute the supervisory and custodial sentences of the courts so as to punish offenders appropriately, protect the people of Northern Ireland and help reduce the risk of re-conviction.

The notes on pages 33 to 84 form part of these accounts

Request for Resources 2**Aim**

Providing appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the NI Act 1998 & 2000.

Objective 1 - Grant-in-aid to the Northern Ireland Consolidated Fund and other transfers. (*Note 2*)

Note 1 - Objectives 2&4 and 3&5 cannot be split because separate objectives for both Criminal Justice and Policing Directorates are being taken forward by shared resources and therefore, an accurate split between objectives would not be feasible.

Note 2 -The Northern Ireland Consolidated Fund (RfR2) is a cash grant paid to the Northern Ireland Executive. It is included within the NIO's estimate as a means of gaining parliamentary approval only and therefore, is not included within the NIO's Departmental Plan and does not contribute to the Department's own Aim and Objectives.

In accordance with the NIO's Departmental Plan there is 1 Aim and 7 Objectives. Objective 7, Value for Money, is not included in the Schedule above because as an efficiency target, there were no separate resources allocated against it.

See *Note 25*.

Notes to the departmental resource accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2006-07 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Cost by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the department for the purpose of giving a true and fair view has been selected. The department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the department (the core department) and those entities which fall within the departmental boundary as defined in the *FReM* (chapter 1). Transactions between entities included in the consolidation are eliminated. A list of the entities within the departmental boundary is given at Note 36.

1.3 Tangible fixed assets

Tangible fixed assets comprise heritage assets (including antiques), land and buildings, plant and machinery, computer equipment, assets under construction and assets awaiting disposal.

The department's heritage assets comprise Hillsborough Castle and its surrounding Estate. The contents of Hillsborough Castle represent the department's antiques.

The Department for Transport, Local Government and the Regions, in the name of the Secretary of State, holds title to the freehold land and buildings and properties leased by the department.

In addition to the above the NIO occupies a number of properties within the Northern Ireland Government Office Estate. These are managed by the Department of Finance and Personnel (DFP). The costs of occupancy of such properties are recovered in cash from the NIO by DFP. Terms of occupancy of these buildings are outlined in an agreement known as the 'Memorandum of Terms of Occupancy (MOTO)'. Similar arrangements exist for properties occupied by the NIO as part of the Civil Estate in Great Britain. The costs of occupancy are recovered in cash from the NIO by the major occupier of such buildings.

1.4 Valuation of fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. All tangible fixed assets are restated to current value each year by reference to indices compiled by the Office for National Statistics (ONS).

Land and buildings are restated to current value using professional valuations, in accordance with FRS 15, every 5 years and in the intervening years by the use of indices provided by the Valuation and Lands Agency (VLA), specific to the Northern Ireland property sector. Properties are valued on the basis of open market value existing use, unless they are deemed to be specialised, in which case they are valued on a depreciated replacement cost basis.

This basis of valuation is also applied to land and buildings occupied by the department under the terms of finance leases, which are also capitalised. Operating leases are not capitalised.

Assets under construction are shown at cost, and relate to assets which are incomplete but for which the department has incurred a liability.

Expenditure on tangible fixed assets of over £1,000 is capitalised. Within the core department the grouping of a range of fixed assets has also been undertaken in respect of some personal computers, printers, office furniture and equipment.

In compliance with FRS 15, subsequent expenditure on an asset which does not meet the criteria of enhancement or improvement is treated as revenue.

Upward revaluations are credited to the Revaluation Reserve and permanent reductions in the value of fixed assets are charged to the Operating Cost Statement.

1.5 Depreciation

Freehold and leasehold land is not depreciated.

The 2005-06 financial statements accounted for Hillsborough Castle as a listed building, subject to biennial conservation reports. During 2005-06 a maintenance programme was carried out to maintain the Castle to a defined standard in compliance with its status as a listed building. The expenditure incurred on the maintenance programme was charged directly to the Operating Cost Statement, in lieu of depreciation.

Within the 2006-07 financial year, it was considered no longer appropriate to have a maintenance charge in lieu of depreciation for Hillsborough Castle. As a result, a depreciation policy has been adopted for Hillsborough Castle, effective from 1 April 2006. The carrying amount of the Hillsborough Castle will be depreciated over the remaining useful economic life of the asset.

As the lives of the antiques within Hillsborough Castle can be measured in hundreds of years they have not been depreciated. They are, however, revalued annually using indices provided by Christies International.

All other categories of fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use.

Estimated useful lives*, which are reviewed regularly, are:

Asset category	Useful Life
Heritage Assets	50 years
Land and Buildings (including temporary buildings)	10 - 55 years
Plant and Machinery	3 - 25 years
Computer Equipment	3 - 16 years
Intangibles (Software Licenses)	3 - 10 years

*Note that depreciation is not charged on assets awaiting disposal or assets under construction (until brought into use).

1.6 Consolidation of asset categories

The core account fixed asset note required the amalgamation of asset categories under the Plant and Machinery heading. The asset categories now represented by the Plant and Machinery heading include:

- Plant and Machinery
- Motor Vehicles
- Furniture and Fittings
- Office Equipment
- Telecommunications Equipment
- Security Equipment

1.7 Donated assets and assets on loan

The department does not have any donated assets.

The department does hold a number of "works of art". These are on loan from the Northern Ireland Civil Service Art Collection, Government Art Collection of Great Britain and local museums. These items are checked regularly, for condition and verification that they are still located in government buildings, by each organisation from which they are on loan.

1.8 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets. Computer software licences do not have a readily ascertainable market value and consequently are not revalued by the core department. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

The Compensation Agency and Forensic Science Northern Ireland revalue software licences annually using indices provided by the ONS.

1.9 Research and development

Expenditure on research is not capitalised. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the *FReM* which are adapted from SSAP 13 to take account of the not-for-profit context.

Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

1.10 Investments (See Notes 12 and 16)

The NIO administers loans from the National Loan Fund (NLF), as required by the Northern Ireland (Loans) Acts 1975 and 1985, on behalf of the Secretary of State for Northern Ireland. During 2006-07 the NIO on-lent £214,621,000 (2005-06: £162,944,000) to DFP for further distribution, and a repayment of £109,828,650 (2005-06: £99,944,305) principal and £115,820,774 (2005-06: £118,285,032) interest was received. The outstanding principal balance on the NLF as at 31 March 2007 was £1,608,283,427 (2005-06: £1,503,491,077) and has been included within the NIO's account. A separate account is produced, audited and published in respect of loans under the Northern Ireland (Loans) Act.

The department does not hold any other investments.

Short-term debtors and creditors are not deemed to be financial instruments within the context of FRS 13 and are not disclosed separately in relation to this standard.

1.11 Stocks and work in progress

Stocks and work in progress are valued as follows:

- Stocks shown on the balance sheet relate only to essential stocks held at HM Prisons and are valued at the lower of cost or net realisable value. Stocks held by other entities within the boundary are deemed consumable and are written off in the year of purchase; and
- Work in progress relates only to the provision of professional services provided by the Crown Solicitor's Office (CSO). A number of costs incurred in relation to this work are invoiced on completion of cases, rather than on an on-going basis. Consequently an estimated work in progress figure is included in the resource account to reflect work completed to date. Outstanding balances at the year-end are represented in the debtors figure on the balance sheet.

1.12 Operating income

Operating income is income which relates directly to the operating activities of the department. It principally comprises monies received in respect of EU grants (note 1.21 refers) and National Loans Fund interest (note 1.10 refers). This income is netted off gross expenditure in the Statement of Parliamentary Supply. Operating income also includes charges for staff attendance at Court and fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, i.e. professional services provided by the CSO.

In addition, the Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid (See Note 33). Recovery is not normally sought from earnings or assets of an offender. However, recovery is sought from an offender who subsequently becomes entitled to State compensation and any amounts so recovered are included as programme income.

Operating income includes not only income appropriated in aid of the estimate but also income to the Consolidated Fund which in accordance with the FReM is treated as operating income. Operating income is stated net of VAT.

Operating income is split under the following headings on the operating cost statement depending on its classification:

- Administration costs
- Programme costs

It excludes funding from Parliamentary Vote, loans made from the National Loans Fund and advances from the Contingencies Fund.

1.13 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the department. These include both those administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administration costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and compensation, and other disbursements by the department, as well as certain staff costs where they relate directly to service delivery. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

1.14 Capital charge

A charge, reflecting the cost of capital utilised by the department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- (a) cash balances with the Office of the Paymaster General, where the charge is nil;
- (b) liabilities in respect of advances outstanding from Contingencies Fund, where the charge is nil; and
- (c) assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund, where the charge is nil.

1.15 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction.

1.16 Pension costs

Past and present employees of the Northern Ireland Office are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the PCSPS(NI). Each of these schemes is a defined benefit scheme. The department recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS and the PCSPS(NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and the PCSPS(NI).

As discussed further in note 21, the Youth Justice Agency makes employer contributions to the Northern Ireland Local Government Officers Superannuation Committee Scheme (NILGOSC) and up until this year was able to take advantage of the multi-employer provisions of FRS 17. However, NILGOSC is now able to identify the Agency's share of the assets and liabilities of the scheme and as a result a liability must be recognised for the Agency's share of the deficit in the scheme. This liability has been accounted for by amending the balances at 31 March 2006 by way of a prior year adjustment. Amounts in the operating cost statement in 2005/06 have not been amended as the adjustment was not considered to be material to that statement.

	As previously reported at 31 March 2006	Prior year adjustment	At 31 March 2006 (restated)
Provisions	(61,549)	(4,365)	(65,914)
General reserve	(152,203)	4,365	(147,838)

1.17 Early departure costs

The department is required to meet the additional cost of benefits beyond the normal PCSPS and PCSPS(NI) benefits in respect of employees who retire early, from the date of their retirement until they reach normal pensionable age. The department provides in full for this cost when the early retirement programme has been announced and this is binding on the department.

1.18 Leases

The department leases a number of properties in addition to office equipment and motor vehicles. These leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease. Those properties which are occupied under the terms of a MOTO either within the Northern Ireland Government Office Estate or the Civil Estate of Great Britain, are regarded, for accounting purposes, as having the status of an operating lease. Commitments in respect of these properties, for which there is a cash transfer, are included within the disclosure at Note 27.

1.19 Public Private Partnership (PPP) transactions

PPP transactions have been accounted for in accordance with Technical Note No.1 (Revised), entitled *How to Account for PPP Transaction* as required by *FReM*. Where the risks and rewards of ownership of the PPP property are borne by the PPP operator, the PPP payments are recorded as an operating cost. Where the department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PPP contract.

1.20 Grants payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period, usually a financial year, are recorded as expenditure for that period.

1.21 Government grants receivable

The department acts as an agent in transferring funds from HM Treasury to the Northern Ireland Consolidated Fund, in respect of European Union (EU) grants and NI Consolidated Fund grant in aid. The Northern Ireland Consolidated Fund is managed by DFP. DFP has responsibility for distributing such funds to Northern Ireland departments, which account for grants received. The income and expenditure in respect of such EU grants and NI Consolidated Fund grant in aid is shown in the consolidated account under Request for Resources 2.

1.22 Provisions

The department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

1.23 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.24 Value Added Tax

Most of the activities of the department are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.25 Insurance

Only insurance costs in respect of motor vehicles are charged to the Operating Cost Statement.

Departments do not generally insure. No insurance is affected against the following: fire, explosion, common law, third party and similar risks. Notional insurance premiums are not charged to the Operating Cost Statement. Instead, expenditure in connection with uninsured risks is charged as incurred.

Entities which are expected to recover full costs, in accordance with the Treasury fees and charges policy, are required however to disclose the effect of charging a notional insurance premium on the Operating Cost Statement. This reporting requirement has been disclosed separately in the accounts of FSNI, which is expected to recover full costs on an accruals basis.

1.26 Notional charges

Notional charges, in respect of services received from other government departments/agencies, are included to reflect the full economic cost of services.

1.27 Third-party assets (See Note 35)

The Northern Ireland Prison Service holds as custodian certain assets belonging to third parties. These are not recognised in the accounts since neither the Agency nor the Government more generally has a direct beneficial interest in them.

The Crown Solicitor's Office holds restitution monies, which have been received for subsequent payover to other departments. These are not regarded as a departmental asset.

The Youth Justice Agency holds a private cash facility for young people in custody.

The Compensation Agency administers bank accounts for minors, under the Criminal Injuries Compensation (Northern Ireland) Order 2002, until they reach the age of 18.

2. Analysis of resource outturn by section

CONSOLIDATED							2006-07 £000	2005-06 £000	
	OUTTURN					ESTIMATE	Net total outturn compared with Estimate:	Prior year outturn	
	Admin	Other current	Grants	Gross Resource expenditure	A in A	NET TOTAL			NET TOTAL
Request for Resources 1									
Spending in Departmental Expenditure Limits (DEL)									
<i>Central government spending</i>									
Central Administration	35,672	242	-	35,914	(3,376)	32,538	65,938	33,400	30,989
Ministers	3,849	-	-	3,849	-	3,849	3,652	(197)	3,935
Political Directorate	5,556	25,546	1,000	32,102	(400)	31,702	33,740	2,038	19,500
Bloody Sunday	692	5,542	-	6,234	-	6,234	6,687	453	9,397
Public Prosecution Service	1,887	32,799	-	34,686	(59)	34,627	34,364	(263)	25,125
Forensic Science Northern Ireland	9,503	-	-	9,503	(8,289)	1,214	1,437	223	1,042
Criminal Justice	10,038	12,932	3,060	26,030	(265)	25,765	26,241	476	25,848
Compensation Agency	3,851	(626)	25,243	28,468	(283)	28,185	41,595	13,410	45,201
Policing and Security	7,003	6,878	3,070	16,951	(463)	16,488	17,245	757	15,508
Policing – Non severance	1	612	1,729	2,342	-	2,342	2,405	63	3,390
Northern Ireland Prison Service	12,705	122,130	284	135,119	(169)	134,950	138,757	3,807	129,350
Youth Justice Agency	100	25,767	-	25,867	(64)	25,803	28,929	3,126	18,980
Non-budget									
Police	-	-	808,668	808,668	-	808,668	808,668	-	885,296
Police Pensions	-	-	50,341	50,341	-	50,341	53,253	2,912	55,615
Police Ombudsman for Northern Ireland	-	-	8,689	8,689	-	8,689	8,618	(71)	7,636
Probation Board for Northern Ireland	-	-	15,314	15,314	-	15,314	15,394	80	15,226
Northern Ireland Human Rights Commission	-	-	1,475	1,475	-	1,475	1,675	200	-
Northern Ireland Policing Board	-	-	7,892	7,892	-	7,892	8,220	328	-
Criminal Justice Inspectorate Northern Ireland	-	-	1,150	1,150	-	1,150	1,224	74	-
Total	90,857	231,822	927,915	1,250,594	(13,368)	1,237,226	1,298,042	60,816	1,292,038
Request for Resources 2									
Non-budget									
Grants to the Northern Ireland Consolidated Fund									
European Institutions (net)	-	-	9,517,500	9,517,500	-	9,517,500	10,010,000	492,500	9,030,000
	-	-	-	-	-	-	1	1	-
Total	-	-	9,517,500	9,517,500	-	9,517,500	10,010,001	492,501	9,030,000
Resource Outturn	90,857	231,822	10,445,415	10,768,094	(13,368)	10,754,726	11,308,043	553,317	10,322,038

Key to Request for Resources

Request for Resources 1	Playing a full part in implementing the Good Friday Agreement and representing the interests of Northern Ireland in the UK Government; supporting and developing an efficient, effective and responsive Criminal Justice System; upholding and sustaining the rule of law and preventing crime; maintaining a secure and humane prison service and reducing the risks of re-offending.
Request for Resources 2	Providing appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the NI Act 1998 & the Northern Ireland Act 2000.

Explanation of the variation between Estimate and Outturn for each Request for Resources**(i) Request for Resources 1**

Within the core department a saving of £40,123k was made on net total outturn as compared to Estimate. A saving of £60,816k was made on the net total outturn as compared to estimate with regard to the consolidated figures. Detailed numerical analysis, by function, of net resource outturn as compared to Estimate is included above.

Spending in Departmental Expenditure Limits

Central Administration – The underspend occurred as additional resources held for contingency purposes were not required.

Ministers – This overspend was caused by higher than anticipated travel and subsistence costs for Northern Ireland Office ministers and support staff.

Political Directorate – This underspend was caused by delays in 3 public inquiries in moving towards public hearings.

Bloody Sunday Inquiry – This underspend was due to a delay in the predicted time that the inquiry was due to publish its final report.

Forensic Science Northern Ireland – This underspend was mainly due to additional customer receipts, recovery of debt, and year end adjustments to stocks and work in progress. Savings were also made in recruitment and estate management charges.

Criminal Justice – This underspend was caused by lower than anticipated non-cash charges.

Compensation Agency – This underspend of £13m in programme (provisions for compensation) was due to a lower cash utilisation under the Criminal Damage scheme and to a lesser extent fewer claims than expected being cleared under the Criminal Injury scheme. Additional funds were requested during 2006-07 to cover the potential for interim payments to those businesses affected by the incendiary attacks in 2006, in accordance with advice received from the Agency's loss adjusters. In the event, requests for interim payments were not made in 2006-07 but inevitably will be made during 2007-08.

Policing and Security – This underspend is made up of underspends in the Independent Monitoring Commission, Home Protection Schemes, and ACCESS NI project.

Policing – Non severance – This underspend comes from the Policing Oversight Commission and some Patten related projects.

Northern Ireland Prison Service – The underspend was mainly due to lower than expected depreciation and diminution charges for the year.

Youth Justice Agency – The underspend was due to £5m of additional non-cash funds requested in the Spring Supplementary Estimate to cover a potential write-down to the new Juvenile Justice Centre. Upon completion, the revaluation resulted in an impairment of £1.3m. A proportion of the additional non-cash drawdown was required for changes in accounting for the NILGOSC pension scheme. The remaining £3m of the drawdown was not required.

Non-Budget

Police Pensions – The underspend is a result of lower than anticipated cash required for the PSNI Pension Scheme.

Police Ombudsman for Northern Ireland – The overspend is due to slightly higher than anticipated cash required.

Probation Board for Northern Ireland – This underspend is a result of slightly lower than anticipated cash required.

NI Human Rights Commission – This underspend in cash drawn down is due to delays in processing the 2006-07 pay award, and delays in building work to office accommodation.

NI Policing Board – The underspend is due to a slight underspend in pay and non-pay items in District Policing Partnerships Criminal Justice Inspection NI.

(ii) Request for Resources 2**Non-Budget**

The underspend is a result of reduced funding requirements of the Northern Ireland Consolidated Fund which is used to fund expenditure for the Northern Ireland Departments.

3. Reconciliation of outturn to net operating cost and against Administration Budget

3(a) Reconciliation of net resource outturn to net operating cost

CONSOLIDATED		2006-07 £000			2005-06 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Resource Outturn	2	10,754,726	11,308,043	553,317	10,322,038
Operating income not classified as A in A (note b)	6	-	-	-	(1,800)
Non-supply Expenditure (note a)	11	104	-	(104)	98
Net Operating Cost		10,754,830	11,308,043	553,213	10,320,336

Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the department's Supply estimate. The outturn against Estimate is shown in the Summary of Resource Outturn (Statement of Parliamentary Supply).

Net operating cost is the total expenditure and income appearing in the Operating Cost Statement.

Note:

- Non-supply expenditure comprises costs in respect of the Chief Electoral Officer and election expenses, funded directly by the Consolidated Fund and expenditure from non-supply funding.
- Operating income not classified as A in A which is included as income in the operating cost statement.

3(b) Outturn against final Administration Budget

	2006-07 £000				2005-06 £000	
	Core Department		Consolidated		Core Department	Consolidated
	Budget	Outturn	Budget	Outturn	Outturn	Outturn
Gross Administration Budget	89,259	64,666	116,823	90,856	63,345	89,485
Income allowable against the Administration Budget	(4,295)	(3,625)	(12,602)	(12,078)	(4,157)	(11,683)
Net outturn against final Administration Budget	84,964	61,041	104,221	78,778	59,188	77,802

4. Reconciliation of resources to cash requirement

CONSOLIDATED		2006-07 £000	2005-06 £000		
	Note	Estimate	Outturn	Net total outturn compared with estimate: Saving/(excess)	Outturn
Resource Outturn	2	11,308,043	10,754,726	553,317	10,322,038
<i>Capital:</i>					
Acquisition of fixed assets:					
Cash purchase	14,15	46,796	33,204	13,592	23,577
Finance lease		-	-	-	-
On-balance sheet PFI		-	-	-	-
Investments		-	-	-	-
<i>Non-operating A in A:</i>					
Proceeds of fixed asset disposals	7	(1,300)	(1,300)	-	(4,050)
<i>Accruals adjustments:</i>					
Non-cash items	10b	(81,821)	(64,945)	(16,876)	(73,503)
Changes in working capital other than cash	4a	(1,812)	(1,885)	73	116
Changes in other creditors falling due after more than one year	20	(200)	4,907	(5,107)	4,900
Use of provision	21	202,029	45,364	156,665	56,316
Repayment of CFSS		-	-	-	-
Excess cash receipts surrenderable to Consolidated Fund		-	-	-	-
Opening Balance Adjustments	14,23a	-	-	-	(391)
Net cash requirement		11,471,735	10,770,071	701,664	10,329,003

Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:

The underspend in the net cash requirement is due to:

- (i) Resource Outturn - The cash requirement for RfR2 during the year was £493m less than originally requested. The remainder is due to the underspend against the RfR1 estimate in budgeted resource and non-budget cash for the financial year.
- (ii) Capital - Capital resource requirement was less than that planned for in the estimates, mainly due to underspends in Central Administration and Criminal Justice areas.
- (iii) Non-cash items – The underspend in non-cash can be largely attributed to additional resource in relation to impairments and depreciation which was not required.
- (iv) Changes in working capital other than cash – The estimate figure for movement in working capital was set at this level in SR2004, and has not been re-forecast.

- (v) Changes in creditors falling due after more than one year – The estimate figure for changes in creditors was set at this level in SR2004 and has not been re-forecast.
- (vi) Use of provision – Use of provisions in the estimate for RfR1 included £140m for police pensions, £10m for compensation payments and £6.5m other utilisation of cash provisions budget which were not required.

Movements in working capital other than cash

4(a) The movements in working capital used in the reconciliation of resources to cash requirement comprise:

	2006-07 £000	2005-06 £000
	<u>Consolidated</u>	<u>Consolidated</u>
Total increase/(decrease) in stocks/work in progress	72	(28)
Total increase/(decrease) in debtors	9,291	9,715
Less movements in debtors excluded from net cash requirement	(7,027)	(7,974)
Total (increase)/decrease in creditors due in less than one year	8,081	(72,649)
Less movements in creditors excluded from the net cash requirement	(9,152)	72,436
Changes in working capital other than cash	1,265	1,500
<i>Adjustments:</i>		
Amounts due to the Consolidated Fund	-	-
Movement in working capital related to the acquisition/disposal of tangible fixed assets	(3,093)	(1,395)
Amounts receivable that will be due to the Consolidated Fund when received	(57)	11
Net increase in working capital other than cash	(1,885)	116

4(b) The movements in working capital other than cash used in the Cash Flow Statement comprise:

	2006-07 £000	2005-06 £000
	<u>Consolidated</u>	<u>Consolidated</u>
Total increase/(decrease) in stocks/work in progress	72	(28)
Total increase/(decrease) in debtors	9,291	9,715
Less movements in debtors excluded from net cash requirement	(7,027)	(7,974)
Total (increase)/decrease in creditors due in less than one year	8,081	(72,649)
Less movements in creditors excluded from the net cash requirement	(9,209)	72,436
Changes in working capital other than cash	1,208	1,500
<i>Adjustments:</i>		
Amounts due to the Consolidated Fund	-	-
Movement in working capital related to the acquisition/disposal of tangible fixed assets	-	-
Amounts receivable that will be due to the Consolidated Fund when received	-	11
Net increase in working capital other than cash	1,208	1,511

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

CONSOLIDATED	Note	Forecast 2006-07 £000		Outturn 2006-07 £000	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess A in A	6	-	-	-	-
Non-operating income and receipts – excess A in A	7	-	-	429	429
	22	-	-	429	429
Other operating income and receipts not classified as A in A		-	-	-	-
Other non-operating income not classified as A in A	8	-	-	299	241
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund		-	-	728	670

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2006-07	2005-06
		£000	£000
		Consolidated	Consolidated
Operating income	12	13,368	14,287
Adjustments for transactions between RfRs		-	-
Gross income		13,368	14,287
Income authorised to be appropriated-in-aid		(13,368)	(12,487)
Operating income payable to the Consolidated Fund	5	-	1,800

7. Non-operating income – Excess A in A

	2006-07	2005-06
	£000	£000
	Consolidated	Consolidated
Principal repayments of voted loans	(1,300)	(4,050)
Proceeds on disposal of fixed assets	1,729	4,412
Other	-	-
Non-operating income – excess A in A	429	362

8. Non-operating income not classified as A in A

	2006-07		2005-06	
	£000		£000	
	Consolidated		Consolidated	
	Income	Receipts	Income	Receipts
Licences	-	-	-	-
Consolidated Fund Extra Receipts	299	241	206	217

Consolidated Fund Extra Receipts which do not fall to be treated as operating income are payable directly to the Consolidated Fund. These amounts comprise sundry receipts, which have not been incorporated into the Estimate due to their irregular nature and/or uncertainty of receipt.

9. Staff numbers and related costs

9.1 Staff costs

Staff costs consist of:

				2006-07 £000	2005-06 £000	
	Total	Permanently Employed Staff	Others	Ministers	Special Advisors	Total
Administration staff costs						
Wages and salaries	38,237	37,236	803	198	-	38,135
Social security costs	2,906	2,869	17	20	-	2,972
Other pension costs	6,278	6,272	6	-	-	6,274
Sub Total	47,421	46,377	826	218	-	47,381
Inward Secondments	88	88	-	-	-	172
Total	47,509	46,465	826	218	-	47,553
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total	47,509	46,465	826	218	-	47,553
Programme staff costs						
Wages and salaries	88,072	86,725	1,347	-	-	82,007
Social security costs	7,159	7,117	42	-	-	6,857
Other pension costs	15,106	15,101	5	-	-	14,698
Sub Total	110,337	108,943	1,394	-	-	103,562
Inward Secondments	32	32	-	-	-	-
Total	110,369	108,975	1,394	-	-	103,562
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total	110,369	108,975	1,394	-	-	103,562
Total net costs*	157,878	155,440	2,220	218	-	151,115
Of which:						
Core department	45,241	44,357	666	218	-	42,639

*Of the total, £Nil (2005/06: £51,243) has been charged to capital

The Principal Civil Service Pension Scheme, PCSPS, and PCSPS(NI) are unfunded multi-employer defined benefit schemes but the Northern Ireland Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the PCSPS was carried out at 31 March 2003. The most up to date actuarial valuation of the PCSPS(NI) was carried out as at 31 March 2003 and an interim valuation of the scheme liability was carried out at 31 March 2005. Details of the PCSPS can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk). 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)).

9.1 Staff costs (continued)

For 2006-07, normal employers' contributions of £19,130,752.77 were payable to the PCSPS(NI) and PCSPS (2005-06: £19,872,033.88) at rates in the range 17.1 to 26.5 per cent of pensionable pay for PCSPS and 16.5 to 23.5 per cent of pensionable pay for PCSPS(NI), based on salary bands. The difference between this amount and the amount disclosed above relates to pension costs recouped on seconded staff. The PCSPS actuary reviews employer contributions every four years following a full scheme valuation. Employer contribution rates are to be reviewed every four years for PCSPS(NI) following full scheme valuations 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.

Employees joining after 1 October 2002 could opt to open a partnership pension account; a stakeholder pension with an employer contribution. Employers' contributions of £18,382.61 (2005-06: £8,467.36) 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 (2005-06: 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 0.8 per cent (2005-06: 0.8 per cent) of the individuals pensionable earnings were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £nil, as the contributions are paid over to the pension providers on a monthly basis. Contributions prepaid at that date were £nil.

As 32 persons (2005-06: 6 persons) retired early on ill-health grounds, the total additional accrued pension liabilities in the year amounted to £54,614.48 (2005-06: £10,589.70).

In relation to the Youth Justice Agency, the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) is a defined benefits scheme, and the fund is invested in suitable investments, managed by the Committee. For 2006-07 the contribution rates were 11% employers and 6% employees (2005-06: 8.6% employers and 6% employees). For manual workers previously paid on a weekly basis the contribution rates were 4.6% employer and 5% employee. The total employer pension cost under the Scheme was £728k (2005-06: £504k).

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the market led approach. The latest actuarial valuations of the Scheme were at 31 March 2007.

9.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the department as well as in agencies and other bodies included within the consolidated departmental resource account (including senior management, ministers, special advisors, staff on secondment or loan into the department and agency/temporary staff, but excluding staff on secondment to other organisations).

							2006-07 Number	2005-06 Number
	Total	Ministers	Special Advisers	Senior Management	Officials	Staff on inward secondment	Agency, temporary and contract staff	Total
RfR1								
Objective 1	286	4	-	8	254	1	19	319
Objectives 2 & 4	177	1	-	1	174	-	1	170
Objectives 3 & 5	1,457	-	-	1	1,405	3	48	1,373
Objective 6	2,151	-	-	1	2,103	-	47	2,095
Staff engaged on capital projects	1	-	-	-	1	-	-	2
RfR2								
Objective 1	-	-	-	-	-	-	-	-
Total	4,072	5	-	11	3,937	4	115	3,959
Of which:								
2006-07								
Core Department	1,242	5	0	10	1,204	2	21	
2005-06								
Core Department	1,191	5	0	10	1,146	5	25	

10. Other Administration Costs

		2006-07 £000		2005-06 £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Hire of plant and machinery		107	107	132	132
Other operating leases		2,689	3,026	2,492	2,830
		2,796	3,133	2,624	2,962
Interest charges:					
Finance leases		-	-	-	-
On-balance sheet PFI contracts		-	-	-	-
NLF loans		-	-	-	-
		-	-	-	-
PFI service charges:					
Off-balance sheet contracts		3,363	3,363	3,107	3,107
Service element of on-balance sheet contracts		-	-	-	-
		3,363	3,363	3,107	3,107
Non-cash items (Notes a & b):					
Depreciation and amortisation of fixed assets:					
Civil Estate		-	-	-	-
Other tangible fixed assets	14	4,157	5,062	2,929	3,722
Intangible fixed assets	15	693	755	590	653
(Profit)/Loss on disposal of fixed assets	7,14,15	(363)	(359)	122	226
Increase in provision for doubtful debts		-	-	-	-
Permanent diminution	14,15	496	524	1,749	1,748
Impairment of fixed assets	14,15	-	32	-	54
Write off of fixed assets		-	11	-	-
Cost of capital charge	22	4,407	4,591	4,029	3,688
Auditor's remuneration and expenses	22	79	143	77	139
Provisions:					
Provided in year	21	479	479	1,000	1,962
Unwinding of discount on provisions	21	-	-	-	-
Written back in year	21	(7)	(7)	(302)	(1,046)
Consolidated Fund Standing Services		-	-	98	98
Other notionals	22	162	292	295	707
		10,103	11,523	10,587	11,951
Other expenditure		18,438	25,328	16,656	23,912
Total		34,700	43,347	32,974	41,932

Note:

- a. The total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement in the Statement of Parliamentary Supply and in the Reconciliation of Operating Costs to Operating Cash flows in Note 24(a) comprises:

	2006-07 £000		2005-06 £000	
	Core Department	Consolidated	Core Department	Consolidated
Other administration costs – non-cash items (as above)	10,103	11,523	10,587	11,951
Staff non-cash (note 9)	-	1,284	-	-
Programme non-cash (note 11)	1,995	52,242	1,181	61,650
Total non-cash transactions (note 24a)	12,098	65,049	11,768	73,601

Note:

- b. The total of non-cash transactions included in the Reconciliation of Resources to Net Cash Requirement (Note 4) comprises:

	2006-07 £000		2005-06 £000	
	Core Department	Consolidated	Core Department	Consolidated
Total non-cash transactions as above	10,103	11,523	10,587	11,951
Less non-cash charges in respect of Consolidated Fund Standing Services	-	-	(98)	(98)
Administration non-cash	10,103	11,523	10,489	11,853
Staff non-cash (note 9)	-	1,284	-	-
Programme non-cash (note 11)	1,995	52,242	1,181	61,650
Less non-cash charges in respect of Consolidated Fund Standing Services (note 11a)	(104)	(104)	-	-
Total non-cash transactions (note 4)	11,994	64,945	11,670	73,503

11. Programme costs

	Note	2006-07 £000		2005-06 £000	
		Core Department	Consolidated	Core Department	Consolidated
Current grants and other current expenditure		10,819,424	10,846,094	10,441,179	10,465,338
Rentals under operating leases:					
Hire of plant and machines		42	62	35	71
Other operating leases		4,797	5,565	3,918	4,570
		4,839	5,627	3,953	4,641
Non-cash items:					
Cost of capital charge	22	137	5,241	129	3,928
Depreciation and amortisation of fixed assets:					
Other tangible fixed assets	14	849	12,682	827	12,071
Intangible fixed assets	15	61	181	55	184
Permanent Diminution	14,15	133	365	328	885
Impairment of fixed assets	14,15	-	3,122	-	(349)
Write-off of fixed assets	14,15	-	85	-	363
Loss on disposal of fixed assets	7,14,15	2	48	34	45
Provisions:					
Provided in year	21	650	30,698	-	44,468
Unwinding of discounts on provision	21	-	39	-	64
Written back in year	21	-	(585)	(235)	(321)
Consolidated Fund Standing Services (<i>note a</i>)		104	104		
Auditor's remuneration and expenses	22	-	15	-	15
Other programme notional costs excluding auditor's remuneration	22	59	247	43	297
		1,995	52,242	1,181	61,650
Programme costs		10,826,258	10,903,963	10,446,313	10,531,629
Less: programme income	12.2	(337,769)	(338,280)	(391,036)	(391,824)
Total		10,488,489	10,565,683	10,055,277	10,139,805

Note:

a. By statute the remuneration and associated employers earnings-related National Insurance Contributions of the Chief Electoral Officer are met directly from the Consolidated Fund, rather than Parliamentary Supply. For the year ended 31 March 2007 the amount paid for the CEO's remuneration was £75,389 (2005-06: £72,822), the employer's national insurance contributions were £8,017 (2005-06: £7,697) and the pension costs were £20,355 (2005-06: £17,939). These costs are included under Other Programme Costs and are referred to as Consolidated Fund Standing Services. As the cash does not pass through the department's accounts, the expenditure is accounted for as a non-cash item.

Pension benefits for the CEO for Northern Ireland are on a broadly by-analogy to the Principal Civil Service Pension Scheme (PCSPS) basis. This provides for benefits on a final salary basis accruing at 1/80th of pensionable salary for each year of service and an automatic lump sum of 3 times the pension. The CEO for NI pays contributions of 1.5% of pensionable earnings. Death benefits include a lump sum of two times pensionable pay to a nominated beneficiary. In addition a widow's/widower's pension is payable to the spouse. Medical retirement is possible in the event of ill-health with enhancement based on length of service. Once in payment the pension increases in line with the movement in the All Items Retail Price Index (RPI). The actual payments come from the Consolidated Fund under section 14(8) of the Electoral Law Act (NI) 1962.

12. Income

12.1 Analysis of income recorded in the Operating Cost Statement, net of transfers between Requests for Resources (see note 6)

	2006-07 £000						2005-06 £000	
	Core Department			Consolidated			Core Department	Consolidated
	RfR1	RfR2	Total	RfR1	RfR2	Total	Total	Total
Income source 1	4,404	336,990	341,394	13,368	336,990	350,358	395,300	404,340
Income source 2	-	-	-	-	-	-	-	-
	4,404	336,990	341,394	13,368	336,990	350,358	395,300	404,340

12.2 Income and appropriations in aid

12.2.1 Operating Income

Operating income not appropriated in aid (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not. In 2006-07, all operating income not classified as A in A was within public expenditure.

CORE DEPARTMENT	2006-07					Operating Cost Statement Income £000
	Resource Outturn A in A £000	Reconciliation to Operating Cost Statement			Payable to Consolidated Fund £000	
		Netted off gross Expenditure in sub-head £000	National Loans Fund Interest £000			
<i>Administration income:</i>						
Fees and charges to external customers	84	-	-	-	84	
Fees and charges to other departments	1,033	-	-	-	1,033	
Estimate cover A in A	2,505	-	-	-	2,505	
Other	3	-	-	-	3	
<i>Programme income:</i>						
Income from EU for NI programmes	-	221,169	-	-	221,169	
National Loans Fund interest	-	-	115,821	-	115,821	
Recovery of Compensation	-	-	-	-	-	
Recovery of court and conference costs	324	-	-	-	324	
Other	455	-	-	-	455	
Total	4,404	221,169	115,821	-	341,394	

CORE DEPARTMENT	Resource Outturn	2005-06			Operating Cost Statement		
		Reconciliation to Operating Cost Statement					
		A in A	Netted off gross Expenditure in sub-head	National Loans Fund Interest		Payable to Consolidated Fund	Income
<i>Administration income:</i>							
Fees and charges to external customers	150	-	-	-	150		
Fees and charges to other departments	1,693	-	-	-	1,693		
Estimate cover A in A	2,418	-	-	-	2,418		
Other	3	-	-	-	3		
<i>Programme income:</i>							
Income from EU for NI programmes	-	271,768	-	-	271,768		
National Loans Fund interest	-	-	118,285	-	118,285		
Recovery of compensation	-	-	-	-	-		
Recovery of court and conference costs	626	-	-	-	626		
Other	357	-	-	-	357		
Total	5,247	271,768	118,285	-	395,300		

CONSOLIDATED	Resource Outturn	2006-07			Operating Cost Statement		
		Reconciliation to Operating Cost Statement					
		A in A	Netted off gross Expenditure in sub-head	National Loans Fund Interest		Payable to Consolidated Fund	Income
<i>Administration income:</i>							
Fees and charges to external customers	140	-	-	-	140		
Fees and charges to other departments	9,412	-	-	-	9,412		
Estimate cover A in A	2,506	-	-	-	2,506		
Other	20	-	-	-	20		
<i>Programme income:</i>							
Income from EU for NI programmes	-	221,169	-	-	221,169		
National Loans Fund interest	-	-	115,821	-	115,821		
Recovery of Compensation	276	-	-	-	276		
Recovery of court and conference costs	324	-	-	-	324		
Other	690	-	-	-	690		
Total	13,368	221,169	115,821	-	350,358		

CONSOLIDATED	2005-06					Operating Cost Statement Income £000
	Resource Outturn	Reconciliation to Operating Cost Statement				
	A in A £000	Netted off gross Expenditure in sub-head £000	National Loans Fund Interest £000	Payable to Consolidated Fund £000		
<i>Administration income:</i>						
Fees and charges to external customers	232	-	-	-		232
Fees and charges to other departments	9,841	-	-	-		9,841
Estimate cover A in A	855	-	-	1,563		2,418
Other	25	-	-	-		25
<i>Programme income:</i>						
Income from EU for NI programmes	-	271,768	-	-		271,768
National Loans Fund interest	-	-	118,285	-		118,285
Recovery of compensation	325	-	-	192		517
Recovery of court and conference costs	626	-	-	-		626
Other	583	-	-	45		628
Total	12,487	271,768	118,285	1,800		404,340

An analysis of income from services provided to external and public sector customers is as follows:-

	2006-07 £000				2005-06 £000		
	Income	Full Cost	Surplus/ (deficit)		Income	Full Cost	Surplus/ (deficit)
FSNI	8,429	(9,503)	(1,074)	FSNI	8,231	(9,002)	(771)
Crown Solicitors' Office	4,208	(4,208)	-	Crown Solicitors' Office	4,038	(4,038)	-
Total	12,637	(13,711)	(1,074)		12,269	(13,040)	(771)

The Crown Solicitor's Office generates income through the issue of hard charges to other departments for work carried out on their behalf. The balance required to facilitate full cost recovery is met by the Northern Ireland Office, within which the CSO is a core directorate. The majority of this recovery relates to work carried out by the CSO on behalf of the NIO, and for which no charges are raised. However, costing and charging procedures within the CSO do not facilitate an exact calculation to be made. In 2006-07 income generated from work carried out on behalf of other departments amounted to £2,694k (2005-06: £3,301k) resulting in a balance funded by the NIO of £1,514 (2005-06: £737k).

The above information is provided for fees and charges purposes, and not for SSAP 25 purposes.

13. Analysis of net operating cost by spending body

	2006-07 £000				2005-06 £000	
	Core Department		Consolidated		Core Department	Consolidated
	Estimate	Outturn	Estimate	Outturn		Outturn
Spending body:						
Core department (<i>note a</i>)	10,192,353	9,662,417	10,192,353	9,662,448	9,151,041	9,150,638
Northern Ireland Prison Service	-	-	138,757	134,933	-	129,350
Compensation Agency	-	-	41,595	28,184	-	45,010
Forensic Science Northern Ireland	-	-	1,437	1,074	-	772
Youth Justice Agency	-	-	28,929	25,803	-	18,981
Non-departmental public bodies:						
Probation Board for Northern Ireland	15,394	15,314	15,394	15,314	15,226	15,226
Northern Ireland Policing Board	8,220	7,892	8,220	7,892	7,848	7,848
Police Service of Northern Ireland	861,921	859,009	861,921	859,009	933,063	933,063
Northern Ireland Human Rights Commission	1,675	1,475	1,675	1,475	1,450	1,450
Office of the Police Ombudsman for Northern Ireland	8,618	8,689	8,618	8,689	7,636	7,636
Office of the Chief Inspector of Criminal Justice in NI	1,224	1,150	1,224	1,150	1,350	1,350
Northern Ireland Police Fund	1,550	1,550	1,550	1,550	2,321	2,321
RUC George Cross Foundation	150	150	150	150	163	163
Voluntary Bodies:						
Extern	365	391	365	391	325	325
NIACRO	470	465	470	465	465	465
Victim Support	1,915	1,915	1,915	1,915	1,901	1,901
Nexus Institute	42	-	42	-	62	62
NSPCC	268	289	268	289	251	251
Police Rehabilitation and Retraining Trust	2,120	3,070	2,120	3,070	3,404	3,404
Widows Association	40	29	40	29	50	50
Northern Ireland Womens Aid Federation	-	-	-	-	70	70
Northern Ireland Memorial Fund	1,000	1,000	1,000	1,000	-	-
Net operating cost	11,097,325	10,564,805	11,308,043	10,754,830	10,126,626	10,320,336

Note a:

The Estimate and Outturn disclosed under the heading 'Core Department' includes the funding provided to the Northern Ireland Consolidated Fund, i.e. the Northern Ireland Civil Service departments.

14. Tangible fixed assets

									2006-07
	Heritage Assets & Antiques	Freehold Land & Buildings	Long Leasehold Land & Buildings	Temporary Buildings	Vehicles Plant & Machinery	Computer Equipment	Assets Under Const- ruction	Assets Awaiting Disposal	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2006	92,851	209,581	9,968	916	40,676	27,078	13,644	258	394,972
Opening balance adjustment	-	-	-	-	(2)	-	1	-	(1)
Revised opening balance	92,851	209,581	9,968	916	40,674	27,078	13,645	258	394,971
Additions (<i>note c</i>)	-	-	12	21	1,330	2,344	28,969	-	32,676
Disposals	-	(6,612)	(1,411)	-	(280)	(290)	(5)	-	(8,598)
Transfer to AAD	-	(64,498)	-	-	(265)	-	-	64,763	-
Transfers	-	(963)	971	-	-	(4)	4	(8)	-
Completed assets under construction	-	22,403	-	-	4,754	190	(27,348)	-	(1)
Impairment	-	(3,199)	-	-	(19)	(26)	-	-	(3,244)
Write-off of fixed assets	-	(1)	-	-	-	-	(95)	-	(96)
Permanent diminution	-	-	-	-	(23)	(1,087)	-	-	(1,110)
Revaluation (<i>note a & b</i>)	(12,054)	79,127	3,201	44	1,176	(489)	-	62	71,067
At 31 March 2007	80,797	235,838	12,741	981	47,347	27,716	15,170	65,075	485,665
Depreciation:									
At 1 April 2006	-	34,353	916	109	21,552	10,411	-	-	67,341
Opening balance adjustment	-	-	-	-	1	-	-	-	1
Revised opening balance	-	34,353	916	109	21,553	10,411	-	-	67,342
Charged in year	1,271	9,079	224	66	2,642	4,462	-	-	17,744
Disposals	-	(6,611)	(79)	-	(262)	(228)	-	-	(7,180)
Transfer to AAD	-	-	-	-	(161)	-	-	161	-
Transfers	-	(181)	181	-	(4)	4	-	-	-
Impairment	-	(77)	-	-	(1)	(12)	-	-	(90)
Write-offs	-	-	-	-	-	-	-	-	-
Permanent diminution	-	-	-	-	-	(239)	-	-	(239)
Revaluations	-	159	(1,205)	5	527	(554)	-	-	(1,068)
At 31 March 2007	1,271	36,722	37	180	24,294	13,844	-	161	76,509
Net book value at 31 March 2007	79,526	199,116	12,704	801	23,053	13,872	15,170	64,914	409,156
Net book value at 31 March 2006	92,851	175,228	9,052	807	19,124	16,667	13,644	258	327,631
Asset financing:									
Owned	79,526	199,116	12,704	801	23,053	13,872	15,170	64,914	409,156
Finance leased	-	-	-	-	-	-	-	-	-
On-balance sheet PFI contracts	-	-	-	-	-	-	-	-	-
PFI residual interests	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2007	79,526	199,116	12,704	801	23,053	13,872	15,170	64,914	409,156

Analysis of tangible fixed assets

The net book value of tangible fixed assets comprises:

2006-07 Core Department	175,174
2006-07 Agencies	<u>233,982</u>
TOTAL	<u>409,156</u>
2005-06 Core Department	118,557
2005-06 Agencies	<u>209,074</u>
TOTAL	327,631

Notes:

- a. The Core Department's land and buildings were externally valued, by the Valuation and Lands Agency, at 1 April 2006 on the basis of existing use value. All assets, including land and buildings, were revalued on the basis of the latest available indices as at 28 February 2007. The next valuation of land and buildings by the Valuation and Lands Agency will be effective from 1 April 2011.
- b. The Northern Ireland Prison Service value properties regarded as operational on the basis of existing use, or where this could not be assessed because there is no market value for the property, its depreciated replacement cost. Properties regarded as non-operational are valued on the basis of open market value. A full valuation of land and buildings was last carried out by the VLA at 1 April 2006, in accordance with the RICS Appraisal and Valuation Manual. The next full valuation of land and buildings will be 1 April 2011.
- c. During the year assets to the value of £12,537k (2005-06: £7,666k) were funded from the Core Department to its agencies.
- d. The value of non-depreciable land at 31 March 2007 is £87,805k (31 March 2006: £3,177k).

15. Intangible fixed assets

The Department's intangible assets comprise purchased software licences.

	2006-07 £000	2005-06 £000
	Purchased software licences	Purchased software licences
Cost or valuation		
At 1 April 2006	4,671	5,195
Additions	527	491
Disposals	(1)	(939)
Transfers	1	13
Impairment	-	-
Permanent diminution	(35)	(89)
Revaluation (<i>Note a</i>)	17	-
At 31 March 2007	5,180	4,671
Amortisation		
At 1 April 2006	1,857	1,961
Charged in year	936	837
Disposals	(1)	(914)
Transfers	-	-
Impairment	-	-
Permanent diminution	(17)	(27)
Revaluation (<i>Note a</i>)	10	-
At 31 March 2007	2,785	1,857
Net book value at 31 March 2007	2,395	2,814
Net book value at 31 March 2006	2,814	3,234

Note:

- a. Intangible fixed assets are adjusted to their current value each year by reference to appropriate indices compiled by the Office for National Statistics.

Analysis of intangible fixed assets

The net book value of intangible fixed assets comprises:

2006-07 Core Department	1,935
2006-07 Agencies	460
TOTAL	2,395
2005-06 Core Department	2,210
2005-06 Agencies	604
TOTAL	2,814

16. Investments

CORE DEPARTMENT AND CONSOLIDATED	2006-07	2005-06
	£000	£000
	NLF received to on-lend to DFP	NLF received to on-lend to DFP
Balance at 1 April 2006	1,503,491	1,440,491
Additions	214,621	162,944
Disposals	-	-
Repayment of principal	(109,829)	(99,944)
Revaluations	-	-
	1,608,283	1,503,491
Loans repayable within 12 months transferred to debtors	(116,094)	(109,067)
Balance at 31 March 2007	1,492,189	1,394,424

The investment movements for the year included in Note 4 excludes on-lent National Loans Fund loans.

The above balance includes only the principal element of NLF advances, whereas the schedule of repayments also includes interest. Interest has been excluded from the disclosure due to the disproportionate amount of work required to calculate an accurate figure, which has an overall nil net impact on the balance sheet.

17. Stocks and work in progress

	2006-07		2005-06	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Stocks	29	1,635	32	1,563
	29	1,635	32	1,563

18. Debtors

18(a) Analysis by type

	2006-07 £000		2005-06 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	2,928	4,017	1,952	2,164
Work in progress	903	903	858	857
Other debtors	3,841	2,571	2,477	2,073
Prepayment and accrued income	2,462	4,245	3,469	4,192
Current part of NLF loan	116,094	116,094	109,067	109,067
Amounts due from Consolidated Fund in respect of supply VAT	-	-	-	-
	1,324	1,684	981	1,400
	127,552	129,514	118,804	119,753
Amounts falling due after more than one year:				
Other debtors	-	3,850	-	4,319
	-	3,850	-	4,319
Total	127,552	133,364	118,804	124,072

Included within other debtors is £156,716.96 (2005-06: £99,272.63) that will be due to the Consolidated Fund once the debts are collected. Of this amount £42,739.96 (2005-06: £72,582.62) is in relation to the recovery of Northern Ireland Prison Service Home Loans. The amount due to the Consolidated Fund relating to the Core department is £113,977.00 (2005-06: £26,690.01).

18(b) Intra-Government Debtor Balances

CORE	2006-07	2005-06	2006-07	2005-06
	£000	£000	£000	£000
	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
Balances with other central government bodies	123,946	117,015	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: Intra-government balances	123,946	117,015	-	-
Balances with bodies external to government	3,606	1,789	-	-
Balance at 31 March	127,552	118,804	-	-

CONSOLIDATED	2006-07	2005-06	2006-07	2005-06
	£000	£000	£000	£000
	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
Balances with other central government bodies	124,819	116,376	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	16	58	-	-
Balances with public corporations and trading funds	1	26	-	-
Subtotal: Intra-government balances	124,836	116,460	-	-
Balances with bodies external to government	4,678	3,293	3,850	4,319
Balance at 31 March	129,514	119,753	3,850	4,319

The above table details the debtors shown in note 18(a) and the balance sheet. Balances between the core department and the consolidated entities have been eliminated on consolidation. The eliminated amounts totalled £1,762k (2005-06: £2,363k) – being Northern Ireland Prison Service £132k (2005-06: £514k), Youth Justice Agency £219k (2005-06: £511k), Compensation Agency £494k (2005-06: £214k), and Forensic Science Northern Ireland £917k (2005-06: £1,124k).

19. Cash at bank and in hand

	2006-07 £000		2005-06 £000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	66,715	63,065	1,837	3
Opening balance adjustment	-	-	-	-
Net change in cash balance	(17,973)	(19,342)	64,878	63,062
Balance at 31 March	48,742	43,723	66,715	63,065
The following balances at 31 March are held at:				
Office of HM Paymaster General	50,258	50,258	67,133	67,133
Commercial banks and cash in hand	(1,516)	(6,535)	(418)	(4,068)
Cash in transit	-	-	-	-
Balance at 31 March	48,742	43,723	66,715	63,065
The balance at 31 March comprises:				
Issues due from the Consolidated Fund	48,639	43,191	66,659	60,847
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund	103	103	56	56
Other payments due to be paid to the Consolidated Fund	-	429	-	2,162
Cash in respect of Consolidated Fund standing services	-	-	-	-
Balance at 31 March	48,742	43,723	66,715	63,065

20. Creditors

20(a) Analysis by type

	2006-07 £000		2005-06 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
VAT	-	249	-	246
Other taxation and social security	-	272	-	1,932
Trade creditors	1,655	3,573	671	2,782
Other creditors	29	4,951	2,804	8,118
Accruals and deferred income	23,389	28,985	20,484	23,881
Tangible fixed asset accruals	3,393	8,212	2,614	5,119
Amounts issued from the consolidated fund for supply but not yet spent at year end	-	43,191	-	60,847
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	103	103	56	56
Receivable	114	132	27	63
Repayment of National Loans Fund	116,094	116,094	109,067	109,067
Excess Appropriations in Aid	-	429	-	2,162
Bank overdraft (see Note 19)	-	-	-	-
	144,777	206,191	135,723	214,273
Amounts falling due after more than one year:				
Other Creditors	-	4,893	-	9,800
Consolidated Fund Extra Receipts received and receivable and due to be paid to the Consolidated Fund	-	25	-	36
Repayment of National Loans Fund	1,492,189	1,492,189	1,394,424	1,394,424
	1,492,189	1,497,107	1,394,424	1,404,260
Total	1,636,966	1,703,298	1,530,147	1,618,533

20(b) Intra-Government Creditor Balances

CORE	2006-07 £000		2005-06 £000	
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	124,286	116,592	1,492,189	1,394,424
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: Intra-government balances	124,286	116,592	1,492,189	1,394,424
Balances with bodies external to government	20,491	19,131	-	-
Balance at 31 March	144,777	135,723	1,492,189	1,394,424

CONSOLIDATED	2006-07	2005-06	2006-07	2005-06
	£000	£000	£000	£000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other central government bodies	174,090	186,624	1,497,107	1,404,260
Balances with local authorities	1	3	-	-
Balances with NHS Trusts	136	54	-	-
Balances with public corporations and trading funds	2	79	-	-
Subtotal: Intra-government balances	174,229	186,760	1,497,107	1,404,260
Balances with bodies external to government	31,962	27,513	-	-
Balance at 31 March	206,191	214,273	1,497,107	1,404,260

The above table details the creditors shown in note 20(a) and the balance sheet. Balances between the core department and the consolidated entities have been eliminated on consolidation. The eliminated amounts totalled £1,762k (2005-06: £2,363k) – being Northern Ireland Prison Service £132k (2005-06: £514k), Youth Justice Agency £219k (2005-06: £511k), Compensation Agency £494k (2005-06: £214k), and Forensic Science Northern Ireland £917k (2005-06: £1,124k).

21. Provisions for liabilities and charges

CORE DEPARTMENT						2006-07	2005-06
						£000	£000
	Early Departure Costs	Compensation Payments	Staff Reduction Programme	Provision for Litigation Claims	Others	Total	Total
Balance at 1 April	607	-	-	434	1,210	2,251	2,262
Provided in the year	294	-	-	185	650	1,129	1,000
Provisions not required written back	(7)	-	-	-	-	(7)	(537)
Provisions utilised in the year	(347)	-	-	(103)	(125)	(575)	(474)
Unwinding of discount	-	-	-	-	-	-	-
Balance at 31 March	547	-	-	516	1,735	2,798	2,251

CONSOLIDATED						2006-07	2005-06
						£000	£000
	Early Departure Costs	Compensation Payments	Staff Reduction Programme	Provision for Litigation Claims	Others	Total	<i>Restated</i> Total
Balance at 1 April	946	53,248	249	4,504	6,967	65,914	72,738
Provided in the year	315	26,105	-	4,085	1,956	32,461	46,430
Provisions not required written back	(18)	-	(19)	(362)	(1,031)	(1,430)	(1,367)
Provisions utilised in the year	(383)	(41,566)	(108)	(1,409)	(1,898)	(45,364)	(56,316)
Unwinding of discount	-	-	-	-	39	39	64
Prior year adjustment	-	-	-	-	-	-	4,365
Balance at 31 March	860	37,787	122	6,818	6,033	51,620	65,914

All provisions represent the best estimate of the expenditure required to settle the obligation at the date of approval of the financial statements. Where the effect of the time value of money is significant, the cash flows have been discounted using the Treasury discount rate of 3.5% (2005-06: 3.5%).

Early Departure Costs

The Department meets the additional costs of benefits beyond the normal PCSPS and PCSPS(NI) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS and PCSPS(NI) over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments.

Compensation Payments

The Compensation Agency provides for future obligations arising from all claims for compensation held at the Balance Sheet date. All such claims will either be allowed or denied (including abandoned/withdrawn claims). The Agency estimates the likely ratio of allowances to denials and also estimates the potential average value of each allowed claim. It then calculates the total expected future liability for each of the compensation schemes that it operates.

Staff Reduction Programme

The provision for the Staff Reduction Programme arises from the downsizing of the Prison Service following the Good Friday Agreement and the closure of the Maze Prison. The provision primarily consists of additional pension costs due to the Department of Finance and Personnel, payable through to 2010-11.

Provision for Litigation Claims

The litigation provision relates to claims against the Prison Service by staff, prisoners and third parties for injuries and other damages including fair employment and industrial tribunal cases. The provision reflects all known claims where it is considered that it is probable that the claim will be successful and the amount can be reliably estimated. The timing of the settlement of claims depends on the circumstances of each case.

Others

Security Breach Provision totalling £152k (2005-06: £273k)

This arises from the discovery of the disclosure of prison officers' personal details in October 2002. The remaining provision will be settled during the 2007-08 financial year.

Miscarriages of Justice Provision totalling £1,735k (2005-06: £1.21m).

When a person has been convicted of a criminal offence and when subsequently their conviction has been reversed or they have been pardoned on the ground that a new or newly discovered fact shows beyond reasonable doubt that there has been a miscarriage of justice, the Secretary of State shall pay compensation for the miscarriage of justice under section 133 of the Criminal Justice Act 1988, to the person who has suffered punishment as a result of such conviction or, if that person is dead, to their personal representatives, unless the non-disclosure of the unknown fact was wholly or partly attributable to the person convicted. If the Secretary of State determines that there is a right to such compensation, the amount shall be assessed by an assessor appointed by the Secretary of State.

Other provisions totalling £23k (2005-06: £19k).

This relates to an Inland Revenue assessment on the tax liability arising from additional housing cost payments to certain prison officers under the Assisted Home Removals Scheme. The provision will be settled during the 2007-08 financial year.

NILGOSC Pension Deficit £4,123k

The Youth Justice Agency makes employer contributions to the Northern Ireland Local Government's Officers Superannuation Committee Scheme (NILGOSC) which is a funded scheme of the defined benefit type. Previously the Agency took advantage of the multi employer provisions within FRS 17 and accounted for pension costs in line with the employer contributions paid. However, from 2006-07 it is now possible to define the Agency's share of the funds assets and liabilities and as a result the disclosure shown is in line with FRS 17. The latest actuarial valuation of the scheme was carried out at 31 March 2007, the liability and cost calculations are shown below:

The financial assumptions used by the actuary were:

	31/03/07	31/03/06	31/03/05
	%	%	%
Rate of increase in salaries	4.70	4.50	4.40
Rate of increase in pensions in payment	3.20	3.00	2.90
Discount rate	5.30	4.90	5.30
Inflation assumption	3.20	3.00	2.90

The market value of assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31/03/07 %	Value at 31/03/07 £000	Long term rate of return expected at 31/03/06 %	Value at 31/03/06 £000	Long term rate of return expected at 31/03/05 %	Value at 31/03/05 £000
Equities	6.80	12,135	6.30	10,601	6.70	7,808
Property	6.30	1,517	5.80	1,325	6.20	976
Gilts	4.80	1,213	4.30	1,060	4.70	781
Cash	5.25	303	4.50	265	4.75	195
		15,168		13,251		9,760

The following amounts at 31 March 2007 were measured in accordance with the requirements of FRS 17. Comparative figures have not been provided because as explained in note 1.16, the operating cost statement in 2005/06 was not restated as the adjustment was not considered to be material.

	2007	2006
	£000	£000
Total market value of assets	15,168	13,251
Present value of scheme liabilities	(19,291)	(17,616)
Net pension liability	(4,123)	(4,365)

Analysis of amount charged to operating cost statement in respect of defined benefit scheme

	2006-07
	£000
Current Service cost	1,284
Operating Cost Statement	1,284

Analysis of amount charged to other finance costs

	2006-07
	£000
Expected return on pension scheme assets	827
Interest on pension scheme liabilities	(867)
Net Return	(40)

Statement of recognised gains and losses

	2006-07
	£000
Actual return less expected return on pension scheme assets	(28)
Experience gains and losses arising on the scheme liabilities	8
Changes in assumptions underlying the present value of the scheme liabilities	858
Actuarial gain recognised in the SRGL	838

Movement in deficit during the year

	2006-07
	£000
Deficit in scheme at the beginning of the year	(4,365)
<i>Movement in the year:</i>	
Current service cost	(1,284)
Contributions	728
Other finance charge	(40)
Actuarial gain/(loss)	838
Deficit in scheme at the end of the year	(4,123)

Details of experience gains and losses

	2006-07
	£000
Difference between the expected and actual return on scheme assets:	
Amount (£)	(28)
Percentage of scheme assets	0%
Experience gains and losses on scheme assets:	
Amount (£)	8
Percentage of the present value of the scheme assets	0%
Total amount recognised in the Statement of recognised gains and losses:	
Amount (£)	838
Percentage of the present value of the scheme assets	4%

22. General Fund

Reconciliation of net operating cost to changes in general fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2006-07		2005-06	
	£000		£000	
	Core Department	Consolidated	Core Department	Restated Consolidated
General fund balance at 1 April	127,088	147,838	64,673	133,303
Opening balance adjustment	-	(3)	-	-
Net parliamentary funding				
Drawn Down	10,553,017	10,752,415	10,189,980	10,389,850
Deemed	-	60,847	-	-
Transfer from Consolidated Fund for Standing Services	104	104	98	98
Net Financing from the Contingencies Fund	-	-	-	-
National Insurance Fund	-	-	-	-
Transfer to general fund of realised element of revaluation reserve	1,193	6,978	2,056	3,523
Amounts due (to) / from Consolidated Fund in respect of supply	-	(43,191)	-	(60,847)
Items funded on behalf of Agencies	(12,537)	(12,537)	(7,666)	(7,666)
Items funded by Parent department	-	12,537	-	7,666
Net Transfer from Operating Activities				
Net Operating Cost	(10,564,805)	(10,754,830)	(10,126,626)	(10,320,336)
Non Cash Charges				
Cost of Capital	4,544	9,832	4,158	7,616
Auditors' remuneration	79	158	77	154
Other Notionals	221	539	338	1,004
Actuarial loss on pension deficit	-	838	-	-
Excess AinA	-	(429)	-	(2,162)
Transfer from Revaluation Reserve	-	-	-	-
Transfer of fixed assets from Youth Justice Agency	6,804	-	-	-
Prior year adjustment	-	-	-	(4,365)
Balance at 31 March	115,708	181,096	127,088	147,838

23. Reserves**23(a) Revaluation Reserve**

	2006-07		2005-06	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	41,256	81,284	36,813	68,414
Opening balance adjustment	-	-	-	400
Arising on revaluation during the year (net)	50,086	72,142	6,499	15,993
Transfer to general fund in respect of realised element of revaluation reserve	(1,193)	(6,978)	(2,056)	(3,523)
In-year transfer between reserves	-	-	-	-
Balance at 31 March	90,149	146,448	41,256	81,284

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

Note a:

The 2005-06 opening balance adjustment relates to the transfer of land and buildings at Lisnevin Custody Centre from the Youth Justice Agency to the Northern Ireland Prison Service during 2004-05.

23(b) The Department has no donated assets.

24. Notes to the Consolidated Cash Flow Statement

24(a) Reconciliation of operating cost to operating cash flows

		2006-07 £000	2005-06 £000
	Note	Consolidated	Consolidated
Net operating cost	13	10,754,830	10,320,336
Adjustments for non-cash transactions	10a	(65,049)	(73,601)
Adjustments for movements in working capital other than cash	4b	1,208	1,511
Changes in other creditors falling due after more than one year		4,907	4,900
Use of provisions	21	45,364	56,316
Net cash outflow from operating activities		10,741,260	10,309,462

24(b) Analysis of capital expenditure and financial investment

		2006-07 £000	2005-06 £000
	Note	Consolidated	Consolidated
Intangible fixed asset additions	15	527	491
Tangible fixed asset additions	14	29,583	21,691
Fixed asset opening balance adjustments	14,23a	-	(391)
Proceeds of disposal of fixed assets		(1,729)	(4,412)
Loans to other bodies	16	214,621	162,944
(Repayment) of loans to other bodies	16	(109,829)	(99,944)
Net cash outflow from investing activities		133,173	80,379

24(c) Analysis of capital expenditure and financial investment by Request for Resources

CONSOLIDATED	Consolidated proceeds of disposal of fixed assets	Capital expenditure	Loans etc	A in A	Net total
	£000	£000	£000	£000	£000
Request for Resources 1	(1,729)	33,203	104,792	-	136,266
Request for Resources 2	-	-	-	-	-
Fixed asset opening balance adjustments	-	-	-	-	-
Net movement in debtors/creditors	-	(3,093)	-	-	(3,093)
Total 2006-07	(1,729)	30,110	104,792	-	133,173
Total 2005-06	(4,412)	21,791	63,000	-	80,379

24(d) Analysis of financing

		2006-07 £000	2005-06 £000
	Note	Consolidated	Consolidated
From the Consolidated Fund (Supply) - current year (*1)	22	10,813,262	10,389,850
From the Consolidated Fund (Supply) - prior year (*2)		(60,847)	1,149
From the Consolidated Fund (non-Supply)		-	-
From the National Insurance Fund		-	-
Payments to the National Insurance Fund		-	-
Advances from the Contingencies Fund		-	-
Repayments to the Contingencies Fund		-	-
Loans received from the National Loans Fund		214,621	162,944
Repayments of loans from the National Loans Fund		(109,829)	(99,944)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		-	-
Net financing		10,857,207	10,453,999

*1 Amount of grant actually issued to support the net cash requirement = £10,813,262,103.00
(2005-06: £10,398,850,000.00)

*2 Amount of grant actually issued to support the prior-year net cash requirement = £60,847,103.00
(2005-06: £1,148,775.52)

24(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2006-07 £000	2005-06 £000
	Consolidated	Consolidated
Net cash requirement	10,770,071	10,329,003
From the Consolidated Fund (Supply) - current year (*1)	(10,813,262)	(10,389,850)
From the Consolidated Fund (Supply) - prior year (*2)	60,847	(1,149)
From the Consolidated Fund (Non-supply)	-	-
Loans received from National Loans Fund (NLF)	(214,621)	(162,944)
Repayments of loans from NLF	109,829	99,944
<i>Amounts due to the Consolidated Fund - received in a prior year and paid over:-</i>		
Consolidated Fund Extra Receipts	56	11
Other amounts due to the Consolidated Fund	2,162	1,141
<i>Amounts due to the Consolidated Fund - received and not paid over:-</i>		
Consolidated Fund Extra Receipts	(103)	(56)
Other amounts due to the Consolidated Fund	(429)	(2,162)
NLF loans – loans made to other bodies	214,621	162,944
NLF loans – principal repayments received from other bodies	(109,829)	(99,944)
NLF loans – interest received from other bodies	(115,821)	(118,285)
NLF loans – interest paid to the NLF	115,821	118,285
Consolidated Fund standing services – payments	-	-
Decrease/(Increase) in cash	19,342	(63,062)

25. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

Programme grants and other current expenditure have been allocated as follows:

	2006-07 £000	2005-06 £000
	<u>Consolidated</u>	<u>Consolidated</u>
RfR1		
Objective 1	58,448	64,157
Objectives 2 & 4	887,853	961,104
Objectives 3 & 5	91,022	73,336
Objective 6	122,415	116,541
RfR2		
Objective 1	9,854,490	9,420,053
Total	11,014,228	10,635,191

The Northern Ireland Office's capital is employed for both administration and programme purposes. Its distribution amongst objectives is not markedly different from the proportion of the related gross operating costs and for the Core Department capital employed has been allocated to objectives in proportion to gross operating costs. Capital employed for the Northern Ireland Prison Service has been allocated to Objective 6 and for the Forensic Science Agency, the Compensation Agency and the Youth Justice Agency has been allocated to Objectives 3 and 5. No capital is employed in respect of RfR 2.

Capital Employed by Departmental Aims and Objectives at 31 March 2007

	2006-07 £000	2005-06 £000 <i>Restated</i>
	<u>Consolidated</u>	<u>Consolidated</u>
RfR1		
Objective 1	(29,202)	(47,812)
Objectives 2 & 4	132,514	85,382
Objectives 3 & 5	36,776	29,579
Objective 6	187,456	161,973
RfR2		
Objective 1	-	-
Total	327,544	229,122

26. Capital commitments

	2006-07		2005-06	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made	1,737	17,433	-	12,199
Authorised capital commitments at 31 March for which no provision has been made	14,086	14,086	22,912	22,912

27. Commitments under leases

27.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2006-07		2005-06	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
<i>Land and buildings:</i>				
Expiry within 1 year	7,157	7,368	3,235	3,520
Expiry after 1 year but not more than 5 years	158	566	1,404	1,608
Expiry thereafter	460	726	659	968
	7,775	8,660	5,298	6,096
<i>Photocopiers and vehicles:</i>				
Expiry within 1 year	93	100	78	195
Expiry after 1 year but not more than 5 years	56	88	89	118
Expiry thereafter	-	-	-	-
	149	188	167	313
Total	7,924	8,848	5,465	6,409

27.2 Finance leases

The Department has no obligations under finance leases.

28. Commitments under PPP contracts

28.1 Off-balance sheet

The Causeway Programme was established to deliver significant improvements to the effectiveness and efficiency of criminal justice in Northern Ireland through improved integration of information systems. Following a tendering process advertised in the Official Journal of European Communities (OJEC), a PPP contract was let with Fujitsu Services in August 2003 to deliver a managed service for information exchange and storage over a 10 year period with an option to extend for a further 5 years. This contract has an estimated value of approximately £32.7m of which £9.3m is estimated to be the capital value. Amounts relating to prepayments, totalling £1.9m at 31 March 2007, are released over the estimated life of the project - these are accounted for in note 18.

28.2 Charge to the Operating Cost Statement and future commitments

The total amount charged in the Operating Cost Statement in respect of off-balance sheet PPP transactions was £3,363,104 (2005-06: £3,107,157); and the payments to which the department is committed during 2007-08, analysed by the period during which the commitment expires, is as follows:

CORE DEPARTMENT AND CONSOLIDATED	2006-07 £000	2005-06 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	-	-
Expiry within 6 to 10 years	2,877	3,262
	2,877	3,262

29. Other financial commitments

The Department has no non-cancellable contracts as at 31 March 2007.

30. Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Northern Ireland Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department 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 omitted from the currency profile.

30.1 Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. It is not, therefore, exposed to significant liquidity risks.

30.2 Interest-rate risk

All of the Department's financial assets and liabilities carry nil rates of interest, or are at floating rates of interest. The largest of the Department's financial liabilities consists of a number of loans from the National Loans Fund (NLF), which have been on-lent to the Department of Finance and Personnel (DFP). As these loans are repayable to the NIO by DFP, they also appear in the Department's account as a financial asset.

The interest repayments on these loans are met by DFP, and therefore the Department is not exposed to any interest rate risks on these loans. The Department also has an overdraft facility with a commercial bank, upon which no interest is chargeable to the Department. The balance on any overdraft tends to be small and promptly cleared.

Consequently, the Department does not consider itself to be exposed to any significant interest rate risks.

30.3 Interest rate profile

The following two tables show the interest rate profiles of the department's financial liabilities and assets.

Financial Liabilities

Loan advances	Balance 31 March 2007 £000	Interest rate	Period until maturity
NLF loans on-lent to DFP	1,492,189	Set by NLF	9 - 25 years

All loans are repayable bi-annually over a period of 25 years, interest being charged at the NLF floating rate. Note 16 discloses only the principal element of NLF advances due to the disproportionate amount of work required to calculate an interest figure which has nil net impact on the account.

Overdraft Facilities	Balance 31 March 2007 £000	Interest rate	Period until maturity
Commercial Banks	6,535	Nil	Repayable on demand

Non-Pension Provisions	Balance 31 March 2007 £000	Interest rate	Period until maturity
Early Departure Costs	860	Nil	Dependent on proceedings
Compensation Payments	37,787	Nil	Dependent on proceedings
Staff Reduction Programme	122	Nil	2010
Litigation Claims	6,818	Nil	Dependent on proceedings
Others	6,033	Nil	Dependent on proceedings

Financial Assets

Excluding the Department's loan from the NLF (which is on-lent to the DFP and is therefore also a financial asset of the Department), the Department's primary financial asset as at 31 March 2007 is:

Bank and Cash	Balance 31 March 2007 £000	Interest rate	Period until maturity
Office of HM Paymaster General	50,258	Nil	Available on demand

The Department draws down vote money from the Consolidated Fund into the account of the Office of HM Paymaster General in order to cover running costs.

30.4 Foreign currency risk

All the material assets and liabilities of the Department are denominated in sterling, therefore the Department has no exposure to foreign currency risks.

30.5 Fair values

Set out below is a comparison by category of book values and fair values of the Department's financial assets and liabilities as at 31 March 2007.

	Book value	Fair Value	Basis of fair valuation
	£000	£000	
Primary financial instruments:			
Financial assets:			
NLF loans on-lent to DFP	1,492,189	1,492,189	Note a
Long-term debtors	3,850	3,850	Note b
Financial liabilities:			
Bank overdraft	-	-	Note b
NLF loans received for on-lending	(1,492,189)	(1,492,189)	Note a
Long-term creditors – consolidated fund	25	25	Note b
Long-term creditors – other creditors	4,893	4,893	Note c
Provisions	51,620	51,620	Note b

Note:

- a. Loan is at NLF floating rate so fair value is not significantly different from book value.
- b. Fair value is not significantly different from book value.
- c. It is not applicable to state a fair value as this balance is repayable in instalments governed by a contractual agreement that cannot be altered.

31. Contingent liabilities disclosed under FRS 12

Listed below are the Department's contingent liabilities that have not been recognised as provisions because their existence will only be confirmed by the occurrence of one or more uncertain future events, not wholly within the Department's control.

(i)	
Description of liability:	Supplier contracts, employment and personnel cases outstanding against the NIO Core Department.
Expected date of Settlement:	Settlement dates are unknown.
Uncertainties and major assumptions:	These claims have not been provided for in the department's financial statements as they are considered unlikely to be successful.

- (ii)**
Description of liability: Litigation claims against the Northern Ireland Prison Service that are expected to be unsuccessful.
- Expected date of Settlement: 2007 onwards (considerable number of individual cases).
- Uncertainties and major assumptions: At year-end the NI Prison Service has estimated contingent liabilities of £782,000 (2005-06: £1,179,000) in respect of litigation claims against the Agency. These claims have not been provided for in the financial statements as the Prison Service believes it unlikely that they will be successful. The NI Prison Service has an equal pay case pending and is confident that the case can be successfully defended, but should it lose, the costs could be significant.
- (iii)**
Description of liability: At 31 March 2007 there is one claim against the Compensation Agency in respect of an industrial injury action.
- Expected date of Settlement: Settlement date unknown.
- Uncertainties and major assumptions: This case is being defended by the Compensation Agency. As at 31 March 2007, the Agency was unable to quantify the possible liability resulting from this claim.
- (iv)**
Description of liability: The Youth Justice Agency is currently contesting a number of personal injury or industrial tribunal claims brought by staff or young people.
- Expected date of Settlement: Settlement date unknown.
- Uncertainties and major assumptions: These cases are being defended by the Youth Justice Agency. The possible cost to the Agency has been estimated at £58k. If payments materialise, they will do during the 2007-08 financial year.
- (v)**
Description of liability: There are 2 claims made by former employees against Forensic Science Northern Ireland in respect of injuries during the course of employment.
- Expected date of Settlement: Settlement date unknown.
- Uncertainties and major assumptions: These cases are being defended by Forensic Science Northern Ireland. The possible cost to the Agency has been estimated at £5k.

32. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

The Department has no contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes as at 31 March 2007.

33. Losses and special payments

33(a) Losses Statement

	2006-07	2005-06
	£000	£000
Total (1,127 cases)	12,379	8,463
28 cases amounting to £41,677 in relation to sundry write-offs	42	167
1,099 cases amounting to £12,337,531 for Compensation Payments	12,337	8,296

The Secretary of State has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid. Amounts not received are treated as a loss. There were 1,099 cases (2005-06: 731) cases amounting to £12,337,531 (2005-06: £8,295,837) where final compensation payments were made in 2006-07 and offenders identified but it was not considered economic to pursue recovery.

During 2006-07, final compensation payments were made in 4,070 cases (2005-06: 4,886) (this includes the 1,099 cases mentioned above). The total amount of compensation paid in these cases was £39,492,059 (2005-06: £40,780,038). This figure incorporates interim payments made in previous years.

34. Related party transactions

The Northern Ireland Office is the parent Department of a number of entities. During the year the NIO has had a number of material transactions with these entities and with other entities which, for financial reporting purposes, are regarded as related parties. These include:

Executive Agencies:

- Northern Ireland Prison Service
- Compensation Agency
- Forensic Science Northern Ireland
- Youth Justice Agency

Non-departmental public bodies:

- Probation Board for Northern Ireland
- Northern Ireland Policing Board
- Police Service of Northern Ireland
- Northern Ireland Human Rights Commission
- Office of the Police Ombudsman for Northern Ireland
- Northern Ireland Police Fund
- Criminal Justice Inspection Northern Ireland
- RUC George Cross Foundation
- Northern Ireland Memorial Fund (transferred to OFMDFM on 1 September 2006)

In addition, the Northern Ireland Office has had a number of material transactions with other government bodies. Most of these transactions have been with the Department of Finance and Personnel.

The Public Prosecutions Service (PPS) paid professional fees of £237k to a barrister who is related to an Assistant Director in the PPS.

The Core department paid consultancy fees of £15k to a consultant engineer who is related to a Senior Legal Advisor in the Crown Solicitor's Office.

Northern Ireland Prison Service paid an amount of £14k for car-parking facilities to the Northern Ireland Transport Holding Company, a company in which a NIPS Non-Executive Director is also a Non-Executive Director. The individual played no part in the award of this contract and all transactions were conducted on a commercial basis at arm's length.

An acting Director within Youth Justice Agency, is a member of 'Include Youth' and NIACRO, to which the Youth Justice Agency paid amounts of £24k and £287k to 'Include Youth' and NIACRO respectively for services provided to the Agency during the year. The Youth Justice Agency also received £45k from NIACRO for the reimbursement of salary costs incurred by the Agency.

The wife of an assistant Director within Youth Justice Agency is director of 'Unicorn Consultancy', which received £4k for Training Services provided to the Agency during the year.

The individuals mentioned above played no part in the award of the contracts and all transactions were conducted on a commercial basis at arm's length.

In relation to the Compensation Agency, the Chief Executive is the Vice-Chair of an organisation which has a pending claim with the Agency. The estimated value of the claim is £20k.

With the exception of the above, none of the board members, key managerial staff or other related parties has undertaken any other material transactions with the NIO during the year.

35. Third-party assets

Crown Solicitor's Office restitution monies, received for subsequent payover to other departments, are not regarded as a departmental asset. The balance held by the Department as at 31 March 2007 amounted to *£nil* (31 March 2006: £123,287.40). In 2006-07 the CSO paid out more than it recovered in respect of restitution monies, resulting in a balance owing at 31 March 2007 of £481,475.67. This amount is wholly recoverable by CSO and is therefore included within the primary statements.

All prisoners have a private (Prisoners' Private Cash – PPC) account into which prison earnings and cash received from visits or through the post are lodged. These accounts are also used by prisoners to fund all purchases from the prison tuckshop. When prisoners are finally discharged they are paid the full balance of their PPC account.

Young people in custody have a private cash facility for the lodgement of their pocket money and funding of tuckshop purchases. When the young people are discharged they are paid in full the balance on their account.

Bank balances for minors under the Criminal Injuries Compensation (Northern Ireland) Order 2002 are held and attract compound interest until the minors reach the age of 18.

The combined movement of the above third party assets is summarised in the table below:

	31 March 2006 £000	Gross Inflows £000	Gross Outflows £000	31 March 2007 £000
Monetary assets such as bank balances and monies on deposit	1,954	4,081	(3,538)	2,497

36. Entities within the departmental boundary

The entities within the boundary during 2006-07 were as follows:

Executive Agencies: Northern Ireland Prison Service
Compensation Agency
Forensic Science Northern Ireland
Youth Justice Agency

The annual reports and accounts of these Executive Agencies are published separately.

Non-Executive NDPBs: Criminal Injuries Compensation Appeals Panel for Northern Ireland*
Parades Commission*
Office of the Oversight Commissioner*
Office of the Justice Oversight Commissioner
Boundary Commission for Northern Ireland
Independent Assessor for PSNI Recruitment Applications
Independent Assessor of Military Complaints Procedures

Other entities:*Commissions*

Independent Commissioner for Detained Terrorist Suspects
Independent International Commission for Decommissioning
Office of the Surveillance Commissioner
Sentence Review Commissioner
Life Sentence Review Commissioners
Civil Service Commissioners
Remission of Sentences Commissioners
Independent Monitoring Commission*
International Independent Commission for the Location of Victims' Remains
Commissioner for Hearings under Prison Rule 109B
Chief Electoral Office

Other Judicial Bodies/Reviews

Bloody Sunday Inquiry
Billy Wright Inquiry
Robert Hamill Inquiry
Rosemary Nelson Inquiry

Others

Boards of Visitors, HMPs Maghaberry and Magilligan
Visiting Committee, Young Offenders Centre, Hydebank
Prisoner Ombudsman
Prison Service Trust*
Northern Ireland Prison Service Sports Association*
Police Rehabilitation and Retraining Trust*

*Separate accruals accounts are produced for these entities.

37. Events after the balance sheet date

There were no events occurring after the balance sheet date that require disclosure. The financial statements were authorised for issue by the Accounting Officer on 11 July 2007.

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