

**Department Of Finance And Personnel Resource Accounts
For the year ended 31 March 2006**

*Laid before the Houses of Parliament By the Department of
Finance and Personnel in accordance with Paragraph 36 of the
Schedule to the Northern Ireland Act 2000 (Prescribed
Documents) Order 2004*

15 November 2006

*Laid before the Northern Ireland Assembly by the Department of
Finance and Personnel under section 10(4) of the Government
Resources and Accounts Act (Northern Ireland) 2001*

15 November 2006

Ordered by the House of Commons to be printed

15 November 2006

DEPARTMENT OF FINANCE AND PERSONNEL

Accounts for the year ended 31 March 2006

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ANNUAL REPORT FOR THE YEAR ENDED 31 March 2006

DIRECTORS REPORT

Introduction

The Department of Finance and Personnel (DFP) presents its accounts for the financial year ended 31 March 2006.

Boundary

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

- DFP Core Department
- Business Development Service
- Northern Ireland Statistics and Research Agency
- Rate Collection Agency
- Land Registers of Northern Ireland
- Valuation and Lands Agency

Note 36 provides greater detail on the business areas consolidated within the departmental boundary. In addition, Appendix 1 contains a list of bodies for which the Department had a degree of responsibility during the 2005–06 financial year, and identifies how costs associated with these bodies have been reflected within the Account.

Transfer of Functions to DFP

A review of functions by the Office of the First and Deputy First Minister, (OFMDFM) identified similar or overlapping functions in DFP. As a result of this review a number of functions were transferred to DFP with effect from 1 December 2005.

The areas transferred were: the Public Service Delivery Improvement Unit which transferred to the Business Development Service (BDS); the Electronic Document and Records Management System (EDRMS) Project Team and the e-Government Unit which passed to the Central Services Directorate of DFP; and, the International Fund for Ireland Secretariat. The changes involved a formal transfer of staff and budgets to DFP, but did not require a formal legal transfer of functions.

All expenditure in these areas for the full year has been included in the DFP Resource Accounts for year ended 31 March 2006.

Management

Ministerial responsibility for the Department of Finance and Personnel rested with Ian Pearson MP until 9 May 2005 when the Rt Hon Lord Rooker MP succeeded him. The current Minister is David Hanson who took up his post in May 2006.

The Permanent Secretary, Mr John Hunter is the Minister's principal adviser on all aspects of the Department's responsibilities and is the principal Accounting Officer for all Departmental expenditure. The Permanent Secretary is supported by a Second Permanent Secretary who is an additional Accounting Officer with responsibility for the operation, co-ordination and development of the range of financial and budgetary work, which falls to Central Finance Group and Central Procurement Directorate. Dr Andrew McCormick was Second Permanent Secretary until the appointment of Mr Bruce Robinson on 2 January 2006.

Departmental Board and Departmental Advisory Group

The work of the Department is organised and monitored by the Departmental Board, which comprises the Permanent Secretary, the Second Permanent Secretary, seven core Directors (Corporate Services Group, Central Personnel Group, Central Procurement Directorate, Supply Directorate, Budget Directorate, Departmental Personnel and Departmental Finance) and two non-executive directors. The Board determines the future strategic direction of the Department and meets monthly to consider progress on key policy and management issues, including finance and personnel. A further review of the Board's structure concluded that a membership from an operational business unit (an agency) and DFP's legal services unit would provide a better representation of departmental interests. The Board was subsequently reconstituted on 6 March 2006.

A Departmental Advisory Group (DAG) supports the Board. This comprises the Director of Corporate Services, the Departmental Finance Director, the Departmental Personnel Director, Agency Chief Executives, the Head of Legal Services and the Director of Law Reform. The Group's role is primarily advisory and consultative, covering the full range of the Department's business activities.

The Departmental Board members are as follows:

John Hunter	Permanent Secretary
Dr Andrew McCormick	Second Permanent Secretary (until 31 July 2005)
Mr Bruce Robinson	Second Permanent Secretary (wef 2 January 2006)
*Chris Thompson	Director of Corporate Services Group
Linda Brown	Director, Central Personnel Group
John McMillen	Director, Central Procurement Directorate
David Thomson	Director, Central Finance Group (Supply)
Leo O'Reilly	Director, Central Finance Group (Budget)
*Gerry Cosgrave	Director, Departmental Personnel
*Jim O'Hagan	Director, Departmental Finance
Mrs Angela Gillibrand	Non-executive Director (wef 1 April 2005)
Mr Dennis Licence	Non-executive Director (wef 1 April 2005)
*Mr Nigel Woods	Chief Executive, Valuation and Lands Agency (Board member wef 6 March 2006)
*Mr Denis McCartney#	Head of Departmental Solicitors Office (Board member wef 6 March 2006)

#Temporarily promoted with effect from 2 January 2006 pending appointment of new Head of Departmental Solicitors Office

The Departmental Advisory Group members are as follows, in addition to * above:

Dr Norman Caven	Chief Executive, Northern Ireland Statistics and Research Agency
Arthur Scott	Chief Executive, Rate Collection Agency
Ray Long	Chief Executive, Business Development Service
Robin Cole	Departmental Solicitors Office (retired 31 December 2005)
Ethne Harkness	Office of Law Reform
Patricia Montgomery	Chief Executive, Land Registers of Northern Ireland

Departmental Reporting Cycle

The Government's Priorities and Plans 2005-2008 explains the policy priorities, the budgetary decisions and the key commitments being made by Government. It also contains the Department's Public Service Agreement. The Departmental Business Plan 2005-06 sets out in detail how the Department will deliver its objectives.

The Priorities and Budget Document and the Department's Business Plan were published on the Internet and copies can be obtained by contacting Business and Resource Planning Branch on 028 91858280.

The Department monitors progress against the objectives and targets in these documents every quarter, and the end of year results have been published on the Department's Website at www.dfpni.gov.uk.

The Priorities and Budget Document set out the Department's budget for 2005-06 and the resources provided for in that document subsequently formed the basis of the Department's 2005-06 Main Estimate which was published in June 2005. The Main Estimate sets out the resource and capital expenditure limits of the Department together with the limit placed on income which the Department can offset against expenditure. It includes additional detail on the services for which budgetary cover was provided, and sets out the financial reporting structure of the Department which aligns with departmental objectives. During the year the Department's budget was amended to reflect the outcome of in-year monitoring rounds across Northern Ireland Government Departments. The budgetary changes arising from the outcome of in-year monitoring are reflected in the Department's 2005-06 Spring Supplementary Estimate which was published in February 2006.

Both the 2005-06 Main and Spring Supplementary Estimates were published by and are available from:

The Stationery Office
PO Box 29, Norwich
NR3 1GN
Telephone orders/General enquiries: 0870 6005522
Fax orders: 0870 6005533
On-line orders: www.tso.co.uk

Register of Interests

A Register of Interests is maintained by the Department and no significant interests are currently held by board members which may conflict with their management responsibilities.

Pension Liabilities

The treatment of pension costs and liabilities is disclosed in the Remuneration Report and paragraph 1.13 of the Accounting Policies Note (Note 1 to the Accounts).

Auditors

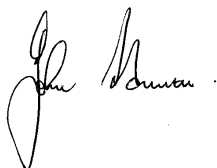
The financial statements are audited by the Comptroller and Auditor General (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office (NIAO), and he and his staff are wholly independent of the Department and report their findings to Parliament.

The audit of the financial statements and Departmental input to Central Government Accounts for 2005-06 resulted in a notional audit fee of £158k.

Audit Information

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

APPROVED AND SIGNED



JOHN HUNTER
Accounting Officer
Department of Finance & Personnel

9 October 2006

REMUNERATION REPORT

Remuneration of Ministers and Senior Officials

Minister

The remuneration of Ministers, during direct rule, is set by the Ministerial and other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991.

Permanent Secretary Pay

The Permanent Secretary's, and Second Permanent Secretary's, pay is determined taking account of the recommendations of the Senior Salaries Review Body. Individual pay awards for NICS Permanent Secretaries are performance based and are determined by an NICS Permanent Secretary Remuneration Committee, which includes independent representation.

Pay of Other Senior Managers of the Departmental Board and DAG

The Northern Ireland Civil Service (NICS), shadows the pay arrangements for Senior Civil Service (SCS) staff in the Home Civil Service. The NICS therefore applies the recommendations of the Senior Salaries Review Body.

In reaching its recommendations, the Review Body has regard to 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;
- 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.

A (SCS) Pay Strategy for Grades 3 and 5 in the NICS is developed annually. The Strategy is based on the recommendations contained in the report of the Senior Salaries Review Body (SSRB) and guidance on SCS pay promulgated by Cabinet Office. The remuneration of senior civil servants is entirely performance based.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Remuneration of Non-Executive Directors

The remuneration for the Non-executive Directors is £12,000 for a commitment of twenty-five days plus allowances in relation to travel and subsistence when incurred whilst on departmental business.

The salary and pension entitlements of the Minister and the most senior managers of the Department are disclosed below.

Appointment of Senior Officials and Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook. 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 Commissioners can be found at www.nicscommissioners.org.

Permanent Secretary

Both the Permanent Secretary of the Department and the second Permanent Secretary were appointed by internal transfer. Each appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules of termination are set out in Part V of the NICS Staff Handbook.

Other Members of the Departmental Board and DAG

Other members of the Departmental Board and the Departmental Advisory Group were appointed following either internal promotion, transfer or external appointment via recruitment competition. The terms of these appointments vary and are for either an indefinite or fixed term. The rules of termination are set out in Part V of the NICS Staff Handbook.

Ray Long, Chief Executive of BDS, was appointed on a three year contract commencing on 1 March 2004. Following an internal re-organisation and integration of the functions carried out by BDS into the Core Department, with effect from 1 April 2006, Mr Long transferred to the Department of Education.

Salary and Pension Entitlements

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

Ministers Salaries

During 2005-06 the Department of Finance and Personnel was under the direction and control of Ian Pearson MP until 9 May 2005 when the Rt Hon Lord Rooker MP succeeded him. Their salary and allowances were paid by the Northern Ireland Office or the Cabinet

Office rather than the Northern Ireland Assembly. These costs have not been included as notional costs in the Operating Costs Statement in the same way as Devolved Minister's salaries. Details of Ian Pearson MP and the Rt Hon Lord Rooker MP salary and allowances will be provided in the 2005-06 Northern Ireland Office Resource Accounts.

Ministerial pensions

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

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

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

Senior Civil Servants

Officials	2005-06		2004-05	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
J Hunter Permanent Secretary	110-115	Nil	110-115	Nil
AG McCormick Permanent Secretary (until 31/7/05)	30-35	Nil	100-105	Nil
WB Robinson Permanent Secretary (wef 2/1/06)	30-35	Nil	N/A	N/A
L O'Reilly Director	80-85	Nil	80-85	Nil
C Thompson Director	90-95	Nil	90-95	Nil
LM Brown Director	85-90	Nil	85-90	Nil
J McMillen Director	80-85	Nil	80-85	Nil
DW Thomson Director	85-90	Nil	85-90	Nil
J O'Hagan Director	55-60	Nil	50-55	Nil
G Cosgrave Director	60-65	Nil	60-65	Nil
N Woods Director (wef 6/3/06)	5-10	Nil	N/A	N/A
D McCartney Director (wef 6/3/06)	5-10	Nil	N/A	N/A

Salary

'Salary' includes gross salary; performance pay or bonuses and any allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Department and thus recorded in these accounts.

Benefits in kind

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

Civil Service Pensions

Officials	Accrued pension age 60 as at 31/03/06 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/06	CETV at 31/03/05	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
J Hunter Permanent Secretary	47.5-50 plus lump sum of 147.5 -150	2.5-5.0 plus lump sum of 10.0-12.5	892	780	79	Nil
AG McCormick Permanent Secretary	30-32.5 plus lump sum of 82.5-85	0-2.5 plus lump sum of 5.0-7.5	437	414	22	Nil
WB Robinson Permanent Secretary	52.5-55 plus lump sum of 155-157.5	2.5-5.0 plus lump sum of 7.5-10.0	919	841	49	Nil
L O'Reilly Director	22.75-30 plus lump sum of 85-87.5	0-2.5 plus lump sum of 5.0-7.5	446	394	31	Nil
C Thompson Director	45-47.5 plus lump sum of 132.5-135	0-2.5 plus lump sum of 5.0-7.5	812	735	46	Nil
LM Brown Director	32.5-35 plus lump sum of 102.5-105	0-2.5 plus lump sum of 5.0-7.5	576	514	38	Nil
J McMillen Director	32.5-35 plus lump sum of 97.5-100	0-2.5 plus lump sum of 2.5-5.0	543	495	23	Nil
DW Thomson Director	27.5-30 plus lump sum of 82.5-85	0-2.5 plus lump sum of 5.0-7.5	457	402	34	Nil
J O'Hagan Director	15-17.5 plus lump sum of 47.5-50	0-2.5 plus lump sum of 2.5-5.0	195	176	9	Nil
G Cosgrave Director	22.5-25 plus lump sum of 67.5-70	0-2.5 plus lump sum of 2.5-5.0	374	339	18	Nil
N Woods Director	42.5-45 plus lump sum of 127.5-130	0-2.5 plus lump sum of 2.5-5.0	788	730	32	Nil
D McCartney Director	42.5-45 plus lump sum of 132.5-135	2.5-5.0 plus lump sum of 12.5-15.0	N/A	N/A	N/A	Nil

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

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

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

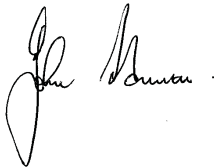
Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensions-ni.gov.uk.

Cash Equivalent Transfer Values

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

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

APPROVED AND SIGNEDA handwritten signature in black ink, appearing to read "John Hunter". The signature is written in a cursive style with a large initial "J" and "H".

JOHN HUNTER
Accounting Officer
Department of Finance & Personnel

9 October 2006

MANAGEMENT COMMENTARY

Key Aims and Objectives

The overall aim of the Department during 2005-06 was:

“To Help Ministers secure the most appropriate and effective use of resources and services for the benefit of the community.”

The Department’s objectives were:

To prioritise the use and deployment of resources available to Northern Ireland and to secure the delivery of Public Services which meet the needs of citizens and offer value for money; and

To meet the social and economic needs of the community in the Department’s areas of executive responsibility.

The specific aims and objectives of the Department’s five executive agencies are documented in the Annual Report and Accounts published annually for each of these bodies.

Principal Activities

The Department of Finance and Personnel (DFP) is one of eleven Northern Ireland Departments created in December 1999 as part of the Northern Ireland Executive by the Northern Ireland Act 1998 and the Departments (Northern Ireland) Order 1999.

The Department comprises five Directorates managed by Directors, the Departmental Solicitors Office, the Office of Law Reform and five Agencies managed by Chief Executives. The Department has a wide range of disparate business areas and Appendix 2 sets out the principal activities of these Directorates and Agencies.

Performance during the period 2005-06

The Department’s performance over the past financial year has been monitored and reported on a quarterly basis to the Departmental Board, with the final quarter detailing the year’s progress.

Progress against the PSA targets for the two objectives is set out below. Progress against other targets in the Business Plan have been published and can be found at www.dfpni.gov.uk.

Objective 1 - To prioritise the use and deployment of resources available to Northern Ireland, and to secure the delivery of Public Services which meet the needs of citizens and offer value for money.

(Ref: PSA target 1.1) Support the effective delivery of the Governments Priorities and Plans through the optimum allocations of public expenditure reflecting priorities and targets set by Ministers; and achieve best value for money from departments and public bodies.

In conjunction with the Office of the First Minister and Deputy First Minister, the Department's Central Finance Group facilitated the funding of public services provided by NI Departments through funding from HM Treasury, the European Union and through the Regional Rate.

(Ref: PSA target 1.2) *To ensure the delivery of cumulative efficiency gains of at least 2.5% a year over the next three years, at least half of which should release cashable resource to frontline services.*

Year end monitoring returns have been produced from a bespoke IT system, and a verbal report has been given to HM Treasury, advising that the Department is on target.

(Ref: PSA target 1.3) *To ensure that the Civil Service operates within administration costs limits, flat-lined at 2005-06 levels for the next three years.*

The position continues to be monitored by the Department's Central Finance Group and HM Treasury have been advised of the current situation, and the Department is on target.

(Ref: PSA target 1.4) *To improve business efficiency and effectiveness by implementing an agreed strategic development plan for rationalising and managing the Government Office Estate (Workplace 2010).*

An outline business case has been approved and a detailed plan has been developed to inform the procurement phase of the project, which will ultimately lead to the award of contract with a preferred supplier by the end of 2006/07.

(Ref: PSA target 1.5) *By March 2006 to implement a common accounting system across NICS departments – and by March 2008, to have migrated NI departments' transaction processing activities to a Single Shared Service Centre, in order to improve the efficiency and quality of NICS financial management and reporting.*

Final contract with the consortium BT, Accenture and Northgate Information Solutions (formerly SX3) was signed on 5 June 2006, delaying the implementation timetable until November 2008 although alternative strategies are being examined to speed up implementation.

(Ref: PSA target 1.6) *By April 2006 to commence introduction of Human Resource (HR) systems and services to reform the way HR is delivered to the NICS.*

The Department entered into a contract with Fujitsu on the 29 March 2006 and arrangements are underway to design, build, implement and operate a HR business solution. Roll out of HR Services are set to commence mid 2007 and full operation to be achieved during 2008.

(Ref: PSA target 1.7) *To underpin and enhance the NICS capacity to deliver modern, accessible and customer focused public services.*

The Permanent Secretaries Group (PSG) endorsed recommendations to set up a Training and Development Shared Services Centre (SSC) with effect from 1 April 2006. A business and funding model, together with a fully structured benefits realisation strategy, are to be developed for the SSC.

(Ref: PSA target 1.8) To provide procurement and other support to NICS departments in the delivery of the Government's Efficiency Agenda and the attainment of best value for money across the public sector.

At the end of year 1 approximately £40m of value for money gains and improvements has been declared in respect of contracts awarded before the end of March 2006. Value for money gains have also been achieved in a number of major projects awarded during the year and these are currently being assessed and verified.

(Ref: PSA target 1.9) By April 2007 to complete the implementation of key reforms to the rating system to make it fairer and to ensure that it will achieve revenue for the future needs of Northern Ireland.

Key non-domestic reforms have been introduced including the phased removal of industrial de-rating and with the Rates Order 2006 coming into operation on 1 April 2006, this authorises publication of capital values for domestic properties during 2006, and the calculation of rate liability on that basis with effect from 1 April 2007. Work on a second Order is underway covering remaining reforms to be introduced with effect from 1 April 2007.

Objective 2 – To meet the social and economic needs of the community in the Department's areas of executive responsibility.

(Ref: PSA target 2.1) Meet Ministerial targets and provide high standards in those services delivered.

This target covers targets in 4 Agencies (Northern Ireland Statistics and Research Agency, Valuation and Lands Agency, Rate Collection Agency and the Land Registers of Northern Ireland) and the Office of Law Reform. Virtually all targets were achieved. Details of Ministerial targets for all Agencies are published in their individual Annual Reports.

Financial Review

The Department employed 2,783 staff, at 31 March 2006, and the total costs of staff and general administrative expenditure during the year was **£181.5m**.

The Department is responsible for the provision of office accommodation for staff employed in 11 Government Department's and their Agencies. Currently the net book value of the office estate is around **£323.7m**.

The Department spends around **£48.9m** per annum on maintenance and running of the estate, however, it is acknowledged that this programme has been significantly underfunded and a number of key buildings are of extremely poor quality. Workplace 2010 (WP2010), a key element of 'Fit for Purpose', the Northern Ireland Civil Service (NICS) reform agenda, represents the programme developed to deliver the transformation and rationalisation of the civil service estate, and the realisation of efficiencies associated with the better use and management of the office estate. An outline business case has been approved and a detailed plan has been developed to inform the procurement phase of the WP2010 project, which will ultimately lead to the award of contract with a preferred supplier by the end of 2006-07.

An analysis of Resource Outturn against the Resource Estimate, by function can be found in Note 2 to the Accounts. However, the main areas of underspend are as follows:

- i. The outturn of Objective A (RFR A) was **£168.5m** against an estimated provision of **£186.1m**. A major proportion (46.8%) of the resources allocated to Objective A related to the provision of office accommodation - **£87.2m**, with the EU Programme for Peace and Reconciliation (Peace II) and EU Community Initiatives (Interreg IIIA) representing 22.6% of resources - **£42m**. The bulk (**£11.9m**) of the underspend of **£17.7m** was largely due to a lower than anticipated level of uptake on the departmental measures within the EU Programme for Peace and Reconciliation in the later months of the year; slippage in the e-Human Resource (e-HR) programme due to longer than anticipated contract negotiations; project slippage within the e-Government Fund; the release from the government grant reserve being greater than forecast; and a fall in the level of EU Debtors beyond that anticipated at year end.
- ii. The outturn for Objective B (RFR B) was **£20.5m** against an estimated provision of **£23.6m**. The underspend of **£3.1m** was largely as a result of slippage in the Valuation and Lands Agency's ongoing IT systems replacement programme and rescheduling of the public interface programme resulting in the reprofiling of some expenditure into 2006-07 and a reduction in IT system support costs; and slippage in the Rate Collection Agency's replacement IT project due to technical difficulties around testing and uncertainties associated with emerging Reform of Rating policies.

Contingent Liabilities requiring disclosure under parliamentary reporting requirements and not under FRS 12

There were no contingent liabilities requiring disclosure under parliamentary reporting requirements.

Future Developments

The main factors influencing the Department's future financial performance will be the ongoing limit placed on administration costs during 2006-07 and 2007-08 and the need to make cumulative efficiencies of 2.5% per annum over the same period as part of the Budget 2004 process. During the period 2006-2008, the Department will be progressing a number of central initiatives to deliver NICS service wide efficiencies in the areas of accounting systems and services, human resource services, procurement, delivery of information and communications technology (ICT) including the establishment of an ICT Shared Service Centre and public sector broadband aggregation, and as previously referred to, provision of office accommodation. The delivery of these NICS service wide initiatives against a background of financial constraint, arising from the ongoing limit placed on administration costs and the need to deliver departmental cumulative efficiencies of 2.5%, will present a considerable challenge for the Department.

Risks and Uncertainties

Risk management has been incorporated into the corporate planning and decision-making processes of the Department. During the year the Departmental Board endorsed the Department's Policy and Framework for Risk Management. The document defines the framework and describes the process for identifying and managing risks within the Department. Further details on the Department's capacity to handle risk, the risk and control framework within which the Department operates, and a review of effectiveness of the Department's system of internal control are provided in the Statement on Internal Control.

Post Balance Sheet Events

As indicated above the contract for the Accounting Services Programme was signed on 5 June 2006, and a Training and Development Shared Services Centre (SSC) was established with effect from 1 April 2006. In addition, the transfer of functions from OFMDFM to DFP, provided an opportunity to achieve better synergy by linking units in DFP, with a new Delivery and Innovation Division created on 1 April 2006, covering services previously provided by the e-Government Unit; the EDRMS Project Team; the Public Service Delivery and Improvement Unit; parts of the BDS; and parts of the Central Procurement Unit. As a result BDS ceased to exist as an Agency on 1 April 2006.

A review of the Rate Collection Agency IT Project has identified control weaknesses which are addressed in the Statement on Internal Control.

PUBLIC INTEREST AND OTHER

Equal Opportunities

The Department is responsible for developing, formulating, promulgating, monitoring and reviewing the equal opportunities policy for the Northern Ireland Civil Service as a whole. This policy is that all eligible persons shall have equal opportunity for employment and advancement in the Northern Ireland Civil Service on the basis of their ability, qualifications and aptitude for the work. Under the policy, no person must be treated less favourably, in any respect of his/her employment, for a reason related to gender, marital status, religious belief, political opinion, disability, colour, race, ethnic or national origin, age, sexual orientation and having dependants, which should be irrelevant to the treatment or assessment of that individual.

The Department is an Equal Opportunity employer and is fully committed to the elimination of all forms of harassment and bullying, discrimination and victimisation. The Department recognises the legal obligations under which it operates, and ensures working relationships are based on mutual trust, respect and understanding. This allows the maximum potential to be made of the wide variety of skills, abilities and attributes available within the Department.

In July 2005 the Department introduced the Dignity at Work Policy, which replaced the existing Harassment and Bullying Policy Statement. The aim of the new policy is to promote and maintain good working relationships and to create a healthy and harmonious environment for all staff. The policy is designed to ensure that every member of staff understands his or her right to dignity and respect at work, and also the right to complain about unwanted, unreasonable and offensive conduct, should it occur.

Equality Scheme

The Department remains committed to the promotion of equality of opportunity and human rights. We continued to ensure that all our policies comply with the Human Rights Act 1998 and that the Department continues to fulfill the duties required of it by Section 75 of the Northern Ireland Act.

The implementation of the Department's Equality Scheme ensures that equality issues are being mainstreamed throughout the work of the Department. Equality awareness is now included in all induction training. Equality and Diversity Unit continue to provide advice and guidance to business areas on all aspects of Equality.

In February 2006, the Department submitted its Five Year Review Report to the Equality Commission. The review included an assessment of how the Department complied with its section 75 obligations and how equality of opportunity and good relations have been advanced in relation to the main policy areas. The Equality Commission's initial feedback on the report has been positive.

Links with the Voluntary and Community sector have been further strengthened through honest and open communication and we continue with this outreach work for the benefit of both the sector and the Department.

Persons with Disabilities

The Northern Ireland Civil Service's Equal Opportunities policy applies to the employment of people with a disability. The Department has also prepared and published a Code of Practice in respect of the employment of people with disabilities in the Northern Ireland Civil Service. The Department is committed to ensuring that its policies and practices comply with the requirements of the Disability Discrimination Act 1995 and subsequent amendments.

Employee Involvement

The Department recognises the benefit of keeping all employees regularly informed about progress towards achieving aims and objectives. The Department's Business Plan, which sets out its priorities, targets and values, is communicated to all staff. Regular team briefs keep staff informed about work in progress and the Department's performance against key targets. A departmental magazine "Memo" is circulated quarterly. The Department also consults and negotiates with Trade Union Side, through central, Departmental and local Whitley arrangements.

Health and Safety

The Department is committed to complying with all existing health and safety at work legislation and regulations to ensure that staff and visitors enjoy the benefits of a safe environment. A policy statement entitled "Health and Safety Policy Statement Organisation and other Arrangements" has been circulated to all staff to ensure safe and healthy working conditions.

Environmental Matters

The Department is committed to supporting the drive towards sustainable development and is currently:

- purchasing the equivalent of approximately 25% of its annual electricity requirements for the NI Government Office Estate from renewable sources;
- implementing strategies to reduce by 30% its total paper consumption over the next five years and ensure that all paper used by DFP directly, or by printers for DFP publications, is derived from at least 70% post-consumer waste;
- continuing to implement procurement policies which support sustainable development;
- considering a proposal for a combined heat and power plan for the Stormont Estate using renewable energy and supported by financing from the Environment and Renewable Energy Fund; and
- taking steps to ensure that government office buildings acquired or refurbished under the Workplace 2010 strategy will embody renewable technologies.

In addition, the Department is continuing its administration of the Central Energy Efficiency Fund that provides funding for energy efficiency projects by Northern Ireland public bodies, including projects using renewable energy sources. In 2006-07 and 2007-08 the Department received an additional £1m per annum from the Environment and Renewable Energy Fund to support renewable energy projects. This additional funding is already fully committed.

Corporate Social Responsibility

The Department launched its Corporate Social Responsibility Policy in April 2005, since then several teams of staff have taken part in volunteer projects. The feedback from staff indicates that these events are very enjoyable, as well as useful for team-building. Staff were recently encouraged to assist with the Special Olympics Games, and initiatives such as Time to Read, and Young Enterprise, have also been publicised throughout the Department.

Information Management

The Freedom of Information (FOI) Act 2000 came into force on 1 January 2005. From this date, the public has a general right of access, subject to some exemptions, to information held by the Department.

Work has been progressed over the past two years to prepare and support the Department in discharging its responsibilities under the Act. The Information Management Unit (IMU) was established to ensure Departmental compliance with its FOI, Environmental Information Regulations (EIR), Data Protection and Records Management obligations and to provide support for Business Area Information Managers (BAIMs) who have responsibility for preparing staff for FOI. A network of Support and Local Information Managers has also been set up to assist BAIMs in carrying out this work at branch level.

As a result of the Information Management Strategy, audits were carried out to assess the Department's information holdings. A new file management system was introduced for paper records and the Document Management System has been enhanced to provide easy access to records held electronically. The system will prepare the Department for the

introduction of the Electronic Document and Record Management System (EDRMS) within the next year. The Department has also appointed a Librarian to provide expertise on records management and to set up a Virtual Library Service.

The Information Management Unit are continuing to carry out awareness seminars across the Department to alert staff to their information management responsibilities. Specific training in decision-making, data protection and records management has also been given to key staff. Roadshows have been held in a number of buildings housing DFP staff to alert them to the new legislation.

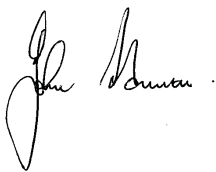
Payment to Suppliers

The Department is committed to the prompt payment of bills for goods and services received in accordance with the Late Payment of Commercial Debts (interest) Act 1998 and British Standard BS7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is the later. During the year, 91.2% of bills were paid within this standard, compared to 88.5% in the previous year.

It is accepted that this percentage still needs to be improved however significant progress has been made over the last few years. The main area of concern continues to be around the authorisation of work certificates within the Department's Central Procurement Directorate and Properties Division. Emphasis will continue to be placed on improving processes in this and other business areas in order to further improve the Department's payment performance.

A payment of £338 was made to a supplier under the terms of the Late Payment of Commercial Debt Act during the period.

APPROVED AND SIGNED



JOHN HUNTER
Accounting Officer
Department of Finance & Personnel

9 October 2006

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Department to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. 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 of its net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

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

- a. observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b. making judgements and estimates on a reasonable basis;
- c. state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- d. prepare the accounts on a going-concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department as principal Accounting Officer of the Department. In addition, the Department of Finance and Personnel has appointed an additional Accounting Officer to be accountable for a number of services, including Central Finance Group, Central Procurement Directorate, and Co-ordination of the NICS Wide Reform Programme. This appointment does not detract from the Head of the Department's overall responsibility as Accounting Officer for the Department's accounts.

The allocation of Accounting Officer responsibilities in the Department is as follows:

Request for Resources A: John Hunter, Principal Accounting Officer
Request for Resources B: John Hunter, Principal Accounting Officer

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 Department of Finance and Personnel's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in *Government Accounting Northern Ireland*. Under the terms of the Accounting Officer's Memorandum, the relationship between the Department's principal and additional Accounting Officers, together with their respective responsibilities, is set out in writing.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

All relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of departmental policies, aims and objectives and where necessary are brought to the attention of the Minister.

The Department has joint responsibility for a North/South body, which has a status equivalent to that of a Non Departmental Public Body (NDPB) for accountability purposes. During the 2005/2006 financial year the department had five executive agencies. Following the merger of Business Development Service with the Northern Ireland e-Government Unit and Public Service Delivery Improvement Unit from April 2006 there are now four executive agencies. Sponsor control arrangements are operated by the Department of Finance and Personnel by way of a Financial Memorandum for the North/South body and through framework documents for each of its executive agencies. Additionally, the Head of Internal Audit provides a written report to the Departmental Accounting Officer, timed to support this Statement on Internal Control, on the overall adequacy and effectiveness of the Department's risk management, control and governance process. The process encompasses executive agencies and sponsor control arrangements.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Department of Finance and Personnel's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in the Department of Finance and Personnel for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with DFP guidance.

3. Capacity to handle risk

The Department's capacity to manage risk is established through the risk and control framework and the increasing experience of managers in the risk management process. Core Directors, senior managers and Agency Chief Executives provide leadership to the risk management process in their particular areas of responsibility and also corporately through their involvement in the Departmental Board, the Departmental Advisory Group and the Departmental Audit and Risk Committee.

Guidance and legislation issued centrally is communicated to staff for implementation, as appropriate. Where this impacts on the business of an agency or departmental directorate, either as a new requirement or as a change to existing processes, it is considered in the wider

context of the agency/directorate business plan and risk register. Where significant, the risk is documented in the risk register and ownership allocated and reviewed on an ongoing basis.

Training in the area of risk management was previously provided to managers; and following a review of Corporate Governance arrangements within the Department, and the production of a Departmental Policy and Framework Document for Risk Management, additional risk management training has been progressed during the 2005-06 financial year, and will continue during the 2006-07 financial year.

4. The risk and control framework

Risk management has been incorporated into the corporate planning and decision-making processes of the Department. During the 2005-06 year the Departmental Board endorsed the Department's Policy and Framework for Risk Management. The document defines the framework and describes the process for identifying and managing risks within the Department. In compiling risks, business areas are required to review risks against objectives and targets and document the outcome in a risk register.

The management board has ensured that procedures are in place for verifying that aspects of risk management and internal control are regularly reviewed and reported on:

Each business area prioritises risk against pre-determined weightings to reduce subjectivity in assessing risk;

Key risks identified at agency/directorate level are documented on risk registers and are reviewed formally at least twice a year at business area Audit and Risk Committees (ARCs);

The Departmental Risk Register is updated and reviewed by the Departmental Audit and Risk Committee at least three times a year. During the course of the year the Terms of Reference for the Departmental Audit and Risk Committee was updated and approved by the Departmental Board. The membership of the Committee was revised in line with the new Terms of Reference. Membership is by rotation of core directors and agency chief executives, with the Director of Corporate Services and the Treasury Officer of Accounts as permanent members. The Committee, which is chaired by an independent non-executive member of the Departmental Board, assesses the continued appropriateness of risks and the means through which they are managed. Also, the need to add, delete, relegate or promote risks is also determined in order to reflect the current business environment;

Agency chief executives and senior management of the core directorates complete stewardship statements at the end of each financial year. Mid-year reports are the vehicle for ensuring the continued maintenance of registers during the year.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department of Finance and Personnel 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, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the

system is in place.

A number of elements that contribute to the review of effectiveness of the system of internal control include:

- As a result of a Review of the Department's Corporate Governance arrangements in September 2004, a number of actions took place; including:
 - the membership and roles of the Departmental Board and Departmental Advisory Group were reviewed,
 - the appointment of two Non-Executive Directors to the Board from 1 April 2005, and
 - the production of a Business Diary to help inform the agenda for meetings of the Departmental Board;
- A further review of corporate governance, including the completion of self-assessment questionnaires was carried out during 2005-06. Recommendations from this review were approved by the Departmental Board on 6 March 2006 and work is currently underway to implement them;
- The Departmental Board which exercises authority at a corporate level within the Department and comprises the Accounting Officer, additional Accounting Officer (who joined the Department in January 2006), the Chief Executive of the Valuation and Lands Agency, the Departmental Solicitor, the Personnel Director, the Finance Director and the senior managers within the core directorates. The Board is supported in an advisory and consultative capacity by the Departmental Advisory Group (DAG), comprising a wider group of senior managers, including Chief Executives of the Department's executive agencies. During the year the Departmental Board met on 11 occasions and DAG on 3 occasions. This was augmented by a series of weekly and ad-hoc meetings attended by key senior staff, including meetings of the Senior Managers Forum;
- The Department has a properly constituted Departmental Audit and Risk Committee which meets at least three times a year and receives periodic reports concerning internal control. It provides oversight in ensuring that appropriate steps are being taken to manage risks in significant areas of responsibility and monitoring progress, including a review of stewardship assurance statements completed by heads of business areas. From July 2005 the Departmental Audit and Risk Committee has been chaired by a non-executive member of the Departmental Board;
- The Department's Internal Audit Unit is independent from executive responsibilities and has a direct line of reporting to the non-executive chair of the Audit Committee and operates to standards defined in the Government Internal Audit Manual. Regular reports are submitted, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement. Internal Audit also incorporates reviews of corporate governance arrangements in periodic plans. An Internal Audit Review of Corporate Governance commenced towards the end of the 2005-06 financial year, and a draft report issued 19th May 2006. This report, while still to be finalised, indicates that they are satisfied that the Department is in compliance with the relevant guidance and is generally complying with best practice.

- The integrated business planning application incorporating risk management functionality introduced last year is currently being reviewed and upgraded.

In the Department's 2005-06 Annual Assurance Statement, the Head of Internal Audit concluded that, overall, a substantial level of assurance can be placed on DFP internal control systems. While no significant internal control problems were identified, some individual issues were highlighted for improvement and the Department has agreed to redress these concerns expeditiously.

6. Significant Internal Control Problems

Following alleged incidents of misappropriation in the Lands Registry in the Republic of Ireland, an Internal Audit review of income processing and cash handling systems was undertaken to provide assurance that similar misappropriation could not occur in the LRNI Agency.

Within the confines of audit testing, Internal Audit provided **limited** assurance over the systems used to process income in Land Registers. This was due to the number and nature of weaknesses identified in interdependent systems during testing. These concerns need to be redressed as a matter of urgency as the overall system objectives are at risk including the potential for loss or misappropriation of valuables and information assets.

LRNI's Chief Executive and Registrar has put in place a number of controls to address this issue including:

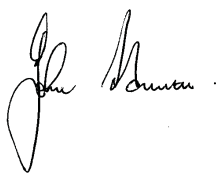
- increased checking of cash payments in the Customer Information Centre;
- increased security in the unlocking of computer accounts;
- additional monthly reports will be run against LandWeb to identify the number of query cases created and if any trends exist;
- an additional level of spot check over the scrutiny, processing and reconciliation of Fees;
- electronic access doors have been secured to prevent unauthorised access to the cash handling area;
- CCTV coverage has been extended to back office facilities provided to Law Searchers; and
- LandWeb Direct account activation has been delayed until prompted by the client.

While significant issues need to be addressed to ensure all income is completely and accurately brought to account, based on work to date, Internal Audit can provide a substantial level of assurance on LRNI internal control systems for the period 1 April 2005 to 31 March 2006.

The Rate Collection Agency IT Project received a consecutive RED status report following a Gateway Review completed on 5 September 2006. This review gives rise to serious concern that the systems to support the Rating Reforms in Northern Ireland might not be ready for 1

April 2007. Urgent action is in train to address the concerns highlighted in the report of the Gateway Review and indeed a number of actions have already been completed or partially completed. A summary of the main issues and actions is included below:

- The review made seven recommendations (six red and one amber). An action plan to implement the recommendations was agreed and is currently being implemented;
- At the 5 October 2006 three recommendations have been implemented in full, two are ongoing and two have yet to be commenced;
- Progress towards implementation of the recommendations and the overall state of the project is reported to the Department's Minister and the Accounting Officer monthly and to the Department's Rating Reform and Modernisation Programme Board fortnightly;
- The project is being delivered in four phases. The cutover to deliver the critical first phase is scheduled to complete on 9 October 2006; and
- A prioritised contingency plan for the three remaining phases including rating reform (Phase four) is being finalised and will shortly be submitted to the Rating Reform and Modernisation Programme Board and Minister for agreement.



JOHN HUNTER
Accounting Officer
Department of Finance & Personnel

9 October 2006

DEPARTMENT OF FINANCE AND PERSONNEL

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Department of Finance and Personnel for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 21 to 25 reflects the Department's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Report, the unaudited part of the Remuneration Report, the Management Commentary and Appendix 1 and Appendix 2. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

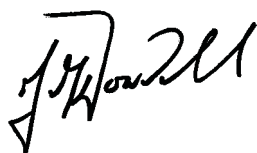
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement,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

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

11 October 2006

Department of Finance & Personnel
Year ended 31 March 2006

Statement of Parliamentary Supply

Summary of Resource Outturn 2005-06

					2005-06		2004-05		
					£'000		£'000		
Estimate					Outturn			Outturn	
Request for resources	Note	Gross Expenditure	ARs	Net Total	Gross Expenditure	ARs	Net Total	Net total outturn compared with Estimate saving/ (excess)	Net Total
A	2	218,454	(32,305)	186,149	200,770	(32,305)	168,465	17,684	145,125
B	2	45,772	(22,148)	23,624	42,689	(22,148)	20,541	3,083	19,183
Total resources	3	264,226	(54,453)	209,773	243,459	(54,453)	189,006	20,767	164,308
Non-operating cost ARs	24c			1,502			1,502	-	24,779

Net cash requirement 2005-06

					2005-06		2004-05	
					£'000		£'000	
					Net total outturn compared with Estimate saving/ (excess)			
					Note	Estimate	Outturn	Outturn
Net cash requirement				4	219,865	165,986	53,879	161,972

Summary of income payable to the Consolidated Fund

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

			Forecast 2005-06		Outturn 2005-06	
			£'000		£'000	
Total	Note	Income	Receipts	Income	Receipts	
	5	4,573	<i>16,270</i>	31,614	<i>28,239</i>	

Explanations of the variances between Estimate and Outturn are given in note 2 and in the Management Commentary.

The notes on pages 34 to 63 form part of these accounts

Department of Finance & Personnel
Year ended 31 March 2006

Operating Cost Statement

	Note	2005-06						2004-05	
		Core Department			Consolidated			Core Department	Consolidated
		Staff costs	Other costs	Income	Staff costs	Other costs	Income		
£000									
Administration Costs:									
Staff costs	9	49,941		83,455			44,317	76,063	
Other administration costs	10		79,043		98,017		68,643	86,356	
Operating income	12		(25,541)			(37,966)	(28,808)	(40,280)	
Programme Costs									
Request for Resources A:									
Staff costs	9	292		292			164	164	
Programme Costs	11		44,543		44,597		40,882	40,848	
Income	12		(74)			(74)	(627)	(627)	
Income EU	12		(25,066)			(25,066)	(28,418)	(28,418)	
Request for Resources B:									
Staff costs	9			5,274			-	4,622	
Programme Costs	11		23		11,800		19	11,010	
Income	12		(2)			(22,789)	-	(19,822)	
Totals		50,233	123,609	(50,683)	89,021	154,414	(85,895)	96,172	129,916
Net Operating Costs	3a, 13			123,159		157,540		96,172	129,916

Department of Finance & Personnel
Year ended 31 March 2006

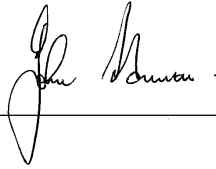
Statement of Recognised Gains and Losses

	Note	2005-06		2004-05	
		£000		£000	
		Core Department	Consolidated	Core Department	Consolidated
Net (loss)/gain on revaluation of tangible fixed assets	23 (a)	42,511	42,960	15,128	15,172
Net (loss)/gain on revaluation of assets funded through the government grant reserve	23 (b)	(507)	(507)	(463)	(463)
Net (loss)/gain on revaluation of donated assets	23 (c)	60	60	92	92
Receipt of donated assets		-	-	1	1
Recognised gains and losses for the financial year		42,064	42,513	14,758	14,802

Department of Finance & Personnel
Year ended 31 March 2006

Balance Sheet

		2006		2005	
		£000		£000	
		Core Department	Consolidated	Core Department	Consolidated
	Note				
Fixed assets:					
Tangible assets	14	340,001	348,956	304,064	313,182
Intangible assets	15	-	-	-	-
Investments	16	-	-	-	-
		340,001	348,956	304,064	313,182
Current assets:					
Stocks	17	26	270	25	463
Debtors	18	71,527	75,472	65,645	70,704
Cash at bank and in hand	19	27,873	29,243	21,261	21,595
		99,426	104,985	86,931	92,762
Creditors (amounts falling due within one year)	20	(96,907)	(108,878)	(77,635)	(88,989)
Net current assets/ (liabilities)		2,519	(3,893)	9,296	3,773
Total assets less current liabilities		342,520	345,063	313,360	316,955
Creditors (amounts falling due after more than one year)	20	(740)	(740)	(886)	(886)
Provision for liabilities and charges	21	(984)	(1,265)	(1,174)	(1,549)
		340,796	343,058	311,300	314,520
Taxpayer's Equity:					
General Fund	22	201,303	202,966	208,099	210,950
Revaluation reserve	23 (a)	126,202	126,792	86,508	86,868
Government Grant Reserve	23 (b)	12,026	12,026	15,454	15,454
Donated asset reserve	23 (c)	1,265	1,274	1,239	1,248
		340,796	343,058	311,300	314,520

Signed: 
John Hunter
Accounting Officer

Date: 9 October 2006

Department of Finance & Personnel
Year ended 31 March 2006

Consolidated Cash Flow Statement

		2005-06	2004-05
		£000	£000
	Note		
Net cash outflow from operating activities	24 (a)	(104,660)	(110,076)
Capital expenditure and financial investment	24 (b)	(11,472)	(26,053)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		148	(1)
Payments of amounts due to the Consolidated Fund		(29,591)	(24,645)
Financing	24 (d)	154,535	160,664
Increase/(decrease) in cash in the period	24 (e)	8,960	(111)

Department of Finance & Personnel
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Consolidated Statement of Operating Costs by Departmental Aim and Objectives

	2005-06			2004-05		
	Gross	Income	£'000 Net	Gross	Income	£'000 Net
Aim						
Objective A	200,770	(60,251)	140,519	181,132	(66,715)	114,417
Objective B	42,665	(25,644)	17,021	37,931	(22,432)	15,499
Net operating costs	243,435	(85,895)	157,540	219,063	(89,147)	129,916

During 2005-06 the Department's objectives were as follows:

Objective A - To promote continuous improvement in the availability, use and deployment of resources and in the business of NI Departments

Objective B - To meet the social and economic needs of the community in the Department's areas of executive responsibility

See note 25

Department of Finance & Personnel

Year ended 31 March 2006

Notes to the Departmental Resource Accounts 2005-06

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by the Department of Finance & Personnel (NI). The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. Stocks, where held, have not been revalued to current cost, as their value is not deemed to be material.

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department) including its non-executive NDPBs accounted for as supply-financed agencies and those entities which fall within the departmental boundary as defined in the FReM. Additionally, each executive agency produces and publishes an annual report and account.

The entities falling within this boundary are consistent with the departmental boundary definition, as outlined in the FReM issued by the Department of Finance and Personnel.

A list of the entities within the departmental boundary is given at Note 36.

Department of Finance & Personnel

Year ended 31 March 2006

1.3 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets of over **£1,000** is capitalised, with the exception of Computer Equipment, which is capitalised if expenditure is over **£500**, and Telecoms Dial Equipment, which has a capitalisation threshold of **£5,000**. Specifically only bespoke software and associated licences are capitalised, purchased software and software licences are expensed in the year of purchase. On initial recognition tangible fixed assets are measured at cost including any expenditure such as installation directly attributable to bringing them into working condition. Assets classified as “under construction” are recognised in the balance sheet to the extent that money has been paid or a liability has been incurred.

All fixed assets with the exception of Land and Buildings, Antiques, Assets Awaiting Disposal and Assets Under Construction are restated to current value annually by reference to indices compiled by the Office of National Statistics (ONS), using MM17 – Price Index Numbers for Current Cost Accounting.

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of land and buildings are undertaken every five years, with an interim valuation performed in the third year of every five-year cycle in accordance with FRS 15. A valuation of land and buildings was undertaken by the Valuation and Lands Agency at 1 April 2005. They are revalued annually, between professional valuations, using indices provided by the Valuation and Lands Agency, an executive agency within DFP. Properties are valued on the basis of open market value existing use, unless they are specialised, in which case they are valued on the basis of depreciated replacement cost. Properties surplus to requirements are valued on the basis of open market value less any material directly attributable selling costs.

Professional valuations of antiques are undertaken every 5 years. Dr Suzanne Lyle, Curator of the Arts Collection of Northern Ireland, undertook the most recent valuation at 1 April 2002.

Surpluses and deficits arising on revaluation are taken to the revaluation reserve, the government grant reserve or the donated asset reserve in respect of donated assets. Where appropriate, permanent reductions in the value of fixed assets are charged to the Operating Cost Statement. Any reversals of impairment losses are recognised in the Operating Cost Statement to the extent that the original impairment loss (adjusted for subsequent depreciation) was recognised in the Operating Cost Statement.

1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation is not charged in the month of acquisition for all assets purchased from 1 April 2002 onwards.

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No depreciation is provided on freehold land and antique collections since they have unlimited or very long established useful lives. Assets Under Construction are not depreciated until they are commissioned. Properties that are surplus to requirements and not in use are not depreciated. Capital expenditure on leasehold improvements is depreciated over the remaining term of the lease.

Depreciable assets normally have useful lives in the following ranges:

Buildings	1-60 years
Motor Vehicles	3-25 years
Plant and Machinery	3-30 years
IT Assets	3-12 years
Furniture and Fittings	up to 10 years

1.5 Donated Assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement.

The Department has a number of donated assets, including antiques within the Government Art Collection, IT, and Telecommunications Equipment. During 2002-03 and 2003-04, the Department carried out major refurbishment work on the Maynard Sinclair Pavilion. The majority of this work was paid for by the Northern Ireland Civil Service Sports Association from funding provided by DFP and various external sources resulting in a proportion of this asset being recognised as donated.

1.6 Intangible fixed assets

As part of a policy review undertaken throughout the Department and its Agencies, it was decided that from 1 April 2002, all purchased computer software licences and package software would be expensed in the year of purchase. Bespoke software and associated licences, costing greater than £500 are capitalised as tangible fixed assets in accordance with FReM.

1.7 Stocks and work in progress

Stocks and work in progress are valued as follows:

- finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used;
- work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

Department of Finance & Personnel

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1.8 Research and Development Expenditure

Expenditure on research is not capitalised. Expenditure on development in connection with a product or service, which is to be supplied on a full cost recovery basis, is capitalised if it meets the criteria specified in SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the FReM, which are adapted from SSAP 13 to take account of the not-for-profit context. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

1.9 Operating Income

Operating income is income which relates directly to the operating activities of the department. It principally comprises fees and charges for services provided on a full cost basis to external customers as well as public repayment work. It includes both income classified as Accruing Resources and 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 in the Operating Cost Statement:

- Administration Income
- Programme Income

1.10 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure.

Administration costs reflect the costs of running the Department. These include both administrative costs and associated operating income.

Income is analysed in the notes between that which, under the administrative cost – control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department.

The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

1.11 Capital Charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury

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(currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- donated assets and cash balances;
- assets and liabilities in respect of amounts due to/from the Northern Ireland Consolidated Fund and liabilities in respect of advances outstanding from the Consolidated Fund;

where the charge is nil.

1.12 Foreign Exchange

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

1.13 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS(NI)) which are described in Note 9. The defined benefit scheme is unfunded and non-contributory except in respect of dependents' benefits. 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(NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS(NI).

The Department is required to meet the additional cost of benefits beyond the normal PCSPS(NI) benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and this is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account for the credit of the Superannuation Vote. This did not occur in the 2005-06 year.

1.14 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.15 Grants Payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring

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over a specific time period, usually a financial year, are recorded as expenditure for that period.

1.16 Provisions

The Department provides for legal or constructive obligations, which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. This relates to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts. Where the effect of the time value of money is significant the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

1.17 Contingent Liabilities

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

These comprise:

- a. items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;
- b. all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Manual to be noted in the resource accounts.

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

1.18 Value Added Tax

Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. VAT is recoverable on a Departmental basis.

1.19 Investments, Derivatives and Other Financial Instruments

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

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1.20 Insurance

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

Departments do not generally insure. Cover for insurance is not provided against the following: fire, explosion, common-law third party and similar risks. Notional insurance premiums are not charged to the Operating Cost Statement. Instead expenditure in connection with uninsured risks is charged as incurred.

1.21 Comparatives

Comparative figures for the 2004-05 year are shown for those items listed in primary schedules and the balance sheet and associated notes, in compliance with the disclosure requirements of FReM unless otherwise stated.

1.22 Exceptional Items

In accordance with FReM, disclosure of exceptional items is included under either administration or programme expenditure as appropriate. There were no exceptional items in 2005-06.

1.23 Government Grants Receivable

Grants receivable for revenue purposes are recognised in the Operating Cost Statement so as to match them with the expenditure towards which they are intended to contribute.

Grants received as a contribution towards a fixed asset are credited to a government grant reserve. Subsequent revaluations are also taken to this reserve and, where there is an impairment of a fixed asset financed by government grant, the loss in value charged to the Operating Cost Statement will be offset by the transfer of the same amount from the government grant reserve. Each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the Operating Cost Statement.

1.24 Third Party Assets

The Department acts as custodian of the Ulster Memorial Tower in Thiepval, France. The asset is not recognised in the accounts since neither the Department nor government more generally has a direct beneficial interest in it.

1.25 Private Finance Initiative (PFI) Transactions

PFI transactions have been accounted for in accordance with Technical Note No 1 (Revised) entitled "How to Account for PFI Transactions" as required by FReM.

The balance of risks and rewards of ownership of the PFI property are borne by the PFI operator and thus the PFI payments are recorded as an operating cost.

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2. Analysis of net resource outturn by section

	Outturn					2005-06		2004-05	
						£'000		£'000	
	Admin.	Other Current	Grants	Gross resource expenditure	ARs	Net Total	Net Total	Estimate	Prior Year Outturn
Request for Resources A							Net total outturn compared with Estimate		
1. Financial Administration	9,911	1,158	47	11,116	(91)	11,025	12,219	1,194	7,234
2. Special EU Programmes	75	-	1,075	1,150	(1)	1,149	1,310	161	1,207
3. ERDF	-	-	421	421	(74)	347	358	11	321
4. EU Programme for Peace and Reconciliation	-	-	30,506	30,506	-	30,506	36,515	6,009	31,774
5. EU Community Initiatives	-	-	5,396	5,396	-	5,396	5,493	97	5,854
6. Central Management Of The Civil Service	12,228	26	548	12,802	(3,443)	9,359	10,928	1,569	10,692
7. Central Procurement Directorate	20,993	8	-	21,001	(13,884)	7,117	7,311	194	7,134
8. Departmental Solicitors Office	6,256	-	-	6,256	(1,580)	4,676	4,909	233	4,188
9. Northern Ireland Statistics & Research Agency	12,373	8	-	12,381	(8,329)	4,052	3,807	(245)	3,486
10. Business Development Service	11,131	130	-	11,261	(1,242)	10,019	10,524	505	9,754
11. Office Estates & Building Standards	85,276	2,145	-	87,421	(3,661)	83,760	87,169	3,409	64,124
12. Executive Programme Funds	42	-	-	42	-	42	168	126	510
13. Capital Grants to District Councils Body	-	-	401	401	-	401	554	153	768
14. e-Government Fund	516	1,799	-	2,315	-	2,315	3,084	769	-
Annually Managed Expenditure (AME):									
15. North/South Implementation Bodies' Pensions	-	-	-	-	-	-	-	-	-
Non - Budget									
16. Release From Government Grant Reserve in Respect of EU funded assets and other expenditure	(2,920)	-	-	(2,920)	-	(2,920)	(200)	2,720	(2,710)
17. Cost of Capital Charge on EU Debtors	-	-	1,221	1,221	-	1,221	2,000	779	789
Total	155,881	5,274	39,615	200,770	(32,305)	168,465	186,149	17,684	145,125
Request for Resources B									
1. Ulster Savings	-	-	-	-	-	-	-	-	168
2. NISRA - General Registrar's Office	1,871	1,816	-	3,687	(2,075)	1,612	1,830	218	1,126
3. Valuations and Lands Agency	12,637	-	-	12,637	(1,209)	11,428	12,796	1,368	10,120
4. Rate Collection Agency	10,093	804	-	10,897	(756)	10,141	11,369	1,228	9,158
5. Land Registers for NI	241	14,433	-	14,674	(18,106)	(3,432)	(3,186)	246	(2,164)
6. Office of Law Reform and Lands Tribunal	771	-	23	794	(2)	792	814	22	774
7. Executive Programmes Fund	-	-	-	-	-	-	1	1	1
Total	25,613	17,053	23	42,689	(22,148)	20,541	23,624	3,083	19,183
Resource Outturn	181,494	22,327	39,638	243,459	(54,453)	189,006	209,773	20,767	164,308

Explanation of the variation between Estimate and Outturn (net total resources):

RFR A

The outturn of Objective A (RFR A) was **£168.5m** against an estimated provision of **£186.1m**. A major proportion (46.8%) of the resources allocated to Objective A related to the provision of office accommodation - £87.2m, with the EU Programme for Peace and Reconciliation (Peace II) and EU Community Initiatives (Interreg IIIA) representing 22.6% of resources - **£42m**. The bulk (**£11.9m**) of the underspend of **£17.7m** was largely due to a lower than anticipated level of uptake on the departmental measures within the EU

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Programme for Peace and Reconciliation in the later months of the year; slippage in the e-Human Resource (e-HR) programme due to longer than anticipated contract negotiations and project slippage within the e-Government Fund. The non-budget underspend is a result of the release from the government grant reserve being greater than forecast, and a fall in the level of EU Debtors beyond that anticipated at year end.

RFR B

The outturn for Objective B (RFR B) was **£20.5m** against an estimated provision of **£23.6m**. The underspend of **£3.1m** arose largely as a result of slippage in the Valuation and Lands Agency's ongoing IT systems replacement programme and rescheduling of the public interface programme resulting in the reprofiling of some expenditure into 2006/07 and a reduction in IT system support costs; and slippage in the Rate Collection Agency's replacement IT project due to technical difficulties around testing and uncertainties associated with emerging Reform of Rating policies.

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

The variance in the net cash requirement is largely as a result of the resource underspend in RFR A and RFR B and an underspend in capital.

RFR A – To promote continuous improvement in the availability, use and deployment of resources and in the business of NI Departments.

RFR B – To meet the social and economic needs of the community in the Department's areas of executive responsibility.

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

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

		2005-06		2004-05	
		£000		£000	
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net resource outturn	2	189,006	209,773	(20,767)	164,308
Prior period adjustments		-	-	-	-
Non-supply income (CFERs)	5	(31,466)	(4,573)	(26,893)	(34,392)
Non-supply expenditure	22	-	-	-	-
Net operating cost		157,540	205,200	(47,660)	129,916

3(b) Outturn against final Administration Budget

	2005-06		2004-05	
	£'000		£'000	
	Budget	Outturn	Outturn	
Gross Administration Budget	193,128	184,414	164,406	
Income allowable against the Administration Budget	(35,359)	(33,494)	(38,191)	
Net outturn against final Administration Budget	157,769	150,920	126,215	

4. Reconciliation of resources to cash requirement

	Note	Estimate £'000	Outturn £'000	Net Total outturn compared with Estimate: saving/(excess) £'000
Resource outturn	2	209,773	189,006	20,767
Capital				
Acquisition of fixed assets	14	45,612	13,122	32,490
Investments		-	-	-
Non-operating ARs				
Proceeds of fixed asset disposals	24c	(1,502)	(1,502)	-
Accruals adjustments				
Non-cash items	10,11	(34,518)	(27,827)	(6,691)
Changes in working capital other than cash		-	(7,665)	7,665
Changes in creditors due after more than one year	20	-	146	(146)
Use of provision	21	500	706	(206)
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
Net cash requirement		219,865	165,986	53,879

Department of Finance & Personnel Year ended 31 March 2006

5. Analysis of income payable to the Consolidated Fund

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

	Notes	Forecast 2005-06		Outturn 2005-06	
		Income	Receipts	Income	Receipts
Operating income and receipts - excess ARs		-	-	5,215	<i>3,411</i>
Other operating income & receipts not classified as ARs		4,573	<i>16,270</i>	26,251	<i>24,680</i>
		<u>4,573</u>	<u><i>16,270</i></u>	<u>31,466</u>	<u><i>28,091</i></u>
Non-operating income & receipts - excess ARs	7	-	-	148	<i>148</i>
Other non-operating income and receipts not classified as ARs	8	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
Total income payable to the Consolidated Fund	22	<u>4,573</u>	<u><i>16,270</i></u>	<u>31,614</u>	<u><i>28,239</i></u>

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

	N o t e	2 0 0 5 - 0 6	2 0 0 4 - 0 5
		£ '0 0 0	£ '0 0 0
O p e r a t i n g i n c o m e	1 2	8 5 , 8 9 5	8 9 , 1 4 7
A d j u s t m e n t s f o r t r a n s a c t i o n s b e t w e e n R F R s		<u>2 4</u>	<u>6 6</u>
G r o s s i n c o m e		8 5 , 9 1 9	8 9 , 2 1 3
I n c o m e a u t h o r i s e d t o b e A c c r u i n g R e s o u r c e s	2	<u>(5 4 , 4 5 3)</u>	<u>(5 4 , 8 2 1)</u>
O p e r a t i n g i n c o m e p a y a b l e t o t h e C o n s o l i d a t e d F u n d	5	<u>3 1 , 4 6 6</u>	<u>3 4 , 3 9 2</u>

7. Non-operating income – Excess Accruing Resources

	2 0 0 5 - 0 6	2 0 0 4 - 0 5
	£ 0 0 0	£ 0 0 0
P r o c e e d s o n d i s p o s a l o f f i x e d a s s e t s	<u>1 4 8</u>	<u>1</u>
N o n - o p e r a t i n g i n c o m e - E x c e s s A c c r u i n g R e s o u r c e s	<u>1 4 8</u>	<u>1</u>

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8. Non-operating income not classified as Accruing Resources

	<u>I n c o m e</u> <u>£ 0 0 0</u>	<u>R e c e i p t s</u> <u>£ 0 0 0</u>
L i c e n c e s	-	-
	-	-

9. Staff numbers and related costs

Staff costs comprise:

			2005-06	2004-05	
			£000	£000	
	Total	Permanently employed staff	Others	Special Advisers	Total
Wages and salaries	72,495	71,263	1,232	-	67,721
Social Security costs	5,095	5,095	-	-	5,037
Other pension costs	11,431	11,431	-	-	8,091
Sub Total	89,021	87,789	1,232	-	80,849
Less recoveries in respect of outward secondments	(5,994)	(5,994)	-	-	(5,461)
Total net costs *	83,027	81,795	1,232	-	75,388
Of which:					
Core Department	50,233	49,271	962	-	44,481

* Of the total, £813k has been charged to capital.

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource account, but DFP is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource account.

For 2005-06, normal employer contributions of £11,431k were payable to the PCSPS(NI) (2004-05 £8,091k) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £11,563 (2004-05 £8,554) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2004-05 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,041 (2004-05 £1,136) 0.8 per cent of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

Ill-health Retirements

Fifteen members of staff retired early on ill-health grounds during the year. The total additional accrued pension liabilities payable by the pension scheme for these individuals was £18,492.

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the Department as well as in Agencies and other bodies included within the consolidated departmental resource account.

Average number of persons employed

Objective	2005-06							2004-05
	Total	Ministers	Special Advisors	Senior Management	Officials	Staff on inward secondment	Agency, temporary and contract staff	Total Number
A	1,629	0.5	-	8	1,577	9	35	1,684
B	1,154	0.5	-	3	1,111	1	38	1,124
Staff engaged on capital projects	-	-	-	-	-	-	-	-
Total	2,783	1		11	2,688	10	73	2,808
Of which:								
Core department	1,270	1	-	10	1,227	9	23	1,297

The Department does not employ any staff exclusively for capital projects.

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Year ended 31 March 2006

10. Other Administration Costs

	2005-06		2004-05	
	£000		£000	
	Note	Core Department Consolidated	Core Department Consolidated	Core Department Consolidated
Rentals under operating leases:				
Hire of plant and machinery		51	51	84
Other operating leases		14,393	14,393	13,299
Interest charges:				
Finance Leases		18	18	65
On-balance sheet PFI contracts		-	-	-
Non-cash items:				
Depreciation and amortisation of fixed assets:				
Departmental Estate		9,733	9,733	7,930
Other Tangible Fixed Assets		4,094	6,717	4,047
Loss on disposal of fixed assets		13	23	38
Permanent Diminution in Value of fixed assets		(1,116)	(1,047)	(3,815)
Cost of capital charge:				
Departmental Estate		10,172	10,172	10,061
Other Items		276	379	995
Auditor's remuneration and expenses		120	158	99
Other Notional Costs		23	50	27
Provisions:				
Provided in year	21	511	566	721
Provisions not required w/back	21	(134)	(144)	(151)
Other expenditure				
Maintenance And Running Costs of Government				
Estate		20,785	20,785	20,067
Rates		13,691	13,691	13,119
Other Sundry Expenditure		6,413	22,472	2,057
Total		79,043	98,017	68,643
				86,356

Auditor's remuneration relates entirely to audit work.

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11. Programme Costs

	Note	2005-06		2004-05	
		£000		£000	
		Core Department	Consolidated	Core Department	Consolidated
EU Grant Expenditure		36,323	36,323	38,053	38,053
Other Grant Expenditure		3,315	3,315	2,144	2,144
PFI Service Charges		-	7,850	-	6,859
Legal Expenditure		-	804	-	1,304
Cost Of Capital Charge		1,221	1,221	-	-
Other Current Expenditure*		3,707	6,884	704	3,498
Total		44,566	56,397	40,901	51,858

*Other current expenditure includes £7.85m (2004-05 £6.859m) of PFI expenditure.

12. Income

	R fR A	R fR B	2005-06	2004-05
			£'000	£'000
			Total	Total
Fees and Charges to other Departments	34,000	-	34,000	40,280
Fees and Charges to external customers/other	26,251	25,644	51,895	48,867
Total	60,251	25,644	85,895	89,147

Of which:

Core Department	50,681	2	50,683	57,853
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Included within Income is £4,130k of rental income recovered from other Government Departments.

Department of Finance & Personnel
Year ended 31 March 2006

13. Analysis of net operating cost by spending body

	£ 0 0 0	2 0 0 5 - 0 6 £ 0 0 0	2 0 0 4 - 0 5 £ 0 0 0
	E s t i m a t e	O u t t u r n	O u t t u r n
S p e n d i n g B o d y :			
C o r e D e p a r t m e n t	1 6 8 , 0 6 0	1 2 7 , 2 1 1	1 0 1 , 9 1 7
B D S	1 0 , 5 2 4	1 0 , 0 3 7	9 , 7 9 7
L R N I	(3 , 1 8 6)	(6 , 9 2 8)	(5 , 0 9 4)
N I S R A	5 , 6 3 7	5 , 6 6 3	4 , 7 7 2
R C A	1 1 , 3 6 9	1 0 , 1 3 5	8 , 7 5 2
V L A	1 2 , 7 9 6	1 1 , 4 2 2	9 , 7 7 2
N e t O p e r a t i n g C o s t	<u>2 0 5 , 2 0 0</u>	<u>1 5 7 , 5 4 0</u>	<u>1 2 9 , 9 1 6</u>

Department of Finance & Personnel

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14. Tangible fixed assets

	Land & Buildings including Dwellings £'000	Antiques £'000	Assets Under Construction £'000	Assets Awaiting Disposal £'000	Transport £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost & Valuation									
At 1 April 2005	313,427	901	4,536	2,634	658	1,261	25,630	31,648	380,695
Adjustments	-	-	-	-	-	-	102	-	102
Acquisitions - Donated (note b)	-	-	-	-	-	-	-	-	-
Acquisitions - Other	7,550	19	1,557	-	49	93	2,550	1,304	13,122
Disposals	-	(1)	-	(1,720)	(39)	(68)	(634)	-	(2,462)
Revaluations (note c)	9,204	-	-	290	-	-	-	-	9,494
Impairments (note c)	(1,125)	-	-	-	-	-	(313)	(4)	(1,442)
Indexation (note c)	16,640	-	-	-	(1)	(7)	289	203	17,124
Net Transfers	-	-	(2,402)	74	(45)	(14)	2,489	-	102
At 31 March 2006	345,696	919	3,691	1,278	622	1,265	30,113	33,151	416,735
Depreciation									
At 1 April 2005	31,040	-	-	132	386	897	18,467	16,591	67,513
Adjustments	-	-	-	-	-	-	-	-	-
Charged In Year - Donated	32	-	-	-	-	-	5	-	37
Charged In Year - Other	10,282	-	-	-	107	121	3,480	3,005	16,995
Disposals	-	-	-	(86)	(39)	(46)	(618)	-	(789)
Revaluations	(17,291)	-	-	(14)	(46)	(14)	(424)	-	(17,789)
Impairments	65	-	-	-	-	-	(185)	2	(118)
Indexation	1,573	-	-	-	-	(6)	213	114	1,894
Net Transfers	-	-	-	74	(45)	(21)	28	-	36
At 31 March 2006	25,701	-	-	106	363	931	20,966	19,712	67,779
Net Book Value at 31 March 2005	282,387	901	4,536	2,502	272	364	7,163	15,057	313,182
Net Book Value at 31 March 2006	319,995	919	3,691	1,172	259	334	9,147	13,439	348,956
Asset financing:									
Owned	318,770	919	3,691	1,172	259	334	9,147	13,439	347,731
Finance leased	1,225	-	-	-	-	-	-	-	1,225
Net book value at 31 March 2006	319,995	919	3,691	1,172	259	334	9,147	13,439	348,956

Analysis of Tangible Fixed Assets

The net book value of tangible fixed assets comprises:

Core Department 2006	319,995	919	1,009	1,172	259	290	3,023	13,334	340,001
Agencies 2006	-	-	2,682	-	-	44	6,124	105	8,955
Core Department 2005	282,387	901	498	2,502	272	294	2,266	14,944	304,064
Agencies 2005	-	-	4,038	-	-	70	4,897	113	9,118

Notes

- Included within Land and Buildings are Dwellings, the net book value of which at 31 March 2005 was £273k (Cost £288k, Accumulated Depreciation £15k). During the accounting period, these assets were revalued upwards by £120k, depreciation was charged at £8k and relieving caused the accumulated depreciation to fall by £15k. The closing net book value as at 31 March 2006 was £401k (Cost £409k, Accumulated Depreciation £8k).
- Details of the nature of donated assets and their values can be found within notes 1.5 and 23c respectively.
- Details of the basis of valuation can be found at Note 1.3.

The depreciation charged during the accounting period in respect of assets held under finance leases was £91,896 (2004-2005 £80,000).

15. Intangible Fixed Assets

The Department held no intangible fixed assets during the year.

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16. Investments

The Department held no investments during the year.

17. Stocks and work in progress

	2005-06		2004-05	
	£000		£000	
	Core Department Consolidated		Core Department Consolidated	
Stocks	26	94	25	117
Work in Progress	-	176	-	346
	26	270	25	463

18. Debtors

18(a) Analysis by type

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	4,310	5,505	3,288	5,586
Other debtors	6,738	8,039	16,484	17,823
Prepayments and accrued income	10,894	12,343	9,142	10,564
Amounts due from EU	35,599	35,599	34,110	34,110
Amounts due from the Consolidated Fund in respect of Supply	13,986	13,986	2,621	2,621
	71,527	75,472	65,645	70,704

Included within debtors is £3,173,393 (2004-2005 £1,285,966) that will be due to the Consolidated Fund once the debts are collected.

There were no amounts due to the Department in more than one year outstanding at 31 March 2006 or 31 March 2005.

Department of Finance & Personnel Year ended 31 March 2006

18(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	£000		£000	
	2005-06	2004-05	2005-06	2004-05
Balances with other central government bodies	27,996	22,996	-	-
Balances with local authorities	458	405	-	-
Balances with NHS Trusts	97	62	-	-
Balances with public corporations & trading funds	490	414	-	-
<i>Subtotal</i> : Intra-Government balances	29,041	23,877	-	-
Balances with bodies external to government	46,431	46,827	-	-
Total debtors as at 31 March 2006	75,472	70,704	-	-

19. Cash at bank and in hand

	2005-06		2004-05	
	£000		£000	
	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April 2005	21,261	20,283	20,394	20,394
Net change in cash balance	6,612	8,960	867	1,201
Balance at 31 March 2006	27,873	29,243	21,261	21,595
The following balances at 31 March 2006 are held at:				
Office of HM Paymaster General	-	-	-	-
Commercial banks and cash in hand	27,873	29,243	21,261	21,595
	27,873	29,243	21,261	21,595
Overdrawn account at Commercial bank shown as creditor	-	-	(1,312)	(1,312)
Balance at 31 March 2006	27,873	29,243	19,949	20,283

The DFP General bank account is a shared bank account and the transactions of both the Office of the First Minister and Deputy First Minister (OFMDFM) and the Department of Finance and Personnel Superannuation and Other Allowances vote are processed through this account.

The balances of this bank account, which reflects the transactions of all three parliamentary votes is disclosed in the Resource Account of the Department of Finance and Personnel.

Corresponding inter-departmental balances on all three Resource Accounts reflect the amounts outstanding at the year-end as a result of these arrangements.

The Central Pay Account is used to pay salaries and wages of Northern Ireland Civil Service employees. The funds are then recouped from the respective Government bodies responsible.

Department of Finance & Personnel
Year ended 31 March 2006

20. Creditors

20(a) Analysis by type

	2005-06		2004-05	
	Core Department	Consolidated £000	Core Department	Consolidated £000
Amounts falling due within one year				
Other taxation and social security	16,441	16,441	14,229	14,229
Trade creditors	13	609	-	698
Other creditors	25,511	27,153	14,295	14,930
Bank Overdraft	-	-	1,312	1,312
Accruals and deferred income	12,655	22,388	7,555	17,576
Current part of finance leases	89	89	70	70
Consolidated Fund extra receipts due to be paid to the Consolidated Fund				
received	3,376	3,376	4,728	4,728
receivable	3,173	3,173	1,286	1,286
Amounts due from EU due to be paid to Consolidated Fund				
received	50	50	50	50
receivable	35,599	35,599	34,110	34,110
	96,907	108,878	77,635	88,989
Amounts falling due after more than one year:				
Finance Leases	740	740	886	886
	740	740	886	886

20(b) Intra-Government Balances

	Creditors: Amounts falling due within one year		Creditors: Amounts falling due after more than one year	
	£000		£000	
	2005-06	2004-05	2005-06	2004-05
Balances with other central government bodies	85,710	66,962	-	-
Balances with local authorities	552	1,445	-	-
Balances with NHS Trusts	4	-	-	-
Balances with public corporations & trading funds	19	-	-	-
Subtotal: Intra-government balances	86,285	68,407	-	-
Balances with bodies external to government	22,593	20,582	740	886
As at 31 March 2006	108,878	88,989	740	886

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21. Provisions for liabilities and charges

	Core Department					Consolidated				
	Early Departure Costs	Legal Claims	Pension Contributions	Other	Total	Early Departure Costs	Legal Claims	Pension Contributions	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2005	339	439	276	120	1,174	505	648	276	120	1,549
Provided in the year	287	208	-	71	566	287	208	-	71	566
Provisions not required written back	-	(50)	(84)	-	(134)	-	(60)	(84)	-	(144)
Provisions utilised in the year	(188)	(146)	(192)	(96)	(622)	(272)	(146)	(192)	(96)	(706)
Unwinding of discount	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2006	438	451	-	95	984	520	650	-	95	1,265

Early Departure Costs

The Department meets the additional costs of benefits beyond the normal PCSPS(NI) benefits in respect of employees who retire early by paying the required amounts annually to the 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.

Legal Claims

This represents public liability claims, contract claims and other legal claims.

Public liability claims include personal injury claims. The amount is made up of Court Settlement Costs.

Contract claims are associated with claims made by contractors for unforeseen delays in the completion of projects or cost over-runs, which are outside of their control. The provision details were provided by Central Procurement Directorate and are based on evaluations made by qualified professional and technical personnel.

A provision has also been made for a claim against the Department in respect of a retrospective award of employee benefits.

Pension Contributions

The Department had previously anticipated that it would have to meet the costs of pension contributions for staff working in SEUPB. This liability has now been paid out and the provision established for the liability in the financial year ended 31 March 2002 has been settled.

Other

Further provisions have been made for dilapidations and onerous leases.

Department of Finance & Personnel Year ended 31 March 2006

22. General Fund

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

	2005-06		2004-05	
	£000	£000	£000	£000
	Core		Core	
	Department	Consolidated	Department	Consolidated
Balance at 1 April 2005	208,099	210,950	236,291	235,284
Net parliamentary funding				
Drawdown	119,199	152,000	121,895	159,351
Deemed Supply	-	-	-	-
Year end adjustment				
- Supply creditor/(debtor) - current year	13,986	13,986	2,621	2,621
- Excess vote - prior year	-	-	-	-
Net transfer from Operating Activities				
- Net Operating Cost	(123,159)	(157,540)	(96,172)	(129,916)
- CFERS repayable to Consolidated Fund	(31,614)	(31,614)	(53,020)	(53,020)
Non Cash Charges				
- Cost of capital	11,665	11,772	11,056	11,107
- Auditors' remuneration	120	158	99	136
- Other notional costs	23	50	27	63
Transfer from revaluation reserve	2,816	3,036	9,755	9,777
Transfer Standing Services	-	-	-	-
Notional Transfer of Tangible Fixed Assets	-	-	(24,500)	(24,500)
Opening Balance Adjustments (restatement)	102	102	47	47
*Transfer of functions	66	66	-	-
Balance as at 31 March 2006	201,303	202,966	208,099	210,950

* During the accounting period, a transfer of functions took place between the Department and The Office of the First Minister and Deputy First Minister. Details of this transfer are given on page 1 of the Annual Report.

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23. Reserves

23(a) Revaluation Reserve

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

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
		£000		£000
Balance at 1 April 2005	86,508	86,868	81,135	81,473
Opening Balance adjustment(restatement)	-	-	-	-
Balance at 1 April restated	86,508	86,868	81,135	81,473
Arising on revaluation during the year (net)	42,511	42,960	15,128	15,172
Transferred to general fund in respect of realised element of revaluation reserve	(2,817)	(3,036)	(9,755)	(9,777)
Balance at 31 March 2006	126,202	126,792	86,508	86,868

23(b) Government Grant Reserve

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
		£000		£000
Balance at 1 April 2005	15,454	15,454	-	-
Receipt of EU Grant	-	-	18,627	18,627
Revaluations	(507)	(507)	(463)	(463)
Release to the Operating Cost Statement	(2,921)	(2,921)	(2,710)	(2,710)
Balance at 31 March 2006	12,026	12,026	15,454	15,454

23(c) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the Department.

	2005-06		2004-05	
	Core Department	Consolidated	Core Department	Consolidated
		£000		£000
Balance at 1 April 2005	1,239	1,248	1,179	1,190
Opening balance adjustment (restatement)	-	-	-	-
Additions during the year	-	-	-	1
Revaluations	60	60	92	92
Release to the Operating Cost Statement	(34)	(34)	(32)	(35)
Balance at 31 March 2006	1,265	1,274	1,239	1,248

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24. Notes to the Consolidated Cash Flow Statement

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

		2005-06	2004-05
		£'000	£'000
	Note		
Net operating Cost	13	157,540	129,916
Adjustment for non-cash transactions	10,12	(27,827)	(22,079)
(Decrease)/Increase in stocks/work in progress		(193)	25
Increase in debtors		4,768	15,111
less movements in debtors relating to items not passing through the OCS		(11,365)	(2,621)
(Increase) in creditors		(19,743)	(23,294)
Movements in creditors relating to items not passing through the OCS		774	12,465
Use of provisions	21	706	553
Net cash outflow from operating activities		104,660	110,076

24(b) Analysis of capital expenditure and financial investment

		2005-06	2004-05
		£'000	£'000
	Note		
Tangible fixed asset additions	14	13,122	26,333
Proceeds of disposal of fixed assets		(1,650)	(280)
Net cash outflow from investing activities		11,472	26,053

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

	Capital expenditure	Loans etc.	ARs	Net Total
	£000	£000	£000	£000
Request for Resources A	11,708	-	(1,502)	10,206
Request for Resources B	1,414	-	-	1,414
Total 2005-06	13,122	-	(1,502)	11,620
Total 2004-05	26,333	-	(24,779)	1,554

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24(d) Analysis of financing

			2005-06	2004-05
			£'000	£'000
	(+)	Note		
From the Consolidated Fund (Supply) - current year	(+)	22	152,000	159,351
From the Consolidated Fund (Supply) - prior year	(+)	22	2,621	1,401
Capital element of payments in respect of finance leases and on-balance-sheet PFI contracts	(-)		(86)	(88)
Transfer to (-) from (+) Other Departments in respect of transferred functions	(-)		-	-
Net financing			154,535	160,664

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

			2005-06	2004-05
			£'000	£'000
		Note		
Net cash requirement			(165,986)	(161,972)
From the Consolidated Fund (Supply) - current year		24 (d)	152,000	159,351
From the Consolidated Fund (Supply) - prior year		24 (d)	2,621	1,401
Amounts due to the Consolidated Fund - received in prior year and paid over			(4,728)	(529)
Amounts due to the Consolidated Fund - received and not paid over			3,426	4,778
Movement relating to funding through interdepartmental balances			17,043	(3,652)
Movement relating to non-supply items			4,584	512
Increase/(decrease) in cash			8,960	(111)

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

Programme Grants and other current expenditures have been allocated as follows:

	2005-06	2004-05
	£000	£000
Objective A	44,889	41,012
Objective B	17,074	15,632
	<u>61,963</u>	<u>56,644</u>

Capital Employed by Departmental Aim and Objectives at 31 March 2006

The departmental capital is employed in the government office estate, government telecoms and communication infrastructure and ICT enabled programmes.

	2005-06	2004-05
	£000	£000
Objective A	307,736	310,124
Objective B	36,016	4,396
	<u>343,752</u>	<u>314,520</u>

26. Capital Commitments

	2005-06		2004-05	
	£000		£000	
	Core		Core	
	Department Consolidated		Department Consolidated	
Contracted capital commitments at 31 March 2006 for which no provision has been made	4,509	6,741	3,673	6,028
	<u> </u>		<u> </u>	

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27. Commitments under leases

27.1 Operating leases

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

	2005-06 £000		2004-05 £000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases				
Land & Buildings:				
Expiry within 1 year	2,425	2,425	1,802	1,802
Expiry after 1 year but not more than 5 years	3,691	3,694	3,622	3,622
Expiry thereafter	9,331	9,331	9,770	9,770
	15,447	15,450	15,194	15,194
Other:				
Expiry within 1 year	7	7	26	26
Expiry after 1 year but not more than 5 years	78	81	58	58
Expiry thereafter	-	-	-	-
	85	88	84	84

27.2 Finance leases

Obligations under finance lease are as follows:

	2005-06 £000		2004-05 £000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under finance leases comprise:				
Rentals due within 1 year	140	140	152	152
Rentals due after 1 year but within 5 years	560	560	606	606
Rentals due thereafter	349	349	461	461
	1,049	1,049	1,219	1,219
Less interest element	(220)	(220)	(263)	(263)
	829	829	956	956

28. Commitments under PFI contracts

28.1 Off-balance sheet

A contract was awarded in July 1999 to BT (formerly BT Syntegra) to design, implement and manage the IT infrastructure for LRNI's registration systems. This contract will run for 10 years with an option to extend to 15 years. The NIAO has examined the Public Private Partnership contract and confirmed that it should be treated as off-balance sheet. This complies with the criteria set out in the "Treasury Taskforce Private Finance – Technical Note (Revised)" issued July 1999 and amendment to FRS 5 – "Reporting the substance of

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transactions: Private Finance Initiative and Similar Contracts". As the contract is service based there is a zero capital value.

Land Registry

The total amount charged to the Operating Cost statement in respect of off-balance sheet PFI transactions was £7.85m (2004-05 £6.859m). The total cost to the Agency is likely to be a maximum of £75m but final costs are dependent on the volumes of transactions processed by the Agency.

28.2 On-balance sheet

The Department does not have any On-balance sheet PFI contracts.

29. Other financial commitments

The Department does not have any other financial commitments.

30. Financial Instruments

The Department did not hold any financial instruments in 2005-06 (2004-05 Nil).

31. Contingent Liabilities disclosed under FRS 12

Public/Employer Liability Cases

There are currently 16 cases pending against the Department totalling approximately £179k. It is uncertain as to the timing of any awards.

Industrial Tribunal Cases

There are currently 17 defined industrial tribunal cases pending. It is not known when or at what value settlement will be reached.

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

No such Contingent liabilities existed at the financial year end.

33. Losses & special payments

£383k (31,863 cases) in respect of waiver of legal costs incurred relating to non-payment of rates.

There were no other losses to report in 05/06.

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There were no special payments or gifts made in excess of £250,000.

34. Related-party transactions

The Office of the First Minister and Deputy First Minister is regarded as a related party. The Department of Finance and Personnel has had various material transactions during the year with this Department.

In addition, the Department of Finance and Personnel has had a number of transactions with other Government Departments and Central Government bodies.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the Department of Finance and Personnel during the year.

35. Third-party Assets

The Department acts as custodian of the Ulster Memorial Tower in Thiepval, France.

36. Entities within the Departmental Boundary

The entities within the boundary during 2005-06 were as follows;

DFP Core Directorates:

- Corporate Services Group;
- Central Personnel Group;
- Central Procurement Directorate;
- Budgets Directorate;
- Supply Directorate;
- Office of Law Reform; and
- Departmental Solicitor's Office

Supply Financed Agencies:

- Business Development Service;
- NI Statistics and Research Agency;
- Rate Collection Agency;
- Land Registers of Northern Ireland; and
- Valuation and Lands Agency

Non-Executive NDPBs

None.

Other Entities

None.

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Appendix 1 provides details of those NDPBs and other entities outside the boundary, for which the Department had a degree of responsibility during the 2005-06 financial year and outlines how the cost of these entities has been reflected in the resource account.

BODIES FOR WHICH DFP HAS A DEGREE OF RESPONSIBILITY

The following are the bodies for which DFP had some degree of responsibility during 2005/06:

ENTITY

Lay Observer for Northern Ireland*
Civil Service Appeals Board*

Non-Departmental Public Bodies:

- Law Reform Advisory Committee*
- Northern Ireland Building Regulations Advisory Committee*
- Statistics Advisory Committee*

North/South Bodies:

- Special European Union Programmes Body (SEUPB)#

*Only expenditure (ie remuneration and expenses), in respect of those bodies identified by an asterisk are included within the Departmental resource account.

#SEUPB is a grant aided body. Expenditure in respect of the SEUPB is accounted via the issue of grant. SEUPB produces separate accrual based accounts.

DFP Core Directorates

Business Area	Initials	Objectives and Roles
Central Finance Group	CFG	<ul style="list-style-type: none"> • Advises Ministers on the planning, management, control and accountability for Northern Ireland public expenditure. • Leads the work to see through the implications of the Efficiency Review which was conducted as part of the 2004 Budget process. • Takes the lead in the co-ordinations and implementation of the NICS wide Reform Programme. • Works with the Economic Policy Unit (EPU) of the OFMDFM to ensure that work on the spending plan and the Government's priorities and budget is taken forward. • Acts on behalf of the Minister in overseeing the spending of Departments and is directly accountable for the fulfilment of DFP's role. • Ensures the effective implementation of the Secretary of State's cross cutting programmes: <ul style="list-style-type: none"> - Targeted action to address the needs of children and young people; - Enhanced investment in skills and science; and - Promoting the environment and energy by accelerating the Sustainable Development Strategy and promoting the use of renewable energy sources. • Co-ordinates work on the EU Structural Funds, again working closely with EPU. • Develops financial information systems. • Leads the reform of the rating system.
Central Personnel Group	CPG	<ul style="list-style-type: none"> • Seeks to ensure that all 11 Departments comply with the law and with Government policies where these relate to the employment and management of Northern Ireland Civil Service (NICS) staff. • Develops and agrees in conjunction with Departments, a corporate NICS approach to human resource strategy and policy that aligns with public sector priorities. • Seeks to ensure that Departments are best placed to meet their business needs and to improve performance by providing best practice personnel advice and central support. • Provides HR management information; recruitment, payroll and pensions services to the NICS as a whole; and equal opportunities monitoring. • Agrees a corporate NICS Human Resource Management Information Strategy and, on behalf of all NI Departments, provides a business direction to the Human Resource Information Technology (IT) infrastructure requirements. • Leads development of eHR services.
Corporate Services Group	CSG	<ul style="list-style-type: none"> • Provides central support for the overall management of DFP. • Provides personnel, financial, IT and management support services to DFP. • Secures the provision of office estate services to Northern Ireland Departments. • Prepares the NI Building Regulations. • Promotes energy efficiency across the Public Sector. • Maintains and co-ordinates achievement of efficiency and workforce planning targets across DFP. • Drives the Workplace 2010 programme for the NICS. • Develops the e-Government Strategy and Policy for the NICS • Develops technical standards and architecture for the wider public sector • Develops e-Government Citizen Facing Solutions • Implements the NICS Electronic Document and Records Management System. • Provides Business Support Services. • Develop broadband aggregation
Central Procurement Directorate	CPD	<ul style="list-style-type: none"> • Provides a professional procurement service for the NICS and other public sector bodies in NI. • Supports Departments in securing their efficiency savings targets from procurement. • Provides professional support and advice on construction related matters to Departments, their Agencies and other public sector bodies.
Departmental Solicitor's Office	DSO	<ul style="list-style-type: none"> • Provides legal advice and services to Ministers and instructs Departments in respect of their powers and duties and in respect of miscellaneous specialist matters.
The Office of Law Reform	OLR	<ul style="list-style-type: none"> • Keeps the civil law of Northern Ireland under review. • Consults and develops policy and advice for Ministers on the reform of the law within the areas of its responsibility.

Executive Agencies

Business Area	Initials	Objectives and Roles
Business Development Services	BDS ¹	<ul style="list-style-type: none"> Provision of business change, ICT, training and related services to NI Government Departments, Executive Agencies, NIO and wider public sector.
Land Registers of Northern Ireland	LRNI ²	<ul style="list-style-type: none"> Recording of legal interest in land details in Northern Ireland. Provision of a land information service for conveyancing purposes.
Northern Ireland Statistics and Research Agency	NISRA	<ul style="list-style-type: none"> Provision of statistics and social research services to NI Ministers and Departments. Administers marriage laws. Provision of a system for the registration of births, marriages, civil partnerships, adoptions and deaths in NI.
Rate Collection Agency	RCA ²	<ul style="list-style-type: none"> Collection and recovery of rates. Management of the Housing Benefit Scheme.
Valuation and Lands Agency	VLA ²	<ul style="list-style-type: none"> Maintains a domestic rating assessment system. Maintains a non-domestic rating system. Delivers a valuation and advice service to the public sector.

1 The transfer of functions from OFMDFM to DFP in December 2005, provided an opportunity to achieve better synergy with linked units in DFP. As a result a new Delivery and Innovation Division was created, on 1 April 2006, covering services previously provided by the e-Government Unit; the EDRMS Project Team; the Public Service Delivery and Improvement Unit; parts of the BDS; and parts of the Central Procurement Unit, and BDS ceased to exist as an Agency on 1 April 2006.

2 The Secretary of State announced in March 2006 the transfer of the functions of the RCA, VLA, LRNI and Ordnance Survey Northern Ireland (an executive agency within the Department of Culture Arts and Leisure) to a single Land and Property Services Agency from April 2008. A scoping and feasibility study has started to identify what work will be necessary. The merger will provide, where possible, a more joined up and coherent end-to-end land and property service for citizens and deliver improved efficiency.