



Northern
Ireland
Office

ANNUAL REPORT AND ACCOUNTS 2018-19

Northern Ireland Office

Annual Report and Accounts 2018-19

(For the year ended 31 March 2019)

Accounts presented to the House of Commons pursuant to Section 6(4)
of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons
by Command of Her Majesty

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STATEMENT FROM THE SECRETARY OF STATE FOR NORTHERN IRELAND

By the Rt. Hon Julian Smith MP

It gives me great pleasure to present the Northern Ireland Office Annual Report and Accounts 2018-19 to Parliament, my first as Secretary of State for Northern Ireland.

I am acutely conscious that the past twelve months have been especially challenging for Northern Ireland, as indeed they have been for the whole of the United Kingdom. The continued absence of devolved government at Stormont, along with the ongoing negotiations to leave the European Union, has brought particular uncertainties. Throughout this period the Government's priority has been to ensure that Northern Ireland's interests are protected and advanced.

Northern Ireland has now been without a functioning Executive and Assembly for over two and a half years. My first priority, therefore, is the re-establishment of a devolved, power-sharing administration and of all the other institutions that flow from it. Northern Ireland needs locally elected politicians taking local decisions accountable to a locally elected Assembly.

In May 2019, following the appalling and tragic murder of Lyra McKee the then Prime Minister, alongside the Irish Taoiseach, announced a fresh attempt to restore the institutions. At the time of drafting this foreword, the political talks are continuing. While good progress has been made in a number of areas, there remain certain issues where it has still not been possible to reach an accommodation.

The Government will continue working intensively with the main Northern Ireland parties, and with the Irish Government in accordance with the three-stranded approach, in order to try and bridge the remaining differences. This is something that I believe remains a realistic objective, ensuring that those institutions which are central to the historic Belfast Agreement, reached over 21 years ago, are restored and working fully for all the people of Northern Ireland.

In the absence of a functioning Executive, the UK Government will continue to take necessary measures to ensure good governance, the delivery of public services and that key appointments to public bodies continue to be made.

To that end, last November, Parliament passed the Northern Ireland (Executive Formation and Exercise of Functions). The Act was set to expire on 26 March 2019, but the Government used a one-off power on 21 March 2019 to extend the period to 25 August 2019. Fresh primary legislation to extend the Act until 21 October 2019 (with the option of extension to 13 January 2020) was introduced on 3 July 2019 and received Royal Assent on 24 July 2019. My clear preference is for an Executive to be formed immediately. Yet the Government cannot stand by and leave Northern Ireland without any governance or deny civil servants the ability to take important decisions. The Act is, therefore, a regrettable contingency but a necessary one.

Throughout the year, the negotiations to leave the European Union have, of course, dominated politics in Northern Ireland and across the UK as a whole. It remains my view, as Secretary of State, that the clear objective of the Government must be to leave the European Union with an agreement that protects the constitutional and economic integrity of the United Kingdom while ensuring no hard border on the island of Ireland, and protecting the Belfast Agreement in all its parts.

Economically, Northern Ireland has continued to perform well, in large part due to the sound fiscal and monetary approach of this Government and its determination to help UK businesses thrive. As a result, unemployment is down to just over 3 per cent compared to the more than 7 per cent we inherited in 2010. Employment is at record levels while Northern Ireland continues to attract important Foreign Direct Investment. Tourism is booming and we have just witnessed a fantastic Open Championship at Royal Portrush, the first time it has been held in Northern Ireland since 1951.

There do remain, however, some fundamental weaknesses such as long term economic inactivity, skills and continued over-dependence on the public sector. I believe that a restored Executive could play a significant role in further strengthening the economy and improving public services. I would also like to pay tribute to the many businesses across Northern Ireland who, despite the uncertainties, simply get on with doing what they do best – running their businesses, creating jobs and the prosperity on which public services ultimately rely.

For all the many positives about Northern Ireland, the killing of Lyra McKee in April 2019 once again made Northern Ireland a global story for all the wrong reasons. It highlighted the lethal intent and capability of small numbers of dissident republican terrorists who defy the will of the overwhelming majority of people and pursue their objectives by violence. As a result, the threat level in Northern Ireland remains ‘Severe’, meaning an attack is highly likely. Meanwhile, other forms of paramilitary activity, republican and loyalist, remain too high. The fact that more people in Northern Ireland are not affected by them is down to the men and women of the PSNI and MI5, working so closely with An Garda Síochána. They have my unstinting admiration and the fullest support of this Government.

During the past year we have continued to make progress on legacy issues. The consultation the Government launched in May 2018 on the Stormont House Agreement legacy bodies concluded in September 2018 and attracted over 17,000 responses, the vast majority of which were highly personal accounts. The Government published a summary of those responses at the beginning of July 2019 and now look forward to working at pace with a restored Executive, or in its absence the Northern Ireland parties, on next steps.

In submitting this annual report for the year 2018-19, the Government’s priorities for the coming twelve months are clear. We want to see a restored Executive, a Brexit that protects Northern Ireland’s interests, a stronger economy, a shared society and a Northern Ireland that is stable,

peaceful and secure. There is much work ahead across each of these areas and this Government is determined to deliver on all of them.

RT HON JULIAN SMITH MP

SECRETARY OF STATE FOR NORTHERN IRELAND

PERFORMANCE REPORT

Overview



Sir Jonathan Stephens KCB

Permanent Secretary for the Northern Ireland Office and Principal Accounting Officer

Northern Ireland has been at the forefront of a challenging 2018-19: the continued absence of a devolved government and efforts to restore the institutions; the need to ensure financial and economic stability in the absence of devolved ministers; and the ongoing preparations for the UK's exit from the EU to name a few critical issues.

These challenges and changing circumstances have created a demanding backdrop against which the Northern Ireland Office has persevered, working in unison and in close partnership with Whitehall, the Northern Ireland Civil Service and the wider political, business and civic communities.

Reflecting on the department's performance against our strategic objectives:

- **Maintaining political stability** - we introduced legislation (Northern Ireland Executive Formation and Exercise of Functions Act 2018) to facilitate the formation of an Executive in Northern Ireland by extending the time for making Ministerial appointments and to make provision on the exercise of governmental functions in, or in relation to, Northern Ireland in the absence of Northern Ireland Ministers. We have also facilitated a period of talks, which is ongoing to encourage the parties to reach agreement.
- **A more secure Northern Ireland** - we have continued to work with security partners to ensure a strategic, effective approach to combatting Northern Ireland related terrorism. We have also worked with the Northern Ireland Civil Service to ensure that this approach complements the programme of work which emanated from the Fresh Start Agreement on tackling paramilitary activity.
- **Developing a growing economy** - we have also worked effectively with the Northern Ireland Civil Service in the absence of an Executive to protect public services and to provide certainty around Northern Ireland's finances. We introduced legislation which placed in-year changes to the 2018-19 Budget on a legal footing and provided legal certainty on spending for the first half of the next financial year. We have also delivered £350m of UK Government funding through the City Deals which will help boost the economic potential of Northern Ireland as a whole.
- **Building a stronger society** - throughout the public consultation, *Addressing the Legacy of Northern Ireland's Past*, we attended a range of engagements and public meetings in Northern Ireland, Great Britain and Ireland. We discussed the proposals, answered questions and heard suggestions from those present - victims, survivors and others. We have now published the Analysis of Consultation Responses report and will work closely with a newly restored Executive - or, in the continued absence of an Executive, the parties - to discuss key issues raised and to agree the way forward.

- **Supporting UK exit from the EU** - we worked with Whitehall and Northern Ireland Civil Service colleagues to support UK-EU negotiations, delivering on the commitments around approach to the land border and ensuring no diminution of rights, safeguards and equality of opportunity as set out in the Belfast ('Good Friday') Agreement. We delivered broader work to ensure Northern Ireland's readiness for Exit day, including a functioning statute book and plans for a no deal exit.

To support the delivery of these objectives, the Northern Ireland Office has had to continue to transform so that we are fit for the future. The senior leadership team has been reinforced by at Director level, and with the appointment of a new Director General. We are strengthening our longer-term resourcing and capability. We have also increased focus on our people by championing diversity, knowledge sharing and wellbeing. The department's success at winning an award for best gender initiative at the Northern Ireland Equality and Diversity Awards is a testament to our approach and the impressive work achieved.

None of the achievements or progress in 2018-19 would have been delivered without the professional, committed and dedicated team of public servants who make up the Northern Ireland Office. I pay tribute to all my colleagues and I am confident that they will continue to deliver in the same manner as we proceed through 2019-20.

Sir Jonathan Stephens KCB

17 October 2019

What we do and who we are

What we do

The Northern Ireland Office supports the Secretary of State for Northern Ireland in promoting the best interests of Northern Ireland within a stronger United Kingdom. It ensures Northern Ireland interests are fully and effectively represented at Westminster and the heart of Government, and the Government's responsibilities are fully and effectively represented in Northern Ireland.

Our key purpose is to ensure good political governance by working alongside the Northern Ireland Executive to help improve the effectiveness and delivery of the devolved institutions; to ensure a more secure Northern Ireland; deliver a growing economy including rebalancing the economy; ensure a stronger society by supporting initiatives designed to build better community relations and a genuinely shared future; and ensure that Northern Ireland's interests are represented during the negotiations for withdrawal and in the post-Exit settlement.

Who we are

At the end of the reporting period, the Northern Ireland Office employed 164 staff, with offices in Belfast and London.

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

Our Non-Departmental Public Bodies (NDPBs) are:

- The Northern Ireland Human Rights Commission
- The Parades Commission for Northern Ireland
- The Independent Reporting Commission¹

We have one advisory NDPB:

- The Boundary Commission for Northern Ireland

¹ This is jointly sponsored by the Irish Government but for accounting purposes the UK joint Secretary has been appointed as an accounting officer with responsibility for reporting to Parliament on monies made available by HM Treasury.

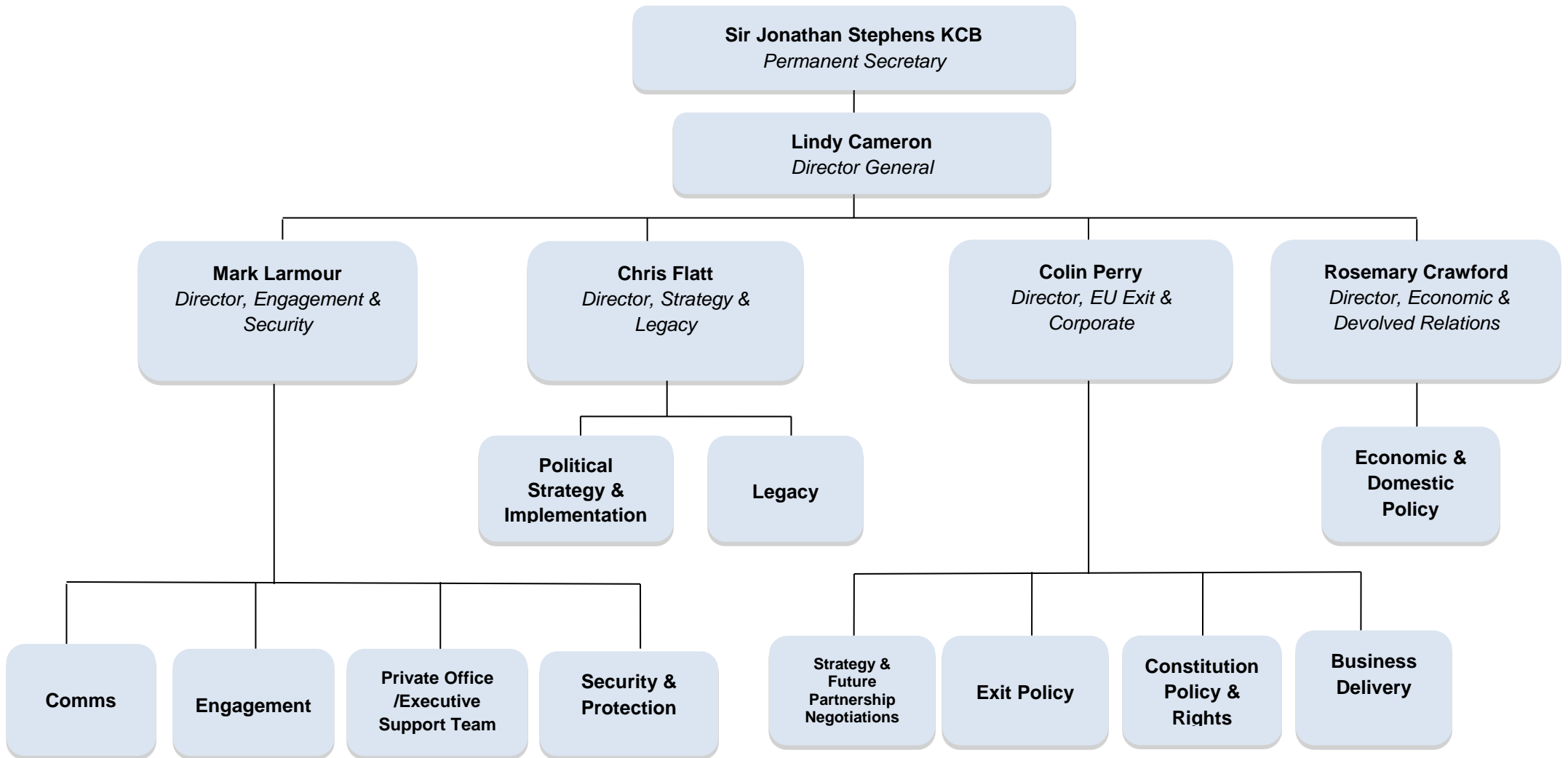
We also sponsor a number of office holders, including:

- The Crown Solicitor for Northern Ireland
- The Chief Electoral Officer for Northern Ireland
- The Civil Service Commissioners for Northern Ireland
- The Sentence Review Commissioners
- The Independent Chairman of the Northern Ireland Committee on Protection (non-statutory)
- The Remission of Sentences Act Commissioners
- The Independent Reviewer of Police and Military Powers under the Justice and Security Act 2007
- The Independent Reviewer of National Security Arrangements in Northern Ireland (non-statutory)
- The District Electoral Areas Commissioner (currently in abeyance)

In partnership with the Irish Government we co-sponsor the Independent Commission for the Location of Victims' Remains and provide support for the British-Irish Intergovernmental Secretariat.

In addition, our Ministers are responsible, together with the Irish Government, for appointing the Board of the International Fund for Ireland (IFI). The IFI is governed by a fully independent Board, funded by international donors and administered by the British and Irish Governments.

How we are structured (as at 31 July 2019)



Our Ministers

As at 31 July 2019, the following Ministers have responsibility for the Northern Ireland Office:



The Rt. Hon. Julian Smith MP²
Secretary of State for Northern Ireland

Julian Smith MP was appointed Secretary of State for Northern Ireland on 24 July 2019. He was Parliamentary Secretary to the Treasury (Chief Whip) from 2 November 2017 to 24 July 2019 and previously Treasurer of HM Household (Deputy Chief Whip) from 13 June 2017 to November 2017. Julian was elected Conservative MP for Skipton and Ripon in 2010.

The Secretary of State has overall responsibility for the Northern Ireland Office, advances UK government interests in Northern Ireland and represents Northern Ireland interests in the Cabinet.



The Rt. Hon Nick Hurd³
Minister of State for Northern Ireland

Nick Hurd was appointed Minister of State at the Northern Ireland Office on 26 July 2019. He has also been Minister for London since 14 November 2018.

He was previously Minister of State at the Home Office from 12 June 2017 to 25 July 2019. He was elected Conservative MP for Ruislip, Northwood and Pinner in May 2010.

The Minister of State supports the work of the Northern Ireland Office.



Robin Walker
Parliamentary Under Secretary of
State for Northern Ireland

Robin Walker was appointed Parliamentary Under Secretary of State at the Scotland Office and the Northern Ireland Office on 26 July 2019.

He was Parliamentary Under Secretary of State at the Department for Exiting the European Union from July 2016 to July 2019. He was elected as the Conservative MP for Worcester in May 2010.

The Parliamentary Under Secretary reports to the Secretary of State for Northern Ireland.

² Julian Smith replaced Karen Bradley from 24 July 2019

³ John Penrose replaced Shailesh Vara from 16 November 2018 and was replaced by Nick Hurd on 26 July 2019.



Lord Duncan of Springbank
Parliamentary Under Secretary of State for
Northern Ireland

Lord Ian Duncan was appointed Parliamentary Under Secretary of State for the Department of Business, Energy and Industrial Strategy on 26 July 2019. He has also been Parliamentary Under Secretary of State for Northern Ireland since October 2017.

He was Parliamentary Under Secretary of State in the Scotland Office from June 2017 to July 2019 and Parliamentary Under Secretary of State for Wales between June and October 2017.

The Parliamentary Under Secretary reports to the Secretary of State for Northern Ireland.

Further information on our Ministers can be found on our website: www.nio.gov.uk

Our leaders and their responsibilities



Sir Jonathan Stephens KCB
Permanent Secretary

Sir Jonathan is Permanent Under-Secretary of the Northern Ireland Office. He chairs the Northern Ireland Office Board and is the Department's Principal Accounting Officer. He was appointed in June 2014.



Lindy Cameron
Director General

Lindy Cameron was appointed as the Director General of the Northern Ireland Office in June 2019. Lindy joined the Board with effect from 3 June 2019.



Rosemary Crawford
Director

Rosemary Crawford was appointed as a Director in January 2018. Rosemary is responsible for economic and domestic policy, including devolved relations. Rosemary is a member of the Board. Rosemary left the NIO, and thus the Board, on 1 August 2019.



Chris Flatt
Director

Chris Flatt was appointed as a Director in November 2018. He is responsible for political strategy and legacy. Chris is a member of the Board.



Mark Larmour
Director

Mark was appointed as a Director in December 2014. He has oversight of matters relating to engagement and security, including the delivery of the cross Government Strategy to tackle the threat from Northern Ireland Related Terrorism. Mark is a member of the Board.



Colin Perry
Director

Colin was appointed as a Director in December 2014. He leads on issues relating to EU Exit and corporate matters. Colin is a member of the Board.

Our Non-Executive Board Members



Dawn Johnson
Lead Non-Executive
Director, Chair of the
Audit and Risk
Committee

Dawn Johnson BSc (Hons) ACII Dip PFS is the Lead Non-Executive Director of the Northern Ireland Office, sitting on the Board. Dawn also chairs the Audit and Risk Committee.

Born and educated in Northern Ireland, Dawn spent the majority of her career in financial services focussed on sales, marketing and operational management with responsibility for regulatory compliance. Dawn has held a portfolio of non-executive roles in, and supporting, the public sector for over 12 years.



David Brooker
Non-Executive
Director

David Brooker is a retired Senior Civil Servant with experience of working across a wide range of issues in the Northern Ireland Office, Home Office and Department for Culture, Media and Sport.

Independent Non-Executive Membership

The Non-Executive Board Members exercise their role through influence and advice, supporting as well as challenging the Northern Ireland Office executive team. They advise on performance, operational issues and effective management of the Northern Ireland Office. They also provide support, guidance and challenge on the progress and implementation of the operational business plan, in relation to recruiting and ensuring appropriate succession planning of senior executives. To share best practice and to ensure that departments learn from the successes

and failures of comparable organisations the lead non-executive regularly meets with other non-executives from the Territorial Offices and across wider government.

No changes were made to our non-executive membership during the reporting period. However, in January 2019, the appointment of Dawn Johnson was extended until May 2020 and David Brooker's appointment was extended until January 2022.

Our Performance

Introduction

The Northern Ireland Office publishes its objectives and commitments on GOV.UK at:

<https://www.gov.uk/government/publications/northern-ireland-office-summary-business-plan>

The Summary Business Plan is refreshed annually. In year, progress against the delivery of the objectives is monitored by the Northern Ireland Office Board.

GOV.UK also provides news and updates on progress of work undertaken by the Northern Ireland Office, including details of announcements of achievements. Further information can be found on our website www.nio.gov.uk

In addition to our published objectives, the Northern Ireland Office has continued to support the United Kingdom's effective exit from the European Union and ensure that Northern Ireland's interests are represented during the negotiations for withdrawal and in the post-Exit settlement. The implications of Exit for Northern Ireland, which is the only part of the United Kingdom with a land border with another European Union member, are unique and this work impacts across all of our policy objectives.

The Northern Ireland Office has worked closely with other departments across Government, including the Northern Ireland Civil Service, to support wider work to negotiate and agree our withdrawal and to prepare for our future relationship with the European Union.

Our work throughout the year has been based on the following underlying priorities:

- **Getting the best deal for Northern Ireland** - the Government has been clear that nothing agreed with the European Union should risk a return to a hard border, or threaten the delicate constitutional and political arrangements underpinned by the Belfast Agreement. We have focussed in particular on those principles where the impacts of Exit for Northern Ireland are unique and/or where the Northern Ireland Office has a particular role or expertise. This has included delivering on future relationship proposals through negotiations, working closely with the Department for Exiting the European Union and ensuring the Northern Ireland Civil Service has the right input and engagement across Government. We have also led on work to deliver a commitment to ensure 'no diminution of rights, safeguards and equality of opportunity' as set out in the Belfast Agreement results in Northern Ireland from exiting the European Union. The Northern Ireland Office recognises the guarantees of equality and rights for all communities in Northern Ireland being a fundamental part of the Belfast Agreement and we will continue to work to ensure that rights are protected in the withdrawal arrangements.

- **Making sure Northern Ireland is ready** - we have ensured that preparations are made which best protect Northern Ireland. Working with Government departments and the Northern Ireland Civil Service we have delivered a functioning statute book in Northern Ireland for exit day by correcting deficiencies in legislation under the European Union (Withdrawal) Act 2018. We also continue to work with the Cabinet Office and Northern Ireland Civil Service on common frameworks where powers will return from the European Union to Westminster and Devolved Administrations.
- **Preparing for contingencies** - we have prepared for all potential scenarios. We have played an active role in wider cross-Government 'no deal' preparations to ensure that potential impacts for Northern Ireland are understood and planned for to the greatest extent possible. We have established a joint programme of work with Northern Ireland Civil Service and other public services in Northern Ireland to review and oversee all preparations. We will continue to work across Government to ensure that all necessary preparations are made to protect Northern Ireland.

Business plan objectives 2018-19

The section below sets out in detail the range of published business plan objectives and how we have delivered these during 2018-19.

Objective 1: Making politics work

The Northern Ireland Office's overarching priority for 2018-19 was to work with the political parties and the Irish Government, consistent with the three-stranded approach set out in the Belfast Agreement, to restore the devolved institutions.

Despite the ongoing political impasse, the Northern Ireland Office has continued to support the Government to deliver on its commitment to restoring power-sharing devolved government as the best means of delivering political stability. We continue to seek opportunities to work with the parties to restore devolution.

However, in the absence of devolved government, the Northern Ireland Office continued to exercise its responsibility to legislate where doing so is necessary to ensure good governance, protect the delivery of public services and uphold public confidence. The Secretary of State intervened in the early part of the reporting period to set budget allocations for Northern Ireland departments for 2018-19 and in February 2019 introduced legislation to set budget allocations for 2019-20 in order to protect the delivery of public services. The Secretary of State also introduced legislation to continue to provide capped payments to the Renewable Heat Incentive (RHI) scheme, to collect the Regional Rate and to give the power to vary Members of the Legislative Assembly (MLA) pay.

We also took forward legislation to enable key appointments to be made both in Northern Ireland and to UK Government-sponsored offices during the period without Northern Ireland

Ministers. The Northern Ireland (Executive Formation and Exercise of Functions) Act 2018 received Royal Assent on 1 November 2018 and has enabled the Secretary of State to make a number of important public appointments to ensure that public service delivery is not impacted by the lack of a Northern Ireland Executive. Further information on the appointments that have been made under this legislation can be found in the [Directors' report](#).

In September 2018, the Secretary of State announced she was accepting the recommendations made by Sir Trevor Reaney in 2017 and would be cutting MLA's pay by 27.5%. The salary reduction was introduced in two stages. The first reduction came into effect in November 2018, with a further 12.5% reduction taking place in January 2019. The Determination also confirmed that there would be no inflationary uplifts to MLA's salary levels during the period of no Executive. Despite the reduction it is recognised that MLAs continue to be active in constituency work and therefore it is appropriate that they continue to receive a salary. In the event of further delays to an Executive being formed the Secretary of State will continue to consider the case for further reductions.

In year, the UK and Irish Government held two British Irish Intergovernmental Conferences, in June and November 2018. The Conference was established under Strand Three of the Belfast/Good Friday Agreement "to promote bilateral co-operation at all levels on all matters of mutual interest within the competence of both Governments". The Conference discussed a range of issues including legacy, security cooperation, East-West matters and political stability.

In delivering its commitment to improving public services the Northern Ireland Office has worked closely with the Chief Electoral Officer and colleagues within Cabinet Office to deliver a programme of modernising electoral services in Northern Ireland. In June 2018, the Electoral Office successfully introduced digital electoral registration to Northern Ireland. About 70% of applications to vote in Northern Ireland have been made online since the system was introduced.

The Northern Ireland Office also supported the work of the Boundary Commission for Northern Ireland, which started a review of Parliamentary constituencies in 2016. The Commission's final report was presented to Parliament by the Secretary of State on 10 September 2018, at the same time as the three other regional Commissions. If accepted by Parliament the Commission's recommendations will reduce the number of Parliamentary constituencies across the UK to 600 and in Northern Ireland the decrease will be from 18 to 17 seats.

Objective 2: A more secure Northern Ireland

Violent dissident republican terrorist groupings continue to try to attack the State and their own communities. Their support remains limited, despite their attempts to seek legitimacy in a wider society which continues to reject their use of violence. Numerous dissident republican terrorist attacks have been prevented through vital support provided by members of the community.

The Northern Ireland Office worked closely with MI5, the Police Service of Northern Ireland, the military and colleagues in An Garda Síochána, to tackle the enduring threat from Northern Ireland Related Terrorism (NIRT) and to limit the impact on people going about their daily lives.

MI5 keep the level of threat from Northern Ireland related terrorism under constant review. The threat level from Northern Ireland-related terrorism in Northern Ireland has remained at SEVERE since March 2009, meaning an attack is "highly likely". In March 2018, MI5 lowered the threat level in Great Britain from Northern Ireland related terrorism from 'Substantial' to 'Moderate' which means a terrorist attack is possible but not likely.

The UK Government has also actively supported a dedicated programme of activity to tackle paramilitarism as part of 'A Fresh Start - The Stormont Agreement and Implementation Plan'. Over the five year period of the programme £25 million is being provided, which matches funds already committed by the Northern Ireland Executive. The combined resource of £50 million will not only support the law enforcement aspects of the programme which are now fully functioning but, also, crucially, provide communities with the tools and resources they need to reject paramilitaries. This year we have continued to work with partners to further develop our coordination on this programme at strategic and official level to ensure alignment with our strategic approach to tackling terrorism.

In October 2018, the Independent Reporting Commission (IRC), established via an International Treaty between the UK and Irish Governments, published its first report. We expect the Commission will continue to consult with a broad range of stakeholders as it prepares its second report to be published later in 2019.

In addition we continue to work to ensure that Northern Ireland has a legislative framework appropriate for the threat.

Objective 3: A growing economy

The Government has continued to uphold its commitment to deliver a stronger, more secure and stable economy that works for every part of the UK.

The Northern Ireland Office, working alongside Northern Ireland partners and other Government departments, has continued to prioritise strengthening and rebalancing the Northern Ireland economy, which has continued to make progress. At the end of 2018⁴, the employment rate rose to a record high of 70.9%, while the unemployment rate decreased to a near record low of 3.5%. Also, economic inactivity, while still high relative to the rest of the UK, also showed a decrease by 2.8% to 26.4%.

⁴<https://www.nisra.gov.uk/statistics/labour-market-and-social-welfare/labour-force-survey>

Despite success in attracting Foreign Direct Investment (FDI) into Northern Ireland, FDI investments have been declining in recent years. The Department for International Trade (DIT) records that in 2017-18 Northern Ireland attracted 28 FDI projects, creating 1,251 jobs⁵. This represents an 18% decrease in projects and a 23% decrease in jobs compared to the previous year. The Northern Ireland Office and the Secretary of State have, therefore, worked to promote Northern Ireland as a great place to invest and do business, attending the launch of investments such as the STATSports announcement of 211 new jobs by 2021 in the high-tech sport analysis industry and emphasising the need for the devolved institutions to be restored, with an Executive working with the UK Government to promote Northern Ireland internationally and in a positive light.

The Northern Ireland Office also continued to help support the delivery of a stable and sustainable budget. At Budget 2018, Northern Ireland benefited from a £320 million increase to the Northern Ireland Block Grant, followed by another £20 million at the Spring Statement 2019. The Northern Ireland Office also worked to secure a further £2 million to support the recovery and regeneration of Belfast City Centre following the Bank Buildings fire in August 2018

To provide financial certainty in the absence of an Executive, the Secretary of State set out a draft 2019-20 Northern Ireland budget. To recognise the lack of opportunity to reform public services over the last two years due to the absence of an Executive, the budget is supported by funding and flexibilities, including £140million of additional funding which will see increases in key areas of public services, particularly health (+3.8%) and education (+1.1%).

The Northern Ireland Office has worked to deliver the release of funding agreed by the Government in the financial annex to the Confidence and Supply Agreement with £410 million released in 2018-19 and we expect £333 million will be released in 2019-20, subject to Parliament's approval. We have continued to deliver on the commitments from the Fresh Start and Stormont House Agreements, including the release of £300m for shared and integrated education projects.

We have also ensured that the UK Government upholds its responsibility to ensure good governance and protect public services through several interventions to safeguard public finances during the year, including the Northern Ireland Budget Act 2018 and the Northern Ireland Budget (Anticipation and Adjustments) Act 2018. Both have provided an important, and secure, foundation for spending and planning into the new financial year.

Further certainty has been provided through additional legislation progressed in tandem during the year to enable the collection of rates, which provides the basis for collecting much-needed revenues for the Northern Ireland administration and cost-capping measures on the Renewable Heat Incentive scheme. These measures provided clarity during the reporting period and for

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/730041/Department_for_International_Trade_inward_investment_results_2017_to_2018.pdf

2019-20 so that Northern Ireland has sustainable public finances and the delivery of essential public services is protected.

In line with the Government's commitment to taking forward a comprehensive and ambitious set of City Deals for Northern Ireland, the Autumn Budget announced £350 million for a Belfast City Region Deal. The Secretary of State formally endorsed this first city deal in Northern Ireland, signing the Heads of Terms alongside Belfast City Region partners.

The opening of formal negotiations for a Derry/Londonderry and Strabane City Region Deal was also announced at Budget 2018. The Northern Ireland Office has since worked closely with colleagues in the Northern Ireland public service, stakeholders and other UK Government departments to progress this deal which the Government hopes to announce early in the next reporting period.

The Northern Ireland Office has also continued to ensure the Northern Ireland voice is heard across the UK Government, engaging with departments to help ensure that people and businesses in Northern Ireland will benefit from the opportunities arising from the Government's new Export Strategy and building on the success of the Industrial Strategy. A number of Northern Ireland academic institutions and businesses have benefited through the Industrial Strategy Challenge Fund, including:

- Radox Laboratories received £700,000 towards the research and development of cutting-edge technology to manufacture diagnostic tools; and
- Queen's University Belfast (Centre of Excellence for Precision Medicine) secured £3.5m to develop new tools for faster and more accurate cancer diagnosis.

Further, the Northern Ireland Office has worked with partners across Whitehall to ensure that devolved considerations and the views of a restored Executive, as well as the key sectoral and trade priorities of economic stakeholders in Northern Ireland are taken into account in developing future UK trade policy, including in the development of the Trade and Customs Bills. The Northern Ireland Office has been at the centre of cross-Whitehall work to do everything possible to safeguard jobs and livelihoods.

Objective 4: A stronger society

Throughout 2018 and early 2019 the Northern Ireland Office continued its ongoing engagement with victims and survivors and others affected by the legacy of the past.

The Northern Ireland Office demonstrated the Government's commitment to trying to find the best way to meet the needs of victims and survivors and to help people address the impact of the Troubles by running a consultation on 'Addressing the Legacy of Northern Ireland's Past' from May to October 2018. During the consultation we engaged with a wide range of stakeholders, victims' and survivors' groups, political parties, community groups and others, and

attended over 30 events across Northern Ireland, Great Britain and Ireland and over 17,000 written consultation responses were received. We have now published a summary of these responses. Any way forward will only work if it can command confidence from across the community, and in particular from those whose lives have been most directly impacted. The Government has made clear that it will want to consider the issues raised carefully with a restored Executive or the Northern Ireland political parties before making any decisions about the way forward.

During the year, the Northern Ireland Office continued to deliver structured external engagement, at both Ministerial and official level, with political, business, civil society and community representatives, including in 'hard to reach' communities. While this has covered a wide range of issues, much of the focus in the period has been on understanding the impact of EU Exit on those living and working in Northern Ireland, particularly in border areas.

The 2018 parading season was again one of the most peaceful in recent years. Ongoing engagement between parade organisers and local residents' groups has reduced community tensions in areas such as North Belfast, demonstrating that dialogue offers the best means of securing long term resolution to parading disputes. We remain of the view that securing alternative, locally agreed arrangements for regulating parades in Northern Ireland is the best option for sustainable long term reform of the system. In the absence of agreement on the way forward on parading, the Northern Ireland Office will continue to fulfil its statutory role as sponsor of the Parades Commission for Northern Ireland.

The Northern Ireland Office has continued to exercise its responsibility to legislate where doing so is necessary. Due to a legislative deficiency, the law governing mental health care in Northern Ireland presented a risk to life, and this was brought to the attention of the Secretary of State. The legislative deficiency meant that patients in the process of being diagnosed with a mental illness, or severe mental impairment, could be released before the period of assessment was complete. The Northern Ireland Office brought forward an Order in Council to address this legislative deficiency, and the risk to life was removed when the Order came into force in December 2018.

This reporting period also saw a culmination of the excellent collaboration between the Northern Ireland Office and Department for Digital, Culture, Media & Sport (DCMS) on First World War centenary commemorations. This work focused on ensuring the Government's programme of commemorations had reach and engagement in Northern Ireland, while promoting reconciliation and enhancing prospects for a peaceful, shared future. During this period we were also involved in the planning of local centenary commemorations by sitting on the Northern Ireland First World War Centenary Committee, chaired by the Rt. Hon Sir Jeffrey Donaldson MP. In delivering this work over the last four years, we have worked closely with partners in the Irish government to mark key events in a spirit of mutual respect, inclusiveness and friendship.

The 2018-19 centenary activity was focused on marking Armistice Day with Government attendance at Belfast and Enniskillen Cenotaphs, and at the St Anne's Cathedral Service of

Reflection and Thanksgiving in Belfast, which preceded a service being held at Westminster Abbey. In addition, we commissioned and collated Northern Ireland content from our partners for a DCMS commemorative publication, entitled "The Centenary of the First World War, How the Nation Remembered", which was published in February and distributed across the UK.

In close consultation with the Royal Households, the Northern Ireland Office delivered a total of nine Royal visits to Northern Ireland, including visits by TRH The Prince of Wales and Duchess of Cornwall, TRH The Duke and Duchess of Cambridge and HRH The Duke of Kent. In September 2018, the Northern Ireland Office delivered the annual Hillsborough Castle Garden Party attended by 1500 invited guests that were representative of society. The principal guest was HRH The Princess Royal. In May 2019, the annual event moved to Castle Coole in Enniskillen and was attended by TRH The Prince of Wales and Duchess of Cornwall.

The Government has demonstrated its commitment to building a stronger society by providing up to £500 million over 10 years in new capital funding to support shared and integrated education projects. In June 2018, the Secretary of State announced £140 million of this funding to support the development of the Strule Project which, when complete, will bring together six schools and 4,200 children from all backgrounds to interact and learn together on a vibrant and dynamic campus. At Budget 2018, the Chancellor announced the release of a further £300 million from this funding pot to support a range of shared and integrated education projects.

The Northern Ireland Office remains committed to securing a restoration of the Northern Ireland Executive which will allow for further progress on important shared future initiatives.

Objective 5: Northern Ireland Office fit for the future

Over the course of the last financial year the Department continued to explore options for increasing efficiencies and modernising its approach to business. We operate on a fully flexible IT system, enabling staff to work more effectively between our offices, and away from the office. We have also continued to invest in and expand our video conferencing facilities, enabling staff to connect across civil service sites and reduce the need for physical travel.

We have continued to work with third party partners to ensure that new systems are fully bedded in. Ensuring that we realise the benefits of our systems will continue to be a priority in 2019-20.

During the year we maintained a focus on our people through our People Plan activities and again this year we achieved excellent People Survey scores in the annual civil service staff survey. Further information on our People Plan and Survey is provided in the Directors' report.

At the start of the reporting period we launched our new Performance and Development Scheme that allows for a more integrated approach to continuous improvement and performance. The new approach recognises the importance of regular two-way discussions between staff and their line manager and provides greater ongoing support through coaching. We plan to review the success of the scheme in the next reporting period.

In September 2018 we launched our core values at events in London and Belfast. This follows on from the work done in 2017 around our cultural principles, which were developed by staff and then distilled down into a smaller set of key overarching values. Our core values and the behaviours that staff agreed should be at the heart of the Northern Ireland Office are: Collaboration, Leadership and Empowerment, Learning and Development, Wellbeing, Integrity, and Diversity and Inclusion.

As part of our commitment to our people we continued to work to refurbish accommodation, make better use of our facilities, and meet access requirements. Works will continue into the next period.

Further information on our finances can be found in the [Spending summary highlights](#).

Spending summary highlights for 2018-19

	2018-19	2017-18	Variance
Spend By Budget Classification	£millions	£millions	£millions
Resource DEL (Voted) (Departmental operations including depreciation)	25.0	20.9	4.1
Resource DEL (Non-Voted) (Election Funding*)	0.4	4.0	(3.6)
AME (Non-Cash accounting provisions)	0.8	-	0.8
Capital DEL (Expenditure on Departmental non-current assets)	0.5	1.5	(1.0)
Non Budget (NI Executive funding)	15,217	14,487	730

* This represents funding of the UK General Election in 2017-18 and funding of a Westminster By-Election and a Recall Petition in 2018-19

This spending data corresponds to the more detailed information within the [Financial Review](#) on page 27.

Sustainable Development

Introduction

The Northern Ireland Office is exempt from complying with HM Treasury guidance on sustainability reporting as to collate the figures would be disproportionately expensive relative to the size of the Department. However, the Northern Ireland Office fully supports 'Greening Government' commitments to reducing waste, domestic flights, paper and water across its estate.

Sustainability

The Northern Ireland Office continues to take steps to reduce the impact of its business on the environment, with a priority to reduce carbon dioxide emissions. We have reduced our energy 'footprint' by reducing the amount of staff travel through the use of video conferencing facilities to enable staff to connect remotely to meetings. We have reduced our energy consumption by introducing modern and more efficient technology, including cloud service and data storage.

We also have a planned programme of future investment in energy efficient boilers and low energy lighting that will further reduce our carbon footprint.

People

The Civil Service has a long tradition of supporting staff to volunteer and the Northern Ireland Office is committed to making a positive impact on the community in which it operates. The Northern Ireland Office offers up to five days' special leave for each member of staff to undertake volunteering. Staff can organise their own volunteering activity or can visit www.do-it.org.uk for ideas and information on volunteering.

Financial Review

Funding

The Department's activities are financed by Supply voted by Parliament. Each year the NIO is given Parliamentary approval for its expenditure when Parliament votes the Main Supply Estimates. Subject to Parliament's agreement, the estimates may be amended during the year at the Supplementary Estimate stage. The estimates are published by Her Majesty's Stationery Office (HMSO) and contain details of voted monies for all government departments. The 2018-19 Supplementary Estimates are available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/777880/supplementary_estimates_2018-19_web.pdf

Departmental Expenditure Limit (DEL): £25,812,000 (including non-voted expenditure of £548,000)

Expenditure arising from:

- overseeing the effective operation of the devolution settlement in Northern Ireland and representing the interests of Northern Ireland within the UK Government;
- expenditure on administrative services;
- expenditure arising from the Stormont House Agreement and the Fresh Start Agreement;
- Head of State related costs and VIP visits to Northern Ireland;
- Northern Ireland Human Rights Commission and other Reviews and Commissions arising from the Belfast Agreement, the Northern Ireland Act 1998, the Northern Ireland Act 2000, the Northern Ireland Act 2009, political development and inquiries;
- work of the Parades Commission for Northern Ireland;
- the Chief Electoral Officer for Northern Ireland, elections and boundary reviews;
- Civil Service Commissioners for Northern Ireland;
- legal services, security, victims of the Troubles including the work of the Independent Commission for the Location of Victims Remains and arms decommissioning;
- compensation schemes under the Justice and Security (Northern Ireland) Act 2007 and Terrorism Act 2000;

- the running of Hillsborough Castle and certain other grants; and
- the Independent Reporting Commission.

This includes associated depreciation and any other non-cash costs falling within DEL.

Income arising from:

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

Annually Managed Expenditure (AME): (£30,000)

Expenditure arising from change in provisions.

Non-Budget Expenditure: £16,086,400,000

Expenditure arising from:

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

The Department's final resource Estimate for 2018-19 was £16,112m (2017-18: £15,314m) and the Department's final capital Estimate for 2018-19 was £0.481m (2017-18: £1.655m).

Comparison of estimate and outturn

Resource

The total outturn shown in the Statement of Parliamentary Supply of these Accounts reflects overspend on both the Resource DEL and Resource AME Estimates due to higher than anticipated expenditure on legal costs and accounting provisions which were recognised after the Department's Estimates were set in February 2019. The net resource outturn for 2018-19 was £15,243m (2017-18: £14,512m) compared with the Estimate of £16,112m (2017-18: £15,314m). This is a variance of £869m (2017-18: £802m).

The main reasons for this variance are:

- £869m funds anticipated to be required by the Northern Ireland Executive were not drawn down from the Consolidated Fund;
- A variance of £0.2m in respect of higher than anticipated external legal costs incurred during the financial year;
- a variance of £0.1m in respect of lower than anticipated costs for Parliamentary By-Election and Recall Petition held during the financial year;
- a variance of £0.8m against the AME Estimate which resulted from unanticipated expenditure related to accounting provisions;
- other small variances across the remainder of the Department and its ALBs.

Capital

The net capital outturn for 2018-19 was £0.45m (2017-18: £1.5m) compared with the Estimate of £0.48m (2017-18: £1.66m). This is a variance of £0.03m (2017-18: (£0.16m)).

This variance resulted from lower than anticipated capital expenditure in a number of projects across the Department and its ALBs

Net Cash Requirement

The net cash requirement (note SOPS3) outturn was £15,242m (2017-18 £14,523m) compared with the Estimate of £16,109m (2017-18: £15,308m). This is a variance of £867m (2017-18: (£785m)). This variance resulted from lower than anticipated payments made by the Northern Ireland Executive during the financial year.

Decisions on how funding to the Executive is spent are managed by the devolved administration and funding is allocated to the Northern Ireland departments by the Department of Finance (DoF). Each of the Northern Ireland departments, including DoF, publishes their own financial statements. Additional information regarding the budgets of the Executive and the grants paid by the NIO to the Northern Ireland Consolidated Fund are included in an annex at the end of this document.

Statement of Financial Position

The net assets at 31 March 2019 of £74m (2017-18: £76m) principally comprise property, plant and equipment of which Hillsborough Castle and its surrounding estate is £69.5m (2017-18: £70.8m) as the remainder of the other assets and liabilities largely offset.

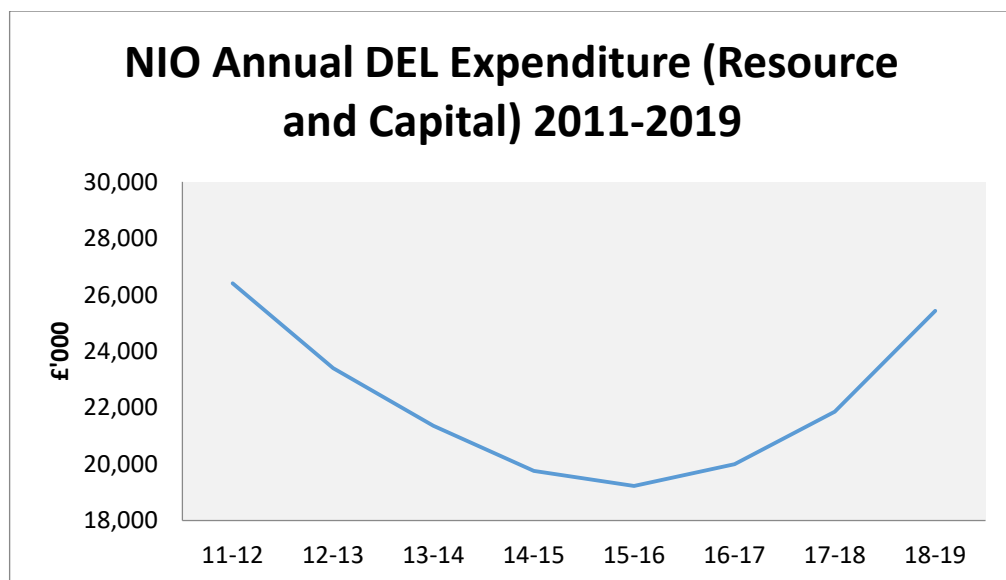
The financial assets include loans issued to DoF under the National Loans Fund, but these are balanced by corresponding amounts in current and non-current liabilities.

External Auditor

These accounts are audited by the Comptroller and Auditor General (C&AG) who is appointed by statute and reports to Parliament on the audit examination. His certificate is produced in the Parliamentary accountability and audit report. The audit of the financial statements for 2018-19 resulted in a group audit fee of £143,500 (cash audit fee £36,500, non-cash audit fee £107,000) (2017-18 £145,500; cash fee £38,500, non-cash fee £107,000).

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

Long Term Expenditure Trend



The outturn figures have been adjusted to exclude the impact of significant one-off additional areas of expenditure when additional funding was provided e.g. the electoral canvass in 2013-14, European Elections and Assembly Elections in 2014-15 and 2016-17, as well as General Elections in 2015-16 and 2017-18. The increase since 2016 represents additional funding for new areas of expenditure and to address additional pressures e.g. EU Exit as well as increased capital expenditure on IT and infrastructure projects.

Sir Jonathan Stephens KCB
Accounting Officer
17 October 2019

THE ACCOUNTABILITY REPORT

Report by Dawn Johnson, the Northern Ireland Office Lead Non-Executive Board Member



Introduction

This is the sixth annual report that I have been involved with as the Northern Ireland Office's lead non-executive director and Chair of the Northern Ireland Office's Audit & Risk Committee. My report looks back at the progress made over the last twelve months and reflects on the work of the Audit & Risk Committee. It has been prepared in line with HM Treasury guidance.

Last year's report outlined the numerous challenges faced by the Northern Ireland Office as it dealt with frequent periods of significant political uncertainty and introduced new payment processing into its financial management arrangements. Over the last twelve months there has been little improvement in the politics and there remain policy and resource challenges around the restoration of the Northern Ireland Executive and the decision to exit the EU. However, at an operational level I am pleased to report that the issues with the new payment processing arrangements were resolved in-year and in recent months there has been a noticeable improvement in the achievement of the prompt payment targets for five, 10 and 30 days. The Board and Audit & Risk Committee will continue to monitor performance in this area but I am satisfied that procedures are now in place to ensure that the Department is well placed to continue to achieve these targets.

Despite the ongoing challenges, I am satisfied that the Board and its Committees are operating effectively and in accordance with good governance practices.

Non-Executive Directors

In-year the non-executive board members continued to support the work of the Board and engage with representatives from sponsored bodies. While the Department continues to operate in a difficult environment, the non-executive board members have nevertheless used their experience and skills to contribute to discussions and challenge the senior management team on the adequacy of resources, achievement of objectives and management of risk. Non-executive board members also attended meetings with staff to outline their role and function and gain a better understanding of the daily issues facing them.

The non-executive board members played an active role in a number of Senior Civil Service and public appointment recruitment panels throughout 2018-19. This provided us with an opportunity

to bring objectivity and independence to the process. I am satisfied that all senior level recruitment complied with relevant guidance and all appointments were made on merit.

During the year, the non-executive board members attended an increasing number of cross-government events and engaged with their counterparts in other Whitehall departments. Attendance at such events enables us to discuss common issues that are impacting cross-government.

Audit and Risk Committee

The Audit and Risk Committee operates under delegated authority from the Board. The Committee's primary purpose is to provide constructive challenge, support and advice to the Northern Ireland Office's Accounting Officer in the effective discharge of his responsibilities for governance, risk and internal control. It also oversees the work of internal and external audit including audit plans, reports and departmental responses. The Committee acts in an advisory capacity and has no executive responsibilities.

Terms of Reference

The Committee's Terms of Reference broadly follow the guidance provided in the HM Treasury's Audit and Risk Assurance Handbook that was reissued in March 2016. The key messages and minutes from each Committee meeting are reported to the Board and made available to all Deputy Directors.

The Terms of Reference were reviewed in 2018 and will be reviewed again in the next reporting period.

Audit and Risk Committee Membership

The Audit and Risk Committee's membership is currently composed as follows:

- | | |
|---------------|---|
| Dawn Johnson: | Lead Non-Executive member of the Northern Ireland Office Board and Chair of the Audit and Risk Committee |
| Rosanna Wong: | External Member, Deputy Director – Head of Civil Service HR (CSHR) Programme Management Office and Communications. |
| Ian Summers: | Independent Member with public sector finance and audit background and experience of working with both Whitehall departments and devolved government. |

Regular attendees at the Audit and Risk Committee meetings included:

- Directors, Northern Ireland Office
- Deputy Director, Business Delivery Group, Northern Ireland Office

- Head of Finance, Northern Ireland Office
- External Auditors (National Audit Office)
- Government Internal Audit Agency

In addition to the regular attendees, the Departmental Accounting Officer normally attends at least one meeting a year. In 2018-19 the Accounting Officer attended the June 2018 and January 2019 meetings.

Relationships with other Audit Committees

The Northern Ireland Office sponsors three Non-Departmental Public Bodies (NDPBs): the Northern Ireland Human Rights Commission, the Parades Commission for Northern Ireland and the Independent Reporting Commission.

Each of these bodies has its own Accounting Officer and the Northern Ireland Human Rights Commission and the Parades Commission for Northern Ireland operate independent Audit Committees. Due to the limited budget and responsibilities it has been agreed with the Independent Reporting Commission that it would not be proportionate to establish its own Audit Committee and oversight of governance and financial matters will be provided by this Committee.

During the year, the Committee kept a watching brief on key issues affecting the NDPBs and the other sponsored bodies through regular updates from sponsors and the stewardship statement process. The Committee also took assurance from the updates provided by the National Audit Office on the preparation of NDPB audited accounts.

In September 2018, I met with the Chairs of the Audit Committees for the Human Rights Commission and Parades Commission. The Committee is satisfied on the basis of the assurances received that both committees are operating effectively.

Audit and Risk Committee activity

The Committee met in April, June, and September 2018 and in January 2019. The September meeting was held in Belfast to enable Committee members to carry out visits to sponsored bodies.

Standing agenda items reviewed at each meeting included Risk Management, Finance, ALB management, Internal Audit and National Audit Office (external audit) and updates from the Board and other committees and projects. In-year the Committee also monitored good progress on implementing outstanding audit recommendations. I can confirm that action was taken on all recommendations from 2017-18 and an action plan is in progress for the small number of outstanding recommendations from the 2018-19 reporting period.

At each meeting, detailed reports and papers were presented on a range of relevant matters that enabled the Committee to discharge its functions and exercise a robust challenge function. I am satisfied that the Committee received effective support from the Executive Team and that the Department is operating sound governance arrangements that promote the highest levels of performance and accountability.

In autumn 2018, the Committee completed a review of effectiveness as recommended in the Corporate Governance in Central Government Departments Code of Good Practice. Annual reviews of this nature allow the Committee to monitor how it is performing and to make any changes that it may feel are necessary or that will add value to the role which the Committee plays.

Committee members were asked to complete a self- assessment checklist designed to ascertain how they thought the Committee had performed during the last 12 months and to give their views on which aspects of the role or operation of the Committee might be changed or improved. I also asked regular attendees at Committee meetings to provide comments from an observational perspective.

The resultant responses confirmed that the Committee currently has the right balance of skills and experience and is operating effectively. To further ensure the Committee's ongoing effectiveness I regularly appraised the performance of individual Committee members.

Main matters arising

The main matters arising during the year are summarised below.

2017-18 Accounts

The Committee scrutinised and questioned officials on the production of the 2017-18 accounts. As part of this process, the Committee considered a request to endorse the treatment of a number of immaterial errors. The Committee noted that there had been improved communication and collaboration across the department and with auditors; however, there were still some issues collating the payroll sample from the service providers. The Committee will be monitoring this area in the next reporting period.

The Northern Ireland Office's Annual Report and Accounts were subsequently certified with an unqualified opinion and presented to Parliament on 5 July 2018. The 2017-18 Accounts were subsequently restated due to an error in recording of Legal Cost accruals. Further information can be found in the [Governance Statement](#).

On other departmental group accounts, the Committee monitored progress on the preparation of the National Loan Fund accounts that were submitted to HM Treasury in July 2018 and the Returning Officers' Expenses (Northern Ireland) for 2017-18 that was presented to Parliament on 23 July 2018.

The preparation and sign off of the Annual Report and Accounts for the Parades Commission for Northern Ireland and the Northern Ireland Human Rights Commission are matters for their designated accounting officers and audit committees. However, the Committee monitored progress and noted the assurances provided by the National Audit Office. The Parades Commission for Northern Ireland presented their 2017-18 report to Parliament on 23 July 2018 and the Northern Ireland Human Rights Commission also laid their report on the same day.

The Independent Reporting Commission presented their audited accounts to Parliament on 23 October 2018.

2018-19 Accounts

The Committee was kept informed of issues identified during the audit of the Northern Ireland Office's Annual Report and Accounts that have led to a delay in the publication of the accounts and a qualified opinion. While this is dealt with in more detail by the Northern Ireland Office Accounting Officer in the [Governance Statement](#), the Committee proactively engaged and was able to take assurance that immediate steps were put in place to ensure that more robust controls are in place for future years. The Committee met with external auditors and staff from the Northern Ireland Office finance team in the autumn to review lessons learned from the process and seek further assurances that all possible steps have been taken to minimise the risk of a future excess.

On other departmental group accounts, the Committee took assurance that the National Loans Fund accounts and Returning Officers' Expenses (Northern Ireland) 2018-19 were certified with an unqualified opinion in July 2019.

In addition, the 2018-19 Annual Report and Accounts for the Parades Commission for Northern Ireland, Northern Ireland Human Rights Commission and the Independent Reporting Commission were also certified with an unqualified opinion and presented to Parliament in July 2019.

Information Assurance and Data Protection

The Committee received updates on progress to review and refresh Information Assurance policies in preparation for the implementation of the General Data Protection Regulations in May 2018. The Committee also took assurance from the completion of the annual Security Health Check that was submitted to Cabinet Office in July 2018.

The Committee acknowledges that there were no significant information assurance incidents that required escalation to the Information Commissioner's Office.

Control and Risk Issues

During the year, the Committee received updates on the oversight and accountability arrangements between the department and its sponsored bodies. These reports included a risk assessment of key governance arrangements for each sponsored body.

The arrangements for managing risk have been regularly reported to the Committee. The Committee acknowledges that the current challenges faced by the Department have created a fluid climate that makes the identification and management of risk particularly difficult.

The Committee took assurance from the reports and verbal updates provided by officials at meetings and through direct meetings with representatives from a number of sponsored bodies. The Committee is satisfied that appropriate and effective governance arrangements are in place and staff recognise their responsibilities.

Internal Audit

The Committee reviewed and endorsed internal audit strategies and plans that covered a range of areas that presented the greatest risk. In-year, internal audits were commissioned from the Government Internal Audit Agency for: GDPR Preparedness; Transactional Processing and Legal & Financial Risk.

The Committee received regular reports on the outcome of the audit work and recommendations made, including updates on the implementation of outstanding recommendations. The Committee acknowledges that the overall internal audit opinion reported a 'moderate' level of assurance for 2018-19. Further information on the definition of the assurance rating can be found in the Governance Statement.

Towards the end of the reporting period the Committee engaged in the preparation of the audit plan for 2019-20 which will focus on: Board Effectiveness; Procurement & Contract Management and Business Continuity Planning. The Committee welcomed and also engaged in the development of a three-year rolling audit cycle that will help to strengthen the Department's systems of internal control.

External Audit

Representatives from the National Audit Office attended all of the Committee's meetings. During this reporting period the Committee had a positive engagement with auditors in respect of the completion report for the 2017-18 accounts.

During the year the National Audit Office took the decision to appoint Ernst & Young LLP (EY) to support the external audit of the Department's accounts for an initial three-year period commencing with the year ended 31 March 2019. The arrangements will be replicated for the external audit of the accounts for all NDPBs associated with the Northern Ireland Office. The Committee took assurance from the National Audit Office that there would be a managed transition.

Audit and Risk Committee Assurance

The Committee provides assurance that, during the period of this report, it discharged its primary responsibilities in accordance with its terms of reference. The Committee is also satisfied that it is able to provide the Accounting Officer assurance on:

- all accounts it has reviewed;
- the high level system of internal controls; and
- the quality of both Internal and External Audit, with their approach to the discharge of their respective responsibilities, and the reliance that can be placed on this work.

Priorities for the Committee's attention over the next reporting period include:

- continuing to monitor financial management and reporting;
- reviewing external audit arrangements;
- monitoring the delivery of all audit reports and the implementation of recommendations;
- ensuring that appropriate governance policies are in place and regularly updated;
- monitoring the effectiveness of the Northern Ireland Office's approach to risk management;
- scrutinising sponsorship arrangements for the Northern Ireland Office's associated bodies; and
- succession planning.

Acknowledgements

As Chair, I would like to thank the auditors, senior officials within the Northern Ireland Office including the Head of Finance, the Directors, Deputy Directors and members of the Corporate Governance Team for supporting the ongoing work of the Committee.

Dawn Johnson

Lead Non-Executive Director and Chair, Audit and Risk Committee

Directors' Report

Ministers

Ministerial titles and names of all ministers who had responsibility for the Northern Ireland Office during the year, and to the date of this report, can be found on pages 11-12.

Permanent Secretary

The Permanent Secretary and Accounting Officer for the Northern Ireland Office is Sir Jonathan Stephens KCB. Further information can be found on page 13.

Other Reporting Entities

The names of the chairman and chief executive, or equivalent, of the Northern Ireland Office's other reporting entities are:

- **Northern Ireland Human Rights Commission**

Chief Commissioner: Les Allamby
Director/Chief Executive: Dr David Russell

- **Parades Commission for Northern Ireland**

Chief Commissioner: Anne Henderson
Secretary: Lee Hegarty

- **Independent Reporting Commission**

Chief Commissioner: Not Applicable⁶
UK Joint Secretary: Jenny Bell

Corporate Information

Recruitment Practice

All Civil Service recruitment in the Northern Ireland Office is carried out in accordance with relevant employment legislation and the Recruitment Principles issued by the Civil Service Commission.

In 2018-19, the number of recruitment competitions was 68 from which 90 appointments were made. In recognition of our dual role of representing Northern Ireland interests at UK Government level and UK Government interests in Northern Ireland, the Northern Ireland Office can only carry out its core functions and deliver its strategic priorities by having direct access to

⁶ The IRC has been established jointly by the UK Government and the Government of Ireland. There are four Commissioners: John McBurney and Monica McWilliams, who were nominated by the Northern Ireland Executive, Tim O'Connor, who was nominated by the Government of Ireland, and Mitchell Reiss, who was nominated by the UK Government.

individuals who have a detailed knowledge and understanding of UK Government and Northern Ireland related issues. This includes a knowledge and understanding of the devolved administration and the machinery of government including Northern Ireland departmental functions and structures. For these reasons, and in recognition of the unique relationship between the two organisations, a Memorandum of Understanding (MOU) has been agreed formally between the Northern Ireland Office and Northern Ireland Civil Service (NICS) to provide an appropriate structure and a degree of flexibility around our secondment arrangements. This MOU continued to work effectively for the Northern Ireland Office during 2018-19 and we will continue to work closely with the NICS to ensure the secondment arrangements deliver maximum flexibility and mutual benefits.

During 2018-19 the Northern Ireland Office also offered young people the opportunity to enhance their employability through the Apprenticeships programme and three new apprentices were appointed.

Public Appointments

As at 31 March 2019, the Northern Ireland Office sponsored three executive non-departmental public bodies, an advisory non-departmental public body and a range of smaller arm's length bodies and office holders. Further information about the range of associated bodies sponsored by the Northern Ireland Office can be found in the Performance Report. In addition, the Northern Ireland Office has responsibility for making appointments to the Equality Commission for Northern Ireland.

Between 1 April 2018 and 31 March 2019, eleven regulated appointments to the Equality Commission for Northern Ireland were extended to realign the appointments so that there is a more effective staggering of future appointments. A new Chair of the Civil Service Commissioners for Northern Ireland was appointed for a period of five years and a member of the Parades Commission for Northern Ireland was appointed for a term of three years.

In addition, new legislation⁷ came into effect in November 2018, which amongst other key measures enabled the Secretary of State to make critical appointments in the absence of Northern Ireland Ministers. In February 2019, further legislation extended the list of critical appointments. Although the Secretary of State has temporarily taken on appointing authority, the relevant Northern Ireland department retains responsibility for running the processes and these appointments, as appropriate, continue to be regulated by the Commission for Public Appointments for Northern Ireland.

Appointments under the legislation have been made to the Northern Ireland Policing Board; Chief Constable for the Police Service of Northern Ireland; Probation Board for Northern Ireland;

⁷ The Northern Ireland (Executive Formation and Exercise of Functions) Act 2018 received Royal Assent on 1 November 2018 and enables key appointments to be made both in Northern Ireland and to UK Government-sponsored offices during this period without Northern Ireland Ministers. These provisions cease to have effect when Northern Ireland Ministers are next appointed.

Northern Ireland Judicial Appointments Commission and the reappointment of the Northern Ireland Commissioner for Children and Young People. It also enabled the launch of a competition to recruit and appoint a new Police Ombudsman for Northern Ireland; this process was completed in July 2019.

Employee Consultation

The Northern Ireland Office recognises the importance of sustaining good employee relations to achieve its objectives, and consultation with employees and their representation is central to that work.

Regular communication and consultation takes place with staff through a variety of channels, including the intranet, weekly heads up meetings, staff bulletins, working groups and other briefings. More formal consultation exercises also take place with staff, including through the Staff Engagement Group, and Unions on matters such as organisational change and changes to staff terms and conditions when necessary.

During the year, we worked closely with the Staff Engagement Group, which represents staff from across all grades, on issues that are important to staff – from wellbeing and Diversity & Inclusion initiatives to sessions from the Knowledge Sharing Group. We also introduced our cultural values and changed our performance management and reward system.

There are also internal staff networks representing particular groups of employees and other groups that our staff can access through our relationship with the Ministry of Justice and the wider civil service, including the Northern Ireland Civil Service.

The Northern Ireland Office runs an annual People Survey which captures employees' views on a number of issues. The results from the People Survey form the basis of our People Plan. Our commitment to our People Plan priorities contributed to a very good engagement score 70%, a slight fall of -2% on last year, but still comparing well against the Civil Service average of 62%. The survey highlighted positive results of 83% on My Work, 91% for Organisational Objectives & Purpose and 89% for my Team. The Department also scored 88% in response to the question "the department is committed to creating a diverse and inclusive workplace."

Managing Attendance

Throughout 2018-19 the Northern Ireland Office continued to take a robust approach to managing attendance. The sickness absence figures for the reporting year are included in the Remuneration Report and show better attendance than the Civil Service average.

Diversity and inclusion policy

The Northern Ireland Office recognises the importance of embedding diversity in everything we do. Sir Jonathan Stephens is our overall Diversity Champion on the Board. Our Directors each champion various categories and we have an active and enthusiastic Diversity & Inclusion network supported by advocates for various protected characteristics.

The Northern Ireland Office is committed to:

- eliminating discrimination, harassment, victimisation and other conduct that is prohibited by or under equality legislation;
- advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it; and
- fostering good relations between persons who share a protected characteristic and person who do not share it.

The Northern Ireland Office aims to be an organisation where everyone is:

- treated with fairness and respect;
- able to contribute and develop; and
- confident about how to ensure that the work they do supports equality of outcomes for everyone in society.

The Northern Ireland Office's people management policies and practices reflect the Civil Service Code and build on the legal obligations under Northern Ireland, National and European law.

The Northern Ireland Office took steps in 2018-19 to increase awareness of diversity issues through the continued publication and signposting of information on the Departmental intranet, personal blogs, and establishing a wider range of diversity advocates with senior staff as sponsors. We used 'Inclusion Week' in September 2018 to run a series of events relating to carers, introduced a Carer's Passport and Carer's Charter for staff. We also participated in the Black, Asian and Minority Ethnic (BAME) Senior Civil Service work shadowing scheme and encouraged staff to apply for the 'Future Leaders and Senior Leaders Scheme' which provides targeted development and support to participants, enabling those with recognised potential to reach the highest levels of the civil service irrespective of their social or personal backgrounds. A number of staff also participated in 'Crossing Thresholds' which is a year-long career mentoring programme for women.

During the year we launched our 2019 People Plan that communicates our ongoing commitment to a zero tolerance of unfair discriminatory behaviour, harassment, bullying or victimisation, and we will ensure that any allegations are dealt with sensitively and fairly.

The Northern Ireland Office is an accredited Disability Confident Leader. In 2018 the Northern Ireland Office won the award for best small employer for Diversity and Equality in Northern Ireland at the Legal-Island Diversity Gala Awards and in April 2019 we came runner-up and received a Highly Commended award for Best Gender Initiative at the 2019 Legal-Island Diversity Gala Awards for our policy and approach to supporting staff going through menopause.

Employment, training and advancement of disabled persons

The Northern Ireland Office has adopted Ministry of Justice policies for staff-related matters, including making reasonable adjustments where necessary for staff with disabilities. During the year we continued to monitor and report progress against our published Disability Action Plan that articulates our vision, our priorities and sets out our measures to promote positive attitudes towards disabled people and encourage participation by disabled people in public life. The plan makes a clear statement of our commitment to implementing our equality duties in relation to disability. We intend to further review our Disability Action Plan in the next reporting period.

Our Diversity & Inclusion Group includes advocates for the promotion of diversity and inclusion across the Department, including a lead on disability issues.

Pensions

Present and past employees of the Northern Ireland Office Department are covered by the provisions of either the UK or Northern Ireland Principal Civil Service Pension Scheme (PCSPS). Those organisations within the boundary covered by the scheme meet the costs of the contributions paid by employers for their staff by the payment of Accrued Superannuation Liability Charges. This is charged to the Statement of Comprehensive Net Expenditure on an accrued basis annually.

The Northern Ireland Office is also required to meet the additional cost of benefits beyond the normal PCSPS (UK) and PCSPS (NI) benefits in respect of staff who retire early. The Northern Ireland Office provides in full for this cost, charged against the Statement of Comprehensive Net Expenditure when the early retirement has been announced.

The pension benefits of Northern Ireland Office Board members are outlined in the Remuneration Report.

Capabilities, learning and development

The Northern Ireland Office is committed to supporting the learning and development of all staff to enable them to do their jobs to the best of their ability and to develop the necessary skills for the present and future. We encourage staff to take up a minimum of five days a year learning and development and we maintain a ring-fenced budget for this. Staff at all grades can make use of the Civil Service Learning portal as well as face to face learning.

The Northern Ireland Office monitors the progression of individual learning against agreed personal development plans supported by the coaching focus of our new Performance Development Scheme.

Health and Safety

The Northern Ireland Office recognises its obligations under Health and Safety at Work legislation for ensuring, so far as is reasonably practicable, the development of an effective health and safety regime. During 2018-19, there were no accidents reported to the relevant authorities.

Health and safety guidance is kept under review and made available to all staff on the Department's intranet.

Social and community responsibility

The Northern Ireland Office, as part of its corporate responsibility agenda, actively promotes awareness of social and community issues and is committed to promoting inclusion, social mobility and equality through its human resources and other corporate policies. A major contributor to this is the encouragement of volunteering, whether individually or in groups, including providing special leave for this purpose. Information on volunteering is made easily available to staff through the Department's intranet.

The Northern Ireland Office is also committed to promoting health and well-being. We support staff by promoting flexible working as well as providing mental well-being information on work-life balance options on the Department's intranet.

Other Reporting Requirements

Anti-Fraud and Whistleblowing

The Northern Ireland Office has robust arrangements in place for the prevention and detection of fraud and is committed to the highest possible standards of openness, honesty and accountability. Our arrangements follow the principles outlined in the Managing Public Money and the Civil Service Employee Model Whistleblowing Policy

There were no reported cases of fraud or whistleblowing during the reporting period.

Estates management strategy

The Northern Ireland Office's accommodation in London and Belfast are maintained under lease arrangements. Some accommodation and a small office for Ministers are also available at Hillsborough Castle, however, responsibility for the management and day to day running of Hillsborough Castle rests with the charity Historic Royal Palaces.

Payment of suppliers

Despite the post-implementation issues following the transfer to AccountNI, which are mentioned in more detail in the Lead Non-Executive Board Member's Annual Report, the Northern Ireland Office paid on average 79.49% of invoices within five working days, 93.15% within 10 working days and 97.11% within 30 working days during the reporting period.

Better Regulation

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

During the year, the Northern Ireland Office published two consultations. All Northern Ireland Office consultations are available on our website at:

https://www.gov.uk/government/publications?departments%5B%5D=northern-ireland-office&publication_filter_option=consultations

Parliamentary Questions

The Government has committed to providing departmental Parliamentary Question statistics to the Procedure Committee of the House of Commons on a sessional basis. Northern Ireland Office statistics for the 2018-19 are expected to be published on the Committee's website in due course.

Complaints to the Parliamentary Ombudsman

There were no complaints about the Northern Ireland Office which have been investigated by the Parliamentary Ombudsman.

Political and Charitable Donations

The Northern Ireland Office did not make any political or charitable donations in 2018-19 (2017-18: nil).

Freedom of Information requests

Statistics on Freedom of Information requests in central government are published quarterly at:

<https://www.gov.uk/government/collections/government-foi-statistics>

Transparency

The Northern Ireland Office, in line with the Government's Transparency Agenda, regularly publishes information on any significant areas of expenditure at:

<https://www.gov.uk/government/latest?departments%5B%5D=northern-ireland-office>

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Northern Ireland Office to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2018 nos.313 and 1335 (together known as the 'departmental group', consisting of the Department and sponsored bodies listed at note 19 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the departmental group and of the income and expenditure, Statement of Financial Position and cash flows of the departmental group for the financial year.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis;
- confirm that the Annual Reports and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

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

The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies. The Accounting Officer of the Department is responsible for

ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

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

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

GOVERNANCE REPORT

Governance Statement

Introduction

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal controls.

The Northern Ireland Office's Governance Statement is in accordance with HM Treasury Guidance and covers the core department. It sets out the governance structures, the internal control and risk management procedures that have operated within the Northern Ireland Office during the financial year 2018-19 and up to the date of approval of the Annual Report and Accounts.

Three of the Northern Ireland Office's sponsored public bodies produce their own Governance Statements, which are published in their Annual Report and Accounts. The public bodies are: Northern Ireland Human Rights Commission; Parades Commission for Northern Ireland and Independent Reporting Commission. My relationship with their Accounting Officers is set out in their respective Framework Agreements and designator letters.

The systems in place as outlined in this statement are designed to manage risk to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

Ministerial responsibilities

Ministers lead their departments and are responsible and accountable to Parliament for the actions and policies of their departments. Boards, within the strategic framework set by Ministers, support the head of the Department by advising Ministers and taking ownership of the Department's performance.

Ministers and board members are responsible for corporate governance, which defines the rights and responsibilities of different stakeholders, determines rules and procedures for making decisions, and includes the process by which the Department's objectives are set and monitored.

While our Ministers do not generally sit on the Northern Ireland Office Board, there is an open invitation to them to attend any meeting, and regular updates on departmental performance are provided to our Ministers through the Accounting Officer.

The Northern Ireland Office Board – our members

Members of the Northern Ireland Office Board during the reporting year 2018-19:

Chair:

- Sir Jonathan Stephens

Executive Membership⁸:

- Rosemary Crawford
- Chris Flatt
- Mark Larmour
- Colin Perry

Non-executive membership:

- Dawn Johnson (Lead Non-Executive Director)
- David Brooker

The Northern Ireland Office Board

The Northern Ireland Office Board is responsible for:

- Planning and Performance – agreeing the Departmental Business Plan, especially the Department's strategic aims and objectives; drawing on advice from the Executive Management Committee on the allocation of human and financial resources to achieve the aims and objectives; monitoring and steering performance against the Plan; overseeing the performance of sponsored bodies and setting the Department's standards and values.
- Strategy and Development – setting the vision and ensuring that all activities contribute towards it; long-term capability and horizon scanning, ensuring that strategic decisions are based on collective understanding of policy issues; using the non-executive directors' expertise and outside perspectives to ensure that the Department is challenged on the outcomes.

⁸ Chris Flatt joined the Board in November 2018.

- Resources and Change – approving large projects; drawing on advice from the Executive Management Committee and the Audit and Risk Committee (further information on the Committees can be found below), ensuring sound financial and resource management, including the operation of delegations and internal controls; ensuring that the organisational design support the attainment of strategic objectives; evaluation of the Board’s effectiveness, and succession planning.
- Operational Capability – drawing on advice from the Executive Management Committee to ensure that the Department has the capability to deliver current and future needs.
- Risk – evaluating strategic risk; drawing on advice from the Executive Management Committee on the management of operational risk and the Audit and Risk Committee on the approach to risk management; and ensuring that effective and proportionate controls are in place to manage all risk to an acceptable level.

[The Northern Ireland Office Board’s performance and effectiveness](#)

The Northern Ireland Office Board forms the collective strategic and operational leadership of the Department, bringing together its executive leaders with non-executives from outside government.

To ensure that the Board’s attention is focused on strategic issues it has delegated a number of corporate and operational functions to the Executive Management Committee, which meets monthly and consists of all Directors and Deputy Directors.

During the year, the Board regularly discussed the political situation in Northern Ireland and EU Exit negotiations and considered the risk and impact of this ongoing work on the Department’s capability and achievement of objectives. The Board’s agenda also included updates from the Chairs of the Committees and progress reports on performance. The Board scrutinised reports on the delivery of projects and analysed the annual staff survey results.

The Board was pleased to note the excellent response rate of 89% in the 2018 People Survey that was published in January 2019. 91% of staff indicated that they understood the Department’s objectives and purpose. Further information can be found in the [Director’s Report](#) and the full results can be found at:

<https://www.gov.uk/government/publications/nio-people-survey-results-2018>

The Board reviewed its effectiveness in-year and agreed that its performance and approach to business was generally satisfactory. The Board was also satisfied with the quality of the information and data reported it and welcomed changes to the presentation of financial risk data and other management information that will help the Board make informed decisions. An independent review of the Board’s effectiveness will be commissioned in the next reporting period.

Board composition and attendance

During the reporting year a fourth Director, Chris Flatt, was appointed to the Board.

The Board met six times this year and meetings were attended by all members except the following:

Meeting	Apologies
16 July 2018	Mark Larmour

Register of Public Interest - Board Members

The Northern Ireland Office maintains a register of Board members' interests, with details of company directorships and other significant interests held by Board members. Copies of the register are available on request.

Senior management remuneration is disclosed within the Remuneration Report.

Compliance with the Corporate Governance Code

Departments are expected to apply the principles set out in *Corporate Governance in Central Government Departments: Code of good practice 2017*. The Code is drafted to offer flexibility and accepts there is not a one size fits all model for boards, but the 'comply or explain' mechanism enables departments to deviate from the principles and supporting provisions if justifiable for good governance of the department. While the Northern Ireland Office abides by the principles and spirit of the Code, given the department is considerably smaller than most central Government departments, and has a limited budget and responsibilities by comparison, it would be disproportionate to implement some of the detailed provisions. For example, it would be disproportionate for the Board to consist of between 9 and 12 members or for the department to establish a Nominations Committee when good governance can be achieved by other more proportionate means. In addition, our Ministers do not formally sit on the Board; however, there is an open invite for them to attend all meetings. The Secretary of State attended the Board meetings in July, September, November 2018 and January 2019.

Northern Ireland Office Audit and Risk Committee

The Northern Ireland Office's Audit and Risk Committee supports the Board and Principal Accounting Officer by providing an independent view of the risk control and corporate governance arrangements, and assessing the comprehensiveness, reliability and integrity of those assurances. The Committee is currently chaired by the Lead Non-Executive Director, Dawn Johnson. The Committee has two other non-executive members: Rosanna Wong and Ian Summers.

Work of the Audit and Risk Committee

The scope of the Committee's work is defined in its terms of reference, and encompasses all the assurance needs of the Board and Accounting Officer. Within this, the Committee have a

particular engagement with the work of internal audit, risk management, the external auditor, and financial management and reporting issues.

In summary, the primary function of the Committee is to test and challenge constructively the assurances which are provided to the Accounting Officer, the way in which these assurances are developed and the management priorities and approaches on which the assurances are premised. Such assurances come from internal and external audit and are also provided by senior managers across the Department and its sponsored bodies. The Committee acts in an advisory capacity and has no executive responsibilities, nor is it charged with making or endorsing any decision.

During the reporting year regular reports on the Committee's work were provided to Accounting Officer and the Board by the chair of the Committee who is also an independent Board member. Further information on the Committee can be found in the [Lead Non-Executive Board Member's report](#) on pages 32-38.

Risk management and control

HM Treasury mandate that internal audit must give a year end assurance on the effectiveness of a department's Governance, Risk and Control. The Internal Audit assurance is one of the key sources of evidence underpinning the Accounting Officer's Governance Statement.

Work of Internal Audit

The Internal Audit assurance is based on internal audit work performed over the course of the year, combined with knowledge of the governance, risk and control framework gained through attendance at meetings and discussions with senior management. Internal audit services are provided by the Government Internal Audit Agency, which works in accordance with Public Sector Internal Audit Standards. Its work is informed by its analysis of the risks to which the Northern Ireland Office is exposed and the annual audit plan is based on that analysis. The plan is discussed and endorsed by the Audit and Risk Committee and then agreed with the Accounting Officer.

The annual internal audit plan for 2018-19 is discussed in detail in the [Lead Non-Executive Director's report](#) on pages 32-38.

The Head of Internal Audit annually provides an independent opinion on the adequacy and effectiveness of governance, risk and control arrangements. The Internal Audit reviews contribute to that opinion. The Internal Audit opinion for 2018-19 reported no significant control issues. It is in this context that the Head of Internal Audit was able to give a moderate⁹ level of

⁹ Cross Government Audit Opinions are defined as Substantial; Moderate, Limited or Unsatisfactory. The definition of *moderate* is: some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

assurance that the Northern Ireland Office's overall risk, control and governance framework is adequate to enable the achievement of its objectives and that the key risks are being effectively managed.

Capacity to handle risk

During the year, the Board reviewed risks associated with the delivery of strategic objectives at each of its meetings. The Board also regularly reviewed its approach to risk management to ensure that key risks had been identified and appropriate actions were in place to manage the level of risk to an acceptable level. The Board took assurance from the Executive Management Committee on the effectiveness of the controls to manage operational risk and from the Audit and Risk Committee on the effectiveness of the risk management framework.

Information and tools for effective risk management are available to all staff on the Department's intranet. Our Risk Management Policy includes advice on maintaining risk registers, risk escalation, mitigation and communication processes. At regular intervals, assurance is sought from each business area that risk management requirements are being complied with. Our approach to managing risk is supported by a risk champion at Board level.

The effectiveness of the risk management system in place was demonstrated throughout the year by the Department's ability to deliver its objectives despite an extremely challenging political environment and the pressures emerging from EU Exit work.

Information Assurance

During the year information assurance and information security updates were provided to the Board, the Audit and Risk Committee and the Executive Management Committee.

In the early part of the reporting period the Department completed the annual Security Health Check through which it assesses its ability and effectiveness to meet a number of information assurance and security outcomes. The final report was submitted to Cabinet Office in July 2018 with no significant issues identified.

Although the Department does not handle large quantities of personal data the key focus this year has been embedding the new requirements introduced under the General Data Protection Regulation (GDPR) that came into effect on 25 May 2018. In preparation we reviewed our processes, provided training and guidance for all staff and worked closely with our sponsored bodies to ensure that they were also fully prepared for the changes. Compliance is monitored by our Data Protection Officer who also provides advice and support to our sponsored bodies.

There were no significant breaches of information security in 2018-19 that required reporting to the Information Commissioner.

Stewardship Statements

Each Deputy Director in the core Department and a senior official in each sponsored body, signs a stewardship statement bi-annually, providing assurance to the Accounting Officer on

governance, risk management and the operation of internal controls within their business areas. These stewardship statements clearly set out the controls in place and the steps taken to monitor the effectiveness of the controls. These are reviewed mid-year and an assessment of the effectiveness of these controls is carried out at the end of the reporting year, which is reported to the Audit and Risk Committee.

No significant concerns were identified as part of the end of year stewardship statement process.

Arm's Length Bodies (ALBs)

During 2018-19, regular meetings between the senior management team and the Northern Ireland Office's sponsored bodies were held; these meetings covered a wide range of governance matters. In addition, a number of periodic reviews of the framework documents, which set out the arm's length relationship with our sponsored bodies, were completed.

Assurances were sought that each sponsored body operated sound governance arrangements as part of the stewardship statement arrangements. In addition to reviewing these assurances, the Audit and Risk Committee received quarterly updates on general governance matters and engaged directly with a number of sponsored bodies.

I took assurance from the Audit and Risk Committee, senior sponsors and the Governance Statements produced by the three Non-Departmental Public Bodies, which were subject to review by both internal and external auditors.

Supply Excess

The Comptroller and Auditor General has reported, as part of his opinion on regularity, a breach of the Parliamentary Supply Estimate for Resource Departmental Expenditure Estimate (RDEL) of £0.231 million and a breach of the Annually Managed Resource Expenditure (AME) of £0.785 million (non-cash).

The breach of the RDEL Estimate relates to the costs associated with engaging legal counsel to provide advice for the Northern Ireland Office and the Crown Solicitor's Office legal casework, including legacy claims for compensation under the Terrorism Act 2000 and the Justice and Security (Northern Ireland) Act 2007. The Northern Ireland Office records the costs associated with engaging legal counsel on the basis of invoices submitted by external counsel. However, when records were reviewed at year end it was identified that additional unbilled external legal costs had not been properly considered. This caused the Northern Ireland Office to exceed its RDEL limit for the year. The corresponding Prior Period Adjustments have been accounted for to reflect inaccuracies in previous years' accounts.

The Northern Ireland Office has also exceeded its AME limit. Although action was taken in year to amend the AME as part of the Supplementary Estimates process to reflect known provisions, a number of liabilities for which provision had not been made were identified towards the end of

the reporting period. As a result of the lateness in identifying the liabilities the Northern Ireland Office was unable to take obtain Parliamentary authority to avoid exceeding the AME limit.

I have reviewed these matters with my Audit and Risk Committee and the Crown Solicitor and will consider further what steps need to be taken to minimise the risk of such supply excesses in future.

Summary of effectiveness

For the period 2018-19, I am able to report that there were no significant weaknesses in the Northern Ireland Office's system of internal controls, which affected the achievement of its key policies, aims and objectives. In-year the Northern Ireland Office Board reviewed its effectiveness and agreed that its performance and approach to business was generally satisfactory.

In respect of the Northern Ireland Office's sponsored bodies that are required to publish separate audited accounts, the 2018-19 accounts presented no material issues and all sponsored bodies accounts were published in July 2019.

No Ministerial directions were issued to me in my role as Accounting Officer during the reporting period.

Sir Jonathan Stephens KCB
Accounting Officer
17 October 2019

REMUNERATION AND STAFF REPORT

Remuneration Report

In accordance with the requirements of Schedule 7A to the Companies Act 1985 (as amended) only certain sections of the Remuneration Report have been subject to full external audit.

The following sections are all subject to audit: ministers' remuneration, Board members' remuneration, pay multiples, fees paid to Non-Executive Board Members, ministers' pensions, pension benefits, Board members' pension benefits, compensation for loss of office, staff costs, reporting of Civil Service and other compensation schemes and average number of persons employed.

Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found here:

<http://civilservicecommission.org.uk>

The Department has two non-executive directors details of which can be found in the Performance Report.

Remuneration policy

The salary of the Permanent Secretary of the Northern Ireland Office is considered by a Cabinet Office moderating committee.

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

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

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;

- Government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

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

Performance appraisal

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

Remuneration (including salary) and pension entitlements

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

Remuneration (salary and payments in kind)

[Audited]

Single total figure of remuneration								
Ministers	Salary (£)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000) ¹		Total (to nearest £1,000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Minister 1 The Rt Hon Karen Bradley MP – Secretary Of State for Northern Ireland (from 8 January 2018)	67,505	11,251 (67,505 FTE)	-	-	15,000	5,000	83,000	16,000
Minister 2 John Penrose MP - Minister of State for Northern Ireland (from 16 November 2018)	11,880 (31,680 FTE)	-	-	-	3,000	-	15,000	-
Minister 3 Lord Duncan ² Parliamentary Under Secretary of State for Northern Ireland (from 27 October 2017)	-	-	-	-	-	-	-	-
Minister 4 Shailesh Vara Parliamentary Under Secretary of State for Northern Ireland (from 9 January 2018 to 15 November 2018)	25,331 ³ (31,680 FTE)	5,052 (22,375 FTE)	-	-	3,000	2,000	28,000	7,000
Minister 5 The Rt. Hon James Brokenshire MP – Secretary Of State (from 14 July 2016 to 8 January 2018)	-	68,957 ⁴ (67,505 FTE)	-	-	-	12,000	-	81,000
Minister 6 Kris Hopkins MP - Parliamentary Under-Secretary	-	9,883 ⁵ (22,375 FTE)	-	-	-	1,000	-	11,000

of State (from 16 July 2016 to 9 June 2017)								
Minister 7 Lord Dunlop ⁶ - Parliamentary Under - Secretary of State for Scotland and Northern Ireland	-	-	-	-	-	-	-	-
Minister 8 Chloe Smith ⁷ MP - Parliamentary Under-Secretary of State (from 14 June 2017 to 9 January 2018)	-	-	-	-	-	-	-	-
Minister 9 Lord Bourne ⁸ Parliamentary Under - Secretary of State for Northern Ireland (from 14 June 2017 to 27 October 2017)	-	-	-	-	-	-	-	-

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

² Lord Duncan is paid by the Scotland Office.

³ Includes severance pay of £8,408, which was due to Shailesh Vara on his departure.

⁴ Includes severance pay of £16,876, which was due to James Brokenshire on his departure.

⁵ Includes severance pay of £5,594, which was due to Kris Hopkins on his departure after the General Election.

⁶ Lord Dunlop was paid by the Scotland Office during his time in the Department.

⁷ Chloe Smith was paid by the Cabinet Office during her time in the Department.

⁸ Lord Bourne was paid by the Department for Communities and Local Government during his time in the Department.

[Audited]

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus Payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) ⁹		Total (£'000)	
	18-19	17-18	18-19	17-18	18-19	17-18	18-19	17-18	18-19	17-18
Permanent Secretary Sir Jonathan Stephens	155-160	155-160	-	-	19,100	37,000	-	-	175-180	195-200
Director Colin Perry	90-95	85-90	10-15	10-15	-	-	28,000	4,000	130-135	100-105
Director Mark Larmour	90-95	85-90	10-15	10-15	-	-	41,000	25,000	140-145	125-130
Director Rosemary Crawford (from 3 January 2018)	85-90	20-25 (FTE 85-90)	-	-	-	-	147,000	43,000	235-240	65-70
Director Chris Flatt (from 5 November 2018)	35-40 (FTE 80-85)	-	5-10	-	-	-	45,000	-	90-95	-
Non-Executive Director Dawn Johnson	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Non-Executive Director David Brooker (from 4 January 2016)	5-10	5-10	-	-	-	-	-	-	5-10	5-10

⁹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual).

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£77,379 from 1 April 2018) and various allowances to which they are entitled are borne centrally. However the arrangements for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The Permanent Secretary received living accommodation in Belfast provided at public expense and chargeable to tax under S163 of the Income and Corporation Taxes Act 1988. Travel costs to and from Belfast incurred by the Permanent Secretary and paid by the Department are also considered a taxable benefit in kind.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2018-19 relate to performance in 2017-18 and the comparative bonuses reported for 2017-18 relate to the performance in 2016-17.

Pay Multiples [Audited]

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid official in the Northern Ireland Office in the financial year 2018-19 was £175,000 - £180,000 (2017-18, £195,000 - £200,000). This was 4.59 times (2017-18, 5.42) the median remuneration of the workforce, which was £38,676 (2017-18, £36,448).

In 2018-19, no (2017-18 nil) employee received remuneration in excess of the highest-paid director. Remuneration ranged from £17,000 to £180,000 (2017-18, £11,000 to £200,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The decrease in pay multiples is due to an increase in the median remuneration of the workforce which reflects the change in structure within the Department to deal with new challenges and a decrease in the banded remuneration of the highest paid official in the Northern Ireland Office.

Pension Benefits

[Audited]

Minister	Accrued pension at age 65 as at 31/3/19	Real increase in pension at age 65	CETV at 31/3/19	CETV at 31/3/18	Real increase in CETV
	£000	£000	£000	£000	£000
The Rt Hon Karen Bradley MP – Secretary Of State (from 8 January 2018)	5-10	0-2.5	75	58	7
John Penrose MP - Minister of State for Northern Ireland (from 16 November 2018)	0-5	0-2.5	59	55	2
Shailesh Vara Parliamentary Under Secretary of State (from 9 January 2018 to 15 November 2018)	0-5	0-2.5	59	54	2

Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available here: <http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc>.

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1st April 2013 have transitional protection to remain in the previous final salary pension scheme.

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

[Audited]

Officials*	Accrued pension at pension age at 31/03/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/19	CETV at 31/03/18	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Mark Larmour Director	35-40	0-2.5	486	401	23	-
Colin Perry Director	35-40 plus a lump sum of 115-120	0-2.5 plus a lump sum of 2.5-5	862	757	27	-
Rosemary Crawford	35-40 plus a lump sum of 100-105	5-7.5 plus a lump sum of 12.5-15	776	587	125	-
Chris Flatt (from 5 November 2018)	15-20 plus a lump sum of 35-40	0-2.5 plus a lump sum of 2.5-5	278	246	27	-

*Sir Jonathan Stephens has opted out of the government pension scheme.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced - the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a

stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha –as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office [Audited]

No compensation for loss of office was paid by the Department during the financial year.

Ministers

One Minister left under severance terms during the year. He received compensation payments totalling £8,408 (2017-18, £22,470). Details of severance payments are included in the Remuneration table on pages 62-63.

Staff Report

Staff costs [Audited]	2018-19					2017-18
	Total	Permanently employed and inward seconded staff	Others	Ministers	Special Advisors	Total
					£000	£000
Wages and salaries	13,608	11,684	1,673	105	146	11,367
Social security costs	1,344	1,219	96	10	19	1,164
Other pension costs	2,443	2,346	65	-	32	2,063
Sub Total	17,395	15,249	1,834	115	197	14,594
Less recoveries in respect of outward secondments	(104)	(104)	-	-	-	(122)
Total net costs*	17,291	15,145	1,834	115	197	14,472

Pensions [Audited]

The Principal Civil Service Pension Scheme (PCSPS), PCSPS (NI) and the Civil Servant and other Pension Scheme (CSOPS), CSOPSNI - known as Alpha - are unfunded multi-employer defined benefit schemes in which the Northern Ireland Office is unable to identify its share of the underlying assets and liabilities.

Full actuarial valuations of both the PCSPS and PCSPS (NI) were carried out as at 31 March 2016. Details of the PCSPS and CSOPS can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions). Details of the PCSPS (NI) are available in the PCSPS (NI) resource accounts.

For 2018-19, total employers' contributions of £2,443,133 (2017-18: £2,063,800) were payable at rates in the range 20.0 to 24.5 per cent of pensionable pay for CSP and 20.8 to 26.3 per cent

of pensionable pay for CSP (NI), based on salary bands. The schemes' actuaries review employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the costs of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7,169 (2017-18: £2,466) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and ranged from 8 to 14.75 per cent of pensionable earnings. Employers also match employee contributions up to 3 per cent of pensionable earnings.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £43 (2017-18: £53), 0.5% of pensionable earnings, were payable to CSP and to the CSP (NI) (2017-18: 0.5 per cent) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting date were £868. Contributions prepaid at that date were £nil.

No person (2017-18: Nil persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £nil (2017-18 £nil).

Staff Numbers [Audited]

The average number of full-time equivalent persons employed during the year was as follows.

		Permanent	Inward			2018-19	2017-18
	Total	Staff	Secondments	Others	Ministers	Number Special Advisors	Number Total
NIO Core Department	170	119	44	1	3	3	162
NIO sponsored NDPBs	43	10	10	23	-	-	35
Other NIO sponsored ALBs*	119	2	117	-	-	-	116
Total	332	131	171	24	3	3	313

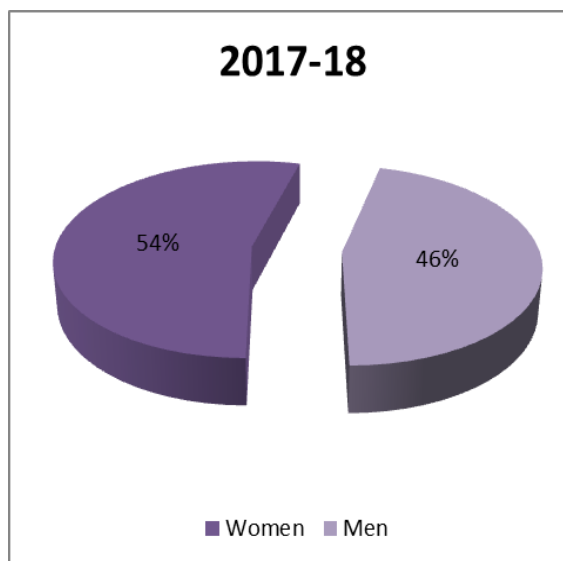
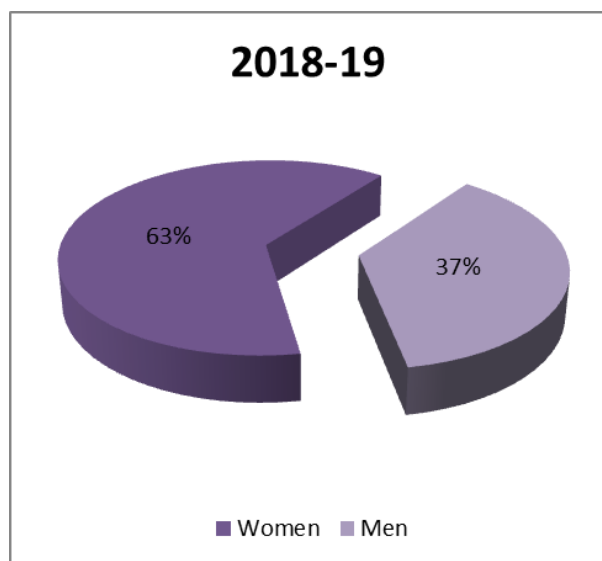
* These figures include staff employed in the Crown Solicitor's Office, by the Chief Electoral Officer for Northern Ireland and other sponsored bodies.

Staff Composition

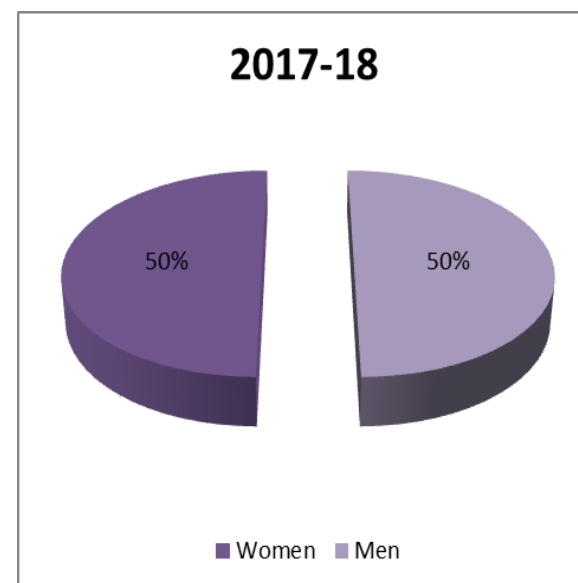
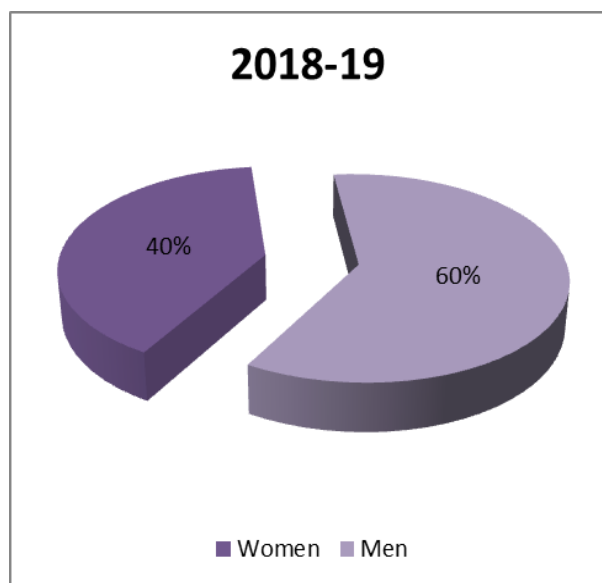
Senior Civil Service by Grade

	2018-19	2017-18
Permanent Secretary	1	1
Director	4	3
Deputy Director	10	12
Total	15	16

Staff Composition (Gender Analysis)



Senior Civil Service Staff Composition (Gender Analysis)



Sickness Absence

Throughout 2018-19, the Department has continued to take a robust approach to managing attendance. There are a range of policies and procedures to support line managers to address this key area of their responsibilities. These policies are aimed at ensuring staff are afforded every opportunity of returning to the workplace as soon as possible. Data from the latest 12 month rolling period ending December 2018 shows that the Northern Ireland Office had an average working days lost figure of 3.0 (Dec. 2017 3.6), below the 7.0 (Dec. 2017 5.9) Civil Service wide average. 17% (Dec. 2017 68%) of NIO absence relates to a very small number of long term absences.

Employment of People with Disabilities

Employment training and advancement of disabled persons is reported on in the *Directors' Report* on pages 39-46.

Consultancy Expenditure

The Department incurred £640.8k of consultancy expenditure in 2018-19. (£79.6k, 2017-18). The significantly increased expenditure in 2018-19 was due to increased expenditure on preparations for EU Exit.

Off-Payroll Arrangements

The Department does not have any off-payroll arrangements in place which fall under the scope of the guidance on off-payroll appointments.

Reporting of Civil Service and other compensation schemes – exit packages

Core Department					
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed		Total number of exit packages by cost band	
<£10,000	nil (nil)	nil	(nil)	nil	(nil)
£10,000-£25,000	nil (nil)	nil	(nil)	nil	(nil)
£25,000-£50,000	nil (nil)	nil	(nil)	nil	(nil)
£50,000-£100,000	nil (nil)	nil	(1)	nil	(1)
£100,000-£150,000	nil (nil)	nil	(nil)	nil	(nil)
£150,000-£200,000	nil (nil)	nil	(nil)	nil	(nil)
Total number of exit packages	nil (nil)	nil	(1)	nil	(1)
Total resource cost /£	nil (nil)	nil	(78,095)	nil	(78,095)

Departmental Group			
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	nil (nil)	nil (nil)	nil (nil)
£10,000-£25,000	nil (nil)	nil (nil)	nil (nil)
£25,000-£50,000	nil (nil)	nil (nil)	nil (nil)
£50,000-£100,000	nil (nil)	nil (2)	nil (2)
£100,000-£150,000	nil (nil)	nil (nil)	nil (nil)
£150,000-£200,000	nil (nil)	nil (nil)	nil (nil)
Total number of exit packages	nil (nil)	nil (2)	nil (2)
Total resource cost /£	nil (nil)	nil (169,680)	nil (169,680)

Figures in brackets relate to 2017-18.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

STATEMENT OF PARLIAMENTARY SUPPLY (AUDITED)

Summary of Resource and Capital Outturn 2018-19

	SoPS Note	Estimate			Outturn			2018-19 £000	2017-18 £000
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted Outturn compared with Estimate: Saving/ (excess)	Outturn
Departmental Expenditure Limit									
Resource	1.1	24,783	548	25,331	25,014	403	25,417	(231)	24,963
Capital	1.2	481	-	481	451	-	451	30	1,496
Annually Managed Expenditure Resource									
Resource	1.1	(30)	-	(30)	755	-	755	(785)	-
Total Budget		25,234	548	25,782	26,220	403	26,623	(986)	26,459
Non-Budget Resource									
Resource	1.1	16,086,400	-	16,086,400	15,217,196	-	15,217,196	869,204	14,487,000
Total		16,111,634	548	16,112,182	15,243,416	403	15,243,819	868,218	14,513,459
Total Resource		16,111,153	548	16,111,701	15,242,965	403	15,243,368	868,188	14,511,963
Total Capital		481	-	481	451	-	451	30	1,496
Total		16,111,634	548	16,112,182	15,243,416	403	15,243,819	868,218	14,513,459

Net cash requirement 2018-19

SoPS Note	2018-19 £'000 Estimate	2018-19 £'000 Outturn	2018-19 £'000 Outturn compared with Estimate: saving/(excess)	2017-18 £'000 Outturn
3	16,109,462	15,242,008	867,454	14,522,730

Administration Costs 2018-19

2018-19 £'000 Estimate	2018-19 £'000 Outturn	2017-18 £'000 Outturn
18,064	17,925	14,243

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

Explanations for variations between estimate and outturn, including explanations of the reasons for excesses against the Resource DEL and Resource AME estimates, are set out on pages 28-29.

Prior Period Adjustments (PPAs) that have resulted from an error in previous recording in relation to accrued legal costs at the Crown Solicitor's Office. It is proper for the Department to seek parliamentary authority for the provision that should have been sought previously. In 2018/19, the following PPAs have been made, which should have been included within voted Supply in the Estimate (non-budget):

PPA Description	Resource/Capital	DEL/AME	Amount
			£000
Legal Fee Accrual	Resource	DEL	196
Total			196

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS (STATEMENT OF PARLIAMENTARY SUPPLY - AUDITED)

SOPS1. Net Outturn

SOPS1.1 Analysis of net resource outturn by section

											2018-19 £000	2017-18 £000
Outturn								Estimate			Outturn	
Administration			Programme									
Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total		
Spending in Departmental Expenditure Limits (DEL)												
Voted:												
A - Northern Ireland Office	22,421	(4,496)	17,925	5,110	(276)	4,834	22,759	22,481	(278)	(231)	19,043	
B - Northern Ireland Human Rights Commission	-	-	-	1,206	-	1,206	1,206	1,140	(66)	-	1,146	
C - Parades Commission	-	-	-	717	-	717	717	772	55	-	735	
D - Independent Reporting Commission				332	-	332	332	390	58	-	-	
Non-voted:												
E - Funding of elections	-	-	-	403	-	403	403	548	145	145	4,039	
	22,421	(4,496)	17,925	7,768	(276)	7,492	25,417	25,331	(86)	(86)	24,963	
Annually Managed Expenditure (AME)												
Voted												
F - Northern Ireland Office	-	-	-	755	-	755	755	(30)	(785)	(785)	-	
	-	-	-	755	-	755	755	(30)	(785)	(785)	-	
Non-budget												
G - Grant Payable to the Northern Ireland Consolidated Fund	-	-	-	15,217,000	-	15,217,000	15,217,000	16,086,400	869,400	869,204	14,487,000	
H - Prior Year Adjustment	-	-	-	196	-	196	196	-	(196)	-	-	
Total	22,421	(4,496)	17,925	15,225,719	(276)	15,225,443	15,243,368	16,111,701	868,333	868,333	14,511,963	

SOPS1.2 Analysis of net capital outturn by section

	2018-19 £000			2017-18 £000			
	Outturn		Estimate	Outturn			
	Gross	Income	Net	Net	Net Total Outturn Compared with estimate	Net total compared to Estimate, adjusted for virements	Net
Spending in Departmental Expenditure Limits (DEL)							
Voted:							
A - Northern Ireland Office	443	-	443	481	38	30	1,468
B - Northern Ireland Human Rights Commission	8	-	8	-	(8)	-	14
C - Parades Commission	-	-	-	-	-	-	14
D - Independent Reporting Commission	-	-	-	-	-	-	-
Non-voted:							
E - Funding of elections	-	-	-	-	-	-	-
	451	-	451	481	30	30	1,496
Total	451	-	451	481	30	30	1,496

SOPS2. Reconciliation of outturn to net operating cost

SOPS2.1 Reconciliation of net resource outturn to net operating cost

	Note	2018-19	2017-18
		£000	£000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply			
Budget	1.1	26,172	24,963
Non-budget	1.1	15,217,196	14,487,000
		15,243,368	14,511,963
Capital Grant HRP		-	378
Prior Period Adjustment	1.1	(196)	(113)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure		15,243,172	14,512,228

SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn Compared with Estimate: saving/(exc ess) £000
Resource Outturn	SOPS 1.1	16,111,701	15,243,368	868,333
Capital Outturn	SOPS 1.2	481	451	30
Accruals to cash adjustments:				
<i>Adjustment to remove non-cash items:</i>				
Depreciation/Amortisation		(2,046)	(1,898)	(148)
New Provisions and adjustments to previous provisions		0	(815)	815
Other non-cash items	4	(102)	(102)	-
Prior Period Adjustment		-	(196)	196
<i>Adjustments for NDPBs:</i>				
Remove voted resource and capital		(2,302)	(2,203)	(99)
Add Cash grant-in-aid		2,248	2,165	83
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables	12	0	1,566	(1,566)
(Increase)/decrease in payables	13	0	(543)	543
Use of provisions	14	30	-	30
		16,110,010	15,241,793	868,217
Removal of non-voted budget items:				
Consolidated Fund Standing Services		(548)	(545)	(3)
CFER Paid In Year		-	760	(760)
Net cash requirement		16,109,462	15,242,008	867,454

SOPS4. Income payable to the Consolidated Fund**SOPS4.1 Analysis of income payable to the Consolidated Fund**

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

	Outturn 2018-19		Outturn 2017-18	
	Income	£000 <i>Receipts</i>	Income	£000 <i>Receipts</i>
Operating income outside the ambit of the estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	-	-	-	-

SOPS4.2 Consolidated Fund Income

Consolidated Fund income shown in note 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2018-19	2017-18
	£000	£000
Income from Election Office activities funded by the Consolidated Fund	760	16
Amount payable to the Consolidated Fund	760	16
Balance held at the start of the year	-	466
Payments into the Consolidated Fund	(760)	(482)
Balance held in trust at the end of the year	-	-

All income shown above had been received at 31 March 2019.

Parliamentary Accountability Disclosures (Audited)**Losses and special payments**

There are no losses or special payments, individually or in aggregate in excess of £300,000, which would require separate disclosure during the year to 31 March 2019 (2017-18: nil), or that have been recognised since that date.

Fees and charges

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

	2018-19			2017-18		
	£000			£000		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost	Revised Surplus/ (deficit)
Crown Solicitor's Office	4,345	(4,555)	(210)	4,252	(4,303)	(51)
Total	4,345	(4,555)	(210)	4,252	(4,303)	(51)

In accordance with Managing Public Money, the Department is required to disclose results for the areas of its activities where fees and charges are made. The foregoing analysis is not intended to meet the requirements of IFRS 8 Segmental Reporting. The Northern Ireland Office has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector information guidance.

The Crown Solicitor's Office (CSO) generates income for legal work undertaken for all clients other than the Northern Ireland Office, for which no charges are made. The financial objective is

to recover all costs associated with delivering these services. A schedule of fees is determined at the beginning of each financial year based on estimated costs and forecast activity levels.

Accounting Officer Confirmation

I can confirm that the Annual Report and Accounts are fair, balanced and understandable and I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Sir Jonathan Stephens KCB
Accounting Officer
17 October 2019

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

I certify that I have audited the financial statements of the Northern Ireland Office and of its Departmental Group for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2018. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2019 and of the Department's net operating expenditure and Departmental Group's net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the excesses described in the basis for qualified opinion paragraph below, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for the qualified opinion on regularity

Parliament authorised a Resource Departmental Expenditure Limit for the Northern Ireland Office of £24.783 million. Against this limit, the Departmental Group incurred net expenditure of £25.014 million therefore exceeding the authorised limit by £0.231 million as shown in the Statement of Parliamentary Supply.

Parliament authorised an Annually Managed Resource Expenditure limit for the Northern Ireland Office of minus £0.03 million. Against this limit, the Departmental Group incurred net expenditure of £0.755 million, therefore exceeding the authorised limit by £0.785 million as shown in the Statement of Parliamentary Supply.

Further details can be found in my report below.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Northern Ireland Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

We are required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Northern Ireland Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be

expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Northern Ireland Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do

not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Gareth Davies
Comptroller and Auditor General

Date: 23 October 2019

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

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

Introduction

The Northern Ireland Office (the Department) is a ministerial government department that represents Northern Ireland interests at UK government level and UK government interests in Northern Ireland.

In 2018-19, the Department was responsible for £15,244 million of UK public expenditure, of which £17.9 million related to its administration costs. The Department secures the approval to incur expenditure through the parliamentary supply process on an annual basis. The Department accounts to Parliament on its expenditure under an accounts direction issued by HM Treasury under the Government Resources and Accounts Act 2000. This requires the Department to prepare financial statements in accordance with the Government Financial Reporting Manual (FRoM).

Purpose of Report

The Department prepares an Annual Estimate of its net expenditure; authorisation to incur the net expenditure is then provided by Acts of Parliament.

These Acts set a series of annual limits on the net expenditure which the Department may not exceed and on the total overall cash they can use. Where these limits are exceeded, I qualify my regularity opinion on the financial statements since this means the Department has incurred expenditure that is not in line with Parliament's intentions. HM Treasury then prepares a statement of all such excesses in the year and requests that the House of Commons approves the expenditure, which is then given statutory authority as part of a Supply and Appropriations (Anticipation and Adjustments) Act. Further detail on the authorised limits can be found within the Supply Estimates for 2018-19.

Parliament authorised a Resource Departmental Expenditure Limit of £24.783 million and an Annually Managed Resource Expenditure limit of minus £0.03 million for the Department. The Department's outturn against these limits was £25.014 million and £0.755 million respectively. This means that the authorised limits were exceeded by £0.231 million for the Resource Departmental Expenditure Limit and £0.785 million for Annually Managed Resource Expenditure and so I have qualified my regularity opinion on the Department's financial statements in these respects. HM Treasury proposes to ask Parliament to authorise a further £0.231 million of Resource Departmental Expenditure Limit and £0.785 million of Annually Managed Resource expenditure.

Explanation for Qualified Audit Opinion in respect of Resource Departmental Limit Expenditure

The Northern Ireland Office, including the Crown Solicitor's Office, engages external legal counsel to provide advice for its legal casework, including legacy claims for compensation under the Terrorism Act 2000 and the Justice and Security (Northern Ireland) Act 2007.

The Department records the costs associated with engaging legal counsel on the basis of periodic statements for payment submitted by external counsel. However, under the accruals accounting principles on which the Department's financial statements are prepared, it should be recognising these costs and the associated liabilities as they are incurred. The Department reviewed its records to establish the extent of incurred but unbilled external legal costs as at 31 March 2019 and, as a result, has recognised additional resource expenditure of £0.296 million during 2018-19. This has caused the Department to exceed its Resource Departmental Expenditure Limit by £0.231 million for the year.

Explanation for Qualified Audit Opinion in respect of Annually Managed Expenditure

The Department carries a provision in its Statement of Financial Position in respect of claims for compensation under the Terrorism Act 2000 and the Justice and Security (Northern Ireland) Act 2007 and for other provisions such as voluntary early severance schemes.

In preparing its Supply Estimate prior to the start of the 2018-19 financial year, the Department believed that it would not be incurring any provisions in respect of its compensation claims or in respect of any other activities, so requested a budget of zero (in 2017-18 the Department's outturn was zero against an approved budget of £0.5 million). During the year, the Department became aware that one of its sponsored bodies, the Northern Ireland Human Rights Commission, was planning to release a provision for one of its legal cases. As a result, the Department secured HM Treasury approval to amend its Resource Annually Managed Expenditure estimate to negative £30,000 as part of the Supplementary Estimates process.

In the event, in the final months of 2018-19 the Crown Solicitor's Office advised that, based on its assessment of ongoing cases, it was probable that the Department had a liability to compensate a number of individuals as at 31 March 2019 in respect of unlawful stop and searches undertaken between September 2009 and May 2013, where it had in principle accepted its liability to make settlements before the end of the financial year. This resulted in the Department having to recognise liabilities of £509,000 in its accounts for which it had no budgetary cover. In addition, my audit established that the Department had incurred a constructive obligation in respect of restructuring costs of the Chief Electoral Officer for Northern Ireland and should have established a provision of £306,000 for these costs.

As a result of these developments, the Department incurred £0.755 million of Annually Managed Resource expenditure, such that the Estimate was breached by £0.785 million. Since

expenditure relating to the creation of a provision does not result in an outlay of cash, this excess is considered to be 'non-cash'.

As outlined in the Governance Statement, the Accounting Officer is reviewing the steps that the Northern Ireland Office can take to minimise the risk of supply excesses in future.

Gareth Davies
Comptroller and Auditor General

Date: 23 October 2019

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
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CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the Year Ended 31 March 2019

	Note	2018-19		2017-18	
				Restated	Restated
				Note 18	Note 18
		£000	£000	£000	£000
		Core Dept	Departmental Group	Core Dept	Departmental Group
Income	5	(155,764)	(155,774)	(114,965)	(115,022)
Total operating income		(155,764)	(155,774)	(114,965)	(115,022)
Staff costs	3	15,705	17,291	13,179	14,472
Other costs	4	15,381,037	15,381,655	14,612,132	14,612,778
Grant in aid to NDPBs		2,165	-	1,782	-
Total operating expenditure		15,398,907	15,398,946	14,627,093	14,627,250
Net Operating expenditure for the year ended 31 March 2019		15,243,143	15,243,172	14,512,128	14,512,228
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net Operating expenditure:					
Net gain on:					
Revaluation of property, plant and equipment	6	(26)	(24)	(69)	(69)
Comprehensive net expenditure for the year ended 31 March 2019		15,243,117	15,243,148	14,512,059	14,512,159

The above income and expenditure is derived from continuing operations.

The notes on pages 96 to 120 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	31 March 2019		31 March 2018	
				Restated Note 18	Restated Note 18
		£000 Core Department	£000 Departmental Group	£000 Core Department	£000 Departmental Group
Non-current assets					
Property, plant and equipment	6	72,151	72,179	73,546	73,597
Intangible assets	7	24	50	46	100
Financial Assets	10	1,752,061	1,752,061	1,846,910	1,846,910
Total non-current assets		1,824,236	1,824,290	1,920,502	1,920,607
Current assets					
Trade and other receivables	12	7,092	7,125	5,526	5,609
Financial assets	10	159,302	159,302	149,635	149,635
Cash and cash equivalents	11	41,553	41,873	249,065	249,352
Total current assets		207,947	208,300	404,226	404,596
Total assets		2,032,183	2,032,590	2,324,728	2,325,203
Current Liabilities					
Trade and other payables	13	205,027	205,250	402,329	402,528
Provisions	14	823	823	8	68
Total current liabilities		205,850	206,073	402,337	402,596
Non-current assets plus/less net current assets/liabilities		1,826,333	1,826,517	1,922,391	1,922,607
Non-current liabilities					
Provisions	14	-	-	-	-
Other payables	13	1,752,061	1,752,061	1,846,910	1,846,910
Total non-current liabilities		1,752,061	1,752,061	1,846,910	1,846,910
Total assets less liabilities		74,272	74,456	75,481	75,697
Taxpayers' equity					
General fund		45,569	45,752	46,808	47,020
Revaluation reserve		28,703	28,704	28,673	28,677
Total equity		74,272	74,456	75,481	75,697

Signed:

Accounting Officer: Sir Jonathan Stephens KCB

Date: 17 October 2019

The notes on pages 96 to 120 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 1 April 2017

		Restated Note 18	Restated Note 18
		£000	£000
	Note	Core Department	Departmental Group
Non-current assets			
Property, plant and equipment	6	74,183	74,245
Intangible assets	7	70	135
Financial Assets	10	1,962,416	1,962,416
Total non-current assets		2,036,669	2,036,796
Current assets			
Trade and other receivables	12	4,873	5,069
Financial assets	10	153,524	153,524
Cash and cash equivalents	11	189,597	189,846
Total current assets		347,994	348,439
Total assets		2,384,663	2,385,235
Current Liabilities			
Trade and other payables	13	352,079	352,307
Provisions	14	8	68
Total current liabilities		352,087	352,375
Non-current assets plus net current assets		2,032,576	2,032,860
Non-current liabilities			
Provisions	14	-	-
Other payables	13	1,962,416	1,962,416
Total non-current liabilities		1,962,416	1,962,416
Total assets less liabilities		70,160	70,444
Taxpayers' equity			
General fund		41,571	41,850
Revaluation reserve		28,589	28,594
Total equity		70,160	70,444

CONSOLIDATED STATEMENT OF CASH FLOWS**For the Year Ended 31 March 2019**

	Note	2018-19		2017-18	
		Core Dept	Departmental Group	Core Dept	Departmental Group
		£000	£000	Restated Note 18 £000	Restated Note 18 £000
Cash flows from operating activities					
Net operating expenditure		(15,243,143)	(15,243,172)	(14,512,128)	(14,512,228)
Adjustment for non-cash transactions	3,4	2,817	2,814	2,031	2,082
(Increase) in trade and other receivables	12	(1,566)	(1,516)	(653)	(540)
(Decrease) in trade payables	13	(197,302)	(197,279)	(65,255)	(65,252)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	13	197,845	197,845	50,383	50,380
Use of provisions	14	-	-	-	-
Other adjusting item for NDPB's		-	-	31	29
Net cash outflow from operating activities		(15,241,349)	(15,241,308)	(14,525,591)	(14,525,529)
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(444)	(450)	(1,255)	(1,266)
Purchase of intangible assets	7	-	(2)	-	(13)
Loans to other bodies	10	(66,743)	(66,743)	(33,534)	(33,534)
Repayment from other bodies	10	151,927	151,927	152,929	152,929
Net cash inflow from investing activities		84,740	84,732	118,140	118,116
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		15,034,496	15,034,496	14,582,198	14,582,198
From the Consolidated Fund (non-supply)		545	545	4,598	4,598
Loans received from the National Loans Fund	10	66,743	66,743	33,534	33,534
Repayments of loans from the National Loans Fund	10	(151,927)	(151,927)	(152,929)	(152,929)
Net financing		14,949,857	14,949,857	14,467,401	14,467,401
Net (decrease)/increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund					
		(206,752)	(206,719)	59,950	59,988
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-	(16)	(16)
Payments of amounts due to the Consolidated Fund		(760)	(760)	(466)	(466)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund					
		(207,512)	(207,479)	59,468	59,506
Cash and cash equivalents at the beginning of the period	11	249,065	249,352	189,597	189,846
Cash and cash equivalents at the end of the period	11	41,553	41,873	249,065	249,352

The notes on pages 96-120 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For year ended 31 March 2019– Core Department

	Note	General Fund Restated Note 18 £000	Revaluation Reserve Restated Note 18 £000	Taxpayers equity Restated Note 18 £000
Balance at 31 March 2017 as previously reported		41,880	28,589	70,469
Prior Period Adjustment (as explained in Note 18)		(309)	-	(309)
Balance at 31 March 2017 as restated		41,571	28,589	70,160
Net Parliamentary Funding - drawn down		14,582,198	-	14,582,198
Net Parliamentary Funding - deemed		179,527	-	179,527
Consolidated Fund Standing Services	4	4,598	-	4,598
Unspent Supply payable to the Consolidated Fund	13	(249,065)	-	(249,065)
Excess Cash payable to General Fund		-	-	-
		14,517,258	-	14,517,258
Changes in taxpayers equity for 2017-18				
Net loss on revaluation of property, plant and equipment		-	583	583
Net gain on revaluation of intangible assets		-	(570)	(570)
Non-cash charges - auditor's remuneration	4	107	-	107
Non-cash charges - other notional	4	-	71	71
Net operating cost for the year		(14,512,128)	-	(14,512,128)
Total recognised income and expense for 2017-18		(14,512,021)	84	(14,511,937)
Balance at 31 March 2018		46,808	28,673	75,481
Net Parliamentary Funding - drawn down		15,034,496	-	15,034,496
Net Parliamentary Funding - deemed		249,065	-	249,065
Consolidated Fund Standing Services	4	545	-	545
Unspent Supply payable to the Consolidated Fund	13	(41,553)	-	(41,553)
Excess Cash payable to General Fund		(760)	-	(760)
		15,241,793	-	15,241,793
Changes in taxpayers equity for 2018-19				
Net gain on revaluation of property, plant and equipment		4	1,151	1,155
Net gain on revaluation of intangible assets		-	(1,121)	(1,121)
Non-cash charges - auditor's remuneration	4	107	-	107
Non-cash charges - other notional	4	-	-	-
Net operating cost for the year		(15,243,143)	-	(15,243,143)
Total recognised income and expense for 2018-19		(15,243,032)	30	(15,243,002)
Balance at 31 March 2019		45,569	28,703	74,272

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

The notes on pages 96-120 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For year ended 31 March 2019– Departmental Group

	Note	General Fund Restated Note 18 £000	Revaluation Reserve Restated Note 18 £000	Total Reserves Restated Note 18 £000
Balance at 31 March 2017 as previously reported		42,159	28,594	70,753
Prior Period Adjustment (as explained in Note 18)		(309)	-	(309)
Balance at 31 March 2017 as restated		41,850	28,594	70,444
Net Parliamentary Funding - drawn down		14,582,198	-	14,582,198
Net Parliamentary Funding - deemed		179,527	-	179,527
Consolidated Fund Standing Services	4	4,598	-	4,598
Unspent Supply payable to the Consolidated Fund	13	(249,065)	-	(249,065)
Excess Cash Payable to the General Fund		-	-	-
		14,517,258	-	14,517,258
Changes in taxpayers equity for 2017-18				
Net gain on revaluation of property, plant and equipment		-	(570)	(570)
Net loss on revaluation of intangible assets		-	583	583
Non-cash charges - auditor's remuneration		107	-	107
Non-cash charges - other notional	4	-	71	71
Net operating cost for the year		(14,512,226)	(2)	(14,512,228)
Adjustment for NDPB's		31	1	32
Total recognised income and expense for 2017-18		(14,512,088)	83	(14,512,005)
Balance at 31 March 2018		47,020	28,677	75,697
Net Parliamentary Funding - drawn down		15,034,496	-	15,034,496
Net Parliamentary Funding - deemed		249,065	-	249,065
Consolidated Fund Standing Services	4	545	-	545
Unspent Supply payable to the Consolidated Fund	13	(41,553)	-	(41,553)
Excess Cash Payable to the General Fund		(760)	-	(760)
		15,241,793	-	15,241,793
Changes in taxpayers equity for 2018-19				
Net gain on revaluation of property, plant and equipment		4	1,151	1,155
Net gain on revaluation of intangible assets		-	(1,121)	(1,121)
Non-cash charges - auditor's remuneration	4	107	-	107
Non-cash charges - other notional	4	-	-	-
Net operating cost for the year		(15,245,337)	(3)	(15,245,340)
Adjustment for NDPB's		2,165	-	2,165
Total recognised income and expense for 2018-19		(15,243,061)	27	(15,243,034)
Balance at 31 March 2019		45,752	28,704	74,456

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

The notes on pages 96-120 form part of these accounts.

NOTES TO THE DEPARTMENTAL ACCOUNTS

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2018-19 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Northern Ireland Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared under the House of Commons Pursuant to Section 6(4) of the Government Resources and Accounts Act 2000.

The accounts are stated in sterling, which is the Department's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£000).

1.1 Accounting convention

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

1.2 Basis of consolidation

The accounts comprise a consolidation of the core Department and its three designated NDPBs, the Parades Commission, the Northern Ireland Human Rights Commission and the Independent Reporting Commission, on a line by line basis. Counterparty transactions have been eliminated on consolidation in accordance with relevant accounting standards.

1.3 Property, plant and equipment

Property, plant and equipment comprise heritage assets, art and antiques, leasehold improvements, fixtures and fittings, vehicles, plant and machinery, computer equipment, office equipment, security equipment and assets under construction.

The Department's heritage assets comprise Hillsborough Castle and its surrounding estate.

In addition, the Department occupies a number of properties within the Northern Ireland Executive Estate and the Civil Estate in Great Britain for which rent is paid. Terms of occupancy

of these buildings are outlined in agreements known as the Memoranda of Terms of Occupancy (MOTOs).

Consolidation of asset categories

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

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

1.3.1 Valuation of property, plant and equipment

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

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

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

In compliance with IAS 16, subsequent expenditure on an asset which does not meet the criteria of enhancement or improvement is expensed through the Consolidated Statement of Comprehensive Net Expenditure.

Upward revaluations are credited to the revaluation reserve and permanent reductions in the value of property, plant and equipment are charged to the Consolidated Statement of Comprehensive Net Expenditure. Any subsequent revaluation of assets is credited to the Consolidated Statement of Comprehensive Net Expenditure to the extent that it reverses previous revaluation decreases recognised as an expense in the Consolidated Statement of Comprehensive Net Expenditure.

1.4 Heritage assets

In accordance with the Financial Reporting Manual (FReM) as issued by HM Treasury, heritage assets are capitalised and recognised in the Statement of Financial Position at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Hillsborough Castle

is depreciated as set out in Note 1.6 and subject to quinquennial professional valuations, with indices supplied by Land and Property Services used in the intervening years.

Arts and antiques are not depreciated and are subject to quinquennial professional valuations.

1.5 Intangible assets

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

1.6 Depreciation/Amortisation

Property, plant and equipment and intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use.

Estimated useful lives, which are reviewed regularly, are:

Asset category	Useful Life
Heritage assets	50 years
Art and Antiques	No Depreciation
Leasehold improvements	10 years (or the life of the lease, whichever is least)
Plant and machinery	3 - 25 years
Information Technology	2 - 16 years
Assets under construction	No depreciation
Intangible assets (software licences)	2 - 10 years

1.7 Realised Element of Depreciation from Revaluation Reserve

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

1.8 Employee Benefits

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), the PCSPS (NI), the Civil Service and Others Pension Scheme (CSOPS)

and CSOPS (NI). These defined benefit schemes are unfunded. The department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of the amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the pension schemes.

Further details regarding the above schemes are contained in the [Remuneration Report](#).

1.9 Early departure costs

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

1.10 Financing and Operating income

Financing

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

Operating Income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises monies received in respect of EU grants and National Loans Fund interest.

Operating income also includes charges provided on a full-cost basis to external customers, as well as public repayment work, i.e. professional services provided by the CSO.

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

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

- Administration income
- Programme income

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

1.11 Administration and Programme expenditure

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

1.12 Grants payable and paid

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

The Core Department processes receipts and payments on behalf of the Parades Commission and the Independent Reporting Commission. Grant-in-aid paid during the year, is calculated by recording the details of payments processed and cash that has been paid out.

The Department also makes a small number of grants to a variety of public sector, private sector and voluntary bodies and these are recognised in the period in which there is reasonable assurance that they will be paid and that the conditions attaching them will be complied with.

1.13 Leases

Operating leases

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

1.14 Provisions

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

1.15 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

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

1.16 Value Added Tax

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

1.17 Insurance

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

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

1.18 Notional charges

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

1.19 Staff Costs

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

1.20 Financial Instruments

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities which arise from the purchase and sale of non-financial items such as goods or services, which are entered into in accordance with the Northern Ireland Office's normal purchase, sale or usage requirement, are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when the Northern Ireland Office becomes party to the contractual provisions to receive or make cash payments. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Classification and measurement

In addition to Cash and cash equivalents, the Northern Ireland Office has two categories of financial assets:

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and loans that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of impairment. Interest is recognised by applying the effective interest rate. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows.

IFRS 9 requires an entity to produce an expected loss impairment model for financial instruments held. Under the FReM, balances with core central government departments, the Government's Exchequer Funds (include the National Loans Funds) are excluded from recognising impairments.

The main financial instrument is the loans from the National Loans Fund. There is no loss allowance for these loans as NLF loans can only be made where there is a reasonable expectation that they will be serviced and repaid on the due dates as the NLF is not legally allowed to make a loss.

Cash and cash equivalents

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

1.21 Critical accounting estimates and key judgements

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

(i) – Provisions for compensation

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

(ii) – Work in Progress

The Crown Solicitor's Office accrues for the income relating to the cost of solicitor activity in relation to cases that have not completed at the reporting date. This is an estimate of the fees earned as a result of work undertaken up to the reporting date using an estimate of cost based on actual bills issued and an assessment of the progress on the case to date. Account has been taken of the recoverability of the receivable in the calculation. Any differences between the amount charged to the client upon the completion of the case and the value recognised as work in progress will be accounted for in the accounting period when the client invoice is raised.

1.22 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2019

The Department has reviewed the standards, interpretations and amendments to published standards that became effective during 2018-19 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the Department's financial position or results.

(i) IFRS 9 Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard was adopted from 1 January 2018 and applied from 1 April 2018. IFRS 9 provides a more principles based approach, including the classification and measurement of financial assets and liabilities. The standard does not have any significant impact on these accounts.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 and the impact has been considered on all material revenue streams.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To recognise revenue under IFRS 15, the Department has performed an assessment of the impact the change in accounting standard has on its material income streams. The following steps are completed in assessing any impact on revenue recognition:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to each performance obligation; and
- recognise revenue when a performance obligation is satisfied.

The material revenue streams fall into three categories:

- income recovered from other public sector organisations for legal services provided by the Crown Solicitor's Office on a full cost recovery basis;
- income from the European Union which is passed to third parties but accounted for on a gross basis in the Department's account; and
- National Loans Fund income.

Management has considered the impact of the application of IFRS 15 against the categories identified above. The Department's revenue recognition under IFRS 15 is materially at the same point in time, and at the same amount, as under IAS 18. Due to the immaterial impact of IFRS 15 on the Department's annual accounts, they have not been restated to reflect the change in accounting policy.

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

The following standards or interpretations have been issued by the International Accounting Standards Board but have not been adopted:

IFRS 16 – Leases replaces IAS 17 Leases and related interpretations and has an effective date of 1 January 2019. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new standard is expected to be applied from 1 April 2020.

The Department have yet to quantify the impact on the financial statements, but expect it to have a material impact.

2. Statement of Operating Costs by Operating Segment

The Department organises itself by group and reports income and expenditure by group to the Board each month. The current groups are

- Centrally Managed Expenditure
- Engagement Group (EnG);
- Political Strategy and Implementation Group (PSIG);
- Economic and Constitutional Group (ECG);
- Legacy Group (LG);
- Security and Protection Group (SPG); and
- Crown Solicitor's Office (CSO).

Core staff costs, legal costs and depreciation are managed centrally.

Information on amounts paid to the Northern Ireland Consolidated Fund (NICF) is separately reported to the Board on a bi-monthly basis and is therefore included as a separate operating segment below.

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

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

	2018-19								
	£000 NICF	£000 CM	£000 EnG	£000 PSIG	£000 ECG	£000 LG	£000 SPG	£000 CSO	£000 Total
Gross expenditure	15,217,000	17,554	2,040	60	3,888	287	1,098	4,509	15,246,436
Receipts	-	(151)	-	-	(119)	(123)	-	(4,345)	(4,738)
Net expenditure	15,217,000	17,403	2,040	60	3,769	164	1,098	164	15,241,698
	2017-18								
	£000 NICF	£000 CM	£000 EnG	£000 PSIG	£000 EPG	£000 LG	£000 SPG	£000 CSO	£000 Total
Gross expenditure	14,487,000	14,522	2,026	135	3,391	287	797	4,266	14,512,424
Receipts	-	(46)	-	-	(119)	(132)	(15)	(4,252)	(4,564)
Net expenditure	14,487,000	14,476	2,026	135	3,272	155	782	14	14,507,860

Note 2.1 Reconciliation between Operating Segments and Consolidated Statement of Comprehensive Net Expenditure

	2018-19 £000 Total	2017-18 £000 Total
Total net expenditure by operating segment	15,241,698	14,507,860
Reconciling items:		
AME and non-voted expenditure not included in analysis	1,158	4,039
Accounting adjustments	316	442
Prior Period Adjustment	-	(113)
Total net expenditure per statement of comprehensive net expenditure	15,243,172	14,512,228

3. Staff costs

Staff numbers and related costs (and relevant disclosures) are relocated to the Remuneration and Staff Report.

Staff costs	2018-19					2017-18
	£000					£000
	Permanently Employed and inward seconded				Special Advisors	Total
	Total	Staff	Others ¹	Ministers		
Wages and salaries	13,608	11,684	1,673	105	146	11,367
Social security costs	1,344	1,219	96	10	19	1,164
Other pension costs	2,443	2,346	65	-	32	2,063
Sub Total	17,395	15,249	1,834	115	197	14,594
Less recoveries in respect of outward secondments	(104)	(104)	-	-	-	(122)
Total net costs	17,291	15,145	1,834	115	197	14,472

¹ "Others" includes Commissioners

² Wages and Salaries costs include a provision for £306,000 for restructuring costs (see note 14)

4. Other Expenditure

		2018-19 £000		2017-18 £000 Restated per Note 18	
Note	Core Department	Departmental Group	Core Department	Departmental Group	
Other Expenditure:					
	Communications, office supplies and services	1,177	1,297	1,138	1,221
	Events and Conferences	7	29	5	30
	Legal Costs	1,227	1,207	988	1,108
	Maintenance and Utilities	3,068	3,213	2,836	2,967
	Professional Fees	1,522	1,605	1,068	1,115
	Audit Fees - ALB's	0	37	0	39
	Other contracted Out Services	183	183	219	219
	Subscriptions to Professional Bodies	159	160	96	96
	Training Costs	145	154	161	174
	Travel Subsistence and Hospitality	1,421	1,466	1,055	1,082
	All Other Expenditure	952	1,031	965	1,011
Non-cash items					
6	Depreciation	1,875	1,905	1,823	1,871
7	Amortisation	23	51	0	0
6,7	Impairments	0	0	8	11
6,7	Revaluation	(5)	(5)	0	2
14	Litigation Claims Provided In year (provisions for staff costs are included at note 3)	509	509	0	0
	Auditors Remuneration and Expenses	107	107	107	107
Rentals under operating Leases:					
	Hire of plant and machinery	22	61	19	81
	Other Operating Leases	216	216	208	208
Consolidated Fund Standing Services:					
	Election Funding	309	309	3,946	3,946
	Consolidated Fund Standing Services	94	94	93	93
		13,011	13,629	14,735	15,381
Northern Ireland Consolidated Fund:					
	Grant	15,217,000	15,217,000	14,487,000	14,487,000
	National Loans Fund Interest	63,309	63,309	68,736	68,736
	EU grants	87,717	87,717	41,661	41,661
		15,368,026	15,368,026	14,597,397	14,597,397
	Total Expenditure	15,381,037	15,381,655	14,612,132	14,612,778

During the year the department did not purchase any non-audit services from its auditor, the National Audit Office. (2017-18, nil)

By statute the remuneration and associated employers' earnings-related National Insurance Contributions of the Chief Electoral Officer (CEO) are met directly from the Consolidated Fund, rather than Parliamentary Supply. These costs are included under Consolidated Funds Standing Services along with election running costs. As the cash for the CEO's salary does not pass through the Department's accounts, the expenditure is accounted for as a non-cash item.

Pension benefits for the CEO for Northern Ireland are on a broadly by-analogy to the Principal Civil Service Pension Scheme (PCSPS) basis. This provides for benefits on a final salary basis accruing at 1/80th of pensionable salary for each year of service and an automatic lump sum of three times the pension. The actual payments come from the Consolidated Fund under section 14 (8) of the Electoral Law Act (NI) 1962.

5. Income

Operating income not within the budget (i.e. surrenderable to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not. In 2018-19, all operating income was within the budget (in 2017-18, all operating income was within the budget).

	2018-19 £000		2017-18 £000	
	Core department	Departmental group	Core department	Departmental group
Administration income:				
Professional Fees	4,345	4,345	4,252	4,252
Other administrative income	151	151	49	49
	4,496	4,496	4,301	4,301
Programme income:				
Other	242	252	267	324
National Loans Fund interest	63,309	63,309	68,736	68,736
Income from EU for NI programmes	87,717	87,717	41,661	41,661
	151,268	151,278	110,664	110,721
Total	155,764	155,774	114,965	115,022

Note:

Other income relates to the following transactions with the Northern Ireland Consolidated Fund;

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

Both amounts are offset by an equal and opposite expense as shown in note 5.

6. Property, plant and equipment – Departmental Group

	Heritage Assets £000	Antiques £000	Leasehold improvements £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2018	73,131	1,718	1,254	1,029	3,211	877	81,220
Additions	-	-	222	8	303	(83)	450
Disposals	-	-	-	(7)	(69)	-	(76)
Impairment	-	-	-	-	-	-	-
Indexation to SOCNE	2	-	-	-	-	-	2
Indexation	-	-	36	8	14	-	58
Revaluations	4	-	-	-	-	-	4
At 31 March 2019	73,137	1,718	1,512	1,038	3,459	794	81,658
Depreciation							
At 1 April 2018	4,000	-	688	794	2,141	-	7,623
Charged in year	1,420	-	8	61	417	-	1,906
Disposals	(70)	-	-	-	(5)	-	(75)
Indexation	-	-	18	3	6	-	27
Indexation to SOCNE	(1)	-	-	-	-	-	(1)
Revaluation	(1)	-	-	-	-	-	(1)
At 31 March 2019	5,348	-	714	858	2,559	-	9,479
Carrying Amount							
At 31 March 2019	67,789	1,718	798	180	900	794	72,179
Carrying Amount							
At 31 March 2018	69,131	1,718	566	235	1,070	877	73,597
Of the total:							
Department	67,789	1,718	794	180	885	785	72,151
Other designated bodies	-	-	4	-	15	9	28
Carrying amount at 31 March 2019	67,789	1,718	798	180	900	794	72,179

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

6.1 Property, plant and equipment – Departmental group (continued)

	Heritage Assets ¹ £000	Antiques ¹ £000	Leasehold improvements £000	Plant & Machinery £000	Information Technology £000	Assets Under Construction £000	Total £000
Cost or valuation							
At 1 April 2017	73,131	1,704	1,181	1,017	2,632	330	79,995
Additions	-	-	-	-	554	551	1,105
Disposals	-	-	-	-	(7)	-	(7)
Indexation	-	-	75	12	40	-	127
Revaluations	-	14	(2)	-	(8)	-	4
Reclassification	-	-	-	-	-	(4)	(4)
At 31 March 2018	73,131	1,718	1,254	1,029	3,211	877	81,220
Depreciation							
At 1 April 2017	2,698	-	557	732	1,763	-	5,750
Charged in year	1,302	-	95	61	353	-	1,811
Disposals	-	-	-	1	10	-	11
Transfers	-	-	-	-	(6)	-	(6)
Impairment	-	-	36	-	22	-	58
Revaluations	-	-	-	-	(1)	-	(1)
At 31 March 2018	4,000	-	688	794	2,141	-	7,623
Carrying Amount							
At 31 March 2018	69,131	1,718	566	235	1,070	877	73,597
Carrying Amount							
at 31 March 2017	70,433	1,704	624	285	869	330	74,245
Of the total:							
Department	69,131	1,718	558	223	1,048	868	73,546
Other designated bodies	-	-	8	12	22	9	51
Carrying amount At							
31 March 2018	69,131	1,718	566	235	1,070	877	73,597

¹Heritage assets and antiques comprise Hillsborough Castle and its surrounding estate. It has historical importance as the principal seat in Ireland of the Marquesses of Downshire for well over 200 years. The present building dates from the 1770s with 19th and 20th century additions. It passed into public ownership in the 1920s and was used, until direct rule, as the residence of the Governors of Northern Ireland. Currently, the Castle is the venue for official functions including supporting many Royal and other distinguished visitors. In 2014, the Department entered into new arrangements with Historic Royal Palaces to ensure that the Castle was opened up to the public and run on as efficient a basis as possible.

Hillsborough Castle has been valued by Land and Property Services in line with standards published by the Royal Institute of Chartered Surveyors (RICS) and the antiques are valued by John Ross and Company for the purposes of these accounts. Valuations are carried out every five years. The most recent valuation was at 31 March 2017

7. Intangible assets – Departmental Group

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

	Software Licenses	Software Licenses
	2018-19 £000	2017-18 £000
Cost or valuation		
Opening balance	1,219	1,198
Additions	2	13
Disposals	(6)	-
Impairment	-	8
Closing balance	1,215	1,219
Amortisation		
Opening balance	1,119	1,063
Charged in year	51	49
Disposals	(6)	-
Impairment	(1)	3
Revaluation	2	4
Closing balance	1,165	1,119
Carrying Amount at 31 March 2019	50	100
Carrying Amount at 31 March 2018	100	135
Of the total:		
Department	24	46
Other designated bodies	26	54
	50	100

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

8. Capital and Other commitments

8.1 Operating leases

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

	2018-19 £000		2017-18 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Obligations under operating leases for the following periods comprise:				
<i>Buildings:</i>				
Not later than one year	1,275	1,344	1,189	1,259
Later than one year and not later than 5 years	5,535	5,570	4,193	4,298
Later than five years	-	-	-	-
	6,810	6,914	5,382	5,557
<i>Other:</i>				
Not later than one year	10	10	7	7
Later than one year and not later than 5 years	-	-	-	-
Later than five years	-	-	-	-
	10	10	7	7
Total	6,820	6,924	5,389	5,564

9. Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk. The requirements of IFRS 9: Financial Instruments have been considered; however changes from IAS 39 are not considered to be applicable or material in the case of the Department, so no change has been made to the presentation or disclosures in the financial statements.

10. Investments and loans in other public sector bodies

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

	2018-19 £000	2017-18 £000
Balance at 1 April	1,996,545	2,115,940
Additions	66,744	33,534
Repayments	(151,926)	(152,929)
Balance at 31 March	1,911,363	1,996,545

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

The balances above can be further analysed as:

	2018-19 £000	2017-18 £000
Current assets	159,302	149,635
Non-current assets	1,752,061	1,846,910
Balance at 31 March 2019	1,911,363	1,996,545

11. Cash and cash equivalents

	2018-19 £000		2017-18 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Balance at 1 April 2018	249,065	249,352	189,597	189,846
Net change in cash balance	(207,512)	(207,479)	59,468	59,506
Balance at 31 March 2019	41,553	41,873	249,065	249,352
The following balances at 31 March are held at:				
Government Banking Service	41,547	41,867	247,720	248,007
Commercial banks and cash in hand	6	6	1,345	1,345
Balance at 31 March 2019	41,553	41,873	249,065	249,352

12. Trade receivables, financial and other assets

	2018-19 £000		2017-18 Restated £000	
	Core Department	Departmental Group	Core Department Restated	Departmental Group Restated
Amounts falling due within one year:				
VAT Receivables	649	648	-	-
Trade receivables	3,340	3,350	1,738	1,761
Other receivables	484	486	-	2
Prepayments and accrued income*	2,619	2,641	3,788	3,846
Total	7,092	7,125	5,526	5,609

*£1.05 million of this balance represents work in progress not yet billed (2017-18, £1.69m).

Reclassification of accrued income

In the prior year an amount of £1.69m was presented as trade receivables rather than prepayments and accrued income in error. This amount has been restated as a prior year adjustment. This has no effect on the statement of comprehensive net expenditure in the year.

13. Trade payables and other current liabilities

	2018-19 £000		2017-18 £000	
	Core Department	Departmental Group	Core Department Restated per Note 18	Departmental Group Restated per Note 18
Amounts falling due within one year:				
VAT	-	-	6	6
Taxation and social security	310	326	251	265
Trade payables	73	92	130	189
Other payables	-	1	16	19
Accruals and deferred income	3,722	3,909	2,930	3,054
Property, plant and equipment accruals	67	67	296	296
Current element of repayment of National Loans Fund	159,302	159,302	149,635	149,635
Amounts issued from the Consolidated Fund but not spent at year end	41,553	41,553	249,065	249,065
Amounts received due to be paid to the Consolidated Fund	-	-	-	(1)
	205,027	205,250	402,329	402,528
Amounts falling due after more than one year:				
Repayment of National Loans Fund	1,752,061	1,752,061	1,846,910	1,846,910
Total	1,957,088	1,957,311	2,249,239	2,249,438

14. Provisions for liabilities and charges

								2018-19	
								£000	
Compensation Payments		Litigation Claims		Restructuring Costs		Total			
Core Dept	Dept Group	Core Dept	Dept Group	Core Dept	Dept Group	Core Dept	Dept Group		
Balance at 1 April 2018	8	68	-	-	-	-	8	68	
Provided in the year	-	-	509	509	306	306	815	815	
Provisions not required written back	-	(60)	-	-	-	-	-	(60)	
Provisions utilised in the year	-	-	-	-	-	-	-	-	
Balance at 31 March 2019	8	8	509	509	306	306	823	823	
								2017-18	
								£000	
Compensation Payments		Litigation Claims		Restructuring Costs		Total			
Core Dept	Dept Group	Core Dept	Dept Group	Core Dept	Dept Group	Core Dept	Dept Group		
Balance at 1 April 2017	8	68	-	-	-	-	8	68	
Provided in the year	-	60	-	-	-	-	-	60	
Provisions not required written back	-	(60)	-	-	-	-	-	(60)	
Provisions utilised in the year	-	-	-	-	-	-	-	-	
Balance at 31 March 2018	8	68	0	0	0	0	8	68	

Analysis of expected timing of discounted flows:

	2018-19 £000		2017-18 £000	
	Core Department	Departmental Group	Core Department	Departmental Group
Not later than one year	823	823	8	68
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Balance at 31 March 2019	823	823	8	68

	Compensation Payments	Litigation Claims	Restructuring Costs	Total
Not Later than one year	8	509	306	823
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
Balance at 31 March 2019	8	509	306	823

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

14.1 Compensation Payments: £8k (2017-18: £8k)

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

14.2 Provision for Litigation Claims: £509k (2017-18: £60k)

A provision has been created for a liability relating to claims for unlawful stops and searches carried out before the current Code of Practice was brought into force. The period in question,

when searches were being used absent the Code of Practice, was September 2009 to May 2013. A number of claims have been settled by PSNI; however, the Code of Practice is the responsibility of the Department and PSNI are therefore seeking reimbursement for a proportion of the damages paid. No agreement has currently been made as to the extent of the liability to be funded by the NIO and the timing of this payment is also uncertain.

The opening provision related to separate Legal Costs and was reversed in full during the year as it was no longer required.

14.3 Provision for Restructuring Costs: £306k (2017-18: £0k)

A provision has been created for a liability relating to restructuring costs of the Chief Electoral Officer for Northern Ireland. A restructuring process was committed to staff during the financial year for completion in 2019-20 giving rise to a constructive obligation which must be recognised as a provision in 2018-19 in line with IAS 37.

15. Contingent liabilities disclosed under IAS 37

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

(a) Finucane Judicial Review

On 27 February 2019, the United Kingdom Supreme Court (UKSC) gave its judgment in the matter of an application by Mrs Geraldine Finucane for Judicial Review (Northern Ireland).

Pending further consideration of the steps that can be taken to respond to the Supreme Court's judgment, and in particular the extent to which it is feasible to rectify in practice the technical shortcomings found in previous investigations/ reviews, it is not yet possible to draw any conclusions about next steps. The United Kingdom Government is undertaking a review to enable it to reach a decision on what form of investigation, if any is now feasible, is required and will respond accordingly.

(b) Employment and personnel cases

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

(c) Others

There are a substantial number of other cases pending against the Department or the Secretary of State for which it is not possible to quantify any potential liability at this point. The cases

largely relate to legacy and security matters and it is not possible to effectively quantify the level of potential liability at this point.

16. Related-party transactions

The Northern Ireland Office funds the Northern Irish Government and is the parent Department of three constitutionally separate entities. During the year the NIO has had a number of material transactions with these entities and with other entities which, for financial reporting purposes, are regarded as related parties. These include the Northern Ireland Human Rights Commission, the Northern Ireland Parades Commission and the Independent Reporting Commission.

In addition, the Northern Ireland Office has had a number of material transactions with other government bodies, including the Department of Finance, and HM Treasury with regard to National Loans Fund.

No board members, key managerial staff or other related parties have undertaken any other material transactions with the NIO during the year. The remuneration report sets out compensation paid to management.

17. Third-party assets

The Department does not hold as custodian or trustee monies belonging to third parties.

18. Prior Period Restatement

An error was identified in the recording of CSO legal cost accruals in the 2017-18 Account. CSO Legal Costs were understated with a corresponding understatement of trade payables. A Prior Period Adjustment (PPA) has been completed to account for this error.

The effect of the restatement on each financial statement is as follows:

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2018 (extract)

Core Department	<i>Adjustment</i>		<i>Restated</i>
	<i>2018</i>	<i>2018</i>	<i>2018</i>
	£000	£000	£000
Net operating expenditure	14,512,241	(113)	14,512,128
	<u>14,512,241</u>	<u>(113)</u>	<u>14,512,128</u>
Departmental group	<i>Adjustment</i>		<i>Restated</i>
	<i>2018</i>	<i>2018</i>	<i>2018</i>
	£000	£000	£000
Net operating expenditure	14,512,341	(113)	14,512,228
	<u>14,512,341</u>	<u>(113)</u>	<u>14,512,228</u>

Consolidated statement of financial positions for the year ended 31 March 2018 (extract)

Core Department	<i>Adjustment</i>		<i>Restated</i>
	<i>2018</i>	<i>2018</i>	<i>2018</i>
	£000	£000	£000
Trade & Other Payables	402,133	196	402,329
General Fund	47,004	(196)	46,808
	<u>449,137</u>	<u>0</u>	<u>449,137</u>
Departmental group	<i>Adjustment</i>		<i>Restated</i>
	<i>2018</i>	<i>2018</i>	<i>2018</i>
	£000	£000	£000
Trade & Other Payables	402,332	196	402,528
General Fund	47,216	(196)	47,020
	<u>449,548</u>	<u>0</u>	<u>449,548</u>

Consolidated statement of financial positions for the year ended 31 March 2017 (extract)

Core Department	<i>Adjustment</i>		<i>Restated</i>
	<i>2017</i>	<i>2017</i>	<i>2017</i>
	£000	£000	£000
Trade & Other Payables	351,770	309	352,079
General Fund	41,880	(309)	41,571
	<u>393,650</u>	<u>0</u>	<u>393,650</u>
Departmental group	<i>Adjustment</i>		<i>Restated</i>
	<i>2017</i>	<i>2017</i>	<i>2017</i>
	£000	£000	£000
Trade & Other Payables	351,998	309	352,307
General Fund	42,159	(309)	41,850
	<u>394,157</u>	<u>0</u>	<u>394,157</u>

Consolidated statement of cash flows for the year ended 31 March 2018 (extract)

	<i>Adjustment</i>		<i>Restated</i>
	<i>2018</i>	<i>2018</i>	<i>2018</i>
	£000	£000	£000
Cash Flows from operating activities			
(Decrease) in Trade Payables:	(65,171)	(81)	(65,252)
Cash Flows from operating activities	(14,512,309)	81	(14,512,228)
Net operating Expenditure	<u>(14,577,480)</u>	<u>0</u>	<u>(14,577,480)</u>

19. Entities within the Departmental boundary

The entities within the boundary during 2018-19 were as follows:

Executive

Parades Commission for Northern Ireland *
Northern Ireland Human Rights Commission *
Independent Reporting Commission*

Non-executive / Advisory

Boundary Commission for Northern Ireland
Chief Electoral Officer for Northern Ireland
Civil Service Commissioners for Northern Ireland
Crown Solicitor for Northern Ireland
Sentence Review Commissioners
Independent Commission for the Location of Victims' Remains
District Electoral Areas Commissioner (ad-hoc)
Independent Reviewer of Police and Military Powers under the Justice and Security Act 2007
Remission of Sentences Act Commissioners
Independent Chairman of the Northern Ireland Committee on Protection

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

<http://www.paradescommission.org>

<http://www.nihrc.org>

<https://www.ircommission.org>

20. Events after the reporting period date

On 24 July 2019 the Rt. Hon Julian Smith MP succeeded the Rt. Hon Karen Bradley MP as Secretary of State for Northern Ireland. On 26 July the Rt. Hon Nick Hurd MP was appointed Minister of State at the Northern Ireland Office replacing John Penrose MP and Robin Walker was appointed Parliamentary Under Secretary of State at the Scotland Office and the Northern Ireland Office on 26 July 2019. Further details of these changes can be found in the [Our Ministers](#) section.

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

The Accounting Officer authorised the accounts for issue on the same date as the Comptroller and Auditor General signed the audit certificate.

ANNEX: REGULATORY REPORTING

TABLE 1

Spending by Northern Ireland Office & Northern Ireland Executive 2014-15 to 2019-20

	2014-15 Outturn £'000	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn ⁽⁷⁾ £'000	2018-19 Plans £'000	2018-19 Outturn £'000	2019-20 Plans £'000
Northern Ireland Office Expenditure							
Resource expenditure within Administration Costs	11,284	17,722	12,907	14,243	18,064	17,925	16,708
Other resource expenditure	11,452	12,664	11,524	10,720	7,267	7,492	11,986
Northern Ireland Office Resource ⁽²⁾	22,736	30,386	24,431	24,963	25,331	25,417	28,694
Northern Ireland Office Capital	1,887	1,973	445	1,496	481	451	250
Northern Ireland Office Resource + Capital DEL ⁽²⁾	24,623	32,359	24,876	26,459	25,812	25,868	28,944
<i>less depreciation & impairments</i>	-1,559	-1,681	-1,956	-1,872	-2,100	-1,951	-2,100
Northern Ireland Office DEL ⁽³⁾	23,064	30,678	22,920	24,587	23,712	23,917	26,844
Northern Ireland Executive Expenditure (The Northern Ireland Block) ⁽⁶⁾							
Resource ⁽⁸⁾	10,184,009	10,156,065	10,475,282	10,624,949	11,231,009	11,008,092	11,335,408
Capital ⁽⁸⁾	1,085,281	765,747	1,005,419	1,147,995	1,494,874	1,297,272	1,702,786
Total Resource + Capital	11,269,290	10,921,812	11,480,701	11,772,944	12,725,883	12,305,364	13,038,194
<i>less depreciation & impairments</i>	-503,161	-254,883	-590,316	-546,594	-611,031	-524,806	-587,212
Northern Ireland Executive DEL ^{(3) (5)}	10,766,129	10,666,929	10,890,385	11,226,350	12,114,852	11,780,558	12,450,982
(1) Totals may not sum due to roundings.							
(2) Including depreciation & impairments							
(3) Resource + capital - depreciation & impairments (includes Student Loans impairments)							
(4) By convention Departmental Expenditure Limit budgets are expressed as resource and capital less							
(5) DEL figures for outturn years have been adjusted to reflect subsequent budgeting changes							
(6) From the 2015 Spending Review, Northern Ireland Office expenditure no longer forms part of the Northern Ireland Block							
(7) Northern Ireland Office outturn data represent final outturn and will accord with the accounts published elsewhere in this document. The Northern Ireland Executive data shows provisional outturn as the Northern Ireland Executive have yet to finalise their accounts							
(8) Resource and Capital figures for 2016-17 reflect classification change of Research & Development (R&D) expenditure from resource to capital (ESA 10)							

Cash grant paid to the Northern Ireland Consolidated Fund 2017-18: Provision & Final Outturn				
	Original Provision	Final Provision	Outturn	
	<u>£ million</u>	<u>£ million</u>	<u>£ million</u>	
Departmental Expenditure Limit (Resource DEL + Capital DEL) ^{(2) (4)}	11,733.8	12,064.5	11,772.9	
Additional funding due from Stormont House/Fresh Start Agreements	75.9			
Annually Managed Expenditure (inc Other AME)	9,754.8	9,851.4	9,279.1	
Expenditure Financed by Regional Rates	585.4	596.4	595.3	
Expenditure Financed by RRI Borrowing	300.0	33.5	33.5	
Total Managed Expenditure (DEL, AME & Other AME)	22,449.9	22,545.9	21,680.8	
Less Non Cash charges	-3,935.7	-4,283.1	-3,788.6	
Less Non Voted (DEL, AME & Other AME) ⁽⁴⁾	-11,343.0	-12,366.6	-12,069.7	
Voted Other Expenditure outside DEL	8,004.9	8,513.3	8,087.2	
Utilisation of Provisions	1,203.7	1,363.3	1,303.6	
Movement in debtors/creditors	159.3	343.0	37.0	
Adjustment for Prior Year			100.8	
Supply Expenditure	16,539.1	16,115.6	15,351.1	
Interest Payable	73.4	70.4	68.8	
District Council Rates	594.7	591.0	591.0	
Repayment of Principal of RRI Loans	108.4	108.6	108.6	
Consolidated Fund Standing Service			9.3	
Loans Issued			31.6	
Sums Repaid			66.1	
Temporary Investments			2,980.0	
Other Services	9.8	9.6	0.0	
Total Expenditure	17,325.4	16,895.2	19,206.6	
Income				
Add in RRI	300.0	33.5	33.5	
District Rates	594.7	591.0	1,276.9	
Regional Rates	693.8	705.1		
Interest Receivable	51.5	47.9	46.9	
NICF Loan Repaid			79.3	
Internal Department Funds			26.7	
Temporary Investments			2,980.0	
Excess of Capital Receipts over capital issues			0.0	
Miscellaneous receipts	19.8	230.4	276.2	
<i>of which:</i>				
<i>NICF Balance</i>	<i>0.5</i>	<i>0.5</i>		
<i>Continental Shelf</i>	<i>1.5</i>	<i>1.7</i>	<i>1.6</i>	
<i>Misc - NIHE, Land Annuities etc</i>	<i>0.2</i>	<i>9.4</i>	<i>9.5</i>	
<i>Excess Accruing Resources</i>	<i>0.8</i>	<i>142.5</i>	<i>176.0</i>	
<i>CFERS</i>	<i>16.8</i>	<i>76.3</i>	<i>88.9</i>	
<i>EU CFERS</i>	<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	
Total Income	1,659.8	1,607.9	4,719.6	
Cash grant payable to the NI Consolidated Fund ⁽³⁾	15,665.6	15,287.4	14,487.0	
(1) Totals may not sum due to roundings				
(2) Resource and capital DEL including depreciation				
(3) Northern Ireland Act 1998, Section 58				
(4) Includes provision for expenditure implied by Stormont Hose Agreement				
(5) All components of this calculation refer to expenditure incurred by/income received by the Northern Ireland Executive				

TABLE 3					
Cash grant paid to the Northern Ireland Consolidated Fund 2018-19: Provision and Estimated outturn					
		Original Provision £ million	Final Provision £ million	Estimated Outturn £ million	
Departmental Expenditure Limit (Resource DEL + Capital DEL)		12,385.1	12,725.9	12,725.9	
<i>of which:</i>					
<i>Confidence & Supply Financial Annex</i>		410.0	410.0	410.0	
Annually Managed Expenditure (inc Other AME)		10,143.1	9,953.2	9,953.2	
Expenditure Financed by Regional Rates		613.7	622.8	622.8	
Expenditure Financed by RRI Borrowing		75.6	66.7	66.7	
Total Managed Expenditure (DEL, AME & Other AME)		23,217.6	23,368.6	23,368.6	
Less: non-cash expenditure (depreciation, impairments etc)		-4,053.5	-4,121.7	-4,121.7	
Less: Resource consumption of NDPBs (DEL, AME & Other AME)		-12,456.8	-12,886.7	-12,886.7	
Add: Cash grants paid to NDPBs		8,210.9	8,828.7	8,828.7	
Utilisation of Provisions		1,263.9	1,388.7	1,388.7	
Movement in debtors/creditors		104.7	196.2	196.2	
Supply Expenditure		16,286.7	16,773.8	16,773.8	
Interest Payable to National Loans Fund		68.8	63.3	63.3	
District Council Rates		613.9	623.4	623.4	
Repayment of Principal of RRI Loans (financed by Regional Rates income)		115.3	114.0	114.0	
Other Services (Statutory Salaries & Miscellaneous Receipts)		9.5	9.6	9.6	
Total Expenditure		17,094.3	17,584.1	17,584.1	
Income					
RRI Borrowing from National Loans Fund		75.6	66.7	66.7	
District Rates		613.9	623.4	623.4	
Regional Rates		729.1	736.8	736.8	
Interest Receivable in respect of loans made from NI Consolidated Fund		49.6	43.9	43.9	
Miscellaneous receipts		24.2	26.9	26.9	
<i>of which:</i>					
	<i>NICF Balance</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	
	<i>Continental Shelf</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	
	<i>Misc - NIHE, Land Annuities etc</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	
	<i>Excess Accruing Resources</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	
	<i>CFERS</i>	<i>18.0</i>	<i>18.0</i>	<i>18.0</i>	
	<i>EU CFERS</i>	<i>0.0</i>	<i>2.7</i>	<i>2.7</i>	
Total Income		1,492.4	1,497.7	1,497.7	
Underspend of cash grant				-869.4	
Cash Grant payable to Northern Ireland Consolidated		15,601.9	16,086.4	15,217.0	
(1) Totals may not sum due to roundings					
(2) Resource and capital DEL including depreciation					
(3) Northern Ireland Act 1998, Section 58					
(4) Includes provision for expenditure implied by Stormont House Agreement					
(5) All components of this calculation refer to expenditure incurred by/income received by the Northern Ireland Executive					
(6) A detailed breakdown of the 2018-19 outturn for Northern Ireland Executive Expenditure is not yet available					

TABLE 4				
Calculation of Grant Payable to Northern Ireland Consolidated Fund 2019-20				
		£ million		
Departmental Expenditure Limit (Resource DEL + Capital DEL)		13,038.2		
<i>of which:</i>				
<i>Confidence & Supply Financial Annex</i>		333.0		
Annually Managed Expenditure (inc Other AME)		10,514.6		
Expenditure Financed by Regional Rates		643.1		
Expenditure Financed by RRI Borrowing		0.0		
Total Managed Expenditure (DEL, AME & Other AME)		24,195.8		
Less: non-cash expenditure (depreciation, impairments etc)		-4,563.5		
Less: Resource consumption of NDPBs (DEL, AME & Other AME)		-13,360.9		
Add: Cash grants paid to NDPBs		8,914.6		
Utilisation of Provisions		1,320.0		
Movement in debtors/creditors		140.9		
Total Supply Expenditure		16,646.9		
Interest Payable to National Loans Fund		63.4		
District Council Rates		636.7		
Repayment of Principal of RRI Loans (financed by Regional Rates income)		120.9		
Other Services (Statutory Salaries & Miscellaneous Receipts)		9.0		
Total Expenditure		17,477.0		
Less Income				
RRI Borrowing from National Loans Fund		0.0		
District Rates		636.7		
Regional Rates		764.0		
Interest Receivable in respect of loans made from NI Consolidated Fund		43.7		
Miscellaneous receipts		34.5		
<i>of which:</i>				
<i>NICF Balance</i>		0.5		
<i>Continental Shelf</i>		1.2		
<i>Misc - NIHE, Land Annuities etc</i>		5.3		
<i>Excess Accruing Resources</i>		3.2		
<i>CFERS</i>		21.6		
<i>EU CFERS</i>		2.7		
Total Income		1,478.9		
Cash Grant payable to Northern Ireland Consolidated Fund by Northern Ireland Office		15,998.1		
Notes				
1. All items forming this calculation refer to expenditure incurred by/income received by the Northern Ireland Executive				
2. Totals may not sum due to roundings				

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