

Central Office of Information

Resource Accounts 2005-06

(For the year ended 31 March 2006)

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Annual Report

Introduction

These Resource Accounts have been prepared by the Central Office of Information (COI) under a direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000. The Accounts demonstrate the resources that have been used to deliver the COI's objectives. The Resource Accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual issued by HM Treasury.

Entities within the Departmental Accounting Boundary

The Central Office of Information is the Department and there are no other entities within its boundary.

The Aim and Objective of the Department

The aim of the department is to enable central government to secure its policy objectives through achieving maximum communication effectiveness and best value for money. The department's objective is to meet the needs of government centrally for advice on publicity matters.

Principal Activities

In order to meet its objective the department employs the expertise of the COI trading fund to provide advice on publicity matters to central government. The department uses this resource account as a vehicle for providing funding to the trading fund to meet the cost of providing these services. The trading fund otherwise provides a full range of communication services to government departments and agencies, incurs the full costs of providing these services (including staffing costs) and generates income to cover these costs by charging clients individually for these services.

Bodies Outside of the Departmental Accounting Boundary

There are no bodies outside the Departmental Accounting Boundary.

Important Events which have occurred since the financial year end

There have been no important events that have occurred since the financial year end.

Departmental Report

Details about the activities of the COI may be found in Section 3 of the Cabinet Office Departmental Report 2006, Cm 6833, published in May 2006.

Pension Liabilities

The Department has no pension liabilities.

Management Commentary

The activities of the COI Department are funded by Parliamentary Vote. In 2005-06 the COI had a gross budget allocation of £716k for programme expenditure. During the year the COI Department incurred gross expenditure of £660k on programme expenditure in pursuit of its objectives as detailed in "The Statement of Operating Costs by Departmental Aim and Objectives".

As stated above, this account shows only those payments made to the trading fund to cover the cost of advice provided to government centrally that is not recoverable from individual clients. These payments amounted to £645,685 for the financial year 2005-06.

The activities of the COI trading fund are detailed in its own Annual Report and Accounts. For the 2005-06 financial year this document was published in July 2006 (HC 1471).

Ministers

The Ministers who had responsibility for the Department during the year were:

Rt Hon David Milliband MP	Minister for the Cabinet Office April to May 2005
Rt Hon John Hutton MP	Minister for the Cabinet Office May to November 2005
Mr Jim Murphy MP	Minister for the Cabinet Office November to March 2006

Permanent Head of the Department and Management Board

The position of Accounting Officer of the Department was held by Alan Bishop, who was, additionally, Accounting Officer and Chief Executive of the COI trading fund.

The Accounting Officer has confirmed that he has no significant outside interests which conflict with his management responsibilities.

Appointment of the Permanent Head of the Department and the Management Board

The Accounting Officer was appointed under the *Civil Service Management Code*. The Accounting Officer's remuneration is accounted for by the COI trading fund.

Ministers' and Board Members' Remuneration

The COI department does not employ staff directly. The activities covered by this resource account are undertaken by staff employed by the COI trading fund, which falls outside the Resource Accounting boundary. These matters are, therefore, the responsibility of the COI trading fund and are included in the COI trading fund annual report and accounts for 2005-06 (HC 1471). Consequently, a Remuneration Report has not been included in this Annual Report.

Employment of disabled persons

The COI department does not employ staff directly. The activities covered by this resource account are undertaken by staff employed by the COI trading fund, which falls outside the Resource Accounting boundary. These matters are, therefore, the responsibility of the COI trading fund and are included in the COI trading fund annual report and accounts for 2005-06 (HC 1471).

Equal Opportunities Policy

The COI department does not employ staff directly. The activities covered by this resource account are undertaken by staff employed by the COI trading fund, which falls outside the Resource Accounting boundary. These matters are, therefore, the responsibility of the COI trading fund and are included in the COI trading fund annual report and accounts for 2005-06 (HC 1471).

Payment of Suppliers

The department's policy is to pay all suppliers within 30 days of receipt of goods or services or a correctly documented invoice (whichever is received later) or according to contract where a different payment period is agreed. COI observes the principles of the Better Payment Practice Code.

Auditor

COI's auditor is the Comptroller and Auditor General. The notional audit fee for the statutory audit of the 2005-06 Departmental Resource Accounts was £4,650 (2004-05 £5,000).

Disclosure of relevant audit information

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

Alan Bishop
Accounting Officer
12 July 2006

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000 the Central Office of Information is required to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Central Office of Information and its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows 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 relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive of the Central Office of Information as Accounting Officer of the department with responsibility for preparing the department's accounts and for transmitting them to the Comptroller and Auditor General.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the department's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of responsibility

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

The Minister for the Cabinet Office receives an annual business plan with an assessment of the key corporate risks and actions taken to actively manage the risks identified.

The COI department is a related party of the COI trading fund and I am the Permanent Head of the COI department. The COI department operates through the trading fund to meet its objectives of providing advice on publicity matters to central government. I also report to the Permanent Secretary Government Communications on cross-government coordination of research, marketing and campaigns.

The purpose of the system of internal control

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

Capacity to handle risk

The Management Board has the primary responsibility for identifying and monitoring the key risks facing COI. Annually, the Management Board approves objectives and plans and considers the main risks to the achievement of objectives; mitigating actions are determined and the success of these actions monitored.

The Audit and Risk Committee, a sub-committee of the Management Board, examines and reviews, in conjunction with internal and external audit, the adequacy of the arrangements for accounting, risk management, internal control and governance. The non-executive Chair formally reports to the Management Board after each meeting of the Audit and Risk Committee.

A Management Board member is responsible for the development and improvement of COI's risk management policies and procedures. The structure and content of the risk registers, and the supporting guidance, are annually updated. A series of risk/control workshops are held annually as part of the business planning process, to help improve the level of knowledge and awareness of risk management. Guidance has been provided for completing and reviewing risk registers that includes direction for risk escalation.

All relevant staff have written delegated authorities and have been trained in respect of risk management appropriate to their level of responsibility. Risk management processes are embedded across COI, with units maintaining risk registers, assessing their risk during business planning and budgeting and including risk assessment when project managing. Guidance manuals are in place such as the Staff Handbook, Project Management Standards and Procurement Policy; the Finance manual is being re-written.

The HR Director is responsible for ensuring that COI employs good staff management systems and practices, so that staff possess the right level of knowledge, skill and competence to run the business efficiently and effectively. HR policies set out the principles and rules of conduct, including duty of care, standards of propriety and conflict of interest, to which staff are expected to adhere.

The risk and control framework

Our management of risk is embedded in planning and delivery by:

- a risk management strategy and process;
- the business planning process with risk registers;
- project management standards with risk registers;
- policies, procedures and framework controls over procurement, finance, IT and HR.

In COI, the main processes that are in place for identifying, evaluating, and managing risk, are:

- an annually reviewed risk management strategy and process;
- annual workshops at Management Board and business unit levels;
- Project Management Standards, overseen by the Business Improvement Delivery Group; which includes a requirement for all new projects to undertake a risk assessment;
- corporate and business unit risk registers facilitating annual reviews of risk, moving to regular interim reviews of significant risks;
- the Information Security Forum overseeing IT security risks;

My most significant risks are failure to:

- achieve Ministerial targets;
- build strong client relationships;
- match staff skills and experience with business needs;
- support effective integrated business systems; and
- organise the business flexibly to cope with changes in demand.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

The main processes that have been applied in reviewing the effectiveness of the system of internal control include:

- monthly meetings of the Management Board to consider planning, performance and change management. Each meeting includes an in depth review of a number of operating units with the aim of seeing all units at least twice a year;
- a process to monitor progress towards the key strategic objectives and to ensure that the management of underlying risks, both at a strategic and operational level, is satisfactory;
- monthly meetings of the heads of business units chaired by the Deputy Chief Executive;
- periodic reports from the Information Systems Forum and Business Improvement Delivery Group;
- a process of regular risk reporting takes place but is being further developed, particularly in respect of collating unit risks with corporate risks;
- regular reports by Internal Audit, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of COI's risk management, control and governance systems together with recommendations for improvement;
- a formal year-end sign-off process by senior management in order to ensure, as far as is possible, that the controls and safeguards are being operated in line with established procedures, policies and standards;
- comments made by the external auditors in their management letter and reports.

The Management Board and its Audit and Risk Committee have advised me on the implications of my review of the effectiveness of the system of internal control and a plan to ensure continuous improvement of the system is in place. There were no significant internal control issues during the year, although areas for improvement have been identified in individual audit reports and summarised in the annual internal audit report, with agreed remedial actions implemented or in hand. The expansion of COI's business operations to include Directgov and the Media Monitoring Unit will bring new risks, not least of which is integrating the new areas within COI without damaging our existing business or relations with clients. Through our existing risk management and client communication processes, I have assessed the potential risks to the business of this integration and am satisfied that all significant risks have been identified and, where necessary, mitigated.

Alan Bishop
Accounting Officer
12 July 2006

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

I certify that I have audited the financial statements of the Central Office of Information for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 7 to 9 reflects the Department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives and cashflows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
17 July 2006

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Victoria
London SW1W 9SP

Statement of Parliamentary Supply

Summary of Resource Outturn 2005-06

Request for Resources	Note	Estimate			Outturn			2005-06 £000	2004-05 £000
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate: saving/ (excess)	Net Total Outturn
To enable central government to secure its policy objectives through maximum communication effectiveness and best value for money	2	716	-	716	660	660	660	56	540
Total resources	3	716	-	716	660	660	660	56	540
Non-operating cost A in A				-		-	-	-	-

Net cash requirement 2005-06

Net Cash Requirement	Note	2005-06 £000			2004-05 £000	
		Estimate	Outturn	Net Total outturn compared with Estimate saving/ (excess)	Outturn	
	4	711	646	65	526	

The notes on pages 17 to 22 form part of these accounts

Operating Cost Statement for the year ended 31 March 2006

		2005-06 £000			2004-05 Restated £000
	Note	Staff Costs	Other Costs	Income	
Administration costs	-	-	-	-	-
Programme Costs					
Request for Resources 1 Programme Costs	5	-	660	-	540
Total		-	660	-	540
Net Operating Cost	3	-	660	-	540

All income and expenditure are derived from continuing operations.

There are no gains and losses other than operating cost.

The notes on pages 17 to 22 form part of these accounts

Balance Sheet as at 31 March 2006

	Note	2006 £000	2005 £000
Fixed assets:			
Investments	6	265	265
Current assets			
Cash at bank and in hand	7	250	185
Creditors (amounts falling due within one year)	8	<u>(250)</u>	<u>(185)</u>
Net current assets		—	—
Total assets less current liabilities		<u>265</u>	<u>265</u>
Taxpayers' equity			
General fund	9	<u>265</u>	<u>265</u>

Alan Bishop
Accounting Officer
12 July 2006

The notes on pages 17 to 22 form part of these accounts

Cash Flow Statement for the year ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Net cash outflow from operating activities	10(a)	(646)	(526)
Payments of amounts due to the Consolidated Fund		–	(9)
Financing	10(b)	711	711
Increase in cash in the period	10(c)	<u>65</u>	<u>176</u>

The notes on pages 17 to 22 form part of these accounts

Statement of Operating Costs by Departmental Aim and Objectives for the year ended 31 March 2006

	2005-06 £000			2004-05 £000		
	Gross	Income	Net	Gross	Income	Net
Aim: To enable central government to secure its policy objectives through achieving maximum communication effectiveness and best value for money.						
Objective 1: To meet the needs of government central for advice on policy matters	660	–	660	540	–	540
Net operating costs	660	–	660	540	–	540

The notes on pages 17 to 22 form part of these accounts

Central Office of Information – Annual Report and Accounts 2005-06

Notes to the departmental resource accounts

1. Statement of accounting policies

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

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

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention. There are no fixed assets or stocks requiring revaluation.

1.2 Investments

Public dividend capital (PDC) issued by the department to the Central Office of Information trading fund is shown at historic cost.

1.3 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the department as defined under the administration cost control regime. Programme costs reflect non administration costs, including payments of grants and other disbursements by the department. The classification of expenditure as administration or programme follows the definition of administration costs set by HM Treasury.

1.4 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities. In the absence of a separately agreed rate of return, this includes the department's investment in the Central Office of Information trading fund.

2. Analysis of net resource outturn by section

	Admin	Other current	Gross Resource Expenditure	A in A	Net Total	Estimate Net Total	2005-06	2004-05
							£000	£000
							Estimate Net Total outturn compared with Estimate	Prior-year outturn
Request for Resources 1	-	660	660	-	660	716	56	540
Resource Outturn	-	660	660	-	660	716	56	540

3. Reconciliation of outturn to net operating cost

	Note	Outturn	Supply Estimate	2005-06	2004-05
				£000	£000
				Outturn compared with Estimate	Outturn
Net Resource Outturn	2	660	716	56	540
Net operating cost		660	716	56	540

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000
Resource Outturn	2	716	660	56
Capital				
Acquisition of fixed assets		-	-	-
Investments		-	-	-
Non operating A in A		-	-	-
Proceeds of fixed asset disposals		-	-	-
Accruals adjustments				
Non-cash items	5	(5)	(14)	9
Changes in working capital other than cash		-	-	-
Changes in creditors falling due after more than one year		-	-	-
Use of provision		-	-	-
Excess cash receipts surrenderable to the Consolidated Fund		-	-	-
Net cash requirement		711	646	65

5. Programme Costs

	2005-06 £000	2004-05 Restated £000
Current grants and other current expenditure	646	526
Non-cash items		
Cost of Capital Charges	9	9
Auditors' remuneration and expenses	5	5
Total	660	540

6. Investments

	PDC £000	Total £000
Balance at 1 April 2005	265	265
Balance at 31 March 2006	265	265

7. Cash at bank and in hand

	2005-06 £000	2004-05 £000
Balance at 1 April	185	9
Net change in cash balances	65	176
Balance at 31 March	250	185

All balances held at HM Paymaster General

8. Creditors**8(a) Analysis by type**

	2005-06 £000	2004-05 £000
Amounts falling due within one year		
Amounts issued from the Consolidated Fund for supply but not spent at year end	<u>250</u>	<u>185</u>

8(b) Intra-Government Balances

	2005-06 £000	Amounts falling due within one year 2004-05 £000
Balances with other central government bodies	250	185
Subtotal: intra-government balances	250	185
Balances with bodies external to government	-	-
Total creditors at 31 March	<u>250</u>	<u>185</u>

9. General Fund

The General Fund represents the total assets less liabilities of the department to the extent that the total is not represented by other reserves and financing items.

	2005-06 £000	2004-05 £000
Balance at 1 April	265	265
Prior Period Adjustment	-	-
Adjusted Opening Balance	<u>265</u>	<u>265</u>
Net Parliamentary Funding		
Drawn Down	711	711
Deemed	-	-
Consolidated Fund Standing Services	-	-
Net financing from the Contingencies Fund	-	-
National Insurance Fund	-	-
Year end adjustment		
Supply (Creditor)/Debtor – current year	(65)	(185)
Excess Vote – prior year	-	-
Net Transfer from Operating Activities		
Net Operating Cost	(660)	(540)
CFERS repayable to Consolidated Fund	-	-
Non Cash Charges		
Cost of Capital	9	9
Auditors' remuneration	5	5
Balance at 31 March	<u>265</u>	<u>265</u>

10. Notes to the Cash Flow Statement**10(a) Reconciliation of operating cost to operating cash flows**

	Note	2005-06 £000	2004-05 £000
Net operating cost	3	660	540
Adjustments for non-cash transactions	5	(14)	(14)
Increase/(Decrease) in Creditors	8	65	185
<i>less movements in creditors relating to items not passing through the OCS</i>			
Amounts due to the Consolidated Fund for Supply		(65)	(185)
Net cash outflow from operating activities		646	526

10(b) Analysis of financing

	Note	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) – current year	9	711	711
Net financing		711	711

10(c) Reconciliation of Net Cash Requirement to increase in cash

	Note	2005-06 £000	2004-05 £000
Net cash requirement		(646)	(526)
From the Consolidated Fund (Supply) – current year	10(b)	711	711
From the Consolidated Fund (Supply) – prior year		–	–
Amounts due to the Consolidated Fund received in a prior year and paid over		–	(9)
Increase in cash		65	176

11. Capital commitments

There were no capital commitments at 31 March 2006 (none at 31 March 2005).

12. Commitments under leases

The department had no operating leases or finance leases at 31 March 2006 (none at 31 March 2005).

13. Contingent Liabilities

There were no contingent liabilities at 31 March 2006 (none at 31 March 2005).

14. Financial Instruments

The department has no long term borrowings and relies for its cash requirements on receipts from the Consolidated Fund. All material assets and liabilities are denominated in sterling so the department is not exposed to currency risks.

15. Related-party transactions

All of the department's transactions are with the Central Office of Information trading fund. The Accounting Officer and other related parties have not undertaken any material transactions with the department during the year.

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