# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS
# for the year ended 31 March 2015

*Laid before the Northern Ireland Assembly under Schedule 1 of the Assembly Pensions (Northern Ireland) Order 1976 by the Comptroller & Auditor General for Northern Ireland*

*on*

*27 July 2018*

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# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

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# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

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# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

# TRUSTEE'S REPORT

## INTRODUCTION

The Assembly Contributory Pension Fund was set up as from 10 November 1976 by the Assembly Pensions (Northern Ireland) Order 1976 ("the 1976 Order") to provide for the payment of pensions to ex-members of the Assembly in place at that time, who had attained 65 years of age and who had not less than 4 years reckonable service, and, subject to certain conditions to the widows, widowers and children of deceased members who were in receipt of pensions or had completed 4 years reckonable service at the time of death.

The qualifying period was subsequently reduced to 3 years for holders of qualifying offices only, by the Assembly Pensions (Amendment) (Northern Ireland) Order 1984.

The Scheme provides for an immediate pension, at the age of 65, of one-sixtieth of the relevant terminal salary for each year of service. An actuarially reduced pension may be paid to a former member any time after age 60. The Pensions (Increase) Act (Northern Ireland) 1971 made provision that the rate of pensions should be subject to periodic review and if necessary be increased by Order in Council. The pensions have subsequently been increased annually, the last such increase being 2.7% from 7th April 2014 under the Pensions Increase (Review) Order (Northern Ireland) 2014.

The other main provisions of the Scheme are: -

i. a half-rate widow's/widower's pension;

ii. a children's pension (at the rate of the widow's pension for two or more eligible children, one half that rate for one child); and

iii. transfer of pension rights.

## MANAGEMENT OF THE SCHEME

Article 3 (4) of the 1976 Order appointed the Secretary of State for Northern Ireland as the sole Trustee of the Fund until such time as the Assembly first appoints three or more Trustees under the Order.

## FINANCIAL DEVELOPMENT OF THE SCHEME

As the scheme is closed to new members, the membership profile continues to age year on year. As at 31st March 2015 the age profile of the beneficiaries of the scheme was as detailed in the table below:

| Age | **70-74** | **75-79** | **80-84** | **85-89** | **90-94** | **Total** |
|---|---|---|---|---|---|---|
| Members | | 2 | 2 | 3 | 1 | 8 |
| Dependants | | 1 | 1 | 1 | 1 | 4 |

These accounts have been prepared and audited in accordance with regulations in Schedule 1 (12) and 1 (13) of the 1976 Order respectively.

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## ACTUARIAL STATUS OF THE SCHEME

The 1976 Order provides for the Government Actuary to make a report every three years on the general financial position of the Fund and to recommend the annual rate of the Northern Ireland Consolidated Fund contribution. The contribution ceased on 1st December 1989 as a result of a recommendation made in the Government Actuary's report.

In his latest report, which referred to the position at 31st March 2010, the Government Actuary reported a surplus of assets over liabilities for £1.87million, representing 470% of the value of the liabilities and so the Fund is in a strong position to cope with a future period of adverse investment experience. He also reports that assets were sufficient at the valuation date to cover liabilities arising (including dependants' contingent benefits) in respect of pensions in payment and preserved benefits for members whose pensionable service has ceased, including pension increases.

The Government Actuary considered the investment portfolio in place at the valuation date to be reasonably appropriate in relation to the liabilities to be met from the Fund.

## SCHEME MEMBERSHIP

As at 31st March 2015 the number of beneficiaries from the Fund was as follows:-

| **Category** | **No.** |
|---|---|
| Deferred Pensioners | 5 |
| Retired Members | 8 |
| Dependants | 4 |

**TRUSTEE TO THE FUND**

**24 MARCH 2016**

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## INVESTMENT REPORT

The day to day management of the Fund's Investment portfolio is carried out by external investment managers at Danske Bank. The portfolio is managed on the basis of the investment strategy set by the Department on behalf of the Trustee.

The Fund's investment strategy is to maximise optimum return on the investments without exposing the Fund to any undue risk, taking account of the following objectives, in priority order – Safety, Diversification, Liquidity, and Return on Investment.

Given the nature of the Fund's liabilities, as well as the long term duration of the liabilities, a conservative level of investment risk is acceptable. All investments should be undertaken with a view to preserving capital and to provide sufficient liquidity to enable the Fund to meet all of its current and future obligations as they become payable.

The diversification objective is designed to reduce exposure to risk by combining a variety of investments, such as money market securities, stocks, bonds, and commodities, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk or volatility in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

The current strategy is to hold broadly:

- 40 – 55% in Equities, Variable Income Investments and Alternative Investments
- 45 – 55% in Fixed Income Securities (Bonds)
- Up to 1% in cash

The actual allocations will vary from the above due to market price movements and intervals between rebalancing the portfolio. Actual allocations at the year end are shown below:

| | **2014/15 %** | **2013/14 %** |
|---|---|---|
| Equities etc | 53.0 | 49.5 |
| Fixed Income Securities | 46.0 | 50.0 |
| Cash | 1.0 | 0.5 |
| | 100.0 | 100.0 |

The Investment Managers maintain the current view that market conditions are generally more supportive to equities than bonds. Their asset allocation therefore continues to maintain an

overweight position towards equities and negative towards UK Government bonds. To ensure diversification and yield potential in the fixed income allocation they have invested across a range of fixed income securities using strategic bonds, global bonds, corporate debt, high yield and emerging markets debt, at different durations and yields.

Total investment income has increased by 11% this year and the market value of investments increased by £207,620.

Further details on the categories of investments held are set out in the Net Assets Statement on page 24, with the underlying exposure of the Pooled Investment Vehicles to other asset classes shown at note 8.

## CUSTODIAL ARRANGEMENTS

Danske Bank is under contract to manage the portfolio on behalf of the Department of Finance and Personnel. All shares are held in the name of the Assembly Contributory Pension Fund. Reports are produced by the bank quarterly to enable performance to be monitored.

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## Statement of Responsibilities of the Trustee and the Department of Finance and Personnel

Under paragraph 12 of Schedule 1 to the Assembly Pensions (Northern Ireland) Order 1976, the Trustees of the Assembly Contributory Pension Fund are responsible for keeping proper accounts and preparing financial statements in respect of each financial year, in such form and manner as the Department of Finance and Personnel may direct. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of the Assembly Contributory Pension Fund at the year end and of its income and expenditure for the financial year. Article 3 (4) of the 1976 Order appointed the Secretary of State for Northern Ireland as the sole Trustee of the Fund.

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## GOVERNANCE STATEMENT

### Scope of responsibility

As sole Trustee, I have responsibility for maintaining a sound system of internal control in respect of the Assembly Contributory Pension Fund. This system of internal control supports the achievement of the policies, aims and objectives of the Fund, whilst safeguarding the Fund's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The Fund is administered jointly by Civil Service Pensions Branch and Government Accounts Branch, which are both part of the Department of Finance and Personnel and I rely on the internal control framework within the Department and the views of the Departmental Accounting Officer in reaching my view on the adequacy of the system of internal control in relation to the Pension Fund.

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

Additionally, the Head of Internal Audit provides a written report to the Departmental Accounting Officer, timed to support this Governance Statement, on the overall adequacy and effectiveness of the Department's risk management, control and governance process.

The Department of Finance and Personnel is one of twelve Northern Ireland departments created as part of the Northern Ireland Executive by the Northern Ireland Act 1998, the Departments (Northern Ireland) Order 1999 and the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. The Department is governed under a model with the following responsibilities:

- the Minister for Finance and Personnel reports to the Northern Ireland Executive on all of the functions of the Department;
- the Permanent Secretary has responsibility to the Minister for the day-to-day operation of the departmental functions and as Accounting Officer for the managing and controlling of the resources used by the Department; *and*
- the Departmental Board (the Board) provides collective leadership, strategic direction and has responsibility for operational delivery of the functions of the Department.

This Governance Statement, which has been agreed by the Board, sets out how these responsibilities have been discharged during 2014-15.

### Context

The context in which the Department's governance arrangements are required to operate is set out in the DFP Corporate Plan 2012-15 which contains the strategic priorities for DFP over the period. The DFP Business Plan 2014-15 sets out the Department's vision, objectives and targets and how the Department will work to deliver its Departmental level objectives. This plan has been published on the Department's internet site and can be downloaded at www.dfpni.gov.uk.

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

As the Department with responsibility for securing and allocating the resources available to Northern Ireland through the block grant, DFP plays a key role in fulfilling the Northern Ireland Executive's aim of rebalancing and rebuilding the NI economy and is taking forward a number of key commitments within Programme for Government 2011 - 2015 in this regard, namely:

- continuing to work with the UK government to examine the administrative arrangements and full financial consequences for devolution of the powers to vary the rate of Corporation Tax;
- eliminating Air Passenger Duty on long haul flights from Northern Ireland; *and*
- implementing proposals for the rating of commercial properties which includes enhancements to the Small Business Rates Relief scheme and the introduction of a Large Retail Levy.

In addition to these important economic measures, DFP is also taking forward further commitments in relation to:

- providing guidance to Departments on the inclusion of social clauses in procurement contracts for supplies, services and construction;
- further reductions in the levels of sickness absence across the Northern Ireland Civil Service; *and*
- improving online access to government services by the citizen.

The Department of Finance and Personnel's operational business plan for 2015-16 is a one-year stand-alone plan that draws on the existing Programme for Government commitments and the strategic objectives set in our 2012-15 Corporate Plan. It will be followed by a multi-year corporate plan in line with the next PfG.

**Accounting Officer**

The Permanent Secretary as Departmental Accounting Officer is responsible to the Minister and to the Assembly for the proper handling and reporting of the use of public money by the Department under the main principles set out in Managing Public Money NI and for establishing and maintaining a sound system of internal control for the management of resources under his control.

At the beginning of the financial year, the Accounting Officer delegated responsibility to each of his Directors and Chief Executives for the management of budgets within their respective business areas. He receives formal assurances twice yearly from each Director and Chief Executive on risk management, governance, financial management and delegations within their respective areas of responsibility in the format of stewardship statements. Key issues emanating from those statements are reflected in this Governance Statement.

**Departmental Board**

The Accounting Officer chairs the Board which in 2014-15 met on 11 occasions. In addition to the Permanent Secretary, the Board comprises the Departmental Solicitor, Directors and Chief Executives who head the Department's directorates and agency, including the Director of Finance and the Director of Corporate Services. The Board is further strengthened by the inclusion of two independent members who bring a wide range of skills, experience and external challenge to the work of the Department. Minutes of all Board meetings are published on the departmental website.

During 2014-15 the Board held regular discussions on finance and HR issues, performance against business plan objectives, fraud and whistleblowing, management of departmental risks and articles for the Staff Brief. In addition, the Board also considered and discussed papers in relation to, for example:

- Budget Savings;
- Internal Review actions;
- Customer Survey Report;
- Well Being at Work Survey 2014 – Stress Report and Action Plan;
- Energy Efficiency/Carbon Reduction Plan 2014-17;
- Northern Ireland Digital Transformation Programme;
- Cyber Security;
- Innovation Lab on Procurement;
- Formation of a DFP Casework Committee;
- Information Assurance;
- LPS rate collection;
- Community Planning;
- NICS Live; *and*
- Staff Innovation Scheme.

It is envisaged that the Board will discuss similar issues covering the breadth of the Department's areas of responsibility during 2015-16, including the impact of the Voluntary Exit Scheme and future budget reductions.

The Board is fully committed to the highest standards of corporate governance and complies to the relevant extent with the best practice set out in "*Corporate governance in central government departments: Code of good practice (NI) 2013"* issued under DAO (DFP) 06/13 in April 2013.

Attendance of non-executive and executive members at Board meetings during 2014-15:

| | **Number of Meetings attended** |
|---|---|
| **Non-executive members** | |
| Stephen Hodkinson | 10 of 11 |
| Dolores O'Reilly | 10 of 11 |
| **Executive members** | |
| Stephen Peover | 2 of 2 |
| David Sterling | 9 of 9 |
| Des Armstrong | 9 of 11 |
| Colum Boyle | 6 of 6 |
| Anne Breen | 11 of 11 |
| Michael Brennan | 8 of 11 |
| Norman Caven | 9 of 11 |
| Colin Lewis | 10 of 11 |
| Oswyn Paulin | 10 of 11 |
| Colin Sullivan | 10 of 11 |
| Paul Wickens | 8 of 11 |
| John Wilkinson | 4 of 5 |
| Brigitte Worth | 10 of 11 |

A formal review of the Board's effectiveness, including a review of the quality of data received, was conducted in March 2014 by the Corporate Improvement Centre. An Improvement Plan was drawn up and agreed by the Board and this is currently being implemented.

**Declarations of Interest**

Departmental HR maintains a "Register of Interests" for members of the Senior Civil Service, including both Executive and non-Executive Directors on the DFP Board. Declarations include anything which may give rise to conflict with the position of Board member, including:

- Private occupations, such as sitting on the boards of other public bodies;
- Payment for private work;
- Relationships with suppliers and/or consultants with whom DFP does business;
- Gifts or benefits received in connection with work in DFP;
- Membership of professional institutes and/or committees; *and*
- Any other interests that could have a conflict.

For 2014-15, the Accounting Officer has been provided with assurance that no Board members have declared any conflict of interest with the business of the Department.

**Relationships with Agencies and Other Bodies**

The Permanent Secretary has designated the Chief Executive of the Northern Ireland Statistics and Research Agency (NISRA) as Agency Accounting Officer with responsibility for the propriety and regularity of Agency expenditure.

The Department also has joint responsibility for one North/South body, Special European Union Programmes Body (SEUPB). SEUPB is a grant aided body and expenditure is accounted for in the Departmental accounts via the issue of a grant.

The Chief Executive Officer of SEUPB is the Accountable Person responsible for the efficient and effective administration of the Body. The responsibilities of the Chief Executive are set out in the Financial Memorandum and include ensuring that appropriate financial and other management controls are in place to safeguard public funds and conform to the requirements of propriety, regularity and financial management. The Chief Executive Officer is responsible for signing the SEUPB accounts and ensuring they are prepared in accordance with relevant guidance.

**Departmental Audit and Risk Committee**

The Departmental Audit and Risk Committee (DARC) supports the Accounting Officer and the Board on issues of risk, control and governance. In addition, DARC provides assurances and advice to the Accounting Officer on the adequacy of audit coverage both internal and external. DARC is chaired by one of the independent members and operates under the best practice guidance contained within the Audit and Risk Assurance Committee Handbook (NI) issued under DAO (DFP) 05/14 in March 2014.

The Committee met on 4 occasions during the course of 2014-15. The Corporate Risk Register was provided to all meetings and the Committee reviewed in detail departmental level risks in relation to:

- Departmental budgets and managing the risk of over and under spends;
- Levels of collection and debt recovery in relation to domestic and non-domestic rates;
- Managing sickness absence within both the NICS and DFP;
- Implementation of the interim rate rebate scheme;
- Levels of assurance in relation to information risk within NICS;
- Public Sector Reform;
- Reform of Public Service Pension Schemes;
- Peace IV and Interreg VA Programmes;
- Regularity of payments in relation to EU Programmes 2007-13 for which DFP is the Accountable Department; *and*
- Equal Pay vulnerabilities.

The risk profile for the Department has also been reviewed regularly by the Board and DARC, and during the course of the year new controls and management actions have been put in place to mitigate the risks and to minimise the impact should they materialise. This has resulted in the re-grading of risk status, and the inclusion and removal of risks at departmental level as necessary.

The Departmental Board has agreed a Risk Appetite Statement which articulates the amount of risk the Department is prepared to accept, tolerate or be exposed to in pursuit of its strategic objectives or from other inherent issues which although not directly linked to the strategic objectives have an impact on the risk profile of the Department.

In addition to the risk register, the DARC considered papers in relation to a range of corporate governance and internal control issues, including, for example:

- Progress against internal audit plans and development of future plans;
- Progress against internal audit recommendations;
- Departmental Resource Accounts;
- Stewardship Statements provided by all Business Area Directors;
- Reports to Those Charged with Governance and Value for Money reports provided by NI Audit Office;
- Accountability Grids in relation to Public Accounts Committee recommendations; *and*
- Fraud and whistleblowing.

The Chair of the DARC presents the minutes of each DARC meeting to the Departmental Board, and prepares an annual report outlining the work undertaken by the Committee and providing assurance on the systems of internal control in operation across DFP.

A review of DARC effectiveness was undertaken in February 2015 and an Action Plan was drawn up and agreed by the DARC and is currently being implemented.

All meetings of DARC are attended by representatives from the Northern Ireland Audit Office (NIAO) and the Chair of the Committee holds independent meetings separately with the NIAO and Head of Internal Audit to discuss any particular issues of concern.

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## Financial Management

Financial Management reporting to the Board plays a significant part in the effective monitoring and management of the Department's financial performance. The Board regularly reviews actual income and expenditure against budgets to form the basis of collective Board decisions about the allocation and use of resources and to ensure that the Department's financial management target of avoiding overspend and managing underspend within a tolerance of 1.5% is met.

The Finance Director provides monthly financial management reports to the Board and provides advice and recommendations on the allocation of departmental resources. This is supported by business areas providing actual and forecast information and analysis of variance against budgets which enables the Board to assess the extent to which corrective action is needed to address the Department's financial position.

As a result of a recommendation highlighted in the March 2014 review of Board Effectiveness, the Board established a process whereby business cases involving significant expenditure are reviewed by a "casework committee" comprising of 3 Departmental Board members who are independent of the business area proposing the project prior to approval being granted. This process commenced in November 2014 and reviewed 7 projects in the period to 31 March 2015.

## Governance and Control Framework

The Department's Governance and Control Framework is the system by which the work of the Department is directed and controlled. This includes how the Department plans, sets and monitors achievement of its corporate objectives, how the risks to the achievement of those corporate objectives are identified and managed and what controls are in place to provide assurance that the Board is in control of the risks to achieving the stated objectives.

The Governance and Control Framework contains advice and guidance to business areas on corporate governance and financial management including the approvals necessary for various types of expenditure. It also contains sources of information on the departmental approach to issues such as anti-fraud measures, charging, information security, procurement and whistleblowing arrangements.

A key element of the Governance and Control Framework is the DFP Policy and Framework for Risk Management which sets out the approach to the identification and management of risk at all levels across the Department. The Departmental Board regularly reviews and manages departmental risks on the Corporate Risk Register, by evaluating each risk to determine the likelihood and impact of the risk occurring, and ensuring that controls and mitigating actions are in place. The Corporate Risk Register is supported by further risk registers at Directorate and Agency level.

## Departmental Performance

The DFP Operational Plan 2014-15 sets out the targets and objectives for the year against which performance is reported and monitored. Progress has been reported quarterly to the Board as part of the Corporate Performance Report using a "RAG" (Red, Amber, Green) status assessment of each target and narrative on the actions taken to deliver the expected outcomes.

As part of the Corporate Performance Reports, the Board also receives, thoroughly reviews and seeks improvements to information on key departmental statistics in relation to performance in responding to Assembly Questions, FOI and Data Protection requests, prompt payment to suppliers, workforce planning, resourcing and absence management, compliance with performance management framework, procurement and contract activity and expenditure on areas of interest such as external consultancy and hospitality.

Progress against targets in the Operational Plan is also reported twice yearly to the Minister and scrutinised by the Committee for Finance and Personnel at oral evidence sessions with the Permanent Secretary. Other key senior officials also attend evidence sessions on specific areas of departmental business as requested by the Committee.

The Department's Programme for Government commitments have been reported on a quarterly basis to the Office of the First Minister and Deputy First Minister (OFMDFM), and where necessary, further information has been provided of the mitigating actions being taken to minimise the risk of failure to deliver the desired outcomes.

The Operational Plan is supported by lower level plans at Directorate, Agency and Divisional level and is cascaded further into individual staff Personal Performance Agreements.

**Level of Assurance**

The Accounting Officer is responsible for reviewing the effectiveness of the system of internal control. This review is informed by the information provided in stewardship statements from Directors bi-annually. These stewardship statements are based on assurances provided by managers within business areas on risk management, financial management, compliance with approvals and delegations and on the implementation of Internal Audit recommendations. Further assurance is provided by the Head of Internal Audit on compliance with the controls and actions recommended in audit assignments which have been conducted.

The Department's internal audit function has conducted a programme of work during 2014-15 which has enabled the provision of opinions on the systems of internal control in operation across the Department. The reports by internal audit to senior managers provide an objective and independent assessment of the systems of internal control in operation across DFP together with prioritised recommendations to strengthen controls and implement further improvements.

In the Annual Assurance Report, the Head of Internal Audit provided an overall **satisfactory** opinion on the governance, risk management and control arrangements across DFP. A synopsis of the main findings from each audit was provided to DARC, and the majority of audits were provided with a **satisfactory**, and in some cases, a **substantial** audit opinion.

However, **limited** opinions were provided in the following areas:

- Accounts Payable; The issues identified in Accounts Payable were the controls over the recording of cheques in the Valuables Log and handover to Bill to Cash, no easily accessible central record of manual payment requests, no check on lift-off requests and the unavailability and/or adequacy of procedural guidance. Account NI management has taken positive steps to address all the issues identified.

- Properties Division -Estate Management Unit; The main areas of concern were non-retention of Fire Safety Work Progress Monitoring Forms and no evidence of the forms being sent to the Fire Officer and Property Management Branch (PMB) Job Officer, non-retention of Business Case Approvals for requests exceeding £1,500 nor is there a record of submission and approval of the Business Case, no project evaluation upon project completion, TRIM containers with agreements and correspondence in relation to leases not appropriately restricted and the Properties Division Cyclical Maintenance List was inaccurate and not up to date. Properties Division developed an action plan to monitor the implementation of recommendations made and arrangements have been made for Internal Audit to carry out a follow up Audit commencing in June 2015.

- Central Procurement Directorate (CPD) – Direct Award Contracts; CPD's processes and quality management system are designed for competitive tendering. Procurement Guidance Note (PGN) 03/11 (Award of a contract without a competition) introduced new processes for the treatment of Direct Award Contracts (DACs) including the requirement for Accounting Officer approval before CPD formalise the contract. The internal audit on DACs was carried out against the processes designed for competitive tendering and therefore a number of non compliances were found (e.g. absence of business case approval, absence of tender documents, incomplete quality plans, a lack of formal acceptance of the contractual terms and conditions by both the client and the contractor). Following the audit CPD developed a new quality plan for DACs more applicable to a process which did not involve a tendering procedure and recognising that not all of the issues identified were totally within the control of CPD. Internal Audit conducted a follow up on this review and is satisfied with the positive action taken by management and as such the limited opinion no longer applies.

- DSO – Litigation; The main issues identified were the lack of guidance for use of the Civil Panel List, use of a fees account with Northern Ireland Court and Tribunal Service (NICTS) and the timeliness and authorisation of billing amounts, the absence of Service Level Agreements (SLAs) with clients, inadequate documentation of quality review of cases, plaintiff's professional fees for High Court cases not agreed to detailed supporting documentation, clients not being invoiced on a timely basis, use of retrospective purchase orders and file storage capacity at Centre House. Internal Audit conducted a follow up on this report and although only three recommendations had been fully implemented Internal Audit were satisfied that a timetable for implementation had been developed and will be monitored by DSO senior management.

Internal Audit conducted follow-ups in those areas where a limited audit opinions had been provided in 2013-14, namely ESS HRConnect – Recruitment, CPD Strategic IT Management, CPD Supplies and Service, HRConnect Information Management, NISRA – Economic Labour Market Survey, NISRA – Corporate Services HR and NISRA – Regional Reporting and since most recommendations have been implemented the limited opinions are no longer applicable. Internal Audit also conducted a follow-up in Properties Division – Minor Works, which had received a limited opinion in 2013-14, and reported that management has fully implemented three recommendations, partially implemented six recommendations whilst nine recommendations had not been implemented. However, Internal Audit has met with Properties Division since the follow up and is satisfied that very positive progress is being made towards full implementation.

DSO – Commercial and Property Division received a limited audit opinion in 2012-13. Internal Audit conducted a follow-up review to this report but management had only partially

implemented two of the seven recommendations made. Internal Audit has since conducted another full audit and many of the same recommendations remain outstanding. The report is still in draft but Internal Audit considers a limited opinion is still appropriate.

Internal Audit also conducted a follow-up to the reports on DSO – Advisory 1-4, DSO Corporate Services and CPD – Business Support Unit where an unacceptable audit opinion had been provided. Many recommendations in the DSO audits have not yet been implemented and so a limited audit opinion now prevails but Internal Audit was satisfied that a satisfactory audit opinion is now appropriate for the Business Support Unit.

DARC was provided with further assurances from the heads of the respective business areas of DSO, NISRA, CPD and ESS that action plans were in place to implement the majority of Internal Audit recommendations made during these audits.

Management was agreed that these audits did not contain control weaknesses which were significant enough to affect the overall audit opinion for DFP.

The Head of Internal Audit reported being generally satisfied that senior management has taken action to implement the recommendations made by internal audit to address any control weaknesses identified.

The DARC receives a summary position of the Recommendations Register, which details all agreed Internal Audit Recommendations, at each meeting. This supports DARC in identifying those recommendations which are past due or which require further discussion at DARC level.

The Departmental Security Officer ensures that the risks in relation to personal, physical and IT security are effectively managed and has conducted routine inspections of building and office security, reporting any breaches to senior management for appropriate action.

The Senior Information Risk Owner (SIRO) is a Board member and has clearly defined reporting responsibilities in providing an annual assessment of information risk performance to the Accounting Officer. An Information Risk Register is now operational in the Department and is designed to provide the Board and the SIRO with an oversight of corporate and operational information risks, including risks associated with both the manual and electronic processing of personal and sensitive data.

The Department has an Information Assurance (IA) Framework in place which supports sound governance arrangements. The Department has also adopted the HMG Information Assurance Maturity Model (IAMM) and the Security Policy Framework in developing a strategic approach to IA. The Departmental Board instigated a review in 2014 with the objective that each Business Area achieves Level 3 compliance with the IAMM.

**Internal Control Issues**

In September 2007 an administrative error in the Lands Register occurred when a caseworker cancelled an existing Lender's mortgage entry relating to a Lands Folio in the Land Register, when a discharged mortgage entry should have been cancelled. This resulted in a case being brought against DFP by a Lender to recoup losses. At the request of management, DFP Internal Audit undertook a review of LPS' processes for the Registration and Release of Mortgages and Charges on the Land Register. LPS Registration Directorate has conducted a review of cases dating back a number of years, including examining five thousand 2014 completed charge cases, a review of charges relating to companies from the period 2005 to

2014 and the isolation and review of incoming correspondence from Solicitors. In addition, LPS Registration Directorate has introduced a Quality Assurance process for current registrations to mitigate any associated risk. Training arrangements and Quality Assurance updates to staff through team briefs remain a priority. Internal Audit considers that the exercises undertaken provide assurance that the historical risk of potential error within the Registration and Release of Mortgages and Charges on the Land Register is minimal. Furthermore the introduction of a dedicated Quality Assurance team and the associated processes that have been developed should ensure that the level of error in ongoing and new cases will be further reduced.

The Department has entered into a number of legal settlements during the year, some of which have included confidentiality clauses. During the Department's year-end audit processes it has been recognised that all such clauses should be subject to Accounting Officer and DFP Supply approval following a commitment made to the PAC in 2010-11. DFP is consulting with the NIAO on this issue as it has become clear that further guidance to all departments is necessary to ensure that there is clarity and consistency around the requirements in this area. In the meantime the Department will take steps to ensure that all further agreements are subject in advance to approval by the Accounting Officer and DFP Supply.

### Fraud prevention and awareness

The DFP Fraud Working Group continued to meet and correspond during 2014-15 to consider issues in relation to fraud, raise awareness of anti-fraud measures and disseminate information pertinent to the prevention and detection of fraud. Actions taken during 2014-15 include the update of business area fraud risk assessments and the departmental Fraud Risk Register, the update of the DFP Anti Fraud Policy and Fraud Response Plan, and the commencement of the National Fraud Initiative 2014.

The Department takes a zero tolerance approach to fraud, reporting instances of fraud to the police as necessary. The Department also participates fully in the National Fraud Initiative by investigating matches in relation to payroll, pensions, trade creditors, rates and housing benefit data.

Whistleblowing arrangements are in place and can be used to raise concerns about alleged impropriety, wrongdoing, corruption, fraud or malpractice.

### NIAO Value for Money Reports

The Northern Ireland Audit Office presented no value for money studies within DFP during 2014-15.

## Conclusion

Taking into account all of the arrangements set out in this Governance Statement, the Department has effective corporate governance structures in place and has satisfactory systems of internal control which have operated effectively during 2014-15.

**TRUSTEE TO THE FUND**

**24 March 2016**

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Assembly Contributory Pension Fund for the year ended 31 March 2015 under Schedule 1 to the Assembly Pensions (Northern Ireland) Order 1976. These comprise the Fund Account, Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Trustee, the Department of Finance and Personnel and auditor

As explained more fully in the Statement of Responsibilities of the Trustee and the Department of Finance and Personnel, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Assembly Pensions (Northern Ireland) Order 1976. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Assembly Contributory Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustee's Report to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am 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 the Assembly and the financial transactions recorded in the financial statements conform to the authorities who govern them.

### Opinion on Regularity

In my opinion in all material respects, the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Fund's affairs as at 31 March 2015 and of the net increase in the Fund during the year and of the amount and disposition at that date of its assets and liabilities to pay benefits after the Scheme year end; and
- the financial statements have been properly prepared in accordance with Paragraph 12 of Schedule 1 to the Assembly Pensions (Northern Ireland) Order 1976 and directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the information given in the Trustee's Report and the Investment Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Statement about Contributions payable**

I note that in accordance with the recommendations of the Government Actuary, no contributions were received from the Consolidated Fund during the year ended 31 March 2015.

**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
- the financial statements are not in agreement with the accounting records; 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 Department of Finance and Personnel's guidance.

**Report**

I have no observations to make on these financial statements.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

20 April 2016

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## FUND ACCOUNT FOR THE YEAR ENDING 31 MARCH 2015

| | Notes | 2014/15 £ | 2013/14 £ RESTATED |
|---|---|---|---|
| **Benefits and Expenses Payable** | | | |
| Members | | 15,026 | 17,325 |
| Dependants | | 4,211 | 2,790 |
| Administrative Expenses | 3 / 4 | 11,871 | 8,943 |
| Total Expenditure | | 31,108 | 29,058 |
| **Returns on Investments** | | | |
| Investment Income | 5 | 119,709 | 107,865 |
| Change in market value of investments | 6 | 207,620 | 75,559 |
| Investment management expenses | 3 | (17,582) | (14,251) |
| Net Returns on Investments | | 309,747 | 169,173 |
| **Net Increase in the Fund During the Year** | | **278,639** | **140,115** |
| **Net Assets of the Fund** | | | |
| At 1 April 2014 | | 2,861,693 | 2,721,578 |
| At 31 March 2015 | | **3,140,332** | **2,861,693** |

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## NET ASSETS STATEMENT

| | Notes | 31 March 2015 £ | 31 March 2014 £ |
|---|---|---|---|
| **Investments at Market Value** | | | |
| Equities | 8 | 651,621 | 556,344 |
| Pooled Investment Vehicles | 8 | 2,486,450 | 2,307,884 |
| Total Value of Investments | | 3,138,071 | 2,864,228 |
| Current Assets | 7 | 36,706 | 14,713 |
| Current Liabilities | 7 | (34,445) | (17,248) |
| **Net Assets of the Fund** | | **3,140,332** | **2,861,693** |

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the triennial actuarial reports prepared by the Government Actuary. The results of the latest report are summarised in the Trustee's Report that accompanies these accounts.

**Trustee to the Fund**

**24 March 2016**

# ASSEMBLY CONTRIBUTORY PENSION FUND ACCOUNTS 2014-15

## NOTES TO THE ACCOUNTS

### 1. Basis of Preparation

The accounts have been prepared in accordance with the Accounts Direction issued by the Department of Finance Personnel under Schedule 1 (12) of the 1976 Order, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007) (SORP) insofar as they apply to this pension scheme.

### 2. Accounting Policies

a. The accounts record the income and expenditure of the Fund during the year ended 31st March 2015 and give details of the net assets at that date. They do not show the long-term liabilities for pensions which could arise in the future. The long-term financial position is the subject of a three-yearly report by the Government Actuary.

b. The accounts have been prepared using the historical cost convention, with investments stated at market valuation at 31st March. The market value of Stock Exchange securities is based on the middle market quotation on the relevant Stock Exchange at the year end. The Sterling equivalent of the market value of any overseas investments is calculated on the basis of the exchange rates prevailing at the year end.

c. Interest on cash temporarily invested in the Northern Ireland Consolidated Fund, together with interest earned on government stocks, bonds, debentures and loan stock is accounted for on an accruals basis and is shown under the Net Assets as interest accrued. Dividends from other investments are accounted for when the securities are quoted ex-dividend. Any refunds of overseas tax are accounted for when received.

d. Gains and losses on investments are accounted for in the year in which they are realised.

### 3. Investment Management Expenses

During the year the analysis of expenditure was reviewed to ensure on-going compliance with the relevant Statement of Recommended Practice. As a result investment management expenses are now disclosed separately on the face of the Fund Account rather than included within general expenses. The investment management expenses for 2014/15 are £17,582. The comparative figures have also been amended (2013/14: £14,251). This change in presentation has no impact on the overall net assets of the Fund.

## NOTES TO THE ACCOUNTS (CONTINUED)

| | | 2014/15 £ | 2013/14 £ |
|---|---|---|---|
| **4.** | **Administrative Expenses** | | |
| | General expenses | 4,866 | 4,943 |
| | Audit fee | 3,500 | 3,500 |
| | Government Actuary's Fee | 3,505 | 500 |
| | **Total Administrative Expenses** | **11,871** | **8,943** |
| **5.** | **Investment Income** | | |
| | Dividends from Equities | 23,727 | 31,201 |
| | Income from Pooled Investment Vehicles | 95,893 | 76,520 |
| | Interest on cash deposits | 89 | 144 |
| | **Total Investment Income** | **119,709** | **107,865** |
| **6.** | **Change In Market Value of Investments** | | |
| | Net profit on sale of investments | 103,280 | 153,138 |
| | Net appreciation / (depreciation) of investments | 104,340 | (77,579) |
| | **Total Change in Market Value** | **207,620** | **75,559** |
| **7.** | **Current Assets and Liabilities** | | |
| | ***Current Assets*** | | |
| | Accrued Income | 4,996 | 1,076 |
| | Cash at Bank | 31,710 | 13,637 |
| | **Total Current Assets** | **36,706** | **14,713** |
| | ***Current Liabilities*** | | |
| | Audit Fee | 7,000 | 3,500 |
| | Administration Expenses | 9,809 | 4,943 |
| | Custody Fee | 4,674 | 4,294 |
| | Government Actuary's Fee | 8,005 | 4,500 |
| | Pensions Payable | 4,610 | 11 |
| | Purchases Accrual | 347 | - |
| | **Total Current Liabilities** | **34,445** | **17,248** |

## NOTES TO THE ACCOUNTS (CONTINUED)

### 8. Investments

| | Value at 1 April 2014 £ | Purchases at Cost £ | Sales Proceeds £ | Change in Market Value £ | Value at 31 March 2015 £ |
|---|---|---|---|---|---|
| Equities | 556,344 | 102,120 | (40,176) | 33,333 | 651,621 |
| Pooled Investment Vehicles | 2,307,884 | 1,331,464 | (1,327,185) | 174,287 | 2,486,450 |
| | **2,864,228** | **1,433,584** | **1,367,361** | **207,620** | **3,138,071** |

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £3,822 (2013/14: £2,544). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Further analysis of Equity investments and the exposure of Pooled Investment Vehicles to other asset classes is shown below:

| | 2014/15 £ | 2013/14 £ |
|---|---|---|
| **Equities** | | |
| UK quoted | 651,621 | 546,453 |
| Overseas quoted | - | 9,891 |
| **Total** | **651,621** | **556,344** |

## NOTES TO THE ACCOUNTS (CONTINUED)

### 8. Investments (continued)

| Pooled Investment Vehicles | 2014/15 £ | 2013/14 £ |
|---|---|---|
| Unit Trusts – Overseas Equities | 181,795 | - |
| Managed Funds – UK Bonds | 1,059,847 | 1,336,582 |
| Managed Funds – Overseas Bonds | 268,053 | 105,839 |
| Managed Funds – Overseas Equities | 507,896 | 343,398 |
| Other – Overseas Equities | 337,295 | 522,065 |
| Other – Overseas Bonds | 131,564 | - |
| **Total** | **2,486,450** | **2,307,884** |

Apart from the funds included in Other – Overseas Equities and in Other – Overseas Bonds all other funds and trusts are registered in the United Kingdom.

### 9. Related Party Transactions

The Secretary of State for Northern Ireland is the sole Trustee of the Fund and is a related party. The Department of Finance and Personnel who manage the Fund and Danske Bank Private Banking and Wealth Management, who provide investment management services to the Department are also regarded as related parties. During the year the Fund has had material transactions with the Department and Danske Bank Private Banking and Wealth Management.

Other than the related party transactions disclosed above the Trustee, key management staff and other related parties have not undertaken any material transactions with the Fund during the year.