Northern Ireland Office

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

Secretary of State's Sixth Report including accounts for the year ended 31 March 2009
Under Section 11(1) of the Northern Ireland (Monitoring Commission etc.) Act 2003

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Preface

I am pleased to present the sixth annual report to Parliament under section 11(1) of the Northern Ireland (Monitoring Commission etc.) Act 2003. This report covers the twelve-month period 18 September 2008 to 17 September 2009 and contains the audited accounts of the Independent Monitoring Commission for the 2008/09 financial year.

The IMC continued to provide an independent assessment of any continuing activity by paramilitary organisations. This contributed to the process of restoring devolution in Northern Ireland.

This report covers the 20th and 21st report on paramilitary activity. It does not refer to the 22nd, 23rd and 24th reports on paramilitary activity as they fell outside the twelve month period under review.

The IMC has performed an important role, supporting the transition to a peaceful society with stable and inclusive devolved Government in Northern Ireland. I am grateful to the Commissioners for their contribution and the work they have undertaken.

OWEN PATERSON MP
SECRETARY OF STATE FOR NORTHERN IRELAND

1. Introduction and Background

Introduction

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

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

- the operation of the Agreement that established the IMC; and
- the operation of those parts of the 2003 Act that amend the Northern Ireland Act 1998[2] ('the 1998 Act').

Background

1.3 The Agreement between the British and Irish Governments that led to the establishment of the IMC was published on 1 May 2003 alongside a Joint Declaration[3] from the Governments on steps necessary to build trust and confidence amongst the Northern Ireland political parties with a view to restoration of the Belfast Agreement institutions.

1.4 The Agreement set out the functions of the new body. The IMC would monitor and report on ongoing paramilitary activity, and a programme of security normalisation measures initiated by the British Government (when that commenced). It would also consider claims that a party sitting in the Northern Ireland Assembly was in breach of its commitments under the Belfast Agreement.

1.5 The IMC was formally established on 7 January 2004, by means of an International Agreement between the British and Irish Governments. Supplementary legislation was required in each country. In the UK,

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

that has been the 2003 Act and the Northern Ireland (Monitoring Commission etc.) Act 2003 (Immunities and Privileges) Order 2003[4]. These pieces of legislation established the IMC as an independent body in international law and allowed it to operate in the United Kingdom and Ireland.

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

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

Status of the Independent Monitoring Commission and its Duties

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

[4] SI 2003 No 3126

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

2. IMC Activities

Administration

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

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

Management Statement and Financial Memorandum

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

Reports

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

Accounts and Recoupment

2.5 The IMC's accounts for the period 1 April 2008 to 31 March 2009 were completed and subject to audit. These accounts are included later in this report.

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

Accessibility of IMC

2.7 Under Article 8 of the International Agreement, the IMC must be accessible to all interested parties and must consult as necessary on the issues mentioned in Articles 4 to 6 in preparing its reports and making recommendations as described in Article 7. The IMC continued to make itself available to speak to interested parties, and actively solicited the views of others.

Normalisation

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

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

2.10 As noted in my fifth report, the normalisation programme is now complete. The IMC have no further role in reporting on security normalisation.

Foreword to the Accounts for the year ended 31 March 2009

History and statutory background

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

Principal activities

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

Review of activities

Corporate Governance

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

Reports

2.14 The IMC made two reports during the financial period.

Membership of the IMC

2.15 The Commissioners who served during the year were:

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

Financial position as at 31 March 2009

2.16 The Commission's financial position for the year ended 31 March 2009 is set out in the Operating Cost Statement and the Balance Sheet on pages 33 and 34 respectively. The deficit for the year increased to £365,045 from £315,560 in 2007-08. Increased staff costs and associated expenses have contributed to this. The Commission had net assets of £332,402 at 31 March 2009, an increase of £226,635 on the previous period's net assets of £105,767. The increase in debtors in the period represents a full years funding outstanding at the balance sheet date. Ongoing cash requirements continue to be met from the NIO's funding.

Remuneration and pensions

2.17 Full details of the Commissioner's remuneration and pension interests for the year ended 31 March 2009 are contained in note 3 to the accounts. Salaries of the joint secretaries are contained in the Remuneration Report laid out on pages 20 to 22. Pensions are provided to staff through the Principal Civil Service Pension Scheme Northern Ireland. Further information on pension costs can be found in Note 3 to the Accounts.

Risk management

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

Future developments

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

Post balance sheet events

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

2.21 On 12 May 2010, Owen Paterson replaced Shaun Woodward as Secretary of State for Northern Ireland.

2.22 On 4th November 2010, the Secretary of State, Owen Paterson announced his intention to bring the work of the IMC to a close. No date for closure has been agreed.

Equal opportunities

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

Health and safety

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

Employee involvement

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

Prompt payment- *Payment within 30 calendar days*

2.26 The IMC is committed to the prompt payment of bills for goods and services received in accordance with the NIO compliance with the "The Better Payments Practice Code" for achieving good payment performance in commercial transactions. Further details regarding this are available on the website www.payontime.co.uk. Under this Code, 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.

2.27 For the NIO, the prompt payment results for 2008-09 showed that 90% (2007-08:92%) of invoices were paid in accordance with the terms of the standard.

Prompt payment- Payment within 10 workings days

2.28 The Prime Minister's statement of 8 October 2008 set a challenge to Government Departments to pay suppliers as soon as possible, with the aim of bringing forward all payments to within 10 days. Following the guidance issued by the Cabinet Office on 17 November 2008, the NIO revised internal timescales for the processing and payment of invoices with effect from 1 December 2008. The performance for the 4 months to 31 March 2009 showed that 82% of invoices were paid within 10 working days following receipt of a properly rendered invoice.

IMC committed to feeding into these timescales. In addition to this, the former Department for Business Enterprise and Regulatory Reform, now Department for Business Innovation and Skills, launched a new code of practice in December 2008 to help increase the speed of payments between customers and their suppliers. The prompt payment code was developed in partnership with the Institute of Credit Management and aims to establish a clear and consistent policy in the payment of business bills. The NIO has shown its support and commitment to the principles of the code by becoming a signatory and as part of that IMC is committed to ensuring it can also deliver. Further details regarding this are available at www.promptpaymentcode.org.uk.

Audit

2.29 These accounts have been audited by the Comptroller and Auditor General. A fee of £6,000 has been charged by the National Audit Office in respect of audit services provided during the year.

Going concern

2.30 The Balance Sheet as at 31 March 2009 shows net assets of £332,402, consisting of £395,609 assets and £63,207 liabilities. The IMC's future funding requirements will be met by future deficit funding from the IMC's sponsoring Department, the Northern Ireland Office. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such funding may not be issued in advance of need.

2.31 Deficit funding for the year ended 31 March 2009, taking into account the amounts required to meet the IMC's liabilities falling due in that year, has already been included in the Department's estimates for that year, which have been approved by Parliament. On 4th November 2010, the Secretary of State, Owen Paterson announced his intention to bring the work of the IMC to a close. No date for closure has been agreed. There is no reason to believe that if required the IMC's future funding from the Department of Justice in the Republic of Ireland and the Northern Ireland Office will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements. The going concern basis is not materially different to the net realisable cost basis.

Disclosure of audit information

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

STEPHEN BOYS SMITH

Accounting Officer
Date: 23 December 2010

3. Paramilitary Activity Reports

3.1 The IMC published two reports on paramilitary activity during the period covered by this report. This report focuses on the requirements of section 11 of the 2003 Act. It does not attempt to summarise in any detail IMC's reports, which are available publicly[5].

Requirements for Reports on Paramilitary Activity

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

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

3.4 Article 7 of the Agreement requires the IMC to recommend any remedial action considered necessary when reporting on paramilitary activity under Article 4. The Commission may also recommend what measures, if any, the Northern Ireland Assembly should take but is limited in this respect to recommending measures provided for in the Northern Ireland Act 1998 as amended by the 2003 Act (exclusion, reduction of salaries, reduction of financial assistance to parties and censure).

[5] The full reports are available via the Independent Monitoring Commission's website at www.independentmonitoringcommission.org

The Twentieth Report on Paramilitary Activity[6] – Content and Action by the Secretary of State

3.5 The Twentieth Report, made under Articles 4 and 7 of the International Agreement was published on 10 November 2008 by means of a press release.

3.6 The Report underlined the progress that had been made, particularly over the last three years, towards a normal society in Northern Ireland.

3.7 The report clearly showed that both the Real Irish Republican Army (RIRA) and the Continuity Irish Republican Army (CIRA) had been more active during the reporting period. It was acknowledged that the absence of certainty over the devolution of policing and justice had created a political vacuum, or may have caused disaffection among republican supporters, which dissident republican groups thought that they were able to exploit.

3.8 The report's picture of an increased threat by dissident republicans, including a high level of threat to police officers, was a matter of concern, and the PSNI and security services continued to work to counter it. The PSNI was commended for this work, with the threat so firmly targeted at its own officers.

3.9 The report confirmed the assessment made in previous reports that PIRA had maintained an exclusively political path and had completely relinquished the leadership and other structures appropriate to a time of armed conflict.

3.10 The IMC was clear that while there was intent by some loyalists to proceed along a peaceful path, progress had been disappointingly slow

[6] The full report is available via the Independent Monitoring Commission's website www.independentmonitoringcommission.org/documents/uploads/Twentieth%20Report.pdf

with some members being involved in criminality for personal gain. The message to the Ulster Defence Association (UDA) was clear: "It must recognise that the organisation's time as a paramilitary group has passed and that decommissioning is inevitable".

The Twenty First Report on Paramilitary Activity [7]– Content and Action by the Secretary of State

3.11 The Twenty First Report, made under articles 4 and 7 of the International Agreement, was published on the 7 May 2009 by press release. This report continued the six-monthly cycle required by the Agreement and covered the six months from 1 September 2008 to 28 February 2009, updating the situation presented in the Twentieth report, which covered the proceeding six months.

3.12 As was the case in the previous six month reporting cycle, CIRA and RIRA had been especially active in the six-month period under review, resulting in a more concentrated period of attacks than at any time since the IMC began reporting in 2004. This was further demonstrated by the murders of Sappers Mark Quinsey and Patrick Azimkar, and police constable Stephen Carroll, although these murders occurred outside the six months covered in this report and are considered in detail in the IMC's November 2009 report.

3.13 In relation to Loyalist organisations, the IMC reported that there were some signs that the UDA were facing up to the challenge of the decommissioning of weapons, and that some of the leadership of the UVF increasingly recognised that the organisation must tackle decommissioning.

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

3.14 This report confirmed that PIRA continued to maintain an exclusively political path and noted the strong public stand, which was taken by leading figures in the republican movement, after the murders in early March 2009. The IMC were of the belief that PIRA would continue to maintain their political course.

4. Ad Hoc Reports

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

Requirements for Ad Hoc Reports

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

5. Arrangements for Article 6 Reports

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

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

5.3 Article 6(2) makes clear that any claims that relate to the operation of the institutional arrangements under Strand 1 of the Belfast Agreement can only be considered by the Commissioners appointed by the British

Government (Lord Alderdice and John Grieve). Article 6(3) provides that such reports shall be made to the British Government only. Other reports under Article 6 are to be made to both Governments.

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

5.5 The Article 6 reporting arrangements operate in the context of a sitting Assembly. During this reporting period 18 September 2008 to 17 September 2009 there were no requests made for Article 6 reports.

6. Remuneration Report

Senior management

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

6.2 Mr Boys Smith is also the Commission's Accounting Officer.

Remuneration policy

6.3 The Joint Secretaries are retired civil servants. They are paid salaries agreed by the Commissioners in Mr Boys Smith's case a per diem rate and in Mr Mellett's case an annual rate.

Performance conditions

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

Service contracts

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

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

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

Salary and pension entitlements (Audited Information)

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

	2008/09		**2007/08**	
	Salary	**Benefits in kind**	**Salary**	**Benefits in kind**
	£'000	**£'000**	**£'000**	**£'000**
British Joint Secretary				
- Stephen Boys Smith*	25-30	-	40-45	-
Irish Joint Secretary				
- Michael Mellett**	95-100	-	80-85	-

* Mr Boys Smith's salary has decreased due to a reduction in workload relating to reduced paramilitary activity.

** The Irish Joint Secretary was paid in Euro which has been converted to sterling in accordance with the exchange rate policy detailed at note 15. Mr Mellett's salary is determined by the Irish Government in accordance with Department of Justice pay scales which are determined on a calendar year basis.

Salary

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

Benefits-in-kind

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

Pension

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

STEPHEN BOYS SMITH

Accounting Officer

Date: 23 December 2010

7. Accounts

Statement of the Independent Monitoring Commission and the Accounting Officer Responsibilities

7.1 Under the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland the IMC is required to prepare accounts in the form and on the basis determined by the Secretary of State, with the approval of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the IMC's state of affairs at the year end and of its net operating costs, recognised gains and losses and cash flows for the financial year.

7.2 In preparing the accounts the Accounting Officer is required to:

- Observe the accounts direction issued by the Northern Ireland Office on behalf of the Secretary of State including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

7.3 The Accounting Officer for the Northern Ireland Office has designated the UK Joint Secretary to the IMC as the Accounting Officer for the IMC. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental

Public Bodies’ Accounting Officers’ Memorandum issued by HM Treasury and published in Managing Public Money.

Statement on Internal Control

Scope of responsibility

7.4 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Independent Monitoring Commission's policies, aims and objectives, whilst safeguarding the public funds and the Commission's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

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

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

The purpose of the system of internal control

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

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

7.9 The system of internal control has been in place in the Independent Monitoring Commission for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to handle risk

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

7.11 The Commission has identified all significant risks to its business and has developed an IMC Risk Register which is the responsibility of the Commission’s management. Each member is responsible for the identification and prioritisation of those risks within their areas of responsibility which may prevent the Commission achieving its policies, aims and objectives. Each member must review the actions taken to mitigate this risk to an acceptable level. The register includes for each identified risk, the probability rating, possible causes, business implications, actions for mitigation and any other information required to manage the risk.

The risk and control framework

7.12 The procedures in place for verifying risk management and internal control are regularly reviewed. The risk register is reviewed on a bi-annual basis. The risks identified per the risk register include:

- The inability of Commissioners to undertake necessary duties;
- The inability of Commissioners or Secretariat to deliver work effectively due to excessive workload;
- The loss of contents of office(s) in Belfast or Dublin;
- The loss of access in offices in Belfast or Dublin;

7.13 The controls and systems operating within the Commission include:

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

Review of effectiveness

7.14 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

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

Significant Internal Control Problems

7.16 In respect of the 2008/09 financial year the internal auditors consider a limited assurance rating to be appropriate. The report identifies a number of issues in relation to the internal control system, such as the lack of review processes in respect of the nominal ledger and budget centre reports and the undue reliance on NIO undertaking the payment function. The report also noted issues in respect of the Commission's compliance with the NIO's hospitality policy and the need to retain and review payroll documentation processed by the NIO payroll unit.

7.17 The Commission accepts the recommendations made by the internal auditors and is working to implement the recommendations as soon as is practicable.

STEPHEN BOYS SMITH
Accounting Officer
Date: 23 December 2010

THE INDEPENDENT AUDITOR's REPORT TO THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE REPUBLIC OF IRELAND

I have audited the financial statements of the Independent Monitoring Commission for the year ended 31 March 2009. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and the related notes to the Accounts.

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

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

The Independent Monitoring Commission and the Joint Secretary as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Article 14 of the Agreement establishing the Independent Monitoring Commission and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Independent Monitoring Commission and 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 the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland. I report to you whether, in my opinion, the information given in the Secretary of State's Sixth Report, which comprises the Introduction and Background, and IMC Activities, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Ireland and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Independent Monitoring Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.
I review whether the Statement on Internal Control reflects Independent Monitoring Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Independent Monitoring Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Secretary of State's Sixth Report and consider whether it is consistent with the audited financial statements. This information comprises the Preface, Paramilitary Activity Reports, Adhoc Reports, Arrangements for Article 6 Reports and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit 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 Independent Monitoring Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Independent Monitoring Commission's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland, of the state of the Independent Monitoring Commission's affairs as at 31 March 2009 and of its net operating costs, recognised gains and losses, and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the agreement establishing the Independent Monitoring Commission and directions made thereunder on behalf of the Secretary of State for Northern Ireland; and
- information given within the Secretary of State's Sixth Report, which comprises the Introduction and Background, and IMC Activities, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157 - 197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Date: 2 March 2011

Operating Cost Statement for the year ended 31 March 2009

	Note	2009 £	2008 £
Income			
Operating Income	2	364,404	346,920
Expenditure			
Staff costs	3	349,044	325,998
Depreciation	6	5,197	12,229
Notional cost of capital	5	7,588	2,315
Other operating costs	4	375,208	324,253
Total expenditure		737,037	664,795
(Deficit) for the year prior to credit in respect of notional cost of capital		(372,633)	(317,875)
Credit in respect of notional costs		7,588	2,315
Net Cost of Operations		(365,045)	(315,560)
Amount Transferred to Reserves		(365,045)	(315,560)

All amounts above relate to continuing activities.

There are no other gains and losses other than retained deficit for the year.

The notes on pages 37 to 49 form part of these accounts.

Balance Sheet as at 31 March 2009

	Note	2009 £	2008 £
Fixed Assets			
Tangible assets	6	5,781	10,978
Current Assets			
Debtors	9	389,828	176,387
		389,828	176,387
Current Liabilities			
Creditors: amounts falling due within one year	10	(63,207)	(81,598)
Net Current Assets/(Liabilities)		326,621	94,789
Total Assets less Liabilities		332,402	105,767
Financed By:			
Capital and Reserves			
General fund	12	332,380	105,745
Revaluation reserve	12	22	22
		332,402	105,767

STEPHEN BOYS SMITH
Accounting Officer
Date: 23 December 2010

The notes on pages 37 to 49 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2009

	Note	2009 £	2008 £
Net cash flow from operating activities	14	(591,680)	(394,801)
Cash Outflow before Financing		(591,680)	(394,801)
Financing			
Cash Inflow from Financing	12	(591,680)	(394,801)
Cash Flow for period		-	-

The notes on pages 37 to 49 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

These financial statements have been prepared in accordance with the 2008–09 Financial Reporting Manual (FReM). 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.

Accounting Convention

The financial statements have been prepared in accordance with the historical cost convention, modified by the revaluation of certain fixed assets by reference to their current cost, and with the accounts direction.

Tangible fixed assets

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

Depreciation

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

The estimated useful lives for depreciation purposes are as follows:-

Office equipment	15 years

Leasehold improvements	2-5 years
Computer equipment	5 years

Notional Cost of Capital charge

A charge reflecting the cost of capital utilised by the IMC, is included in the operating costs. The charge is calculated at HM Treasury's standard rate of 3.5 percent on all assets less liabilities.

Value Added Tax

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

Pension Costs

The employees of the IMC are covered by the provisions of the Principal Civil Service Pension Scheme Northern Ireland, (PCSPS (NI)), which is described at Note 3. The defined benefit elements of the scheme is unfunded and is non-contributory except in respect of dependants' benefits. The organisation recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution elements of the scheme, the organisation recognised the contributions payable for the year.

Provisions

The IMC makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists, where the transfer of economic benefits is probable and a reasonable estimate can be made.

Financial Instruments

- Recognition

Financial assets and financial liabilities are recognised on the IMC's balance sheet when the IMC becomes party to the contractual provisions of the instrument on a trade date basis.

- Trade and other debtors

Trade and other debtors are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated, irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

- Trade creditors

Trade creditors are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Income

The IMC receives income from the Department of Justice in the Republic of Ireland for 50% of operational costs excluding minor final accounting adjustments which are reflected in the following year and non-cash costs. All accounting transactions are processed through the NIO and are included in the NIO Resource Accounts.

2. Income

	2009	2008
	£	£
Reimbursement from Department of Justice	364,404	346,920

3. Staff costs

	Directly employed staff	Commissioners [1]	Staff on secondment and contract staff [2]	2009 Total
	£	£	£	£
Wages & salaries	68,921	89,916	173,566	332,403
Social security costs	4,748	-	-	4,748
Pension costs	11,893	-	-	11,893
	85,562	89,916	173,566	349,044

	Directly employed staff	Commissioners [1]	Staff on secondment and contract staff [2]	2008 Total
	£	£	£	£
Wages & salaries	67,878	82,125	159,855	309,858
Social security costs	4,718	-	-	4,718
Pension costs	11,422	-	-	11,422
	84,018	82,125	159,855	325,998

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

(2) Amounts payable in respect of staff on secondment and contract staff includes amounts payable to the two Joint Secretaries (including the Accounting Officer) and one member of staff seconded from the Department of Justice. The exchange rate policy at note 15 was applied for those staff paid in Euro.

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

For the year ending 31 March 2009, employer's contribution of £11,893 (31 March 2008 (£11,422)) were payable to the PCSPS (NI) at one of four rates in the range 16 to 23.5 per cent (31 March 2008: 12 to 18.5 per cent) of pensionable pay, based on salary bands.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. From 2009/10, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2010). The contribution rates are set to meet the costs of the benefits accruing, during 2008/09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2007/08: £nil). Contributions prepaid at that date were £nil (2007/08: £nil).

The Remuneration Report in section 6 of this report contains further pension information.

3. Staff Numbers and Costs (Cont'd)

Number of Employees

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

	2009	2008
	£	**£**
Employed on a full-time basis	3	3
Commissioners (of which there are 4 Commissioners)	1.5	1.5
Staff on secondment and contract staff (of which there are 4 staff)	2	2

Numbers and costs of Commissioners

The total emoluments of the Commissioners during the year ended 31 March 2009 amounted to £89,916 (31 March 2008: £82,125). The Commissioners are Non-Northern Ireland Civil Servants therefore they are not pensionable.

	2009	2008
	£	**£**
Lord Alderdice	24,245	22,407
Richard Kerr	18,668	12,879
Joe Brosnan	21,978	26,076
John Grieve	25,025	20,763
	89,916	82,125

4. Other Operating Costs

	2009	2008
	£	£
Other operating costs comprise		
Accommodation costs	3,281	3,615
Rent	161,575	162,150
Travel, subsistence and hospitality	21,451	14,486
Publications	8,786	438
IT expenses	9,969	13,032
Telecommunications	5,477	5,265
Commissioners’ expenses	96,186	66,430
Support staff expenses	36,015	27,836
Professional advisors’ fees	8,306	7,246
Auditor’s remuneration	6,000	5,000
Accountancy fees	4,500	6,480
Stationery, printing and postage	9,516	5,854
Other expenditure	4,146	6,421
	375,208	324,253

5. Notional Cost of Capital

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

	2009	2008
	£	£
Cost of capital	7,588	2,315

6. Fixed Assets

Tangible Assets

	Office Equipment	Leasehold Improvements	Computer Equipment	Total
	£	£	£	£
Cost or valuation at				
1 April 2008	5,233	19,332	20,655	45,220
Additions	-	-	-	-
Disposals	-	-	-	-
Cost or valuation as				
31 March 2009	5,233	19,332	20,655	45,220
Accumulated depreciation				
at 1 April 2008	1,125	18,583	14,534	34,242
Charge for year	350	749	4,098	5,197
Disposals	-	-	-	-
Accumulated depreciation				
at 31 March 2009	1,475	19,332	18,632	39,439
Net Book Value at				
31 March 2009	3,758	0	2,023	5,781
Net Book Value at				
31 March 2008	4,108	749	6,121	10,978

7. Capital Commitments

There were no outstanding capital commitments as at 31 March 2009.

8. Contingent Liabilities

There were no contingent liabilities as at 31 March 2009.

9. Debtors

	2009	**2008**
	£	**£**
Debtors	367,207	154,286
Prepayments	22,621	22,101
	389,828	176,387

10. Creditors

	2009	**2008**
	£	**£**
Amounts falling due within one year:		
Accruals	63,207	81,598
	63,207	81,598

11. Provisions for liabilities and charges

There are no provisions as at 31 March 2009.

12. Reconciliation of Movements in Reserves

	General Fund	Revaluation Reserve	Total
	£	£	£
At 1 April 2008	105,745	22	105,767
Transfer from Operating Cost Statement	(365,045)	-	(365,045)
Financing from vote	591,680	-	591,680
At 31 March 2009	332,380	22	332,402

13. Financial Commitment under Operating Leases

As at 31 March 2009 the IMC had annual commitments under non-cancellable operating leases expiring as follows:

	2009	2008
	£	£
Expiry within 1 year	26,450	27,025
Expiry after 1 year, but not more than 5 years	-	-
Expiry thereafter	-	-
	26,450	27,025

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

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

	2009	2008
	£	£
Deficit for the period	(365,045)	(315,560)
Depreciation	5,197	12,229
(Increase)/Decrease in debtors	(213,441)	14,354
Increase/(Decrease) in creditors	(18,391)	(105,824)
Net Cash Outflow From Operating Activities	(591,680)	(394,801)

15. Financial Instruments

FRS 25, Financial Instruments: Disclosure and Presentation, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the non-trading nature of its activities and the way in which executive Non-Departmental Public Bodies are financed, the IMC is not exposed to the degree of risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 25 mainly applies. The IMC has no powers to borrow or invest surplus funds and has limited end year flexibility. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the IMC in undertaking its activities.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

Liquidity and Credit Risk

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

Interest-Rate Risk

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

Currency Risk

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

16. Related Party Transactions

The IMC is an independent statutory body, established under the Northern Ireland (Monitoring Commission etc) Act 2003 and the Agreement between the Government of the United Kingdom and

Northern Ireland and the Government of Ireland, and funded jointly by the Secretary of State through the Northern Ireland Office and the Department of Justice in the Republic of Ireland.

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

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

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

17. Events After The Balance Sheet Date

Details of all events after the balance sheet date are included in sections 2.20, 2.21 and 2.22 of this report. The implications of the closure of IMC have been considered in the context of these financial statements. As noted in section 2.31, there is no material difference between balances stated on a going concern basis or a net realisable cost basis. Since no date has been announced for the closure of IMC, the financial statements have been prepared on a going concern basis. The financial statements were authorised for issue by the Accounting Officer on the same date that the Comptroller and Auditor General signed his audit report.