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Office

ANNUAL REPORT AND ACCOUNTS 2012-13

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Northern Ireland Office

Annual Report and Accounts 2012-13

(For the year ended 31 March 2013)

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This is part of a series of departmental publications which, along with the Main Estimates 2013-14 and the document Public Expenditure: Statistical Analyses 2013, present the Government's outturn for 2012-13 and planned expenditure for 2013-14

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FOREWORD**By the Right Honourable Theresa Villiers MP, Secretary of State for Northern Ireland**

It gives me great pleasure to present the Northern Ireland Office Annual Report and Accounts 2012-13 to Parliament, my first as Secretary of State for Northern Ireland. I would like to pay tribute to my predecessor, Owen Paterson, for his many achievements as Secretary of State and his great commitment to and enthusiasm for Northern Ireland.

The financial year covered by this Report saw some great moments for Northern Ireland. Last summer Northern Ireland played its part in the Olympic Torch Relay; the Irish Open at Portrush was an outstanding success; and the Diamond Jubilee visit of Her Majesty the Queen witnessed yet more historic steps forward for the community.

In November 2012 the Prime Minister announced that Lough Erne, Co Fermanagh would host the 2013 G8 Summit. The NIO began preparations to ensure a safe, secure and successful summit and to showcase Northern Ireland to the world. Derry-Londonderry has had a great start as the first ever UK city of culture, with many more eye-catching events to come. We have also given our support to the World Police and Fire Games to be held in Belfast in August 2013.

On a less positive note, the year saw disorder around a number of parades and flag protests. The threat from terrorism also continues to be severe, with dissident republicans repeatedly targeting police and prison officers. Highly effective work by the PSNI and its partners has meant that very few of these attempts have succeeded in causing harm, but the brutal murder of David Black in November 2012 was a stark reminder of the lethal intent of terrorist groupings in Northern Ireland.

The Government will continue to give the Police Service all the support we can to ensure that violence, from whatever part of the community it comes, will not succeed. I would like to place on record my thanks to the PSNI for the tireless work in combating terrorism. I would also like to thank An Garda Síochána and the Irish Government for unprecedented levels of co-operation which is undoubtedly saving lives.

In December 2012 the independent review into the murder of Patrick Finucane reported to me, on time and within budget. As the Prime Minister said in his statement to the House of Commons, the review provided the fullest possible account of this tragic episode. I am grateful to Sir Desmond de Silva QC and his team for their important work on the review.

A key element of the Government's strategy for moving Northern Ireland forward is to work with the Executive on rebalancing the economy. In March the Prime Minister announced that a final decision on the devolution of corporation tax would be made in the autumn of 2014, and the NIO began intensive work with the Executive on a new economic package for Northern Ireland linked to the work being undertaken by the First and deputy First Ministers on building a united community.

The department has continued to work closely with the Executive across a wide range of areas. In addition we maintain a strong relationship with the Government of the Republic of Ireland and key figures within the United States administration.

Finally, in February 2013 the NIO moved out of its London offices of sixteen years in Millbank to new accommodation at the Treasury buildings. This has put the NIO back into the heart of government and will also save the taxpayer around £1million a year.

RT HON THERESA VILLIERS MP

DIRECTOR GENERAL'S REPORT

Scope

This is the Annual Report and Accounts for the Northern Ireland Office ("the Department") for the financial year ending 31 March 2013. These statements have been prepared in accordance with directions given by HM Treasury in pursuance of the Government Resources and Accounts Act 2000.

This report relates to the Northern Ireland Office only and its handling of matters "excepted" and "reserved" to the United Kingdom Parliament as set out in the Northern Ireland Act 1998.

Background

The Northern Ireland Office (NIO) represents Northern Ireland interests at UK Government level and UK Government interests in Northern Ireland.

Statement of Strategic Direction

Our key purpose is to make the political settlement work and in partnership with the Northern Ireland Executive help bring about a stable, prosperous Northern Ireland at peace with itself and ready for new challenges and opportunities.

To do this we:

- support and implement the political Agreements to increase the stability of the institutions;
- work with the Executive to rebalance the Northern Ireland economy, promoting growth, trade and encouraging inward investment;
- support reconciliation and the Executive's objective of building a shared future for all, while acknowledging the past;
- champion Northern Ireland's interests in Whitehall making sure Cabinet takes full account of Northern Ireland and that Whitehall policies are represented there effectively;
- support democracy and take the lead against the terrorism and violence that threatens national security;
- work closely with the Irish Government on matters of common interest.

Our Ministers

The Secretary of State retains ministerial responsibility for the operation of the Northern Ireland Office and represents the interests of Northern Ireland at Cabinet level. She is assisted in this role by the Minister of State.

The Secretary of State for Northern Ireland, Rt Hon Theresa Villiers MP, and the Minister of State, Mike Penning MP, were appointed on 4 September 2012, replacing Rt Hon Owen Paterson MP and Rt Hon Hugo Swire MP respectively.

The Management Board

The Director General of the Northern Ireland Office, as Accounting Officer, is accountable for the overall performance of the Department. Julian King has been in post since 1 January 2012.

The Director General is supported by a Management Board, which provides corporate leadership to the organisation as a whole and takes ownership, in support of the Accounting Officer, of the Department's performance. Early in 2012-13, it was decided that a Director should be appointed to act as deputy to the Director General and with a particular focus on key strategic functions. The new Director, Richard Penman, was appointed on 24 September 2012.

The Management Board comprises the Director General, the Director, Deputy Directors from across the Department, a non-executive director (John King, who also served on the NIO Departmental Board prior to the devolution of policing and justice functions to the Northern Ireland Assembly in April 2010) and the Crown Solicitor for Northern Ireland. Details of Board members can be found in the remuneration report (see page 35).

Subject to ministerial agreement, the Management Board sets the strategic direction for the Department through the Departmental Business Plan, prioritises the allocation of resources to match development and delivery requirements, and monitors and is accountable for departmental performance. The business plan is available on the Department's website: www.nio.gov.uk.

Departmental Audit and Risk Committee

During 2012-13, the Management Board was supported in its work by the Departmental Audit and Risk Committee, which is chaired by John King, the non-executive director. The Audit and Risk Committee had two independent members throughout the year:

Vijay Rangarajan, Multilateral Director, Foreign Office

Chris Flatt, Deputy Director, Corporate and Constitutional Division, Scotland Office

People Group Sub-Committee

In December 2012, the Director General established a People Group, as a sub-committee of the Management Board, to bring focus and momentum to the Department's work to ensure we have the right people, with the right skills, in the right place and ensure a focused response to issues such as the annual staff survey. The People Group is chaired by the Director and membership includes representatives, at Deputy Director level, of each of the Department's core business areas. The People Group is supported by an Advisory Team comprising representatives of staff across the Department.

Directorships and other significant interests

A register of interests is maintained for all members of the Management Board and the Departmental Audit and Risk Committee. The register includes details of company directorships and other significant interests which may conflict with their management responsibilities. This register is available for public inspection upon request.

Disclosure of Audit information to the Comptroller and Auditor General

The Accounting Officer has taken all the steps that ought to have been taken to be 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.

MANAGEMENT COMMENTARY

1. Structure and Functions

Size and Shape of the Department

Throughout this reporting period, the Department continued to adjust to and consolidate the changes to our role, responsibilities and structure following the devolution of policing and justice functions to the Northern Ireland Assembly on 12 April 2010. This change was significant in that it saw the Department reduce in size from over 2,000 staff and a baseline budget of approximately £1.3bn (excluding the block grant to the Northern Ireland Executive) to, in 2011-12, 304 core department staff (including those on secondment from the NICS) and a budget of £29m.

For 2012-13, the Department's budget was set at £24.6m reducing to £22.6m by the end of the Spending Review period. The Department's budgets have also been reduced further by the Chancellor's Autumn Statement to the House of Commons on 5 December 2012 (budget reduction of 1% in 2013-14 and 2% in 2014-15), the 2013 Budget Report (further top sliced reductions of 1% in 2013-14 and 2014-15) and the 2015-16 Spending Round (10% reduction in real terms).

In recognition of the increasing pressure on resources, a key focus during 2012-13 was the need to take action to ensure that the Department was as efficient and lean as possible. A major outcome of our work in this area saw the relocation, on 25 February 2013, of our London Office from Millbank to 1 Horse Guards Road. This move has enabled the Department to secure significant efficiency savings of just under £1m per annum. Importantly, co-location with colleagues in HM Treasury and Cabinet Office ensures that the Department is placed firmly in the heart of Whitehall. The modern, open-plan working environment will also support staff to work together more effectively and improve existing team working. The move was completed on time and within budget.

At the end of 2012-13 there were 317 staff employed by or seconded to the Department, or on fixed term appointments. This includes staff working in the Crown Solicitor's Office and the employees of the Chief Electoral Officer for Northern Ireland.

The core Department has 173 members of staff comprised of 93 members of the Home Civil Service (HCS), 72 seconded from the NICS, and 8 others including casual staff and Commissioners. In addition, at the end of 2012-13 there were 144 staff and other appointees working on other activities funded by the NIO vote such as the Crown Solicitor's Office, The Electoral Office and other smaller bodies.

Structure

A detailed organogram of the departmental structure is published online at the following web address: <https://www.gov.uk/government/publications/nio-senior-staff-organisational-chart>.

During 2012-13, the Department was organised around three core areas, details of which are set out below. During 2013-14, some changes to the Departmental structure will be implemented in order to ensure that our limited resources continue to be aligned as closely as possible to delivering ministerial strategic priorities. A revised organogram reflecting any changes will also be published on the NIO website as these changes are implemented.

Constitutional and Political Group

Constitutional and Political Group (CPG) is responsible for advising on the implementation of the Agreements and on other constitutional and devolution issues. It drives the Department's efforts to support the Northern Ireland Executive (the Executive) in delivery, especially on the rebalancing of the economy and development of a shared future. CPG looks after policy relating to Northern Ireland elections and human rights, and has some responsibility for equality matters. It sponsors the Northern Ireland Human Rights Commission, the Parades Commission for Northern Ireland, the Boundary Commission for Northern Ireland, and the Chief Electoral Officer for Northern Ireland. It is also responsible for arranging and supporting VVIP visits. The British-Irish Intergovernmental Secretariat is also part of this Group.

Security and Legacy Group

Security and Legacy Group (SLG) is responsible for implementing the Government's national security strategy and related policy and legislation in Northern Ireland. It handles the NIO's responsibilities for the Home Protection Scheme and other security-related matters such as national security-related firearms appeals and maintaining the Department's crisis response arrangements. SLG also sponsors the Independent Commission for the Location of Victims' Remains (ICLVR) jointly with the Irish Government, and the Sentence Review Commissioners (SRC). SLG liaises with the devolved administration in Northern Ireland, as appropriate, on policing and justice matters. In addition, the Group deals with legacy issues.

Business Delivery Group

Business Delivery Group (BDG) provides the overarching support services for the day to day work of the Department including human resources (HR), finance and both Press Office and Private Office functions. As well as managing key contracts for IT, corporate services and HR support, BDG also manages the Departmental estate including both Hillsborough Castle and Stormont House in Northern Ireland. BDG manages all corporate governance issues within the Department including support on sponsoring Arm's Length Bodies (ALBs) as well as business planning and risk management processes. BDG co-ordinates the management of Departmental records and ensures that the Department fulfils its statutory equality responsibilities. It has a sponsoring role in respect of the Civil Service Commissioners for Northern Ireland.

Associated Bodies

In addition to the core Department, there are a range of matters which are dealt with through a network of associated bodies, which are independent of government. These differ considerably from each other in terms of their formal status, intended purpose, statutory or other responsibilities, the degree of independence from government and their size.

Non-Departmental Public Bodies (NDPBs)

The Department's executive NDPBs are:

- The Northern Ireland Human Rights Commission
- The Parades Commission for Northern Ireland

The Department's advisory NDPB is:

- The Boundary Commission for Northern Ireland

Statutory Office Holders

The Department's independent statutory office holders are:

- The Chief Electoral Officer for Northern Ireland
- The Civil Service Commissioners for Northern Ireland
- The Sentence Review Commissioners
- The Independent Chairman of the Northern Ireland Committee on Protection
- The Remission of Sentences Act Commissioners
- The Independent Reviewer of Police and Military Powers under the Justice and Security Act 2007
- The District Electoral Areas Commissioner

International Bodies

In partnership with the Republic of Ireland, during the 2012-13 financial year, the Department co-sponsored the Independent Commission for the Location of Victims' Remains (ICLVR).

In addition, NIO ministers are responsible, together with the Irish Government, for appointing the Board to the International Fund for Ireland (IFI). The IFI is governed by a fully independent Board, funded by international donors and administered by the British and Irish Governments. The Department also provides support for the British-Irish Intergovernmental Secretariat.

Inquiries and Reviews

The Department also sponsored and published the report of the Patrick Finucane Review in December 2012. Although the Robert Hamill Inquiry was completed and wound down during the 2010-11 financial year, publication of the Inquiry's report has been delayed, pending the outcome of legal proceedings relevant to the case.

The Crown Solicitor's Office for Northern Ireland

The Crown Solicitor for Northern Ireland is a statutory appointee under Section 35 of the Northern Ireland Constitution Act 1973 (as amended). The staff of the Crown Solicitor's Office are all members of the Northern Ireland Civil Service, employed by the Department of Finance and Personnel (DFP) for Northern Ireland, seconded to the Northern Ireland Office and posted to the Crown Solicitor's Office. The Crown Solicitor's Office does not form part of the core of the Northern Ireland Office operationally, but its budget forms part of the NIO Vote and accordingly its activities are recorded as part of these accounts.

Further information on our NDPBs is available to the public in the Cabinet Office Public Bodies Directory, which is published annually and can be accessed at <http://www.civilservice.gov.uk/about/resources/ndpb> .

Our People

Successful delivery of our strategic priorities requires us to have the right people, with the right skills, in the right place. Following the devolution of policing and justice in April 2010, NIO staff moved on to Ministry of Justice (MOJ) terms and conditions. The NIO now has a well-established HR team led by a qualified HR professional that has ensured that HR policies and procedures have been updated and are understood and implemented across the Department. A specific challenge during 2012-13 was the need to plan and manage the return of 43 members of staff who had opted to remain on secondment to the NIO from the Department of Justice (DOJ) NI at the time of devolution. Given our size, this represented a significant turnover of staff and the process had to be carefully co-ordinated to ensure we retained sufficient corporate knowledge and skill while meeting the needs of both the DOJ and the individual members of staff concerned.

People Group

The establishment of the People Group, as a sub-committee of the Management Board, provided increased momentum for our work to maximise the impact of the skills and talents of our people. Significant progress has been made in this area during 2012-13 and more is planned for the year ahead. Key achievements to date have included: a focused review of staffing levels in key areas to ensure available resources are targeted at areas of greatest strategic importance; refining our recruitment policy; improving our systems and processes for managing performance and attendance; and improved structures to support staff development.

Recruitment of staff

As a Whitehall department, the NIO follows Whitehall procedures for the recruitment of staff. During 2012-13, we refined and re-launched our recruitment policy and practices to better meet our new post-devolution circumstances and business needs.

In recognition of our dual role (i.e. representing Northern Ireland interests at UK Government level and UK Government interests in Northern Ireland) the Department can only carry out its core functions and deliver its strategic priorities by having direct access to individuals who have a detailed knowledge and understanding of NI-related issues. This includes a knowledge and understanding of the devolved administration and the machinery of government including Northern Ireland departmental functions and structures. Equally, the devolved administration, and therefore the Northern Ireland Civil Service (NICS), has an interest in assisting the NIO to further develop its capacity and capability to fully understand and appreciate the issues of key concern to the NI Executive. For these reasons, a Memorandum of Understanding was agreed formally between the NIO and NICS in October 2012 in recognition of the unique relationship between the two organisations and to provide an appropriate structure, and a degree of flexibility, around our secondment arrangements.

Staff Development

The Department remains committed to supporting the learning and development of all staff to enable them to do their jobs to the best of their ability and to develop the necessary skills for the present and future. A new Personal Development Strategy was developed and launched in 2012-13 setting out how this will be achieved. This provides a proactive approach, based on a series of rights and responsibilities, to ensure that both organisational and individual development needs can be satisfied.

Employment of People with Disabilities

Since the devolution of policing and justice functions, the Department has adopted Ministry of Justice policies for staff related matters, including making reasonable adjustments where necessary for staff with disabilities.

Managing attendance

Throughout 2012-13, the Department has continued to take a robust approach to managing attendance. There are a range of policies and procedures to support line managers to address this key area of their responsibilities. These policies are aimed at ensuring staff are afforded every opportunity of returning to the workplace as soon as possible. Data from the latest 12 month rolling period ending December 2012, shows that we have been successful in reducing long term absence figures and the average working days lost is down from 7.7 days in the previous 12 month rolling period, to 4.1 days.

Pay and workforce planning

The Department carefully monitors staff numbers, workloads and working practices and looks for all available opportunities to maximise effectiveness. A number of focused reviews of staffing levels in key areas were undertaken in 2012-13 to ensure available resources are targeted at areas of greatest strategic importance. More such reviews are planned for 2013-14. In addition, the People Group receives detailed management information from the HR team to ensure informed decisions can be taken around headcount management and succession planning.

As part of the post-devolution integration with the MOJ, all staff members below the Senior Civil Service (SCS) were offered the opportunity to move to MOJ pay scales. The MOJ 2010 pay deal was implemented for staff members who had opted to move to MOJ terms and conditions. In line with the MOJ, staff are now subject to a two year pay freeze due to end in 2013. MOJ are currently reviewing terms and conditions as part of the wider programme of Civil Service Reform and the NIO will consider the implications of this in due course. The Department will implement a pay deal in line with that of the MOJ and in line with the Government cap on pay increases of up to a maximum of 1%. Members of staff on secondment from the NICS remain on NICS terms and conditions, including NICS pay scales.

Pensions and early departure costs

Present and past employees of the Department are covered by either the GB or NI Principal Civil Service Pension Scheme (PCSPS). Those organisations within the boundary covered by the scheme meet the costs of pensions provided for the staff they employ by the payment of charges called Accrued

Superannuation Liability Charges. This is charged to the Statement of Comprehensive Net Expenditure 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 staff who retire early. The Department provides in full for this cost, charged against the Statement of Comprehensive Net Expenditure when the early retirement has been announced. There were no early retirement costs incurred in the year.

Corporate Governance

The Department's Corporate Governance Unit's role within BDG is to provide advice and support across the Department and to its Arm's Length Bodies on governance and stewardship responsibilities. The Head of the Unit also provides secretarial support to the Departmental Management Board, Departmental Audit and Risk Committee and the Department's People Group. During 2012-13, the Unit continued to provide advice to Deputy Directors in undertaking their role as sponsor for the Department's Arm's Length Bodies and supported them by running a number of public appointments processes. The Unit also prepared and submitted the Department's Equality Scheme and Annual Progress Report to the Equality Commission for Northern Ireland.

Management Board

The Management Board meets 11 times a year and is responsible for overseeing the delivery of departmental objectives and governance arrangements. Key issues discussed during 2012-13 included:

- corporate strategy, such as the development of a statement of strategic direction and the development of economic, social and political strategy
- policy in relation to the Shared Future agenda
- consideration of risk and finance matters
- development of a more self sustaining business model for Hillsborough Castle
- preparations for the G8 summit

Board Assessment of Effectiveness

Following last year's assessment of effectiveness, the Department has continued to take a robust approach to Board meetings, including having a tightly focused and strategic agenda and implementing "deep dive" discussions on a bi-monthly basis. This involves detailed focused discussion of a key issue facing the Department e.g. risk management / business continuity planning.

A further self-assessment of Board effectiveness was carried out in February 2013. The Board considered that there were some areas where further improvements might be introduced. For example, it was agreed that the Director would chair meetings with deputy directors and other stakeholders on specific relevant policy matters separately to Board meetings to provide an opportunity for detailed discussion. It was also agreed that the Director would chair regular discussions with Deputy Directors to explore, in detail, strategic issues on risk management and finance.

Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee is a sub-committee of the Board. It is appointed to assist the Accounting Officer in discharging his corporate governance responsibilities. More detail on this committee and its responsibilities can be found in the governance statement, later in this document.

Arrangements with Arm's Length Bodies

The Corporate Governance Unit, together with Deputy Directors, continued to work closely with the Department's sponsored bodies to strengthen governance arrangements. Regular meetings between the Department and the sponsored bodies were held and attended by both the Unit and the sponsoring Deputy Director. During 2012-13, the Unit continued to keep under review the framework documents that set out the arm's length relationships with the Department to ensure robust governance arrangements were in place.

The Departmental Audit and Risk Committee received quarterly updates on the management of the governance arrangements of the arm's length bodies, including details of internal audits completed and progress on the implementation of recommendations.

The Accounting Officer is supported by the Deputy Directors with delegated responsibility for ensuring that the bodies they sponsor operate sound governance arrangements. Deputy Directors provided an assurance to the Accounting Officer on the extent to which the governance arrangements of the arm's length bodies had been met through the bi-annual stewardship statement process.

Information Assurance

Information is a key business asset and the Department continues to make Information Assurance (IA) a priority, including taking an active role in the Government's Security Classification Review. The Management Board has agreed the necessary structures, policies and training to ensure the Department continues to comply with Government standards. A network of Information Asset Owners (IAOs), accountable to the Senior Information Risk Owner (SIRO), manages information assurance and risk across the Department and its ALBs.

In support of this network the Departmental Security Committee, chaired by the Departmental Security Officer (DSO), meets on a quarterly basis to review protective security and information assurance arrangements. Additionally, a Security Managers' Forum, made up of representatives from each of the business areas and ALBs also meets on a quarterly basis. The purpose of this Forum is to improve and implement the Department's policies and guidance in relation to security and information assurance and to provide a forum for promoting and sharing best practice across the NIO and its departmental family.

During 2012-13, all staff were required to complete the annual mandatory Data Handling e-learning package (Level 1) provided by Civil Service Learning (CSL). All staff with line management responsibilities were also recommended to complete Level 2 of this package. IAOs and the SIRO were required to complete Levels 1, 2 and 3. Separate arrangements were made for ALB staff, without access to CSL, to access and complete the relevant training.

During 2012-13, no information assurance incidents occurred.

Sustainable Development

The Department's sustainability aim is to reduce the impact of its business on the environment, with a priority to reduce carbon dioxide emissions. The Department continues to monitor its carbon footprint reductions through the Carbon Reduction Energy Efficiency Scheme administered by the Department of Energy and Climate Change.

Staff are required to consider the use of public transport, where appropriate, as the primary means of travel when on official business, making savings on both carbon emissions and financial resources.

Throughout 2012-13, the Department maximised the use of its video conferencing facilities, minimising the need for travel between London and Belfast. There are currently five video conference facilities within the Department. These facilities are widely used between the NIO and the Northern Ireland departments, as well as with other Whitehall departments. Carbon emissions from air travel were reduced by 16% against the previous year.

The Department has reduced the office space it occupies in both Belfast and London. Satellite offices in central Belfast have been vacated and staff relocated within existing premises in the Stormont Estate. The London office moved premises, considerably downsizing its floor space from 3,098sqm to 462sqm. The new London site at 1 Horse Guards Road is already actively engaged in recycling and sustainability schemes put in place by the landlord, HM Treasury.

The Department does not comply with HM Treasury guidance on sustainability reporting as to collate the figures would be disproportionately expensive relative to the size of the Department. The NIO is committed to the wider agenda of Greener Government and has taken steps to reduce carbon emissions and the amount of waste generated, as outlined above. The Department is committed to improving performance in relation to sustainability in the coming year.

Corporate Social Responsibility

The work of the Department is fundamentally about making a positive impact in the community in which it operates. However, going beyond this, the Department was also involved in several major community events during the year.

The Jubilee party in the Stormont Estate was hugely successful and attended by more than twenty thousand people from all across Northern Ireland. The Department was a key player in organising this event, and contributing both funding and staff time to the delivery of this important occasion.

We also supported 3 of our staff to be volunteers at the Olympic Games in the summer, and another member of staff was released to help with the Paralympic Games, both of which were globally acknowledged to be hugely successful for us as a community and a nation.

In addition, during 2012-13 staff in the Department participated in a number of fundraising and volunteering activities for a range of local charities, from having coffee mornings and selling Easter chicks for local charities in Northern Ireland to donating items for use by a homeless shelter in Vauxhall operated by the London based charity Centrepont.

Health and Safety

The Department remains committed to providing and continuing to develop an effective health and safety regime. During 2012-13, the Department continued to operate a health and safety management checklist, thus ensuring the key areas which managers must take responsibility for are adhered to. For example, each building has an appointed person who monitors the health and safety risk assessments and identifies and provides training when required. In total 6 minor accidents were reported in 2012-13.

Prior to devolution, a Service Level Agreement (SLA) was in place with the Department of Justice NI to ensure the health and safety needs of Departmental staff were met at both local and corporate level. From April 2012, the Department has assumed full responsibility for the health and safety needs of the Department's staff. Health and safety guidance is available to all staff on the Department's intranet.

Better Regulation

The Department is committed to producing less regulation and better regulation in line with the Coalition Government's general principles of regulation. As such, the Department has been fully involved in the Red Tape Challenge process and continually looks for ways to reduce regulation where possible. As part of this process, the Department is committed to actively promote the better regulation agenda across the Northern Ireland Executive, representing the needs of the devolved administration in Whitehall and vice versa.

Complaints to the Parliamentary Ombudsman

There were no complaints about the Department which have been investigated by the Parliamentary Ombudsman.

Political and Charitable Donations

The Department did not make any political or charitable donations in 2012-13.

Transparency

The Department, in line with the Government's Transparency Agenda, regularly publishes information on any significant areas of expenditure.

Expenditure on Consultancy and Temporary Staff

	Core Department	Arm's Length Bodies	Consolidated
	£000	£000	£000
Consultancy Expenditure	30	171	201
Temporary Staff Costs	524	46	570

The temporary staff costs are largely due to additional staff employed by the Crown Solicitor's Office to enable it to cope with the increased workload for hearing loss cases. The Crown Solicitor's Office operates on a full cost recovery basis.

2. Departmental Performance against Objectives

The Department exists to support the Secretary of State for Northern Ireland in taking forward Government policy in Northern Ireland. The Departmental Business Plan for 2011-15 contained four overarching objectives, and the following commentary explains how these were achieved during 2012-13.

Objective 1: Renewed politics

- **Devolved government capable of resolving differences, delivering its core business**
- **Society moving on, not held back by the legacy of the past**

Devolved government in Northern Ireland remained stable throughout the period covered by this report. Late in the period, however, some serious challenges to collective leadership and obstacles to delivery emerged, amid controversy over the flying of flags from some public buildings.

In line with Ministerial priorities, we have devoted increasing resources to working with the devolved institutions as they tackle the serious challenges of economic renewal (see objective 2) and community division. On the latter we have pushed for an ambitious long-term strategy, supported by milestones and targets for early action, aimed at reducing sectarian division, increasing social cohesion, and the building of a genuinely shared society.

We continue to work to improve the operation of politics and the political institutions, and in August 2012 launched a public consultation on Measures to Improve the Operation of the Northern Ireland Assembly. We have worked closely with the political parties, on the basis of the consultation, in developing proposals which formed the basis of draft legislation published in February.

We have maintained a close and productive relationship with the Irish Government, as well as with the United States administration and other international partners, as we have addressed the political challenges which Northern Ireland still faces.

There is still little or no consensus on how to approach the past in Northern Ireland. The NIO and our Ministers continue to engage with a number of individuals and groups to hear their stories and ideas on how a range of issues related to the legacy of the Troubles might be advanced. We have continued to make a positive contribution to dealing with the legacy of the Troubles and to manage a broad portfolio of complex casework relating to the past. In 2012-13 the Department published the report of the Patrick Finucane Review. The Robert Hamill Inquiry report has not yet been published, pending the outcome of legal proceedings relevant to the case.

The Department is responsible for sponsorship of the Chief Electoral Officer for Northern Ireland and the Boundary Commission for Northern Ireland, and for developing policy and legislation relating to electoral matters in Northern Ireland. We published draft primary legislation to increase the transparency of donations and loans to political parties in Northern Ireland and improve electoral administration. We worked with the Electoral Office to prepare for a canvass of electors in Northern Ireland and to develop other proposals to improve electoral registration, including by preparing secondary legislation on this issue. We also appointed a District Electoral Areas Commissioner to make recommendations on new electoral areas as part of the local government reform process in Northern Ireland.

We continue to carry out our role in promoting human rights and equality in Northern Ireland, including sponsorship of the Human Rights Commission.

The NIO is responsible for sponsorship of the Parades Commission. Parading remains a source of tension in NI and the Department continued to work closely with the Parades Commission, the Department of Justice, the police, local politicians and community leaders to ensure that, as far as possible, parades passed without serious public disorder. During this period parades to mark the Balmoral Review and the Signing of the Ulster Covenant passed off peacefully, making a major contribution to the decade of commemorations marking events in UK, Irish and Northern Ireland history from 1912 to 1922. We continue to work closely with the Irish Government on commemorations, including hosting a joint event to mark the Centenary of the Third Home Rule Bill.

The Prime Minister visited Northern Ireland in August and November. Other Government ministers visited during the year and the Department supported each through their programme of engagement.

The Department organised 9 visits to Northern Ireland by members of the Royal family, including a two-day visit by Her Majesty the Queen and His Royal Highness the Duke of Edinburgh to celebrate Her Majesty's Diamond Jubilee, which included a party in the Stormont Estate attended by over 20,000 members of the public.

The Department also organised 41 Citizenship Ceremonies, resulting in over 1,300 individuals receiving their British citizenship.

Objective 2: Economy on course to a healthier balance

• Rebalancing the economy by promoting private sector growth

The Government's key emphasis has been, in co-operation with the Executive, to increase private sector investment in Northern Ireland, so as to rebalance the economy and to underpin its future peace and prosperity. The Government recognises that Northern Ireland faces considerable economic challenges. The private sector is one of the smallest in the UK; economic inactivity rates are higher than the UK average; and the economy as a whole is far too dependent on public spending.

The Government has taken important steps to seek to rebalance the Northern Ireland economy but recognises that more needs to be done. The ministerial working group, drawn from the Treasury, the Executive and the NIO, which was looking at options and costs for devolving the responsibility for the rate of Corporation Tax in Northern Ireland, reported to the Prime Minister in late 2012. He subsequently met the First Minister and deputy First Minister to discuss the report, and set out a clear timetable for taking a decision on this issue. The Prime Minister undertook to reach a decision on the potential devolution of the powers no later than autumn 2014. If the Government decides to devolve the powers, then we have agreed to look at the best way of legislating to achieve this in this Parliament.

In parallel with the work on Corporation Tax, the Department has led work across Government to produce further ambitious proposals to rebalance and boost the Northern Ireland economy. The proposals cover a wide range of issues, including support for infrastructure, the creation of Enterprise Zones and encouraging lending to businesses. The Secretary of State has worked in detail with Northern Ireland Executive Ministers on these issues and has made clear that this additional support would need

to be agreed in conjunction with measures by the Executive to build a shared society that can maximise its economic potential.

Objective 3: Threat from terrorism in Northern Ireland reducing

• A decreased threat from terrorism in Northern Ireland, as a result of co-ordinated response

Violent dissident republican groups remain active in Northern Ireland. These individuals have an ideology that is fuelled by violence rather than a desire for peace.

The threat from Northern Ireland related terrorism has remained at SEVERE, meaning that an attack is highly likely in Northern Ireland. The threat level in Great Britain was reduced to MODERATE on 24 October, meaning an attack is a possibility but not likely. There were 24 national security attacks in Northern Ireland during the 2012 calendar year, compared with 26 attacks in 2011. The security forces worked closely with their counterparts in the Republic of Ireland to prevent further attacks. Tragically, dissident republicans claimed the life of a prison officer during the year.

Over the past year, the Northern Ireland Office has continued to work with our partners on developing our strategic approach to tackling the threat from Northern Ireland Related Terrorism (NIRT), in line with the commitment made by the Government in the Strategic Defence and Security Review. These strong partnership arrangements are delivering demonstrable results in response to the current threat.

The Department has worked to ensure that the PSNI has effective and proportionate powers to tackle terrorism. Stop and search powers were amended in line with the new UK-wide approach which has been introduced via the Protection of Freedoms Act. The Department has also developed associated Codes of Practice. The Department has also contributed to the development of UK-wide legislation such as that underpinning the Justice and Security Bill. We have been exploring options in respect of non jury trials, the provisions for which expire in July 2013.

In 2012-13 we continued to support all those who stand for peace and reconciliation in Northern Ireland. We work closely with the Irish Government and with the Northern Ireland Executive to deliver continued funding for the International Fund for Ireland and to provide additional EU PEACE funding.

Close co-operation between the Department and its partners across Government ensured that the threat from Northern Ireland Related Terrorism did not affect the Olympic and Paralympic games, including the Olympic Torch Relay's visit to Northern Ireland, in 2012.

The Department has continued to work to build resilience to protect from and respond to terrorist attacks; working with partners we have supported the provision of advice and guidance to business and commercial sectors across Northern Ireland, as well as funding and implementing protective security measures.

We have continued to deliver the Home Protection Scheme, which provides physical security measures to the homes of individuals who fall within certain occupations in public life and who are under a high level of threat from Northern Ireland-Related Terrorism, and to provide secretariat support to the Northern Ireland Committee on Protection. The Department continues to handle firearms appeals to the Secretary of State in relation to personal protection weapons and liaises with the PSNI in the issuing of authorisations for prohibited weapons and for licenses for controlled explosive substances.

Objective 4: Maximising resources

- **A slimmer Northern Ireland Office, which lives within its means and maximises the value of its people and resources**
- **Hillsborough Castle is fully utilised meeting the needs of the Royal Household, Department and the wider community in Northern Ireland**

The Department remains committed to delivering the savings agreed in the Spending Review 2010, managing its resources effectively during the year to live within the funding allocated by HM Treasury. Significant long-term savings were secured during the year as a result of the relocation of our London Office to 1 Horse Guards Road on 25 February 2013. This enabled us to secure efficiency savings of just under £1m per annum. Throughout the year, further work continued to consolidate our footprint in Northern Ireland by relocating some Arm's Length Bodies staff within the core department, thereby reducing overall rent and accommodation costs. By providing enhanced video-conferencing facilities in our new London base, we have also ensured that we can continue to make savings on our travel costs by conducting more of our day-to-day business via this medium.

A key focus during 2012-13 was to ensure that our structures, our people and our finances were appropriately aligned to ensure delivery of agreed ministerial policy objectives. This included undertaking a number of focused reviews of staffing levels in key business areas and making any necessary adjustments to ensure available resources were targeted appropriately at areas of greatest strategic importance. We continued to seek opportunities to maximise value for money by exploiting opportunities to redirect limited resources from back-office functions towards policy delivery. We continued to work closely with colleagues in the Scotland Office and the Wales Office to explore further opportunities for providing shared services across the three territorial offices with a view to building resilience and, where possible, reducing costs.

Throughout the year the Department performed well against targets for responding to Parliamentary Questions and requests for information under the Freedom of Information Act.

In addition to hosting Royal visits, Hillsborough Castle continued to be a focal point for many events and special occasions involving the wider community in Northern Ireland and hosted almost 200 state, charity and community events during 2012-13. These included 41 citizenship ceremonies and 69 charity events which raised money for charities including the Princes Trust, Cancer Focus NI and Rotary International. The Castle also hosted significant economic and tourism events including the visits of various trade delegations sponsored by Invest NI. In June Her Majesty The Queen and His Royal Highness The Duke of Edinburgh stayed during the Diamond Jubilee Visit to Northern Ireland and In September, His Royal Highness The Duke of York was guest of honour at the Secretary of State's Garden Party which was attended by over 2,400 people from all sections of the community across Northern Ireland.

Over 4,700 people visited Hillsborough Castle during the summer when the Castle and grounds were opened to the public for tours. Over 17,000 people visited the gardens during Garden Show Ireland weekend and over 2,000 people visited Hillsborough Castle during European Heritage Open weekend.

A project was established to develop a model for Hillsborough Castle which would secure it on a long-term sustainable basis. The project team has been working to explore the options for how best to maximise the potential Hillsborough Castle has to offer, in particular to the people of Northern Ireland.

3. Report of the Crown Solicitor for Northern Ireland

Role and task

The Crown Solicitor's Office (CSO) provides a legal service to United Kingdom Government Ministers, some departments and agencies, the Chief Constable of the Police Service of Northern Ireland, the Policing Board for Northern Ireland, the Chief Electoral Officer for Northern Ireland and others, principally, but not exclusively, where civil proceedings are brought by or against them. The CSO is thus involved in a wide range of legal work including extradition, public and employer's liability litigation, insolvency, debt recovery, employment law, judicial review, inquests, including over thirty legacy inquests, legacy litigation generally, applications for injunctions, habeas corpus applications, bona vacantia and general legal advice.

Aim and objectives

The aim of the CSO is to provide a high quality and best value legal service to its clients.

The objectives of the CSO are to:

- provide a high quality legal service;
- work in partnership with our clients to achieve the best legal outcomes in the most cost effective way possible;
- work to ensure that clients are satisfied with the legal service provided;
- recover the running costs of the CSO by charging for work done;
- recover from clients the outlay expended on their behalf;
- keep the use of resources under continuous review and where possible identify and deliver efficiency savings;
- continue to train and develop staff in accordance with Investors in People principles.

Operational activities

The CSO provided its services to its clients in both advice work and in terms of representation. The Office represents clients at every tier of the Civil Courts in Northern Ireland from the County Courts to the High Court, to the Supreme Court. In the Magistrates' Courts it represents Her Majesty's Revenue and Customs (HMRC) in condemnation proceedings. Before the "appropriate judge", in extradition proceedings, the Office represents the judicial authorities of those countries seeking the extradition of accused or convicted fugitives who are located in Northern Ireland. Clients are also represented in the Fair Employment Tribunal, the Industrial Tribunals and public inquiries. The Secretary of State for Northern Ireland is represented by the Office before the Sentence Review Commissioners and the Remission of Sentences Commissioners.

The CSO recovered its full running costs during the 2012-13 financial year.

The CSO retains its Investors in People (IiP) accreditation and seeks to adhere to the standards of the IiP brand in its dealings with staff. Further the Office continues to be engaged on a programme of preparation to enable it to seek LEXCEL accreditation which will serve to reinforce and provide independent assurance to its clients that the Office meets the LEXCEL standards of excellence, particularly in areas such as client care, case management and risk management.

Most notably throughout the period of this Report the CSO has:

- continued to process record numbers of hearing loss cases, reviewing and amending processes where possible, in order to streamline and strip out costs;
- continued to deal with the remaining post-traumatic stress disorder (PTSD) claimants who are now mainly unrepresented and are pursuing their claims themselves;
- as a result of increased legacy litigation, had to deal with increasing public interest immunity claims in order to have certificates completed and, as needs be, defended in the courts;
- dealt with increasing numbers of extradition cases following arrest on foot of European Arrest Warrants and the increasing number of legal arguments advanced on behalf of fugitives focusing mainly on their Article 3 (prohibition of torture or inhuman or degrading treatment) and Article 8 (respect for private and family life) rights. This together with a challenge to the alleged failure by the United Kingdom to properly transpose the European Framework Decision into UK domestic law;
- completed some legacy inquests which, as they progressed, generated numerous judicial reviews dealing with issues such as the anonymity and screening of witnesses and a variety of other procedural matters. This has had the beneficial effect of having the High Court and Court of Appeal take the opportunity to discourage satellite litigation whilst inquests are continuing and which tend to disrupt the continuity and flow of the inquest process;
- dealt with a variety of immigration judicial reviews most of which were urgent and arose outside of normal office hours;
- successfully defended a challenge to police decisions under the Police and Criminal Evidence (NI) Order 1989 (PACE) whereby they treated the release of a suspect on bail as effectively pausing the detention clock under Part V of PACE. The challenge in NI followed a successful challenge to similar provisions in England and Wales in the Hookway case. In England and Wales emergency legislation was enacted to deal with the issue. In NI the challenge was successfully defended through the courts, even to the Supreme Court, without recourse to further legislation;
- successfully defended a challenge, taken as far as the Supreme Court, to the refusal by the Secretary of State to exercise the Royal Prerogative of Mercy to remit the sentence imposed on a person convicted of the attempted murder of a part-time soldier;
- successfully defended a challenge against the decision of the Parole Commissioners not to direct the release of a prisoner which it was alleged was incompatible with his Article 5(4) (right to liberty and security) rights in circumstances where the open material in the case consisted virtually exclusively of general assertions and the decision to uphold detention was based to a decisive degree upon closed material. The court found that so long as sufficient information of the allegations was gisted to give enough for the applicant to instruct his legal representatives to effectively challenge the allegations then such a procedure was lawful and fair. This may proceed to the Supreme Court;
- successfully defended a challenge to the release by PSNI of photographs of a child who had been suspected of being engaged in serious public order offences. The court found that the applicant's Article 8(1) right had not been engaged but even if it was the interference with the right was justified and in accordance with the law and necessary in a democratic society in the

interests of public safety, and for the prevention of disorder or crime, and for the protection of the rights of others;

- successfully defended a challenge of the refusal by the PSNI to provide to the applicant and his solicitor tapes of police interviews conducted with him as an assisting offender following the making of a written agreement with a specified prosecutor pursuant to section 73(1)(b) of the serious Organised Crime and Police Act 2005. The court held the only obligation under the PACE Codes was to supply a tape recording of police interviews relating to offences of which the applicant was charged or was informed would be prosecuted;
- successfully defended challenges to the power to stop and question pursuant to section 21 and the power to stop and search pursuant to section 24 and paragraph 4(1) of Schedule 3 to the Justice and Security (NI) Act 2007 on the basis that they were incompatible with Articles 5 and 8 of the ECHR;
- successfully defended a challenge by an oral historian to the provision to the PSNI of certain material held by the Trustees of Boston College which he said had been gathered for academic and historical purposes and to release it to the PSNI for investigative purposes was likely to be perceived as a betrayal of the IRA's code of silence by militant republicans resulting in the oral historian's murder. He thus alleged a breach of his Article 2 (right to life) right.

Overall this has been a year where the streamlining of processes and the re-structuring of work and work patterns has been effectively and productively deployed to the benefit of our major clients in terms of work completed and at a cost which represents best value for money. This has all been achieved within a framework of court protocols and court rules which tend to provide for increased case management which most often results in increased court appearances. Also with an increase in personal litigants the obligations on government clients are added to as the courts expect assistance to be given to personal litigants in so far as this is proper and consistent with the primary duty to the client.

Jim Conn
Crown Solicitor for Northern Ireland

4. Financial position and results for the year

The Department's activities are financed mainly by Supply voted by Parliament. Each 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 the Supplementary Estimate stage. The estimates are published by The Stationery Office (TSO) and contain details of voted monies for all government departments. They are also available on the Treasury website at http://www.hm-treasury.gov.uk/psr_estimates_index.htm.

Departmental Expenditure Limit (DEL): £24,568,000 (including non-voted expenditure of £200,000)

Expenditure arising from:

Overseeing the effective operation of the devolution settlement in Northern Ireland and representing the interests of Northern Ireland within the UK Government. Expenditure on administrative services, Head of State related costs, VIP visits to Northern Ireland, NI Human Rights Commission and other Reviews and Commissions arising from the Good Friday Agreement, the Northern Ireland Act 1998, the Northern Ireland Act 2000, the Northern Ireland Act 2009, political development and inquiries, elections and boundary reviews, legal services, security, victims of the Troubles including the work of the Independent Commission for the Location of Victims Remains, arms decommissioning, parading, Civil Service Commissioners, the Electoral Office for Northern Ireland, compensation schemes under the Justice and Security (Northern Ireland) Act 2007 and Terrorism Act 2000 and certain other grants. This will include associated depreciation and any other non-cash costs falling in DEL.

Income arising from:

Recoupment of electoral expenses, receipts from the use of video conferencing facilities, fees and costs recovered or received for work done for other departments, freedom of information receipts, data protection act receipts, recovery of compensation paid, recoupment of grant funding, costs and fees awarded in favour of the crown and receipts arising from arms decommissioning. Fees and costs recovered or received for the use of the NIO estate. Contributions from third parties to fund grant programmes and monies from other departments to fund projects in Northern Ireland.

Annually Managed Expenditure (AME): (£15,000)

Expenditure arising from:

Provisions relating to administrative services and to compensation schemes under the Justice and Security (Northern Ireland) Act 2007 and Terrorism Act 2000 and other non-cash costs falling in AME.

Non-Budget Expenditure: £14,674,000,000

Expenditure arising from:

Providing appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the Northern Ireland Act 1998, Northern Ireland Act 2000 and the Northern Ireland Act 2009. Grants to the Northern Ireland Consolidated Fund and transfers of EU funds.

These categories are further broken down by expenditure sub-head, being:

- A – Northern Ireland Office (DEL) - £21,869,000 (includes £1,341,000 capital DEL)
- B – Northern Ireland Human Rights Commission (DEL) - £1,549,000
- C – Parades Commission for Northern Ireland (DEL) - £950,000
- D – Funding of Elections (non-voted DEL) - £200,000
- E – Northern Ireland Office (AME) (£15,000)
- F – Grant Payable to the Northern Ireland Consolidated Fund (Non-budget) - £14,674,000,000

The Department's final resource Estimate for 2012-13 was £14,697m (2011-12: £14,169m);

The Department's final capital Estimate for 2012-13 was £1.341m (2011-12: £0.39m)

Comparison of estimate and outturn

The total outturn shown in the Statement of Parliamentary Supply of these Accounts reflects achievement of the Department's financial objectives and an effective financial management performance for the year. The net resource outturn for 2012-13 was £13,746m (2011-12: £13,356m) compared with the Estimate of £14,697m (2011-12: £14,169m).

The net cash requirement (note 4) Net total outturn was £13,733m (2011-12 £13,357m) compared with the Estimate of £14,704m (2011-12: £14,165m).

In-year savings were realised as a result of: the continuing drive to deliver efficiency savings. In addition, funds requested by the Northern Ireland Executive were not drawn by the Northern Ireland Departments during the financial year.

Statement of Comprehensive Net Expenditure

The Statement of Comprehensive Net Expenditure represents the total net administration and programme resources consumed during the year by Request for Resources. Net Operating Costs during 2012-13 were £13,738m (2011-12: £13,356m restated) as follows:

Northern Ireland Office

£22m (2011-12: £24m) analysed between:

Staff Costs £14m (2011-12: £13m);

Other Administration Costs £8m (2011-12: £11m);

Programme Costs £6m (2011-12: £8m restated); and

Income £6m (2011-12: £7m restated).

Northern Ireland Executive

£13,716m (2011-12: £13,332m)

Decisions on how funding to the Northern Ireland Executive is spent is managed by the devolved administration and is allocated to the NI departments by DFP. Each of the Northern Ireland departments, including DFP, publishes their own financial statements.

Additional information regarding the budgets of the Northern Ireland Executive and the grants paid by the Northern Ireland Office to the Northern Ireland Consolidated Fund are included in an annex at the end of this document.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2012-13 £000	2011-12 £000
Net Resource Outturn (Estimates)	13,745,522	13,355,613
Adjustments to remove non-budget elements:		
Prior Period Adjustments	(7,137)	-
Grants to Northern Ireland Consolidated Fund	(13,716,000)	(13,332,000)
Resource Budget Outturn (Budget)	22,385	23,613
of which:		
Departmental Expenditure Limits (DEL)	22,594	24,132
Annually Managed Expenditure (AME)	(209)	(519)
	22,385	23,613
Adjustments to include:		
Grants to Northern Ireland Consolidated Fund	13,716,000	13,332,000
Net Operating Cost (Accounts)	13,738,385	13,355,613

Statement of Financial Position

The net assets at 31 March 2013 of £53m (2011-12: £60m restated) principally comprise property, plant and equipment of which Hillsborough Castle and its surrounding estate is £60m (2011-12: £63m) offset by net current liabilities..

The financial assets include loans issued to DFP under the National Loans Fund, but these are balanced by corresponding amounts in current and non-current liabilities.

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 are produced at pages 55 to 57. The audit of the financial statements for 2012-13 resulted in a group audit fee of £114,500 (cash audit fee £23,000, non-cash audit fee £91,500) (2011-12 £88,600; cash fee £23,000, non-cash fee £65,600).

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 reports were published during the year and therefore no fee was paid to the C&AG.

Policy and practice on payment of creditors

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

The Department is fully committed to the prompt payment of invoices for goods and services received and delivering against the prompt payment targets set for all central government departments which during the financial year were as follows:

- from 1 May 2010 to pay 80% of all supplier invoices not in dispute within 5 working days of receipt of a properly rendered invoice.

During the year, 60.7% of invoices were paid within the 5 day target and 98.5% were paid within 10 days. Performance during 2012-13 started slowly as the Department relied upon a shared service provider until July 2012. Upon taking this function in house, performance improved markedly, rising to a high of 88% in January, and staying in excess of 80% during the remainder of the reporting year.

The aggregate amount owed to trade creditors at the year end compared with the aggregate amount invoiced by suppliers during year, expressed as a number of days in the same proportion to the total number of days in the financial year is 7 days.

There were no interest charges arising and payable by the Department during the year under The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2002.

Julian King
Accounting Officer

4 July 2013

CORE TABLES

Table 1 – Public Spending

	£000						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
Resource DEL							
Section A: Northern Ireland Office	59,723	43,778	27,489	19,485	19,956	25,597	19,525
Section B: NI Human Rights Commission	1,751	1,702	1,694	1,608	1,486	1,472	1,396
Section C: Parades Commission	1,140	1,008	1,066	934	937	903	862
Funding of Elections	2	2,560	3,380	2,906	215	-	-
Total Resource DEL	62,616	49,048	33,629	24,933	22,594	27,972	21,783
<i>Of which:</i>							
-Pay	14,449	14,737	16,626	12,983	14,493	16,518	12,217
-Net current procurement	45,552	31,304	14,660	9,919	6,216	9,455	7,663
-Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-
-Depreciation	2,425	2,836	2,196	1,781	1,726	1,869	1,773
-Other	190	171	147	250	159	130	130
Resource AME							
Section D: Northern Ireland Office	16	(12)	129	(519)	(209)	-	-
Total Resource AME	16	(12)	129	(519)	(209)	-	-
<i>Of which:</i>							
-Take up of provisions	16	(12)	405	264	276	60	60
-Release of provisions	-	-	(276)	(783)	(485)	(60)	(60)
Total Resource Budget	62,632	49,036	33,758	24,414	22,385	27,972	21,783
<i>Of which:</i>							
-Depreciation	2,425	2,836	2,196	1,781	1,726	1,869	1,773

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans
	£000						
Capital DEL							
Section A: Northern Ireland Office	1,005	283	8,277	160	1,261	291	241
Section B: NI Human Rights Commission	28	18	3	-	8	-	-
Section C: Parades Commission	-	-	-	-	2	-	-
Total Capital DEL	1,033	301	8,280	160	1,271	291	241
<i>Of which:</i>							
-Net capital procurement	1,036	301	280	160	1,271	291	241
-Capital grants to the private sector and abroad	(3)	-	-	-	-	-	-
-Capital support for local government	-	-	-	-	-	-	-
-Capital support for public corporations	-	-	-	-	-	-	-
-Other	-	-	8,000	-	-	-	-
Capital AME							
Total Capital AME	-	-	-	-	-	-	-
<i>Of which:</i>							
-Capital grants to the private sector and abroad	-	-	-	-	-	-	-
-Net lending to the private sector and abroad	-	-	-	-	-	-	-
-Capital support for public corporations	-	-	-	-	-	-	-
-Other	-	-	-	-	-	-	-
Total Capital Budget	1,033	301	8,280	160	1,271	291	241
Total departmental spending	61,240	46,501	39,842	22,793	21,930	26,394	20,251
<i>of which:</i>							
-Total DEL	61,224	46,513	39,713	23,312	22,139	26,394	20,251
-Total AME	16	(12)	129	(519)	(209)	-	-

Spending by local authorities on functions relevant to the Department

	2008-09	2009-10	2010-11	2011-12	£000 2012-13 Estimated outturn
	Outturn	Outturn	Outturn	Outturn	
Current spending	60,207	46,200	31,562	22,722	20,570
<i>of which:</i>					
-financed by grants from budgets above	60,207	46,200	31,562	22,722	20,570
Capital spending	1,033	301	8,280	160	1,271
<i>of which:</i>					
-financed by grants from budgets above	1,033	301	8,280	160	1,271

Table 2 – Public Spending Control

							£000	£000	£000		
							Outturn	Total outturn	Final estimate	Supple- mentary Estimate	Main Estimate 2012-13
Administration			Programme				Net Total	Net Total	Net Total	Net Total	
Gross	Income	Net	Gross	Income	Net						
Spending in Departmental Expenditure Limits (DEL)											
Voted:											
A - Northern Ireland Office	18,991	(5,587)	13,404	7,988	(175)	7,813	21,217	21,869	(1,933)	23,802	
B - Northern Ireland Human Rights Commission	-	-	-	1,602	(108)	1,494	1,494	1,549	-	1,549	
C - Parades Commission	-	-	-	939	-	939	939	950	-	950	
Non-voted:											
D - Funding of elections	-	-	-	215	-	215	215	200	200	-	
	18,991	(5,587)	13,404	10,744	(283)	10,461	23,865	24,568	(1,733)	26,301	
Annually Managed Expenditure											
Voted											
E - Northern Ireland Office	-	-	-	(209)	-	(209)	(209)	(15)	-	(15)	
Non-budget											
F - Grant Payable to the NI Consolidated Fund	-	-	-	13,716,000	-	13,716,000	13,716,000	14,674,000	618,000	14,056,000	
Prior Period Adjustments	-	-	-	7,137	-	7,137	7,137	-	-	-	
Total	18,991	(5,587)	13,404	13,733,672	(283)	13,733,389	13,746,793	14,698,553	616,267	14,082,286	

Table 3 Capital employed (£'000)

	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 projected outturn	2013-14 plans	2014-15 plans
Assets and Liabilities on the Statement of Financial Position at end of year:	£000	£000	£000	£000	£000	£000
Assets						
Non-Current assets						
Intangible	203	229	188	104	108	68
Tangible						
of which:						
Heritage assets	59,963	58,858	63,431	61,292	62,111	62,111
Information Technology	931	626	404	275	200	125
Plant and machinery	959	855	755	500	250	-
Assets under construction	506	165	94	-	-	-
Investments	1,365,520	1,294,403	1,545,900	1,552,238	1,565,900	1,565,900
Other non-current assets	-	-	-	-	-	-
Current assets	132,118	386,935	414,452	430,795	412,000	412,000
Liabilities						
Payables (<1 year)	128,894	386,089	411,608	493,438	412,000	412,000
Payables (>1 year)	1,371,439	1,300,739	1,552,647	1,552,238	1,565,900	1,565,900
Provisions	864	999	480	117	525	375
Capital employed within core department	59,003	54,244	60,489	53,411	62,144	61,929
ALB net assets / (liabilities)	81	(12)	(58)	12	10	10
Total capital employed in dept'l group	59,084	54,232	60,431	53,423	62,154	61,939

Restatement of published assets and liabilities on the statement of financial position

On 12 April 2010, policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly. In line with the guidance contained in the Government Financial Reporting Manual (FRM), the machinery of government change was accounted for in the 2010-11 annual report and accounts for the Northern Ireland Office, and caused the statement of financial position at 31 March 2009 to be restated.

In 2011-12, further restatement exercises were carried out to reflect the reforms introduced as part of the Alignment project (Clear Line of Sight). These restatements have caused the Statements of Financial Position at 31 March 2010 and 31 March 2011 to be restated.

In 2012-13, a number of PPAs were accounted for to reflect inaccuracies in previous years' accounts. These adjustments have restated the Statement of Financial Position shown in this table.

These restated figures have been included in the table above, and as such these do not necessarily correspond to the published resource accounts for those years.

Significant movements from year to year

The significant movement in total assets and liabilities between 31 March 2008 and 31 March 2009 represents the effects of devolution of policing and justice functions in April 2010.

Table 4 – Administration Budgets

	2008-09	2009-10	2010-11	2011-12	2012-13 Estimated Outturn	2013-14 Plans	2014-15 Plans
Section A: Northern Ireland Office	17,511	15,112	16,919	14,802	13,404	15,975	15,332
Total administration budget	17,511	15,112	16,919	14,802	13,404	15,975	15,332
<i>Of which:</i>							
-Paybill	11,419	11,587	13,669	10,622	10,974	9,412	9,161
-Expenditure	10,124	9,293	10,524	11,367	8,017	10,444	10,052
-Income	(4,032)	(5,768)	(7,274)	(7,187)	(5,587)	(3,881)	(3,881)

Table 5 - Staff in Post – full-time equivalents

	2010-11 Actual (FTE)	2011-12 Actual (FTE)	2012-13 Actual (FTE)
NIO – Core department			
Permanent Staff	68	85	100
Fixed-term appointments	251	220	212
Other non-payroll posts	1	2	8
Total	320	307	320
Northern Ireland Human Rights Commission			
Permanent Staff	18.5	18	15
Fixed Term appointments	4.5	2	-
Other non-payroll posts	-	-	6
Total	23	20	21
Northern Ireland Parades Commission			
Permanent Staff	10	10	1
Fixed Term appointments	8	8	9
Other non-payroll posts	-	-	8
Total	18	18	18

Staff data for 2009-10 is incomparable with data from 2010-11 onwards, given the devolution of policing and justice functions to the Northern Ireland Assembly on 12 April 2010.

The NIO will continue to present data in a comparable format in future years, to present a relevant time-series for users.

Table 6 – Total Spending by Country and Region

Northern Ireland Office	National Statistics			£ million
	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	-	-	-	-
North West	-	-	-	-
Yorkshire and the Humber	-	-	-	-
East Midlands	-	-	-	-
West Midlands	-	-	-	-
East	-	-	-	-
London	-	-	-	-
South East	-	-	-	-
South West	-	-	-	-
Total England	-	-	-	-
Scotland	-	-	-	-
Wales	-	-	-	-
Northern Ireland	61	46	39	25
UK identifiable expenditure	61	46	39	25
Outside UK	-	-	-	-
Total identifiable expenditure	61	46	39	25
Non-identifiable expenditure	-	-	-	-
Total expenditure on services	61	46	39	25

Table 7 – Total spending per head by country and region

Northern Ireland Office	National Statistics			£ per head
	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	-	-	-	-
North West	-	-	-	-
Yorkshire and the Humber	-	-	-	-
East Midlands	-	-	-	-
West Midlands	-	-	-	-
East	-	-	-	-
London	-	-	-	-
South East	-	-	-	-
South West	-	-	-	-
England	-	-	-	-
Scotland	-	-	-	-
Wales	-	-	-	-
Northern Ireland	34	26	22	14
UK identifiable expenditure	1	1	1	0

Table 8 – Spending by function or programme, by country and region

£ million Northern Ireland Office	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK identifiable expenditure	OUTSIDE UK	Total identifiable expenditure	Totals
General public services																	
Executive and legislative organs, financial and fiscal affairs, external affairs	-	-	-	-	-	-	-	-	-	-	-	-	21	21	-	21	21
Total general public services	-	-	-	-	-	-	-	-	-	-	-	-	21	21	-	21	21
Public order and safety																	
Public order and safety	-	-	-	-	-	-	-	-	-	-	-	-	4	4	-	4	4
Total public order and safety	-	-	-	-	-	-	-	-	-	-	-	-	4	4	-	4	4
TOTAL Northern Ireland Office	-	-	-	-	-	-	-	-	-	-	-	-	25	25	-	25	25

REMUNERATION REPORT

In accordance with the requirement of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, only certain sections of the Remuneration Report have been subject to full external audit. These comprise the sections on salary, pension entitlements and pay multiples.

Remuneration committee

The salary of the Director General of the NIO is considered by a Cabinet Office moderating committee.

The NIO Pay Committee comprises the Director General, the Non-Executive Director and a Director General from the Cabinet Office and considered SCS Pay Band 1(PB1) general service pay of Home Civil Servants (HCS) in line with the parameters of the Senior Salaries Review Body. There is currently no bonus system in place for Senior Civil Servants (SCS) in the Northern Ireland Civil Service (NICS). NICS SCS members of staff were not considered as part of the HCS Pay Committee.

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.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

Performance appraisal

The performance of senior managers was assessed, as directed by Cabinet Office, in the same manner as all other staff. A performance group recommendation was made by the line manager and passed to the relevant remuneration committee, which determined the consolidated and nonconsolidated pay for all senior staff.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

The Department currently has a single non-executive director, in line with practice across the Territorial Offices. Following the devolution of policing and justice functions and the restructuring of the Department's Management Board, the non-executive director's contract was renewed in June 2010 for a period of two years. The appointment was extended in June 2012 for a further year. A recruitment process has taken place to replace the outgoing non-executive director and an appointment was made in June 2013.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (i.e. Board members) of the department.

Remuneration (salary and payments in kind) [Audited]

Ministers	2012-13		2011-12	
	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
The Rt Hon Owen Paterson MP – Secretary Of State (to 3 September 2012)	34,413 (68,827 FTE)	-	68,827	-
The Rt Hon Hugo Swire MP – Minister Of State (to 3 September 2012)	16,501 (33,002 FTE)	-	33,002	-
The Rt Hon Theresa Villiers MP – Secretary Of State (from 4 September 2012)	37,100 (68,827 FTE)	-	-	-
Mike Penning MP – Minister Of State (from 4 September 2012)	17,265 (33,002 FTE)	-	-	-

Ministers have elected to waive their rights to salary increases since November 2007 and in May 2010 agreed to reduce their salaries by 5%.

[Audited]

Officials	2012-13			2011-12		
	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)	Salary £000	Bonus Payments £000	Benefits in kind (to nearest £100)
Julian King, Director General (from 1 January 2012)	105 – 110	-	6,600	25-30 (105 – 110 full year equivalent)	-	4,200
Hilary Jackson, Director General (from 13 May 2010 until 31 December 2011)	-	-	-	90-95 (115-120 full year equivalent)	-	2,800
Richard Penman Director (from 24 September 2012)	45-50 (95-100 full year equivalent)	-	-	-	-	-
Dennis Godfrey Director of Communications (until 30 November 2011)	-	-	-	55-60	-	-
James Conn Crown Solicitor	95-100	-	-	95-100	-	-
Deputy Director, Security and Legacy	-	-	-	70-75	-	-
Deputy Director, Business Delivery (from 3 September 2012)	35-40 (60 – 65 full year equivalent)	-	-	-	-	-
Deputy Director, Business Delivery	65-70	-	-	55-60	-	-
Deputy Director, Security and Legacy	65-70	-	-	55-60	-	-
Deputy Director, Political Liaison and Protocol	85-90	-	-	85-90	-	-
Deputy Director, Constitutional Policy and Liaison	70-75	-	-	70-75	5-10	-
Deputy Director, Rights, Elections and Legacy (until 30 November 2011)	-	-	-	40-45	5-10	-
Deputy Director, Security and Legacy (from 8 May 2012)	55-60 (60-65 full year equivalent)	-	-	-	-	-
John King Non-Executive Director (from 1 July 2010)	0-5	-	-	0-5	-	-

Salary

'Salary' includes gross salary; 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 report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) 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 Department and treated by HM Revenue and Customs as a taxable emolument. The net benefits in kind shown above are in respect of costs incurred in relation to detached duty, on which the tax payable is met by the Department.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2012-13 and the comparative bonuses reported for 2011-12 relate to the performance in 2011-12.

Pension Benefits [Audited]

Minister	Accrued pension at age 65 as at 31/3/13 £000s	Real increase in pension at age 65 £000s	CETV at 31/3/13 £000s	CETV at 31/3/12 £000s	Real increase in CETV £000s
The Rt Hon Theresa Villiers MP – Secretary Of State	0-5	0-2.5	34	23	5
Mike Penning MP – Minister Of State	0-5	0-2.5	31	24	4
The Rt Hon Owen Paterson MP – Secretary Of State	0-5	0-2.5	55	43	7
The Rt Hon Hugo Swire MP – Minister Of State	0-5	0-2.5	29	25	3

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

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 from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2012 members pay contributions between 7.9% and 16.7% depending on their level of seniority and chosen accrual rate. The contribution rates are planned to increase in April 2013, subject to consultation.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

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. 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 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 current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister. It is worked out using common market valuation factors for the start and end of the period.

[Audited]

Officials	Accrued pension at pension age at 31/03/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Julian King, Director General	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	549	513	5	-
Richard Penman Director (from 24 September 2012)	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 2.5-5.0	346	311	21	-
James Conn Crown Solicitor	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 0-2.5	585	544	9	-
Deputy Director, Security and Legacy	15-20	(0-2.5)	198	190	(4)	-
Deputy Director, Business Delivery (from 3 September 2012)	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5.0	570	526	21	-
Deputy Director, Business Delivery	20-25 plus lump sum of 60-65	2.5-5 plus lump sum of 7.5-10	358	297	43	-
Deputy Director, Security and Legacy	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	182	165	6	-
Deputy Director, Political Liaison and Protocol	40-45 plus lump sum of 125-130	0-2.5 plus lump sum of 0-2.5	939	875	9	-
Deputy Director, Constitutional Policy and Liaison	25-30 plus lump sum of 85-90	(0-2.5) plus lump sum of (2.5-5)	599	591	(26)	-
John King Non-Executive Director	-	-	-	-	-	-

All the senior managers of the Department are members of the classic scheme with the exception of one who is a member of the premium scheme.

No pension benefits are provided to non-executive directors.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the Northern Ireland Office in the financial year 2012-13 was £105,000 - £110,000 (2011-12 £115,000 - £120,000). This was 4.2 (2011-12 4.81) times the median remuneration of the workforce, which was £25,477 (2011-12 £24,425).

In 2012-13, no employee received remuneration in excess of the highest-paid director. Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The reduction in the pay multiple is due primarily to the reduction in the banded remuneration for the highest-paid director.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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 from a panel of three providers. 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).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>.

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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include 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.

Compensation for loss of office

No staff left under any compulsory early retirement or early severance terms during the year.

Julian King
Accounting Officer

4 July 2013

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Northern Ireland Office to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2012 nos. 717 and 3135 (together known as the 'departmental group', consisting of the Department and sponsored bodies listed at note 27 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the departmental group and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the departmental group for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- 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.

HM Treasury has appointed the Permanent Head of the department as Accounting Officer of the Northern Ireland Office.

The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies is properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or sponsored body are set out in Managing Public Money published by HM Treasury.

GOVERNANCE STATEMENT 2012-13

Scope of Responsibility

As Accounting Officer, I have personal responsibility for the robustness of the control and governance arrangements operated by the Department. The Governance Statement outlines how I have discharged my responsibility to manage and control the resources of the Northern Ireland Office during the course of the year. This sound governance system, as outlined in this Statement supports the achievement of the Department's policies, aims and objectives, whilst safeguarding public funds and Departmental assets in accordance with the responsibilities assigned to me in *Managing Public Money*.

I also have responsibility for reviewing the effectiveness of the system of internal control. My assessment of the effectiveness of the governance framework 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 internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Purpose of Governance Framework

The Department's governance framework is designed to manage its 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 governance framework 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 governance framework has been in place for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The Management Board

The Board has a corporate responsibility for setting objectives, agreeing priorities and implementing ministerial policy. The Board, which normally meets on a monthly basis, developed and agreed a business plan for the 2012-13 year, which was formally approved by ministers, and reviewed the progress and management of key risks associated with the delivery of Departmental objectives regularly throughout the financial year. The Board also was responsible for monitoring financial performance and considering key strategic issues and policies, such as those relating to risk management, information assurance and workforce planning.

The joint Treasury and Cabinet Office publication, *Corporate Governance in Central Government Departments: code of good practice* states that boards should be comprised of a minimum of two independent non-executive members. However, the code provides scope for alternative approaches to be adopted provided that they are justifiable. Given that the Northern Ireland Office is considerably smaller than most central government departments, and has a limited budget and responsibilities by comparison, it has been exempted from the Government's model for Enhanced Departmental Boards. It has also opted to have a single non-executive director.

Member	No of meetings attended in year (total of 11)
Julian King, Chair, Director General	10
John King, non-executive Director	10
Richard Penman, Director	7
Deputy Director, Business Delivery	11
Deputy Director, Business Delivery	5
Deputy Director, Security and Legacy	11
Deputy Director, Security and Legacy	10
Deputy Director, Constitutional and Political	10
Deputy Director, Constitutional and Political	11
Jim Conn (Crown Solicitor)	11

Board Assessment of Effectiveness

Following last year's assessment of effectiveness, the Department has continued to take a robust approach to Board meetings, including having a tightly focused and strategic agenda and implementing "deep dive" discussions on a bi-monthly basis. This involves detailed focused discussion of a key issue facing the Department e.g. risk management / business continuity planning.

A further self-assessment of Board effectiveness was carried out in February 2013. The Board considered that there were some areas where further improvements might be introduced. For example, it was agreed that the Director would chair meetings with deputy directors and other stakeholders on specific relevant policy matters separately to Board meetings to provide an opportunity for detailed discussion. It was also agreed that the Director would chair regular discussions with Deputy Directors to explore, in detail, strategic issues on risk management and finance.

The Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee is a sub-committee of the Departmental Board. Its role is to support the Accounting Officer in monitoring the corporate governance and control systems (including financial reporting) operating in the Department. The primary function of the Audit and Risk Committee is to test and challenge the assurances which are provided to the Accounting Officer, the way in which these assurances are developed and the management priorities and approaches on which the assurances are premised. Such assurances come from internal and external audit and are also provided by management across the Department and its Arm's Length Bodies. The Committee acts in an advisory capacity and has no executive powers. The Audit and Risk Committee is constituted as a sub-committee of the Board. Assurances are provided to the Accounting Officer and the Management Board by the Chair of the Audit and Risk Committee.

The Audit and Risk Committee met four times throughout 2012-13, and agreed a work plan for the year ahead. It undertook a range of activities to fulfil its role in providing advice and challenge to the Accounting Officer and the Board, and to support them in their corporate governance responsibilities. Activities during 2012-13 included: considering the Department's 2011-12 Annual Report and Accounts and Governance Statement; monitoring the preparation of the 2012-13 Annual

Report and Accounts in order to give assurance to the Accounting Officer as to their timely delivery; monitoring the implementation of internal and external audit recommendations; reviewing the Departmental risk register and providing feedback and challenge to the Management Board; and considering the governance arrangements in place between the NIO and its ALBs.

Following each meeting, the Chair provided an update to the Management Board and also wrote to the Accounting Officer to highlight the key issues raised. On the basis of the issues discussed and evidence presented at its meetings, the Departmental Audit and Risk Committee concluded that the assurances it received throughout the year were satisfactory, and it was not aware of any significant internal control issues for inclusion in the 2012-13 accounts.

Member	No of meetings attended in year (total of 5)
John King, Chair, non-executive director	5
Vijay Rangarajan, Multilateral Director at the Foreign Office, nonexecutive member (resigned 14 April 2013)	4
Chris Flatt, Deputy Director, Corporate and Constitutional Division at the Scotland Office, non-executive member	5

Internal Audit

During 2012-13, the Department's internal audit service was provided by the Ministry of Justice. Internal audit identify areas for investigation through its own analysis based on the Departmental risk register, and through discussions with the Audit and Risk Committee and senior managers, who may suggest areas for audit. Recommendations have been accepted by the Management Board and have been implemented or are being progressed in accordance with agreed timetables. The status of internal audit recommendations is regularly reported to the Audit and Risk Committee.

During the reporting period, my attention was drawn to some potential governance concerns in one of the Department's arm's length bodies. In consultation with the relevant senior officials, I commissioned an internal audit to examine the issues raised. As a result, the Department received independent assurance that the issues had been resolved or were being addressed.

A review of procurement and contract management in one of our business areas was also commissioned during the year, which identified a number of control weaknesses. All of the recommendations were accepted and immediate action was taken to strengthen the controls and processes to ensure that any lessons learnt informed wider practices across the Department.

Arm's Length Bodies (ALBs)

In respect of the Department's Arm's Length Bodies, I sought assurance that each sponsored body operated sound governance arrangements from the relevant sponsoring Deputy Director. Relevant Deputy Directors were required to provide me with written assurance that they had reviewed the extent to which these governance requirements were met both mid-year and at the end of the financial year.

For the Non-Departmental Public Bodies (the Northern Ireland Human Rights Commission and the Parades Commission for Northern Ireland), I relied principally on the Governance Statement that each body's Accounting Officer made as part of its annual accounts. These were supplemented by stewardship statements provided by Deputy Directors in the Department responsible for sponsoring each body.

Information Assurance

I am responsible for ensuring that information risks are assessed and mitigated to an acceptable level. Information is a key business asset and the Department continues to make Information Assurance (IA) a priority. The Management Board has agreed the necessary structures, policies and training to ensure the Department continues to comply with Government standards. A network of Information Asset Owners (IAOs), accountable to the Senior Information Risk Owner (SIRO), manages information assurance and risk across the Department and its ALBs. In support of this network the Departmental Security Committee chaired by the Departmental Security Officer (DSO) meets on a quarterly basis to review protective security and information assurance arrangements. Additionally a Security Managers' Forum, comprising representatives from each of the business areas and ALBs also meets on a quarterly basis. The purpose of this Forum is to improve and implement the NIO's policies and guidance in relation to security and information assurance and to provide a mechanism for promoting and sharing best practice across the Department and its departmental family. No data loss incidents occurred during 2012-13.

Stewardship Statements

Each head of business group in the core Department and senior official in each ALB signs a stewardship statement bi-annually, providing assurance as to governance, risk management and operation of internal controls within their business areas. These stewardship statements clearly set out the controls in place and the steps taken to monitor the effectiveness of the controls. These are agreed at the beginning of the year, reviewed mid-year and an assessment of the effectiveness of these controls is carried out at the end of the year. I am satisfied that the statements provide me with an appropriate level of assurance.

Account of Corporate Governance

Corporate governance in central government departments: code of good practice was published in July 2011. The Code sets out principles and provisions relating to the role and responsibilities, composition and functions of departmental boards.

Context to NIO departures from the Code

The *Corporate Governance Code* is designed to cover all central government departments. As the Code acknowledges, 'one size never fits all' and for this reason, the Code incorporates a 'comply or explain' approach to the principles and provisions contained within:

"Departures from the Code may be justified if good governance can be achieved by other means. Reasons for departure should be explained clearly and carefully in the governance statement accompanying the Department's annual resource accounts. In providing an explanation, a department should aim to illustrate how its practices are both consistent with the principle to which the particular provision relates and contribute to good governance."

Most central government departments have multi-billion pound budgets and deliver a range of front line services. The Northern Ireland Office is one of the smallest government departments, with a budget of £25m, reducing to £22m by the end of 2014-15. While the NIO should ensure it abides by the principles and spirit of the Code, it would be disproportionate to implement some of the detailed provisions contained in the Code.

Summary of exceptions by each section of the Code

Parliamentary Accountability

Ministers and the Accounting Officer are clear that their respective roles and resources are managed in line with Treasury guidance. Clear roles and responsibilities of officials are agreed and understood across the Department. Roles and responsibilities of senior managers are set out in performance agreements and each business area has clearly defined responsibilities, details of which are made available in the Department's annual reports and accounts. Information about the Department's structure and organisation is published online in Departmental organograms.

The Role of the Board

The Management Board provides strategic and operational leadership across the Department. It oversees delivery of business objectives and is responsible for ensuring the effectiveness of arrangements for risk management and corporate governance, including internal controls. The Board has clear terms of reference which set out its responsibilities, in line with the Corporate Governance Code. Board activities and decisions are minuted and a summary of Board meetings is made available on the intranet and circulated to staff shortly after each meeting.

Paragraph 2.4 of the Code states that:

“Some activities may be exercised by committees of the board. As a minimum, this will include committees responsible for audit and risk assurance (the responsibilities of which will include for reviewing the comprehensiveness of assurances and integrity of financial statements), and nominations and governance (the responsibilities of which will include ensuring there are satisfactory systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the board and the senior leadership of the Department, and scrutinising governance arrangements).”¹

The Department does not operate a nominations and governance committee. Staff terms and conditions are set by the Ministry of Justice, this includes the pay and reward systems and other HR policies which comprise the incentive structure. The Board is composed of the entire senior management tier within the department (predominantly SCS Band 1), the Crown Solicitor for Northern Ireland and a single non-executive director. Replacement of senior staff is in line with civil service recruitment policies. The Board collectively seeks to develop high potential across the Department; opportunities for staff are made more widely available through access to Ministry of Justice posts. The non-executive director is not routinely involved in appointments of members of the senior management team, but may be asked to provide support by the Director General.

¹ Cf. Paragraphs 4.2-4.4 for the Code, which provide further details on the role of the nomination and governance committee

Paragraph 2.14 states that:

“The permanent secretary is responsible for the executive management of the department. The permanent secretary should set out annually for the board a structure for discharging this responsibility.”

Executive management of the Department is set by the Director General, and Board members are clear on the responsibilities of each business area across the Department. This is not formally reported at Board level as it is unnecessary given the size of the Department. Roles and responsibilities are clearly allocated according to business area, with information on this available on the Department’s intranet and in the annual report.

Board Composition

In agreement with HM Treasury, the Department is exempt from the Government’s Enhanced Departmental Board Protocol. This has a number of implications for the way in which the Department implements the provisions of the Corporate Governance Code.

Paragraph 3.1 of the Code states that:

“The board should be balanced, with approximately equal numbers of ministers, senior officials and NEBMs. It should comprise:

- The department’s lead minister, who should chair;
- Other departmental ministers;
- The permanent secretary;
- The finance director, who should be professionally qualified;
- Other senior officials; and
- At least four non-executive board members (NEBMs), the majority of whom should be senior people from the commercial private sector, with experience of managing complex organisations. NEBMs should be appointed in accordance with Cabinet Office guidance.

The Board is chaired by the Director General, who is head of the Department and Principal Accounting Officer. Ministers do not sit on the Management Board but engage directly with senior officials in the Department to discuss strategic issues, review performance against objectives and set direction. The Department’s finance team is headed by a qualified accountant who attends the Board for discussions on finance papers and reports to the Deputy Director for Business Delivery, who is a Board member.

In common with the other Territorial Offices, the Department has one non-executive director. The non-executive director is a senior individual from the commercial private sector. Given the size of the department, the level of its budget and its range of responsibilities, the Management Board concluded that it would be a disproportionate use of resources to appoint additional non-executive Board Members. Due to the size of the Department, it has not participated in the cross-Government NEBM agenda, which is designed to encompass larger spending departments.

Paragraph 3.4 states that:

“If the NEBMs believe the permanent secretary is a barrier to effective delivery, in extremis, they can recommend that the Prime Minister, lead minister and Head of the Home Civil Service, should remove him or her from post.”

The Director General of the Department is accountable to the Head of the Civil Service and the Cabinet Secretary for the performance of the Northern Ireland Office.

Paragraph 3.8 states that:

“The mix and balance of skills and understanding of Board members should be reviewed periodically, at least annually as part of the board’s effectiveness evaluation, to ensure they remain appropriate for the department’s board.”

The mix and balance of skills on the Management Board are determined through the appointments process by which individuals are recruited to senior management posts within the Department. In fulfilling their roles, Deputy Directors are therefore expected to demonstrate the necessary skills and corporate behaviour required of them as Board members, with the support of the Board Secretary. The exception to this appointments process is the non-executive director, whose reappointment is periodically reviewed.

Paragraph 3.10 states that:

“The board should agree and document in its board operating framework a de minimis threshold and mechanism for board advice on the operation and delivery of policy proposals.”

The Board’s terms of reference set out clearly policy areas and decisions which are reserved for the Board. Naturally, some judgment is required in order to determine what issues should be escalated to the Board level. Each business area’s Deputy Director is also a Board member, and the size of the Department ensures that there is regular and close communication between Board members, ensuring that matters are raised at Board level at the appropriate time.

Board effectiveness

There are some areas where the Department departs from the principles outlined in relation to reviewing Board effectiveness, due to the nature and composition of its Management Board. Board members, excepting the non-executive director, assume their roles as an extension of being members of the senior management team and these individuals are inducted into the work of the Department on taking up their posts.

Paragraph 4.10 states that the Board Secretary should agree the agenda for Board meetings with both the Chair and the non-executive director. Currently, agendas are agreed with the Chair of the Board in advance of each meeting; however, all Board members have the opportunity to raise items for inclusion on the agenda at Board meetings.

Paragraphs 4.11 to 4.13 state that:

“The lead NEBM should support the chair to ensure a board effectiveness evaluation is carried out annually, and with independent input at least once every three years.

“The lead NEBM should ensure the chair acts on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the board and, where appropriate, recommending new members be sought for the board (subject to the open appointments process) or seeking the resignation of board members).

“Evaluations of the performance of individual board members should show whether each continues to contribute effectively and corporately and demonstrates commitment to the role (including commitment of time for board and committee meetings and other duties).”

The current Management Board was established following the devolution of policing and justice functions in April 2010 and carried out a full evaluation of its effectiveness in December 2011. A further assessment was carried out in February 2013. Board members, with the exception of the non-executive director, receive annual appraisals in line with the Senior Civil Service performance management framework.

Risk Management

The Department complies with the principles set out in section 5 of the Code and with the supporting provisions.

Arm's Length Bodies

The Department complies with the principles set out in section 6 of the Code and with the supporting provisions.

Risk assessment

As Accounting Officer, I acknowledge my overall responsibility for the effective management of risk within the Northern Ireland Office. In meeting this responsibility, I am supported by the Board, which I chair. Risk management is fully embedded across the Department, and we manage our business in a manner which takes account of the risks we face. Over the year, we have undertaken a number of measures to safeguard the effectiveness of our processes, to ensure they are proportionate to the Department as currently structured:

- the Board owns and maintains the Departmental risk register, which sets out the key strategic risks facing the Department and controls in place to manage these risks, and reviewed this document on a quarterly basis. The register is also provided to the Departmental Audit and Risk Committee for periodic review.
- registers that identify, assess, and set out mitigating actions to significant risks, are in place across the Department and its ALBs.
- staff had access to information on risk management procedures and policies through the Department's intranet. Online training for staff is available via the Ministry of Justice's web-portal.

The effectiveness of the risk management system in place has been demonstrated through the manner in which the Department has continued to deliver its objectives, through a period of comprehensive restructuring following the devolution of policing and justice functions in April 2010. Following an external review of business activities across the Department in March 2012, and a subsequent reassessment of ministerial objectives, further changes have been implemented to align staff and resources with our business priorities.

The Department has already produced and published a high-level business plan for the period 2011-2015, which defines the strategic direction of the Department for the remainder of the current Parliament. This is regularly reviewed. Over the next year, the Board will continue to embed and refine systems and structures to deliver continuing improvements in organisational effectiveness.

The Department operates a range of high level and operational controls to manage the conduct of its business. These include detailed policies and guidelines setting out procedures, and including clearly defined delegated authorities. The Management Board is supported and advised on this by the Audit and Risk Committee, Internal Audit, and staff in the Business Delivery Group.

The Board operates a systematic approach to monitoring the financial and business performance of the Department and its risk management arrangements. Key strategic risks were considered by the Board as a whole in the context of overall corporate risk tolerance levels and were reviewed, at least quarterly.

Risk management is a standing agenda item at the Management Board. The Department's Risk Register was revised and refreshed to align closely with the Departmental Business Plan. The Board agreed that the risk register should be a living document, to be monitored and discussed by the Board on a monthly basis. This includes 'deep dive / challenge' sessions where Board members have the opportunity to consider each risk in detail and provide a challenge / assurance function to the risk owner.

As Accounting Officer, I relied on individual Deputy Directors to ensure that risk management was considered as an integral part of the policy development process within their business areas, including incorporating details of risk in advice to ministers. I received assurance first hand through discussions with staff and ministers on key policy issues and through sight of submissions and other documentation setting out advice and guidance to ministers and senior officials.

For the period 2012-13, I am able to report that there were no significant weaknesses in the Department's system of internal controls which affected the achievement of the Department's key policies, aims and objectives.

Julian King
Accounting Officer

4 July 2013

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 2013 under the Government Resources and Accounts Act 2000. The Department consists of the core Department only. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2013 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Director General's Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Date: 8 July 2013

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource and Capital Outturn 2012-13

Request for Resources	Note	Estimate			Outturn			2012-13 £000	2011-12 £000
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted Outturn compared with Estimate: saving	Net Total
Departmental Expenditure Limit	2								
Resource		23,027	200	23,227	22,379	215	22,594	648	24,132
Capital		1,341	-	1,341	1,271		1,271	70	160
Annually Managed Expenditure									
Resource		(15)	-	(15)	(209)	-	(209)	194	(519)
Capital									-
Total Budget		24,353	200	24,553	23,441	215	23,656	912	23,773
Non-Budget Resource		14,674,000	-	14,674,000	13,723,137	-	13,723,137	950,863	13,332,000
Total		14,698,353	200	14,698,553	13,746,578	215	13,746,793	951,775	13,355,773
Total Resource		14,697,012	200	14,697,212	13,745,307	215	13,745,522	951,705	13,355,613
Total Capital		1,341	-	1,341	1,271	-	1,271	70	160
Total		14,698,353	200	14,698,553	13,746,578	215	13,746,793	951,775	13,355,773

Net cash requirement 2012-13

Note	2012-13		2012-13 £000 Outturn compared with Estimate: saving/(excess)	2011-12 £000 Outturn
	Estimate	Outturn		
4	14,704,456	13,733,364	971,092	13,356,504

Administration Costs 2012-13

Note	2012-13		2012-13 £000 Outturn compared with Estimate: saving/(excess)	2011-12 £000 Outturn
	Estimate	Outturn		
Total	3.2	13,414	13,404	10

Explanations of variances between the Estimate and Outturn are given in note 2 and in the management commentary.

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

The notes on pages 66 to 103 form part of these accounts.

Prior Period Adjustments (PPAs) that have resulted from an error in previous recording or from a change in accounting policy initiated by the Department or which is otherwise the result of departmental action have a potential impact on net budgets. It is proper for the Department to seek parliamentary authority for the provision that should have been sought previously. In 2012-13, the following such PPAs have been made , which have been included within voted Supply in the Estimate:

PPA Description	Resource/Capital	DEL/AME	Amount
			£000
Crown Solicitor's Office Income error	Resource	DEL	905
Employee Benefit Accrual Error	Resource	DEL	(515)
Pension Liability omission	Resource	DEL	6,747
Total			7,137

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For year ended 31 March 2013

Note	2012-13		2011-12		
			<i>Restated</i>		
	£000	£000	£000	£000	
	Core Dept	Departmental Group	Core Dept	Departmental Group	
Administration costs					
Staff costs	7	10,974	10,974	9,353	10,622
Other costs	8	8,017	8,017	9,954	10,852
Income	10	(5,587)	(5,587)	(7,187)	(7,187)
Programme costs					
Staff costs	7	2,372	3,519	1,947	2,320
Other costs	9	13,872,342	13,871,231	13,458,905	13,456,413
Income	10	(149,660)	(149,769)	(116,606)	(116,606)
Net Operating Costs for the year ended 31 March 2013		13,738,458	13,738,385	13,356,366	13,356,414
Total Expenditure		13,893,705	13,893,741	13,480,159	13,480,207
Total Income		(155,247)	(155,356)	(123,793)	(123,793)
Net Operating Costs for the year ended 31 March 2013		13,738,458	13,738,385	13,356,366	13,356,414
Other Comprehensive Net Expenditure					
Net (gain)/loss on:					
Revaluation of property, plant and equipment		2,291	2,294	(5,753)	(5,755)
Intangibles		-	-	1	1
Total comprehensive expenditure for the year ended 31 March 2013		13,740,749	13,740,679	13,350,614	13,350,660

The notes on pages 66 to 103 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

		31 March 2013		31 March 2012	
				Restated	Restated
Note	£000 Core Department	£000 Departmental Group	£000 Core Department	£000 Departmental Group	
Non-current assets					
Property, plant and equipment	11	62,067	62,160	64,684	64,826
Intangible assets	12	104	112	188	191
Financial Assets	13	1,552,238	1,552,238	1,545,900	1,545,900
Total non-current assets		1,614,409	1,614,510	1,610,772	1,610,917
Current assets					
Trade and other receivables	16	5,005	5,052	8,028	8,058
Financial assets	13	143,992	143,992	122,923	122,923
Cash and cash equivalents	17	281,798	282,163	283,501	283,994
Total current assets		430,795	431,207	414,452	414,975
Total assets		2,045,204	2,045,717	2,025,224	2,025,892
Current Liabilities					
Trade and other payables	18	439,438	439,786	411,608	412,334
Total current liabilities		439,438	439,786	411,608	412,334
Non-current assets plus/less net current assets/liabilities		1,605,766	1,605,931	1,613,616	1,613,558
Non-current liabilities					
Provisions	19	117	270	480	480
Other payables	18	1,552,238	1,552,238	1,552,647	1,552,647
Total non-current liabilities		1,552,355	1,552,508	1,553,127	1,553,127
Total assets less liabilities		53,411	53,423	60,489	60,431
Taxpayers' equity					
General fund		42,086	42,089	46,873	46,803
Revaluation reserve		11,325	11,334	13,616	13,628
Total equity		53,411	53,423	60,489	60,431

Signed:

Accounting Officer: Julian King

Date: 4 July 2013

The notes on pages 66 to 103 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

		31 March 2011	
		Restated	Restated
	Note	£000 Core Department	£000 Departmental Group
Non-current assets			
Property, plant and equipment	11	60,504	60,709
Intangible assets	12	229	233
Financial Assets	13	1,294,403	1,294,403
Total non-current assets		1,355,136	1,355,345
Current assets			
Trade and other receivables	16	7,058	7,113
Financial assets	13	108,017	108,017
Cash and cash equivalents	17	271,860	272,143
Total current assets		386,935	387,273
Total assets		1,742,071	1,742,618
Current Liabilities			
Trade and other payables	18	386,089	386,648
Total current liabilities		386,089	386,648
Non-current assets plus/less net current assets/liabilities		1,355,982	1,355,970
Non-current liabilities			
Provisions	19	999	999
Other payables	18	1,300,739	1,300,739
Total non-current liabilities		1,301,738	1,301,738
Total assets less liabilities		54,244	54,232
Taxpayers' equity			
General fund		46,380	46,358
Revaluation reserve		7,864	7,874
Total equity		54,244	54,232

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Note	2012-13		Restated	2011-12
		Core Dept	Departmental Group	Core Dept	Restated Departmental Group
		£000			£000
Cash flows from operating activities					
Net operating cost		(13,738,458)	(13,738,385)	(13,356,366)	(13,356,414)
Adjustment for non-cash transactions	8,9	1,687	2,161	1,682	1,756
(Increase)/decrease in trade and other receivables	16	3,023	3,006	(970)	(945)
Increase/(decrease) in trade payables	18	27,421	27,043	277,427	277,594
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	18	(32,860)	(32,861)	(276,075)	(276,076)
Use of provisions	19	(212)	(486)	(250)	(250)
Other adjusting items		(5)	-	(15)	(17)
Net cash outflow from operating activities		(13,739,404)	(13,739,522)	(13,354,567)	(13,354,352)
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(295)	(305)	(64)	(69)
Purchase of intangible assets	12	(6)	(6)	(53)	(53)
Loans to other bodies	13	(150,936)	(150,936)	(375,000)	(375,000)
Repayment from other bodies	13	123,529	123,529	108,597	108,597
Net cash outflow from investing activities		(27,708)	(27,718)	(266,520)	(266,525)
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		14,015,041	14,015,041	13,366,350	13,366,350
From the Consolidated Fund (Supply) – prior year		(277,293)	(277,293)	-	-
From the Consolidated Fund (non-supply)		145	145	2,842	2,842
Loans received from the National Loans Fund	13	150,936	150,936	375,000	375,000
Repayments of loans from the National Loans Fund	13	(123,529)	(123,529)	(108,597)	(108,597)
Net financing		13,765,300	13,765,300	13,635,595	13,635,595
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund					
		(1,812)	(1,940)	14,508	14,718
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		120	120	11	11
Payments of amounts due to the Consolidated Fund		(11)	(11)	(2,878)	(2,878)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(1,703)	(1,831)	11,641	11,851
Cash and cash equivalents at the beginning of the period					
	17	283,501	283,994	271,860	272,143
Cash and cash equivalents at the end of the period					
	17	281,798	282,163	283,501	283,994

The notes on pages 66 to 103 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For year ended 31 March 2013 – Core Department

	Note	General Fund Restated £000	Revaluation Reserve Restated £000	Total Reserves Restated £000
Balance at 31 March 2011		52,716	7,864	60,580
Prior Period Adjustment		(6,336)	-	(6,336)
Restated balance at 31 March 2011		46,380	7,864	54,244
Changes in taxpayers equity for 2011-12				
Net gain on revaluation of property, plant and equipment		-	5,753	5,753
Net (loss) on revaluation of intangible assets		-	(1)	(1)
Non-cash charges - auditor's remuneration	8,9	66	-	66
Non-cash charges - other notional	8,9	-	-	-
Machinery of Government transfers		33	-	33
Net operating cost for the year		(13,356,366)	-	(13,356,366)
Total recognised income and expense for 2011-2012		(13,356,267)	5,752	(13,350,515)
Net Parliamentary Funding - drawn down		13,369,000	-	13,369,000
Net Parliamentary Funding - deemed		264,797	-	264,797
Consolidated Fund Standing Services	9	256	-	256
Supply payable adjustment	18	(277,293)	-	(277,293)
		13,356,760	-	13,356,760
Balance at 31 March 2012		46,873	13,616	60,489
Changes in taxpayers equity for 2012-13				
Net gain on revaluation of property, plant and equipment		-	(2,291)	(2,291)
Net (loss) on revaluation of intangible assets		-	-	-
Non-cash charges - auditor's remuneration	8,9	92	-	92
Non-cash charges - other notional	8,9	-	-	-
Machinery of Government transfers		-	-	-
Net operating cost for the year		(13,738,458)	-	(13,738,458)
Total recognised income and expense for 2012-13		(13,738,366)	(2,291)	(13,740,657)
Net Parliamentary Funding - drawn down		13,737,748	-	13,737,748
Net Parliamentary Funding - deemed		277,293	-	277,293
Consolidated Fund Standing Services	9	215	-	215
Supply payable adjustment	18	(281,677)	-	(281,677)
		13,733,579	-	13,733,579
Balance at 31 March 2013		42,086	11,325	53,411

The General Fund serves as the chief operating fund and is used to account for all financial resources except those required to be accounted for in another fund. The Revaluation Reserve records the unrealised gain or loss on revaluation of assets.

The notes on pages 66 to 103 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For year ended 31 March 2013 – Departmental Group

	Note	General Fund Restated £000	Revaluation Reserve Restated £000	Total Reserves Restated £000
Balance at 31 March 2011		52,694	7,874	60,568
Prior Period Adjustment		(6,336)	-	(6,336)
Restated balance at 31 March 2011		46,358	7,874	54,232
Changes in taxpayers equity for 2011-12				
Net gain on revaluation of property, plant and equipment		-	5,755	5,755
Net (loss) on revaluation of intangible assets		-	(1)	(1)
Non-cash charges - auditor's remuneration	8,9	66	-	66
Non-cash charges - other notional	8,9	-	-	-
Machinery of Government transfers		33	-	33
Net operating cost for the year		(13,356,414)	-	(13,356,414)
Total recognised income and expense for 2011-2012		(13,356,315)	5,754	(13,350,561)
Net Parliamentary Funding - drawn down		13,369,000	-	13,369,000
Net Parliamentary Funding - deemed		264,797	-	264,797
Consolidated Fund Standing Services	9	256	-	256
Supply payable adjustment	18	(277,293)	-	(277,293)
		13,356,760	-	13,356,760
Balance at 31 March 2012		46,803	13,628	60,431
Changes in taxpayers equity for 2012-13				
Net gain on revaluation of property, plant and equipment		-	(2,294)	(2,294)
Net (loss) on revaluation of intangible assets		-	-	-
Non-cash charges - auditor's remuneration	8,9	92	-	92
Non-cash charges - other notional	8,9	-	-	-
Net operating cost for the year		(13,738,385)	-	(13,738,385)
Total recognised income and expense for 2012-13		(13,738,293)	(2,294)	(13,740,587)
Net Parliamentary Funding - drawn down		13,737,748	-	13,737,748
Net Parliamentary Funding - deemed		277,293	-	277,293
Consolidated Fund Standing Services	9	215	-	215
Supply payable adjustment	18	(281,677)	-	(281,677)
		13,733,579	-	13,733,579
Balance at 31 March 2013		42,089	11,334	53,423

The General Fund serves as the chief operating fund and is used to account for all financial resources except those required to be accounted for in another fund. The Revaluation Reserve records the unrealised gain or loss on revaluation of assets.

The notes on pages 66 to 103 form part of these accounts.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

Statement of accounting policies

The financial statements have been prepared in accordance with the 2012-13 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Northern Ireland Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. 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 accounts are stated in sterling, which is the Department's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£000).

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Basis of consolidation

The Department has prepared group accounts, consolidating the results of its two designated arm's length bodies – the Parades Commission and the Northern Ireland Human Rights Commission, on a line by line basis. Counterparty transactions have been eliminated on consolidation in accordance with relevant accounting standards.

1.3 Property, plant and equipment

Property, plant and equipment comprise heritage assets (including antiques), leasehold improvements, fixtures and fittings, vehicles, plant and machinery, computer equipment and assets under construction.

The Department's heritage assets comprise Hillsborough Castle and its surrounding estate, as well as arts and antiques.

In addition, the Department occupies a number of properties within the Northern Ireland Executive Estate and the Civil Estate in Great Britain for which rent is paid. Terms of occupancy of these buildings are outlined in agreements known as the Memoranda of Terms of Occupancy (MOTOs).

Consolidation of asset categories

The property, plant and equipment note requires the amalgamation of asset categories under the Plant and Machinery heading. The asset categories represented by this heading include:

- Plant and machinery
- Motor vehicles
- Furniture and fittings
- Office equipment
- Security equipment

1.3.1 Valuation of property, plant and equipment

Property, plant and equipment are stated at fair value, which is deemed to be the lower of replacement cost and recoverable amount. All non-heritage property, plant and equipment are restated to fair value each year by reference to indices compiled by the Office for National Statistics (ONS).

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 property, plant and equipment of over £1,000 is capitalised. Within the core Department the grouping of a range of property, plant and equipment has also been undertaken in respect of some personal computers, printers, office furniture and equipment.

In compliance with IAS 16, 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 property, plant and equipment are charged to the Statement of Net Comprehensive Expenditure. Any subsequent revaluation of assets is credited to the Statement of Net Comprehensive Expenditure to the extent that it reverses previous revaluation decreases recognised as an expense in the Statement of Net Comprehensive Expenditure.

1.4 Depreciation

All property, plant and equipment and intangible 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
Leasehold improvements	10 years (or the life of the lease, whichever is least)
Vehicles, plant and machinery	3 - 25 years
Computer equipment	2 - 16 years
Assets under construction	No depreciation
Intangible assets (software licences)	2 - 10 years

1.5 Realised Element of Depreciation from Revaluation Reserve

Depreciation is charged to expenditure on the re-valued amount of property, plant and equipment. An element of depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be charged on the historical cost of assets. The amount relating to this excess is a realised gain on disposal and is transferred from the Revaluation Reserve to the General Fund.

1.6 Donated assets

The Department does not have any donated assets.

The Department does hold a number of “works of art” which are not on the NIO’s Statement of Financial Position. These are on loan from a variety of sources including 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.

1.7 Intangible assets

Expenditure on computer software licenses lasting more than one year and costing more than £1,000 is capitalised and classified as intangible assets. Software licences are amortised over the shorter of the term of the licence and the useful economic life. Software licences are revalued annually using indices provided by the ONS.

1.8 Heritage assets

In accordance with the Financial Reporting Manual (FRm) as issued by HM Treasury, heritage assets are capitalised and recognised in the Statement of Financial Position at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Hillsborough Castle is depreciated as set out in Note 1.4 and subject to quinquennial professional valuations, with indices supplied by Land and Property Services used in the intervening years. Arts and antiques are not depreciated and are subject to quinquennial professional valuations.

1.9 Work in progress

Work in progress relates only to the provision of professional services provided by the Crown Solicitor’s Office (CSO). Professional fees 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 accounts to reflect work completed to date. Outstanding balances at the year-end are represented in the receivables figure on the Statement of Financial Position.

1.10 Pension costs

Past and present employees of the Department 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).

Further details regarding the above schemes are contained in Note 7 to the Accounts.

1.11 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.

1.12 Financing and Operating income

Financing

The Department is primarily resourced by funds approved by Parliament through the annual Supply process. Resources are drawn down each month to meet expenditure requirements.

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 and National Loans Fund interest. This income is netted off gross expenditure in the Statement of Parliamentary Supply. Operating income also includes charges provided on a full-cost basis to external customers, as well as public repayment work, i.e. professional services provided by the CSO.

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 depending on its classification:

- Administration costs
- Programme costs

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

1.13 Administration and Programme expenditure

The Statement of Net Comprehensive Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure as administration or as programme follows the definitions set out in HM Treasury's *Consolidated Budgeting Guidance*. Broadly, administrative expenditure reflects the costs of running the Department while programme costs relate directly to service delivery activities.

1.14 Grants payable and paid

The Core Department recognises the grants due to its executive Non-Departmental Public Bodies, (the Northern Ireland Human Rights Commission and the Parades Commission), in the period in which they are paid.

The Core Department processes receipts and payments on behalf of the Parades Commission. Grant-in-aid paid during the year, is calculated by recording the details of payments processed and cash that has been paid out. The Core Department also keeps a record of notional costs incurred by the Parades Commission, but does not recognise these as grant funding in its core financial statements. These costs are instead reported by the Parades Commission in its separate annual report and accounts.

The Department also makes a small number of grants to a variety of public sector, private sector and voluntary bodies and these are recognised in the period in which they are paid.

1.15 Leases

Operating leases

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Rentals are charged to the Statement of Net Comprehensive Expenditure on a straight-line basis over the period of the lease.

1.16 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation.

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, 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 *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.18 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.

1.19 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 non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.20 Insurance

Only insurance costs in respect of motor vehicles are charged to the Consolidated Statement of Net Comprehensive Expenditure.

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 Statement of Net Comprehensive Expenditure. Instead, expenditure in connection with uninsured risks is charged as incurred.

1.21 Notional charges

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

1.22 Staff Costs

Under IAS19 *Employee Benefits*, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the costs of any untaken leave as at the year end. The cost of untaken leave has been determined using data from staff leave records.

1.23 Financial Instruments

Recognition and de-recognition of financial assets and financial liabilities

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised when, and only when, the Department becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Department no longer has rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management. Financial assets held in this category are initially recognised and subsequently measured at fair value, with changes in value recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

Loans and receivables

Loans and receivables are non derivative assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, with changes in carrying value recognised in the Statement of Net Comprehensive Expenditure in a manner which most appropriately reflects the nature of the item or transaction.

Trade and other receivables

Financial assets within trade and other receivables are recognised at fair value, which is usually the original invoiced amount. Provisions for bad debt are made specifically where there is objective evidence of a dispute or inability to pay. CSO only write off debts after all attempts to recover monies have been exhausted.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts.

Impairment of financial assets

The Department assesses at each reporting date whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the Statement of Net Comprehensive Expenditure. The impairment loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is only reversed if it can be related objectively to an event after the impairment was recognised and is reversed to the extent that carrying value of the asset does not exceed its amortised cost at the date of reversal.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Statement of Net Comprehensive Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. If a financial asset is deemed unrecoverable, the amount of the asset is reduced directly and the impairment loss recognised in the Statement of Net Comprehensive Expenditure to the extent a provision was not previously recognised.

Financial Liabilities

Trade and other payables

Financial liabilities within trade and other payables are recognised at fair value, which is usually the original invoiced amount.

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transactions costs. Where loans and other borrowings contain a separable embedded derivative, the fair value of the embedded derivative is the difference between the fair value of the hybrid instrument and the fair value of the loan or borrowing. The fair value of the embedded derivative and the loan or borrowing is recorded separately on initial recognition.

1.24 Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Department's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts are discussed below.

(i) – Depreciation of non-current assets

Depreciation is provided in the consolidated accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 1.6.

(ii) – Impairment of non-current assets

Where there is an indication that the carrying value of items of property, plant and equipment may have been impaired through events or changes in circumstances, a review will be undertaken of the recoverable amount of that asset.

(iii) – Provisions for compensation

Provisions have been made for compensation which will be payable at a future date. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

(iv) – Work in Progress

The Crown Solicitor's Office recognises the income relating to the cost of solicitor activity in relation to cases that have not completed at the reporting date. This is an estimate of the fees earned as a result of work undertaken up to the reporting date using the appropriate charge-out rates and unbilled time charges. Any differences between the amount charged to the client upon the completion of the case and the value recognised as work in progress will be accounted for in the accounting period when the client invoice is raised.

1.25 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2013

The Department has reviewed all standards that were effective at the start of the year, and those which became effective during the year, and considered whether these affect the presentation, disclosure and measurement of balances within the financial statements.

1.26 Accounting standards, interpretations and amendments to published standards not yet effective

The NIO has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that any Standards or Interpretations that have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

1.27 Prior Period Adjustments

CSO Income

An error was identified in the recording of income in the 2011-12 Account. CSO Fees and Charges income was overstated with a corresponding overstatement of trade receivables. A Prior Period Adjustment (PPA) has been completed to account for this error.

Employee Benefit Accrual

An error was identified in the method utilised to calculate the employee benefit accrual which was included in the 2011-12 Account. Accruals and deferred income recorded within Payables and Other Current Liabilities was overstated with a corresponding overstatement of staff costs. A Prior Period Adjustment (PPA) has been completed to account for this error.

Pension Liability

In 2006-07, a number of staff transferred from the Chief Electoral Office Pension Scheme (CEOPS) to the Principal Civil Service Pension Scheme for Northern Ireland (PCSPSNI). A cash transfer for the value of pension benefits was not remitted to the PCSPS(NI) and has never been recorded in the NIO Accounts. A PPA has been completed to account for this omission.

1.28 Impact of PPAs on Prior Year Outturn

The impact of the PPAs carried out in 2012-13 had the following effect on prior year outturns:

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
	£000	£000	£000	£000	£000	£000
CSO Income	905	-	-	-	-	-
Employee Benefit Accrual	(515)	-	-	-	-	-
Pension Liability	411	417	354	311	269	4,985
Total	801	417	354	311	269	4,985

2. Net Outturn

2.1 Analysis of net resource outturn by section

								2012-13	2011-12	
								£000	£000	
Outturn								Estimate	Outturn	
Administration			Programme							
Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net Total Compared to estimate	Total	
Spending in Departmental Expenditure Limits (DEL)										
<i>Voted:</i>										
A - Northern Ireland Office	18,991	(5,587)	13,404	6,727	(175)	6,552	19,956	20,528	572	18,684
B - Northern Ireland Human Rights Commission	-	-	-	1,594	(108)	1,486	1,486	1,549	63	1,608
C - Parades Commission	-	-	-	937	-	937	937	950	13	934
<i>Non-voted:</i>										
D - Funding of elections	-	-	-	215	-	215	215	200	(15)	2,906
	18,991	(5,587)	13,404	9,473	(283)	9,190	22,594	23,227	633	24,132
Annually Managed Expenditure (AME)										
<i>Voted</i>										
E - Northern Ireland Office	-	-	-	(209)	-	(209)	(209)	(15)	194	(519)
<i>Non-budget</i>										
F - Grant Payable to the Northern Ireland Consolidated Fund	-	-	-	13,716,000	-	13,716,000	13,716,000	14,674,000	958,000	13,332,000
Prior Period Adjustments	-	-	-	7,137	-	7,137	7,137	-	(7,137)	-
Total	18,991	(5,587)	13,404	13,732,401	(283)	13,732,118	13,745,522	14,697,212	951,690	13,355,613

Explanation of variances

In-year savings were realised as a result of: the early delivery of efficiency savings.

In addition, funds requested by the Northern Ireland Executive were not drawn by the Northern Ireland Departments during the financial year.

2.2 Analysis of net capital outturn by section

	2012-13			2011-12		
	£000			£000		
	Gross	Income	Outturn Net	Net	Estimate Net Total Outturn Compared with estimate: saving/ (excess)	Outturn Net
Spending in Departmental Expenditure Limits (DEL)						
Voted:						
A - Northern Ireland Office	1,261	-	1,261	1,341	80	160
B - Northern Ireland Human Rights Commission	8	-	8	-	(8)	-
C - Parades Commission	2	-	2	-	(2)	-
Non-voted:						
D - Funding of elections	-	-	-	-	-	-
	1,271	-	1,271	1,341	70	160
Annually Managed Expenditure (AME)						
Voted						
F - Northern Ireland Office	-	-	-	-	-	-
Total	1,271	-	1,271	1,341	70	160

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

3.1 Reconciliation of net resource outturn to net operating cost

	2012-13 £000	2011-12 £000
Note	Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply		
Budget	22,385	23,613
Non-budget	13,723,137	13,332,000
	13,745,522	13,355,613
Prior Period Adjustments (note a)	(7,137)	801
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure	13,738,385	13,356,414

Note a - Three Prior Period Adjustments (PPAs) were processed during 2012-13. The impact of these PPAs was to restate the Net operating cost in 2011-12 and increase the outturn in 2012-13 (see notes 1.27 and 1.28).

Further details regarding financial performance are contained within the Management Commentary.

3.2 Outturn against final Administration Budget and Administration net operating cost

	2012-13 £000	2011-12 £000
	Outturn	Outturn
Estimate – administration costs limit	13,414	16,234
Outturn –Gross administration costs (prior year restated)	18,991	22,120
Outturn – Gross Income relating to administration costs	(5,587)	(7,187)
Outturn – Net administration costs	13,404	14,933
Reconciliation to operating costs:		
Less: provisions utilised (transfer from programme)	-	(131)
Administration net operating costs	13,404	14,802

4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn Compared with Estimate: saving/(excess) £000
Resource Outturn	2.1	14,697,212	13,745,522	951,690
Capital Outturn	2.2	1,341	1,271	70
Accruals to cash adjustments:				
<i>Adjustment to remove non-cash items:</i>				
Depreciation		(1,896)	(1,724)	(172)
New Provisions and adjustments to previous provisions		(70)	(277)	207
Departmental Unallocated Provision				
Prior Period Adjustments		-	(7,137)	7,137
Other non-cash items	8,9	(45)	(88)	43
<i>Adjustments for NDPBs:</i>				
Remove voted resource and capital		(2,499)	(2,433)	(66)
Add Cash grant-in-aid		2,428	2,516	(88)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in debtors	16	-	(3,006)	3,006
(Increase)/decrease in creditors	18	8,100	(1,551)	9,651
Use of provisions	19	85	486	(401)
		14,704,656	13,733,579	971,077
Removal of non-voted budget items:				
Consolidated Fund Standing Services		(200)	(215)	15
Net Cash Requirement		14,704,456	13,733,364	971,092

5. Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

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

	Outturn 2012-13		Outturn 2011-12	
	Income	£000 <i>Receipts</i>	Income	£000 <i>Receipts</i>
Operating income outside the ambit of the estimate	-	-	-	-
Total income payable to the Consolidated Fund	-	-	-	-

5.2. Consolidated Fund Income

Consolidated Fund income shown in note 5.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2012-13	2011-12
	£000	£000
Income from Election Office activities funded by the Consolidated Fund	120	11
Amount payable to the Consolidated Fund	120	11
Balance held at the start of the year	11	-
Payments into the Consolidated Fund	(11)	-
Balance held in trust at the end of the year	120	11

All income shown above had been received at 31 March 2013.

6. Statement of Operating Costs by Operating Segment

The Department organises itself by group and reports income and expenditure by group to the Board each month. The four Groups that operate within the Department are:

- Business Delivery Group;
- Constitutional and Political Group;
- Security and Legacy Group; and
- Crown Solicitor's Office.

Information on amounts paid to the Northern Ireland Consolidated Fund (NICF) is not included in the management information reported to the board. However, details of these payments are included as a separate operating segment in the analysis below.

The Board received management information containing summary of spend on a monthly basis throughout the year. Information on the same basis is reproduced in the table below.

The Department does not consider that assets and liabilities can be meaningfully allocated to segments, and manages and reports on assets and liabilities in total. Therefore, no breakdown of assets and liabilities is given.

Management information presented to the Board does not contain details of payments made to the Northern Ireland Consolidated Fund. These payments are included as expenditure within the Consolidated Statement of Comprehensive Net Expenditure, and represent the majority of total expenditure. Consequently these costs have been included as an operating segment below.

						2012-13
	£000	£000	£000	£000	£000	£000
	NICF	BDG	CPG	SLG	CSO	Total
<u>Administration</u>						
Gross administration costs	-	10,230	2,276	1,785	4,608	18,899
Receipts	-	(249)	(154)	(30)	(5,139)	(5,572)
Net Administration Costs	-	9,981	2,122	1,755	(531)	13,327
<u>Programme</u>						
Gross programme costs	13,716,000	60	5,764	2,947	284	13,725,055
Receipts	-	-	(208)	(76)	-	(284)
Net programme costs	13,716,000	60	5,556	2,871	284	13,724,771
Overall Costs	13,716,000	10,041	7,678	4,626	(247)	13,738,098

						2011-12
	£000	£000	£000	£000	£000	£000
	NICF	BDG	CPG	SLG	CSO	Total
<u>Administration</u>						
Gross administration costs	-	12,516	2,577	1,789	4,404	21,286
Receipts	-	(240)	(239)	(34)	(6,215)	(6,728)
Net Administration Costs	-	12,276	2,338	1,755	(1,811)	14,558
<u>Programme</u>						
Gross programme costs	13,332,000	78	5,143	3,857	100	13,341,178
Receipts	-	-	(263)	(41)	-	(304)
Net programme costs	13,332,000	78	4,880	3,816	100	13,340,874
Overall Costs	13,332,000	12,354	7,218	5,571	(1,711)	13,355,432

Description of segments:**Business Delivery Group**

Business Delivery Group (BDG) provides the overarching support services for the day to day work of the Department including human resources (HR), finance and both Press Office and Private Office functions. As well as managing key contracts for IT, corporate services and HR support, BDG also manages the Departmental estate including both Hillsborough Castle and Stormont House in Northern Ireland. BDG manages all corporate governance issues within the Department including support on sponsoring Arm's Length Bodies (ALBs) as well as business planning and risk management processes. BDG co-ordinates the management of Departmental records and ensures that the Department fulfils its statutory equality responsibilities. It has a sponsoring role in respect of the Civil Service Commissioners for Northern Ireland.

Constitutional and Political Group

Constitutional and Political Group (CPG) is responsible for advising on the implementation of the Agreements and on other constitutional and devolution issues. It drives the Department's efforts to support the Northern Ireland Executive (the Executive) in delivery, especially on the rebalancing of the economy and development of a shared future. CPG looks after policy relating to Northern Ireland elections and human rights, and has some responsibility for equality matters. It sponsors the Northern Ireland Human Rights Commission, the Parades Commission for Northern Ireland, the Boundary Commission for Northern Ireland, and the Chief Electoral Officer for Northern Ireland. It is also responsible for arranging and supporting VVIP visits. The British-Irish Intergovernmental Secretariat is also part of this Group.

Security and Legacy Group

Security and Legacy Group (SLG) is responsible for implementing the Government's national security strategy and related policy and legislation in Northern Ireland. It handles the NIO's responsibilities for the Home Protection Scheme and other security-related matters such as national security-related firearms appeals and maintaining the Department's crisis response arrangements. SLG also sponsors the Independent Commission for the Location of Victims' Remains (ICLVR) jointly with the Irish Government, and the Sentence Review Commissioners (SRC). SLG liaises with the devolved administration in Northern Ireland, as appropriate, on policing and justice matters. In addition, the Group deals with legacy issues.

The Crown Solicitor's Office for Northern Ireland

The Crown Solicitor for Northern Ireland is a statutory appointee under section 35 of the Northern Ireland Constitution Act 1973 (as amended). The staff of the Crown Solicitor's Office are all members of the Northern Ireland Civil Service, employed by the Department of Finance and Personnel (DFP) for Northern Ireland, seconded to the Northern Ireland Office and posted to the Crown Solicitor's Office. The Crown Solicitor's Office does not form part of the core of NIO operationally, but its budget forms part of the NIO Vote and accordingly its activities are recorded as part of these accounts.

Funding for the Northern Ireland Consolidated Fund (NICF)

The Northern Ireland Office is responsible for the provision of appropriate funding to the Northern Ireland Consolidated Fund for the delivery of transferred public services as defined by the Northern Ireland Act 1998, Northern Ireland Act 2000 and the Northern Ireland Act 2009.

6.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure (Not provided for Interim)

	2012-13 £000 Total	2011-12 £000 Total
Total net expenditure by operating segment	13,738,098	13,355,432
Reconciling items:		
Restatement	-	801
AME and non voted expenditure not included in analysis	6	-
Accounting adjustments	281	181
Total net expenditure per statement of comprehensive net expenditure	13,738,385	13,356,414

7. Staff numbers and related costs

Staff costs comprise:

	2012-13 £000					2011-12 <i>Restated</i> £000
	Total	Permanently Employed and inward seconded Staff	Others	Ministers	Special Advisors	Total
Wages and salaries	11,491	10,757	571	105	58	10,339
Social security costs	869	846	1	16	6	909
Other pension costs	2,334	2,319	-	2	13	2,168
Sub Total	14,694	13,922	572	123	77	13,416
Less recoveries in respect of outward secondments	(201)	(201)	-	-	-	(475)
Total net costs*	14,493	13,721	572	123	77	12,941
Of which:						
Core department	13,346	12,621	525	123	77	11,299
Other designated bodies	1,147	1,100	47	-	-	1,642

Of which:	Charged to Administration budgets	Charged to Programme budgets	Total
	£000	£000	£000
Core Department	10,974	2,372	13,346
Other Designated Bodies	-	1,147	1,147
Total	10,974	3,519	14,493

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. Full actuarial valuations of both the PCSPS and PCSPS (NI) were carried out as at 31 March 2007. Details of the PCSPS can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions). Details of the PCSPS (NI) are available in the PCSPS (NI) resource accounts.

For 2012-13, total employers' contributions of £1,937,708 (2011-12: 1,504,713) were payable to PCSPS (NI) and PCSPS at rates in the range 16.7 to 24.3 per cent of pensionable pay for PCSPS and 18 to 25 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 and PCSPS (NI) schemes actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2011-12: £928) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2011-12: 3 to 12.5 per cent) of pensionable pay. In addition, employer contributions of 0.8 per cent (2011-12: 0.8 per cent) of the individuals' pensionable earnings were payable to the PCSPS and 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 reporting date were £nil, as the contributions are paid over to the pension providers on a monthly basis. Contributions prepaid at that date were £nil.

No person (2011-12: Nil persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £nil (2011-12 £nil)

Average number of persons employed

The average number of full-time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as in other bodies included within the core departmental boundary (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).

						2012-13 Number	2011-12 Number
	Total	Permanent Staff	Inward Secondments	Others	Ministers	Special Advisors	Total
Northern Ireland Office core department staff	320	97	212	8	2	1	307
Other staff**	39	16	9	14	-	-	38
Total*	359	113	221	22	2	1	345

*No staff members were engaged on capital projects. (2011-12: Nil)

**Other staff includes those working in the NIO's designated Arm's Length bodies, consolidated within the departmental group accounts.

7.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£100,000	nil (nil)	3 (nil)	3 (nil)
£100,000-£150,000	nil (nil)	nil (nil)	nil (nil)
£150,000-£200,000	nil (nil)	nil (nil)	nil (nil)
£200,000-£250,000	nil (nil)	nil (nil)	nil (nil)
£250,000-£300,000	nil (nil)	nil (nil)	nil (nil)
Total number of exit packages	nil (nil)	3 (nil)	3 (nil)
Total resource cost /£	nil (nil)	nil (nil)	nil (nil)

No staff left under any compensation scheme during the year.

Figures in brackets relate to 2011-12.

8. Other Administration Costs

	Note	2012-13 £000		2011-12 £000	
		Core Department	Departmental Group	<i>Restated</i> Core Department	<i>Restated</i> Departmental Group
Rentals under operating leases:					
Hire of plant and machinery		420	420	362	362
Other operating leases		820	820	1,111	1,269
Non-cash items (Note a):					
Depreciation and amortisation of non-current assets:					
Property, plant and equipment	11	1,378	1,378	1,472	1,545
Intangible assets	12	60	60	49	50
(Profit)/Loss on disposal of non-current assets	11,12	7	7	-	-
Impairments	11,12	-	-	18	18
Auditor's remuneration and expenses		79	79	52	52
Provisions:					
Provided in year	19	-	-	-	-
Other expenditure:					
Auditor's remuneration and expenses		-	-	-	23
All other expenditure		5,253	5,253	6,890	7,533
Total		8,017	8,017	9,954	10,852

9. Programme Costs

Note	2012-13 £000		2011-12 £000	
	Core Department	Departmental Group	<i>Restated</i> Core Department	<i>Restated</i> Departmental Group
Current grants and other expenditure				
Grant in aid to NDPBs	2,516	-	2,496	-
Other expenditure	3,632	4,389	4,825	4,829
Auditors remuneration and expenses	-	23		
Rentals under operating leases:				
Hire of plant and machines	206	246	234	234
Other operating leases	195	308	180	180
Non-cash items:				
Depreciation	11	187	237	237
Amortisation	12	43	44	44
Impairments	11,12	(11)	1	1
Loss on disposal of non-current assets	11,12	-	-	-
Provisions:				
Provided in year	19	427	264	264
Written back in year	19	(150)	(533)	(533)
Consolidated Fund Standing Services (note a)	70	70	64	64
Auditor's remuneration and expenses	13	13	14	14
Consolidated Fund Standing Services	145	145	2,842	2,842
	6,857	5,746	10,668	8,176
Northern Ireland Consolidated Fund :				
Grant	13,716,000	13,716,000	13,332,000	13,332,000
National Loans Fund interest	84,241	84,241	85,655	85,655
EU grants	65,244	65,244	30,582	30,582
	13,865,485	13,865,485	13,448,237	13,448,237
Total	13,872,342	13,871,231	13,458,905	13,456,413

Note:

- By statute the remuneration and associated employers' earnings-related National Insurance Contributions of the Chief Electoral Officer (CEO) are met directly from the Consolidated Fund, rather than Parliamentary Supply. 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

three times the pension. The actual payments come from the Consolidated Fund under section 14 (8) of the Electoral Law Act (NI) 1962.

10. Income

Operating income not within the budget (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 2012-13, all operating income was within the budget.

10.1 Analysis of operating income

	2012-13 £000		2011-12 £000	
			<i>Restated</i>	<i>Restated</i>
	Core department	Departmental group	Core department	Departmental group
Administration income:				
CSO Fees and Charges	5,181	5,181	6,632	6,632
Other administrative income	406	406	555	555
	5,587	5,587	7,187	7,187
Programme income:				
<i>Operating income</i>				
Other	175	284	369	369
<i>Other income (Note a)</i>				
National Loans Fund interest	84,241	84,241	85,655	85,655
Income from EU for NI programmes	65,244	65,244	30,582	30,582
	149,660	149,769	116,606	116,606
Total	155,247	155,356	123,793	123,793

Note

- a. Other income relates to the following transactions with the Northern Ireland Consolidated Fund;
- Interest receivable on loans made by the Northern Ireland Office to the Northern Ireland Consolidated Fund. The Northern Ireland Office uses this interest to pay interest due to the NLF in respect of the loans made to the Northern Ireland Office, equal to the amount of loan made from the Northern Ireland Office to the Northern Ireland Consolidated Fund.
 - Income from the EU, which is received by the Northern Ireland Office to be paid over directly to the Northern Ireland Consolidated Fund.

Both amounts are offset by an equal and opposite expense as shown in note 9.

10.2 Fees and charges

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

	2012-13 £000			2011-12 £000 <i>Restated</i>		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Surplus/ (deficit)
Crown Solicitor's Office	5,181	(4,938)	243	6,632	(4,032)	2,600
Total	5,181	(4,938)	243	6,632	(4,032)	2,600

In accordance with Managing Public Money, the Department is required to disclose results for the areas of its activities where fees and charges are made. The foregoing analysis is not intended to meet the requirements of IFRS 8 Segmental Reporting.

The Crown Solicitor's Office (CSO) generates income for legal work undertaken for all clients other than the Northern Ireland Office, for which no charges are made. The financial objective is to recover all costs associated with delivering these services. A schedule of fees is determined at the beginning of each financial year based on estimated costs and forecast activity levels.

The CSO has previously reported an over recovery of costs mainly as a result of considerably higher than expected activity in a particular case type. In light of this, and to reflect process efficiency improvements in the delivery of these cases, CSO reduced the relevant fees by 5% from 1 September 2010 and by a further 15% from 1 April 2011.

11. Property, plant and equipment – Departmental Group

	Heritage Assets £000	Antiques £000	Leasehold improvements £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2012	61,084	2,347	199	2,794	3,839	94	70,357
Additions	22	-	-	1	28	1,210	1,261
Disposals	-	-	-	(31)	(14)	-	(45)
Transfers to PPE	-	-	955	-	94	(1,049)	-
Transfers to Intangibles	-	-	-	-	-	-	-
Impairment	-	-	-	-	(8)	-	(8)
Revaluations (note a&b)	(2,410)	-	2	186	525	-	(1,697)
At 31 March 2013	58,696	2,347	1,156	2,950	4,464	255	69,868
Depreciation							
At 1 April 2012	-	-	100	2,033	3,398	-	5,531
Charged in year	1,100	-	33	196	289	-	1,618
Disposals	-	-	-	(20)	(13)	-	(33)
Impairment	-	-	(2)	-	(3)	-	(5)
Revaluations (note a&b)	(39)	-	-	150	486	-	597
At 31 March 2013	1,061	-	131	2,359	4,157	-	7,708
Carrying Amount at 31 March 2013	57,635	2,347	1,025	591	307	255	62,160
Carrying Amount at 31 March 2012	61,084	2,347	99	761	441	94	64,826
Of the Total:							
Department designated bodies	57,635	2,347	955	591	284	255	62,067
Other designated bodies	-	-	70	-	23	-	93
Carrying amount at 31 March 2013	57,635	2,347	1,025	591	307	255	62,160

All of the assets above are fully owned; no finance arrangements are in place.

11. Property, plant and equipment – Departmental group (continued)

	Heritage Assets £000	Antiques £000	Leasehold improvements £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2011	62,371	2,347	196	2,508	3,762	165	71,349
Additions	-	-	-	85	28	-	113
Disposals	-	-	-	-	(3)	-	(3)
Transfers to PPE	-	-	-	-	71	(71)	-
Transfers to MOG	-	-	-	202	5	-	207
Impairment	-	-	-	(3)	(22)	-	(25)
Revaluations (note a&b)	(1,287)	-	3	2	(2)	-	(1,284)
At 31 March 2012	61,084	2,347	199	2,794	3,839	94	70,357
Depreciation							
At 1 April 2011	5,860	-	55	1,623	3,102	-	10,640
Charged in year	1,178	-	44	243	316	-	1,781
Disposals	-	-	-	-	(3)	-	(3)
Transfer to MOG	-	-	-	170	4	-	174
Impairment	-	-	-	(3)	(19)	-	(22)
Revaluations (note a&b)	(7,038)	-	1	-	(2)	-	(7,039)
At 31 March 2012	-	-	100	2,033	3,398	-	5,531
Carrying Amount at 31 March 2012	61,084	2,347	99	761	441	94	64,826
Carrying Amount at 31 March 2011	56,511	2,347	141	885	660	165	60,709
Of the Total:							
Department	61,084	2,347	-	755	404	94	64,684
Other designated bodies	-	-	99	6	37	-	142
Carrying amount at 31 March 2012	61,084	2,347	99	761	441	94	64,826

Notes

- Hillsborough Castle has been valued by Land and Property Services in line with standards published by the Royal Institute of Chartered Surveyors (RICS) and the antiques are valued by John Ross and Company for the purposes of these accounts. The most recent valuation was at 31 March 2012.
- Heritage assets and antiques comprise Hillsborough Castle and its surrounding estate. It has historical importance as the principal seat in Ireland of the Marquesses of Downshire for well over 200 years. The present building dates from the 1770s with 19th and 20th century additions. It passed into public ownership in the 1920s and was used, until direct rule, as the residence of the Governors

of Northern Ireland. Currently, the Castle is the venue for official functions including supporting many Royal and other distinguished visitors and is also open to the public in the summer months.

12. Intangible assets – Departmental Group

The Department's intangible assets comprise purchased software licences with a finite life.

	Software Licenses	Software Licenses
	2012-13 £000	2011-12 £000
Cost or valuation		
Opening balance	1,597	1,621
Additions	13	53
Transfer from Assets Under Construction	-	-
Disposals	-	(66)
Transfers	-	-
Impairment	-	(7)
Revaluation	221	(4)
Closing balance	1,831	1,597
Amortisation		
Opening balance	1,406	1,388
Charged in year	106	94
Disposals	-	(66)
Transfers	-	-
Impairment	-	(7)
Revaluation	207	(3)
Closing balance	1,719	1,406
Carrying Amount at 31 March 2013	112	191
Carrying Amount at 31 March 2012	191	233
Of the total		
Department	104	188
Other designated bodies	8	3
	112	191

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

13. Financial Instruments

Department of Finance & Personnel On-lent National Loans Fund Loans

	31 March 2013	31 March 2012
	£000	£000
Balance at 1 April	1,668,823	1,402,420
Additions	150,936	375,000
Repayments	(123,529)	(108,597)
Balance at 31 March	1,696,230	1,668,823

The balances represent the principal element of National Loans Fund advances on lent by the Secretary of State for Northern Ireland to the Northern Ireland Executive. Interest has been excluded from the disclosure due to the disproportionate amount of work required to calculate an accurate figure, which has as overall nil net impact on the Statement of Financial Position.

The balances above can be further analysed as:

	2012-13	2011-12
	£000	£000
Current assets	143,992	122,923
Non-current assets	1,552,238	1,545,900
Balance at 31 March 2013	1,696,230	1,668,823

IFRS 7 *Financial Instruments: Disclosures* requires disclosure that enables evaluation of the significance of financial instruments for the Department's financial position and performance, the nature and extent of risks arising from financial instruments to which the Department is exposed during the period and at the reporting date, and how the Department manages those risks. As a result of the 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.

The Department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change risks facing the Department in undertaking its activities.

Classification of financial instruments

All departmental financial instruments are measured at amortised cost. The Department's financial assets are classified as loans and receivables and comprise trade and other receivables (Note 16) and cash and cash equivalents (Note 17). The Department's financial liabilities comprise payables excluding tax assets, accruals and deferred income (Note 18). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities. The Department recognises the components of net gain/loss through the Statement of Net Comprehensive Expenditure. Interest on financial instruments is recognised in finance costs (Note 6) under Programme Costs.

Risk Management

Financial risks include credit risk, liquidity risk and market risks (interest rate and currency).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is not exposed to significant credit risk and

manages its exposure via credit risk management policies which require review of the credit history of the organisations that the Department wishes to trade with. Publically available credit information from recognised providers is utilised for this purpose where available. The maximum exposure to credit risk is represented by the carrying amounts of the trade receivables carried in the statement of financial position.

Liquidity risk

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

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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. However payments are only made by the Department based on the sterling value of funding received and there was therefore no exposure to currency risk. The Department does not have the authority to manage currency risk through hedging.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Department's financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

14. Impairments

The Department did not have any fixed asset impairments, other than those disclosed in notes 11 and 12.

15. Inventories

The Department does not hold any inventories.

16. Trade receivables, financial and other assets

	2012-13 £000		2011-12 £000	
	Core Department	Departmental Group	<i>Restated</i> Core Department	<i>Restated</i> Departmental Group
Amounts falling due within one year:				
Trade receivables	1,841	1,858	3,249	3,249
Work in progress	2,089	2,090	3,667	3,667
Other receivables	47	48	109	109
Prepayments and accrued income	1,028	1,056	1,003	1,033
	5,005	5,052	8,028	8,058
Amounts falling due after more than one year:	-	-	-	-
Total	5,005	5,052	8,028	8,058

16.1 Intra-Government Balances – Core Department

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012-13 £000	2011-12 £000 <i>Restated</i>	2012-13 £000	2011-12 £000 <i>Restated</i>
Balances with other central government bodies	4,377	7,739	-	-
Balances with local authorities	131	6	-	-
Balances with public corporations and trading funds	-	9	-	-
Subtotal: Intra-government balances	4,508	7,754	-	-
Balances with bodies external to government	497	274	-	-
Total receivable at 31 March 2013	5,005	8,028	-	-

16.2 Intra-Government Balances – Departmental Group

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012-13 £000	2011-12 £000 <i>Restated</i>	2012-13 £000	2011-12 £000 <i>Restated</i>
Balances with other central government bodies	4,391	7,740	-	-
Balances with local authorities	131	6	-	-
Balances with public corporations and trading funds	-	9	-	-
Subtotal: Intra-government balances	4,522	7,755	-	-
Balances with bodies external to government	530	303	-	-
Total receivable at 31 March 2013	5,052	8,058	-	-

The Department of Finance and Personnel On-Lent National Loans Fund loans are all held with central government bodies. At 31 March 2012 £143,992,000 were held as current assets (2012: £122,923,000) and £1,552,238,000 were held as non-current assets (2012: £1,545,900,000).

17. Cash and cash equivalents

	2012-13 £000		2011-12 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Balance at 1 April 2012	283,501	283,994	271,860	272,143
Net change in cash balance	(1,703)	(1,831)	11,641	11,851
Balance at 31 March 2013	281,798	282,163	283,501	283,994
The following balances at 31 December are held at:				
Government Banking Service	279,682	279,682	281,409	281,409
Commercial banks and cash in hand	2,116	2,481	2,092	2,585
Balance at 31 March 2013	281,798	282,163	283,501	283,994

18. Trade payables and other current liabilities

	2012-13 £000		2011-12 £000 Restated	
	Core Department	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year:				
VAT	296	296	-	-
Taxation and social security	187	208	72	86
Trade payables	880	938	994	1,043
Amounts payable to the Department of Justice	-	-	6,198	6,198
Other payables	7,144	7,151	-	6
Accruals and deferred income	4,137	4,399	4,072	4,729
Property, plant and equipment accruals	1,005	1,005	45	45
Current element of repayment of National Loans Fund	143,992	143,992	122,923	122,923
Amounts issued from the Consolidated Fund but not spent at year end	281,677	281,677	277,293	277,293
Amounts received due to be paid to the Consolidated Fund	120	120	11	11
	439,438	439,786	411,608	412,334
Amounts falling due after more than one year:				
Repayment of National Loans Fund	1,552,238	1,552,238	1,545,900	1,545,900
Other Payables	-	-	6,747	6,747
Total	1,991,676	1,992,024	1,964,255	1,964,981

	2010-11 £000 Restated	
	Core Department	Departmental Group
Amounts falling due within one year:		
VAT	-	-
Taxation and social security	79	107
Trade payables	919	969
Amounts payable to the Department of Justice	4,186	4,186
Other payables	42	45
Accruals and deferred income	5,170	5,648
Property, plant and equipment accruals	1	1
Current element of repayment of National Loans Fund	108,017	108,017
Amounts issued from the Consolidated Fund but not spent at year end	264,797	264,797
Amounts received due to be paid to the Consolidated Fund	2,878	2,878
	386,089	386,648
Amounts falling due after more than one year:		
Repayment of National Loans Fund	1,294,403	1,294,403
Other Payables	6,336	6,336
Total	1,686,828	1,687,387

18.1 Intra-Government Balances – Core Department

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012-13 £000	2011-12 £000 Restated	2012-13 £000	2011-12 £000 Restated
Balances with other central government bodies	435,536	407,789	1,552,238	1,552,647
Balances with local authorities	-	-	-	-
Subtotal: Intra-government balances	435,536	407,789	1,552,238	1,552,647
Balances with bodies external to government	3,902	3,819	-	-
Total Payables at 31 March 2013	439,438	411,608	1,552,238	1,552,647

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11 £000 Restated	2010-11 £000 Restated	2010-11 £000 Restated	2010-11 £000 Restated
Balances with other central government bodies	-	384,247	-	1,300,739
Balances with local authorities	-	-	-	-
Subtotal: Intra-government balances	-	384,247	-	1,300,739
Balances with bodies external to government	-	1,842	-	-
Total Payables at 31 March 2013	-	386,089	-	1,300,739

18.2 Intra-Government Balances – Departmental Group

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012-13 £000	2011-12 £000 Restated	2012-13 £000	2011-12 £000 Restated
Balances with other central government bodies	435,700	407,911	1,552,238	1,552,647
Balances with local authorities	1	9	-	-
Subtotal: Intra-government balances	435,701	407,920	1,552,238	1,552,647
Balances with bodies external to government	4,085	4,414	-	-
Total Payables at 31 March 2013	439,786	412,334	1,552,238	1,552,647

	Amounts falling due within one year	Amounts falling due after more than one year
	2010-11 £000	2010-11 £000
	Restated	Restated
Balances with other central government bodies	384,290	1,300,739
Balances with local authorities	9	-
Subtotal: Intra-government balances	384,299	1,300,739
Balances with bodies external to government	2,349	-
Total Payables at 31 March 2013	386,648	1,300,739

19. Provisions for liabilities and charges

	2012-13 £000		2011-12 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Balance at 1 April	480	480	999	999
Provided in the year	-	427	264	264
Provisions not required written back	(151)	(151)	(533)	(533)
Provisions utilised in the year	(212)	(486)	(250)	(250)
Balance at 31 March 2013	117	270	480	480

Analysis of expected timing of discounted flows

	2012-13 £000		2011-12 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Not later than one year	117	270	480	480
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Balance at 31 March 2013	117	270	480	480

	Early Departure Costs	Compensation Payments	Litigation Claims	Total
Not Later than one year	-	38	232	270
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Balance at 31 March 2013	-	38	232	270

All provisions represent the best estimate of the expenditure required to settle the obligation at the date of approval of the financial statements.

19.1 Early Departure Costs: £0k (2011-12: £129k)

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.

19.2 Compensation Payments: £38k (2011-12: £91k)

The Department provides for future obligations arising from all claims for compensation under the Terrorism Act 2000 and the Justice and Security (Northern Ireland) Act 2007 at the reporting date. All such claims will either be allowed or denied (including abandoned/withdrawn claims). The likely ratio of settled claims together with the potential average value of each allowed claim are estimated is including in arriving at the total expected future liability.

19.3 Provision for Litigation Claims: £232k (2011-12: £260k)

The litigation provision relates to claims against the Department by staff and third parties for damages including contractual supply 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.

20. Commitments under leases

20.1 Operating leases

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

	2012-13 £000		2011-12 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Obligations under operating leases for the following periods comprise:				
<i>Buildings:</i>				
Not later than one year	1,229	1,388	1,141	1,286
Later than one year and not later than 5 years	4,160	4,258	171	502
Later than five years	4,350	4,350	-	-
	9,739	9,996	1,312	1,788
<i>Other:</i>				
Not later than one year	41	41	29	29
Later than one year and not later than 5 years	40	40	31	31
Later than five years	-	-	-	-
	81	81	60	60
Total	9,820	10,077	1,372	1,848

20.2 Finance leases

The Department has no obligations under finance leases.

21. Commitments under PPP/PFI contracts and other service concession arrangements

The Department is not currently engaged in any PFI contracts or service concession arrangements.

22. Other financial and capital commitments

The Department has no financial or capital commitments.

22.1 Financial Guarantees, Indemnities and Letters of Comfort

The Department has indemnified members of the public inquiries and commissions against any civil liability which is incurred in the execution of their functions, unless they acted recklessly and provided that they have acted in good faith. None of these indemnities represent contingent liabilities within the meaning of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* since the likelihood of a transfer of economic benefit in settlement is too remote.

23. Contingent liabilities disclosed under IAS 37 Provisions, Contingent Liabilities and Contingent Assets

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.

(a) Employment and personnel cases

There are a number of cases pending against the Department. The potential liability has been quantified although there is continuing uncertainty over the expected date of settlement in respect of these cases at the reporting date.

The Parades Commission has a contingent liability in respect of Employer's national insurance contributions. The Parades Commission does not consider it probable that payment will be required to settle the obligation.

(b) Others

There are a small number of further cases pending against the Department or the Secretary of State for which it is not possible to quantify any potential liability.

24. Losses and special payments

The Department has no material losses or special payments. (2011-12 £nil)

25. Related-party transactions

The Northern Ireland Office is the parent Department of two constitutionally separate 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 the Northern Ireland Human Rights Commission and the Northern Ireland Parades Commission.

In addition, the Northern Ireland Office has had a number of material transactions with other government bodies.

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.

John King is a non-executive board member of Entrust. He is also a director in Abbey National Group Pension Trustees Ltd and National & Provincial BS Pension Fund Trustees Ltd as well as being a trustee of Scottish Mutual Assurance plc and Alliance & Leicester Pension Scheme. The Department had no transactions with these organisations.

26. Third-party assets

The Department does not hold as custodian or trustee monies belonging to third parties, over and above those monies disclosed in Note 17 Cash and cash equivalents.

27. Entities within the Departmental boundary

The entities within the boundary during 2012-13 were as follows:

Executive

Northern Ireland Parades Commission *

Northern Ireland Human Rights Commission *

Non-executive / Advisory

Boundary Commission for Northern Ireland

Chief Electoral Officer for Northern Ireland

Civil Service Commissioners for Northern Ireland

Sentence Review Commissioners

Independent Commission for the Location of Victims' Remains

District Electoral Areas Commissioner (ad-hoc)

Independent Reviewer of Police and Military Powers under the Justice and Security Act 2007

Remission of Sentences Act Commissioners

Independent Chairman of the Northern Ireland Committee on Protection

*Separate Annual Accounts are produced by these entities and are available at:

<http://www.paradescommission.org/fs/doc/publications/pc-2012-annual-report>

and

<http://www.nihrc.org/index.php/what-we-spend/annual-reports-and-financial-accounts>

28. Events after the reporting period date

The Northern Ireland Office's Annual Report and Accounts is laid before the House of Commons by HM Treasury. The Northern Ireland Office is required to disclose the date on which the accounts are authorised for issue. The date of authorisation for issue is the date of the Certificate and Report of the Comptroller and Auditor General.

Annex – Additional budget and financial information

TABLE 1

The Northern Ireland Block 2008-09 to 2014-15

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	outturn	outturn	outturn	outturn	provisional outturn	plans	plans
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Northern Ireland Office Resource⁽³⁾							
Northern Ireland Office Administration Costs ⁽³⁾	17,511	15,112	15,530	14,641	13,404	15,314	15,227
Northern Ireland Office - other ⁽³⁾	44,794	33,582	17,682	11,601	9,823	12,658	6,556
Northern Ireland Office Resource⁽³⁾	62,305	48,694	33,212	26,242	23,227	27,972	21,783
Northern Ireland Office Capital							
Northern Ireland Office	1,033	301	8,280	162	1,271	291	241
Northern Ireland Office Resource + Capital DEL⁽³⁾	63,338	48,995	41,492	26,404	24,498	28,263	22,024
<i>less depreciation & impairments</i>	<i>(2,425)</i>	<i>(2,836)</i>	<i>(2,196)</i>	<i>(1,858)</i>	<i>(1,715)</i>	<i>(1,869)</i>	<i>(1,773)</i>
Northern Ireland Office DEL⁽⁴⁾	60,913	46,159	39,296	24,546	22,783	26,394	20,251
Northern Ireland Executive							
Northern Ireland Executive Resource	9,185,474	9,632,807	9,963,784	9,856,210	10,030,606	10,073,030	10,104,896
Northern Ireland Executive Capital	1,307,069	1,277,142	1,192,128	1,000,383	969,370	931,429	1,025,713
Northern Ireland Executive DEL⁽³⁾	10,492,543	10,909,949	11,155,912	10,856,593	10,999,976	11,004,459	11,130,609
<i>less depreciation & impairments</i>	<i>(294,205)</i>	<i>(342,262)</i>	<i>(369,953)</i>	<i>(420,460)</i>	<i>(569,656)</i>	<i>(458,227)</i>	<i>(473,856)</i>
Northern Ireland Executive DEL⁽⁴⁾	10,198,338	10,567,687	10,785,959	10,436,133	10,430,320	10,546,232	10,656,753
Total Northern Ireland Block^{(4) (5)}							
⁽⁶⁾	10,259,251	10,613,846	10,825,255	10,460,679	10,453,103	10,572,626	10,677,004

(1) Totals may not sum due to roundings

(2) Includes Budgetary Changes as a result of Clear Line of Sight

(3) Including Depreciation and Impairments

(4) Resource and Capital –depreciation and impairments

(5) By convention Departmental Expenditure Limit budgets are expressed as resource and capital less depreciation and impairments. Therefore the resource and capital numbers in this table will not sum to the Departmental Expenditure Limit: the difference between depreciation and impairments.

(6) Northern Ireland Office DEL +Northern Ireland Executive DEL net of depreciation

TABLE 2
Changes to Northern Ireland Executive Departmental Expenditure Limit for 2011-12 to 2014-15
since publication of 2011-12 Report & Accounts

	2011-12 £m Outturn	2012-13 £m Provisional Outturn	2013-14 £m Plans	2014-15 £m Plans
Capital DEL plus Resource DEL: June 2013	10,860.7	10,807.0	10,805.4	10,916.9
Interdepartmental transfers				
To NIO: Administration	0.0	(0.3)	0.0	0.0
Spending Policy				
Budget Exchange	0.0	55.1	0.0	0.0
Coastal Communities Fund	0.0	0.5	0.0	0.0
Student Loan Impairment	0.0	184.8	0.0	0.0
Policing & Justice	0.0	85.4	0.0	0.0
Barnett Consequentials				
Autumn Statement 2012	0.0	1.5	56.1	42.6
Budget 2013	0.0	0.0	16.8	40.1
Departmental outturn (underspend compared to final plans)				
Provisional Outturn for 2012-13	0.0	(134.0)	0.0	0.0
Final Outturn for 2011-12	(4.1)	0.0	0.0	0.0
Budgeting Changes				
Housing Benefit: AME to DEL	0.0	0.0	109.7	114.5
Social Fund: AME to DEL	0.0	0.0	16.5	16.5
Subtotal	(4.1)	193.0	199.1	213.7
Capital DEL plus Resource DEL: June 2013	10,856.6	11,000.0	11,004.5	11,130.6

(1) Totals may not sum due to roundings

TABLE 3

Cash grant paid to the Northern Ireland Consolidated Fund 2011-12: Provision and Final Outturn

	Original Provision £million	Final Provision £million	Final Outturn £million
Expenditure Classified as Departmental Expenditure Limit ⁽¹⁾	10,757	11,010	10,857
Expenditure Classified as Annually Managed Expenditure	8,987	9,052	8,663
RRI Borrowing	200	375	375
Total Managed Expenditure	19,944	20,437	19,894
<i>Less:</i>			
Non Cash charges	(1,812)	(3,203)	(2,936)
Non Voted (DEL, AME & Other AME)	(10,068)	(10,548)	(10,418)
<i>Add:</i>			
Voted Other Expenditure outside DEL	6,820	7,114	6,803
Utilisation of Provisions	0	965	937
Movement in Debtors / Creditors	0	447	21
Prior Period Adjustment	0	17	57
Supply Expenditure	14,885	15,229	14,359
Interest Payable	93	86	86
District Council Rates	455	493	493
Consolidated Fund Standing Services (Statutory Salaries etc.)	8	8	9
Loans issued	0	0	34
Sums repaid	0	0	134
Temporary Investments	0	0	1,516
Advances from NI Consolidated Fund	0	0	0
Total Expenditure	15,441	15,817	16,631
Income			
RRI Borrowing	200	375	375
District Council Rates	455	493	477
Regional Rates	606	609	588
Interest Receivable	98	90	82
NICF Loan Repaid	0	0	98
Internal Departmental Funds	0	0	26
Temporary Investments	0	0	1,516
Advances from NI Consolidated Fund	0	0	20
Excess of Capital Issues over Capital Receipts	0	0	0
Miscellaneous receipts	54	109	117
<i>of which:</i>			
NICF Balance	0	0	0
Continental Shelf	2	2	3
Central Receipts	27	11	20
Excess Accruing Resources	25	37	31
CFERS	0	52	58
EU CFERS	0	7	5
Total Income	1,413	1,676	3,299
Cash grant paid to Northern Ireland Consolidated Fund	14,027	14,141	13,332

Totals may not sum due to roundings

(1) Resource and capital DEL including depreciation

TABLE 4

Cash grant paid to the Northern Ireland Consolidated Fund 2012-13: Provision and Estimated Outturn

	Original Provision £million	Final Provision £million	Estimated Outturn (2) £million
Departmental Expenditure Limit ⁽¹⁾	10,807	11,134	11,134
Annually Managed Expenditure (inc Other AME & Reg Rates)	8,889	8,874	8,874
RRI Borrowing	200	170	170
Total Managed Expenditure (DEL, AME & Other AME)	19,895	20,178	20,178
<i>Less:</i>			
Non Cash charges	(2,978)	(3,169)	(3,169)
Non Voted (DEL, AME & Other AME)	(10,524)	(10,857)	(10,857)
<i>Add:</i>			
Voted Other Expenditure outside DEL	7,197	7,895	7,895
Utilisation of Provisions	997	976	976
Movement in Debtors / Creditors	349	474	474
Supply Expenditure	14,937	15,498	15,498
Interest Payable	86	86	86
District Council Rates	511	516	516
Other Services	9	9	9
Total Expenditure	15,542	16,109	16,109
Income			
RRI Borrowing	200	170	170
District and Regional Rates	1,123	1,132	1,132
Interest Receivable	82	76	76
Miscellaneous receipts	81	57	57
<i>of which:</i>			
NICF Balance	0	0	0
Continental Shelf	2	2	2
Excess Accruing Resources	25	7	7
CFERS	50	33	33
EU CFERS	5	15	15
Total Income	1,486	1,435	1,435
Block Grant	14,056	14,674	14,674

Totals may not sum due to roundings

(1) Resource and capital DEL including depreciation

(2) A detailed breakdown of the provisional outturn is not yet available. Table 4a below compares outturn and provision

Table 4a, Cash grant paid to the NI Consolidated Fund

	Original Provision	Final Provision £ million	Final Outturn
Cash grant paid to Northern Ireland Consolidated Fund	14,056	14,674	13,716

TABLE 5

Cash grant paid to the Northern Ireland Consolidated Fund 2013-14: Provision

	Original Provision
	£million
Departmental Expenditure Limit	11,004
Annually Managed Expenditure (inc Other AME & Reg Rates)	8,718
RRI Borrowing	200
Total Managed Expenditure (DEL, AME & Other AME)	19,922
<i>Less:</i>	
Less Non Cash charges	(2,926)
Less Non Voted (DEL, AME & Other AME)	(10,516)
<i>Add:</i>	
Voted Other Expenditure outside DEL	7,725
Utilisation of Provisions	1,000
Movement in debtors/creditors	161
Supply Expenditure	15,367
<i>Add:</i>	
Interest Payable	84
District Council Rates	523
Other Services	9
Total Expenditure	15,984
<i>Income</i>	
RRI Borrowing	200
District and Regional Rates	1,160
Interest Receivable	74
Miscellaneous receipts	79
<i>of which:</i>	
Continental Shelf	2
Misc - NIHE, Land Annuities etc	0
Excess Accruing Resources	38
CFERS	28
EU CFERS	10
Total Income	1,513
Cash grant paid to Northern Ireland Consolidated Fund	14,471

Totals may not sum due to roundings



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