

Presented pursuant to c.47,section 62 (2)(b) of the Northern Ireland Act 1998

Northern Ireland Human Rights Commission Account 2003-2004

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Foreword

Background information

The Northern Ireland Human Rights Commission (“the Commission”) is a body which was provided for in the Belfast (Good Friday) Agreement of 1998 and formally established under the Northern Ireland Act 1998 on 1 March 1999. The Commission is a non-departmental public body, funded by the Northern Ireland Office, but otherwise independent from Government. It is accountable, through the Secretary of State for Northern Ireland, to Parliament at Westminster and is subject to oversight by the UK Parliamentary Commissioner for Administration.

Under section 69 of the Northern Ireland Act 1998, the Commission has the following duties

- 1 To keep under review the adequacy and effectiveness in Northern Ireland of law and practice relating to the protection of human rights.
- 2 To advise the Secretary of State and the Executive Committee of the Northern Ireland Assembly of legislative and other measures which ought to be taken to protect human rights.
- 3 To advise the Northern Ireland Assembly whether a Bill is compatible with human rights.
- 4 To promote understanding and awareness of the importance of human rights in Northern Ireland by, for example, undertaking or commissioning or otherwise assisting research and educational activities.
- 5 To provide advice to the Secretary of State on the scope for defining, in Westminster legislation, rights supplementary to those in the European Convention on Human Rights.
- 6 To make to the Secretary of State within two years such recommendations as it thinks fit for improving the Commission’s effectiveness.
- 7 To do all that it can to ensure the establishment of a Joint Committee with the Human Rights Commission in the Republic of Ireland.

In addition, under the same section, the Commission has the following powers

- 1 To give assistance to individuals who apply to it for help in relation to proceedings involving law or practice concerning the protection of human rights.
- 2 To bring proceedings involving law or practice concerning the protection of human rights.
- 3 To conduct such investigations as it considers necessary or expedient for the purpose of exercising its other functions.
- 4 To publish its advice and the outcome of its research and investigations.

These accounts have been prepared in accordance with the requirements of paragraph 7(2(a)) of Schedule 7 to the Northern Ireland Act 1998 and in a form directed by the Secretary of State for Northern Ireland with the approval of the Treasury.

Business review

A full review of the Commission’s activities is given in the annual report.

Results for the year

The results of the Commission are set out on pages 10 and 11. The surplus for the year was £158,491.

Fixed assets

Details of the movement of fixed assets are set out in Note 6 to the accounts.

Research and development

The Commission engages in research and development activities with regard to investigation of human rights advancements and the support of individual cases.

Future developments

In the course of the next financial year, the Commission aims to

- 1 Carry out investigations and support individual cases that highlight human rights concerns.
- 2 Advise Governments in Northern Ireland and at Westminster on the human rights implications of legislation and policy.
- 3 Through research, education, publications and seminars promote widely a culture and understanding of human rights across Northern Ireland.
- 4 Provide advice to the Secretary of State for Northern Ireland on the scope for a Bill of Rights for Northern Ireland.

Important events occurring after the year end

There have been no significant events since the year end which would affect these accounts.

Charitable donations

The Commission made no charitable donations during the year.

Commission members

The following served as Commissioners during 2003–2004

Professor Brice Dickson (Chief Commissioner)
Mrs Margaret Ann Dinsmore QC
Mr Tom Donnelly MBE JP DL
Lady Christine Eames
Rev Harold Good OBE (retired 29 February 2004)
Professor Tom Hadden
Ms Patricia Kelly
Dr Christopher McGimpsey (resigned 3 November 2003)
Mr Frank McGuinness (retired 29 February 2004)
Mr Kevin McLaughlin
Mr Patrick Yu (resigned 7 July 2003)

Disabled employees

The Commission aims to ensure that disability is not a bar to recruitment or advancement.

Employee involvement

The Commission implements its strategic plan through its staff. In achieving business objectives the Commission recognises that the involvement of staff in planning and the decision making process is important. Staff involvement is maximised through the combined use of, for example, weekly team meetings, staff briefings and regular joint staff/union consultative meetings. NIPSA is the Commission's recognised trade union.

Payments to suppliers

The Commission is committed to the prompt payment of bills for goods and services received in accordance with the principles of the 'Better Payment Practice Code' as stated in paragraph 4.2.1 of the 'Non-Departmental Public Body' guidance. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

During the year 86.8% of bills were paid within this standard.

Audit

The financial statements are audited by the Comptroller and Auditor General.

The fees for this year are £10,000 (2002-2003: £10,000).

Mrs Paddy Sloan
Accounting Officer

11 August 2005

Statement of the Northern Ireland Human Rights Commission and Chief Executive's responsibilities

Under Section 7(2(a)) of Schedule 7 to the Northern Ireland Act 1998 and the accounts direction issued by the Secretary of State on 19 July 2000 the Commission is required to prepare a statement of accounts in the form and on the basis determined by the Secretary of State for Northern Ireland, with the approval of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Commission's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Commission is required to

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer of the Northern Ireland Office has designated the Chief Executive as the Accounting Officer for the Commission. The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officer's Memorandum, issued by HM Treasury and published in Government Accounting.

Mrs Paddy Sloan
Chief Executive

11 August 2005

Statement on Internal Control

1 Scope of responsibility

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

The Commission is a non-departmental government body, sponsored by the Northern Ireland Office (NIO), responsible to Parliament through the Secretary of State for Northern Ireland. As such, discussions on financial matters and risk are held with officials, rather than directly with Ministers.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Commission 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.

As at 31 March 2004, I expected to have the procedures in place necessary to implement Treasury Guidance. However, this timetable slipped because of delays in restructuring the organisation to bring in a new management structure and in formally agreeing the Commission's Financial Memorandum with the NIO. These are now in place and the Commission has commenced implementation of the processes that the NIO has agreed should be established and is working to ensure their robustness.

3 Capacity to handle risk

We have now held a risk management workshop, attended by representatives of all staff, during which we identified the Commission's objectives and risks and determined a control strategy for each of the significant risks, and trained staff in risk awareness. As a result of this workshop, a risk management policy document and framework is being developed, including a comprehensive risk register for discussion with, and approval of, new Commissioners who take up their appointments in September 2005.

4 The risk and control framework

Risk management and internal control will be considered on a regular basis during the year and will be incorporated into the corporate planning and decision making processes of the Commission in 2005. As part of this, an Audit and Risk Management Committee will be established when new Commissioners take up their appointments in September 2005. Furthermore, the risk register will be reviewed and, where appropriate, updated monthly by the Management Team.

5 Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of its effectiveness is informed by the work of internal auditors and new executive managers within the Commission 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. However, given that the Commission is still a relatively new organisation, and has only recently put in place a full management structure, our financial systems have been evolving as the organisation has grown.

The Commission's first internal audit took place in early 2004 and, whilst it confirmed that our control systems were adequate, a number of recommendations were made for improvement. In particular, weaknesses identified included financial procedures not being adequately documented and controls not being sufficiently robust with respect to procurement procedures. An action plan is being developed to implement all of the internal audit recommendations by autumn 2005. The Commission's internal auditors are currently preparing a Strategic Audit Plan to set out and prioritise audit activity for the next three years, so that I receive comprehensive reports on whether robust controls are in place and working effectively over that period.

Commissioners receive monthly reports on financial performance and audit activity and, as described above, the Commission will form an Audit and Risk Management Committee in autumn 2005.

Mrs Paddy Sloan
Accounting Officer

11 August 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 10 to 21 under the Northern Ireland Act 1998. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

Respective responsibilities of the Northern Ireland Human Rights Commission, the Chief Executive and Auditor

As described on page 5, the Northern Ireland Human Rights Commission and Chief Executive are responsible for the preparation of the financial statements in accordance with the Northern Ireland Act 1998 and directions made thereunder by the Secretary of State for Northern Ireland and for ensuring the regularity of financial transactions. The Northern Ireland Human Rights Commission and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Northern Ireland Act 1998 and directions made thereunder by the Secretary of State for Northern Ireland, and 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Northern Ireland Human Rights Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 6 to 7 reflects the Northern Ireland Human Rights Commission's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Northern Ireland Human Rights Commission's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An 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 judgements made by the Northern Ireland Human Rights Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission'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 error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Northern Ireland Human Rights Commission at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Northern Ireland Act 1998 and directions made thereunder by the Secretary of State for Northern Ireland; 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

11 October 2005

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Income and Expenditure Account for the year ended 31 March 2004

	Notes	2004 £	2003 £
Income			
Revenue grant in aid	2	1,359,397	1,192,037
Other operating income	2	781	3,798
Capital grant released	9	33,874	34,390
Total income		<u>1,394,052</u>	<u>1,230,225</u>
Expenditure			
Staff costs	3	587,801	584,986
Depreciation	6	33,874	34,390
Other operating costs	4	609,791	595,673
Notional cost of capital	5	4,095	2,660
Total expenditure		<u>1,235,561</u>	<u>1,217,709</u>
Surplus for the year		158,491	12,516
Credit in respect of notional cost of capital	5	4,095	2,660
Surplus transferred to reserves	9	<u>162,586</u>	<u>15,176</u>

All amounts above relate to continuing activities.

The notes on pages 13 to 21 form part of the financial statements.

There have been no gains or losses other than those recognised in the Income and Expenditure Account.

Balance Sheet as at 31 March 2004

	Notes	2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	6		128,661		151,932
Current assets					
Prepayments/accrued income	7	27,538		90,971	
Cash at bank/in hand		277,109		157,145	
			304,647	248,116	
Current liabilities					
Creditors: amounts falling due within one year	8	(246,660)		(352,715)	
Net current assets/(liabilities)			57,987		(104,599)
Total assets less current liabilities			186,648		47,333
Financed by					
Capital and reserves					
Other reserves	9		128,661		151,932
General fund	9		57,987		(104,599)
			186,648		47,333

The financial statements were approved by the Commission on 28 July 2005 and were signed on its behalf by

Mrs Paddy Sloan
Accounting Officer

11 August 2005

The notes on pages 13 to 21 form part of the financial statements.

Cash Flow Statement for the year ended 31 March 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	14	113,584	159,424
Capital expenditure and financial investments	15	(4,223)	(29,048)
Capital financing	9	10,603	25,213
Increase in cash in the year		<u>119,964</u>	<u>155,589</u>

The notes on pages 13 to 21 form part of the financial statements.

Notes to the Financial Statements

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, and with the accounts direction issued by the Secretary of State for Northern Ireland. Without limiting the information given, the financial statements comply with the accounting and disclosure requirements of the Companies Act 1985, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by HM Treasury, insofar as those requirements are appropriate.

1.2 Income

Revenue grant in aid represents funding from the Northern Ireland Office to fund the Commission's current expenditure.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight line basis at rates calculated to write-off the cost less estimated residual value of each asset over its expected useful life. The estimated useful lives for depreciation purposes are

Leasehold improvements	ten years
Computer equipment	three years
Fixtures, fittings and equipment	five years

The accounting policy is to capitalise those items costing in excess of £500.

1.4 Leasing and hire purchase commitments

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in Note 3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Commission 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 PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year.

Separate arrangements are in place for the Chief Commissioner's pension scheme, which is not part of the PCSPS.

1.6 Capital grants

Grants towards capital expenditure are credited to a Capital Grant Reserve and are released to the Income and Expenditure Account over the expected useful life of the assets.

1.7 Value Added Tax

The Commission is ineligible to reclaim input VAT on expenditure. Therefore, all expenditure is inclusive of VAT.

1.8 Legal casework expenditure

Section 70 of the Northern Ireland Act 1998 enables the Commission to support legal cases in relation to the protection of human rights. These cases usually span several years.

In some cases costs are recoverable from the respondent if the applicant is successful. Given this, whilst the Commission decides to support cases, contingent on the outcome, payments are not made until judgement is passed, and the judge decides on a cost order (i.e. whether the 'losing' side should pay all costs, or each side should bear their own costs). Given that a criterion for Commission support is whether a case has a 'reasonable chance of success', it does not expect to incur actual costs in many cases. However, cases can be lost. In these cases, it is possible that the applicant could be asked to pay the respondent's costs. Where this happens the Commission may pay these costs on behalf of the applicant. These potential liabilities are noted in the financial statements as contingent liabilities.

Some legal costs incurred by the Commission are not recoverable. The Commission estimates the amount of such costs for each case and, for those costs not already recognised in the Income and Expenditure Account, disclosure as financial commitments is made in the notes to the financial statements.

2 Income

	2004	2003
	£	£
<i>a Grant in aid</i>		
Grant from the Northern Ireland Office Request for Resources 1		
Revenue grant in aid	1,359,397	1,192,037
	1,359,397	1,192,037

In addition, a further £10,603 (2002–2003: £25,213) was recognised as capital grant. This amount has been taken to the Capital Grant Reserve (see Note 9).

b Other income

Other income represents the sale of publications, conference and lecture fees and the reimbursement of expenses incurred by staff and commissioners in travelling to speak at conferences.

3 Staff numbers and related costs

Staff costs

	2004	2003
	£	£
Commissioners		
Wages and salaries	157,313	168,794
Social security costs	14,382	13,432
Other pension costs	6,135	6,135
	177,830	188,361
Other staff		
Wages and salaries	345,756	328,305
Social security costs	25,856	21,173
Other pension costs	38,359	47,147
	409,971	396,625
Total staff costs	587,801	584,986

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2003–2004, employers' contributions of £38,359 were payable to the PCSPS (2002–2003: £47,147) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands, but will increase from 2005–2006. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are paid to one or more of a panel of four appointed stakeholder pension providers. No employer contributions were made in 2003–2004 (2002–2003: £nil).

Employer partnership contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay are payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

No person retired early on ill-health grounds during 2003–2004.

Average number of persons employed

The average number of whole time equivalent persons employed (including senior management, but excluding Commissioners) during the year was as follows

	2004	2003
	Number	Number
Chief Executive	1	1
Admin Officers	5	5
Chief Executive's Department	8	8
	14	14

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Commissioners and most senior member of the Commission's staff (the Chief Executive).

a Remuneration

	2004	2003
	£	£
<i>Commissioners</i>		
Professor Brice Dickson (Chief Commissioner)	70,454	60,000
Professor Christine Bell	0	4,397
Margaret Ann Dinsmore	10,000	10,000
Tom Donnelly	10,000	10,000
Lady Christine Eames	10,000	10,000
Reverend Harold Good	9,167	10,000
Professor Tom Hadden	10,000	10,000
Patricia Kelly	10,000	10,000
Dr Inez McCormack	0	4,397
Dr Christopher McGimpsey	5,872	10,000
Frank McGuinness	9,167	10,000
Mr Kevin McLaughlin	10,000	10,000
Mr Patrick Yu	2,654	10,000
	157,314	168,794
<i>Staff</i>		
Paddy Sloan (Chief Executive)	41,832	40,347

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Commission and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Commission and treated by the Inland Revenue as a taxable emolument. No benefits in kind were received during the 2003–2004 financial year.

b Pension benefits

	Real increase in pension at and related lump sum at age 60 £	Accrued pension at age 60 at 31 March 2004 related lump sum £	CETV at 31 March 2004 £	CETV at 31 March 2003 £	Real increase in CETV £
Paddy Sloan Chief Executive	532 plus 1,596 lump sum	2,332 plus 6,997 lump sum	34,740	25,526	7,291

Commissioners' pensions

The Commission is liable for pension contributions of £6,135 to the University of Ulster in respect of the year ended 31 March 2004 (2002–2003: £6,135), on behalf of Professor Dickson (this liability has been included in the accruals figure at Note 8).

No further pension contributions were made in respect of Commissioners in the year ended 31 March 2004 (2002–2003: £nil).

Staff pensions

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

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

The partnership pension account is a stakeholder pension arrangement. The employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. 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 pay (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the PCSPS arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003–2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

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

4 Other operating costs

	2004	2003
	£	£
Motor expenses	8,256	8,289
Hospitality, travel and subsistence	21,056	11,637
Advertising and publicity	48,178	32,059
Research	8,033	6,373
Telephone	6,402	9,759
Printing, postage and stationery	26,563	27,728
Light and heat	8,302	7,635
Operating leases – rent of property	77,441	82,212
Rates	24,217	23,734
Insurance	14,711	12,689
Legal expenses	35,215	0
Casework	111,794	203,393
Office maintenance	9,279	13,677
Computer costs	22,379	0
Accountancy fees	3,521	13,718
Auditors (NAO) remuneration	10,000	10,000
Internal audit	3,677	0
Consultancy	31,233	11,636
Staff training and recruitment costs	21,570	28,357
Conferences and seminars	20,449	2,184
Education costs	5,915	2,429
Joint Committee	3,947	20,841
Bill of Rights	40,690	29,471
Investigations	44,358	17,619
Evaluation and monitoring costs	0	16,933
Other expenses	2,605	3,300
	609,791	595,673

5 Notional costs

Notional cost of capital

The Income and Expenditure Account bears a non-cash charge for interest relating to the use of capital by the Commission. The basis of the charge is 3.5% of the average capital employed by the Commission during the year defined as total assets less current liabilities.

6 Tangible fixed assets

	Leasehold Improvements	Computer equipment	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 April 2003	109,348	38,813	75,583	223,744
Additions	0	7,979	2,624	10,603
At 31 March 2004	<u>109,348</u>	<u>46,792</u>	<u>78,207</u>	<u>234,347</u>
Depreciation				
At 1 April 2003	21,870	21,990	27,952	71,812
Charge for the year	10,935	7,649	15,290	33,874
At 31 March 2004	<u>32,805</u>	<u>29,639</u>	<u>43,242</u>	<u>105,686</u>
Net book value				
At 31 March 2004	<u>76,543</u>	<u>17,153</u>	<u>34,965</u>	<u>128,661</u>
At 31 March 2003	<u>87,478</u>	<u>16,823</u>	<u>47,631</u>	<u>151,932</u>

The fixed assets were not revalued during the period as there were no material differences between historical cost amounts and the revalued amounts.

7 Debtors

	2004	2003
	£	£
Trade debtors	10,422	6,138
Prepayments and accrued income	17,116	84,833
	<u>27,538</u>	<u>90,971</u>

8 Creditors: amounts falling due within one year

	2004	2003
	£	£
Trade creditors	147,774	262,748
Taxation and social security	0	8,090
Other creditors	40,000	40,000
Accruals	58,886	41,877
	<u>246,660</u>	<u>352,715</u>

The Commission has disputed a number of invoices raised by a firm of solicitors. In respect of the 2003–2004 financial year, invoices amounting to £77,086.07, which are recorded as trade creditors, are disputed. An independent cost drawer has been appointed and assessed the invoices and identified potential reductions – these are being discussed with the firm concerned with a view to resolving the matter.

9 Statement of movements in the Capital Grant Reserve and the General Fund

	General reserve £	Capital grant £
At 1 April 2003	(104,599)	151,932
Surplus arising in period	162,586	0
Capital grant received	0	10,603
Released to Income and Expenditure Account in the year	0	(33,874)
At 31 March 2004	<u>57,987</u>	<u>128,661</u>

10 Performance against key financial targets

The Secretary of State does not consider it appropriate to set key financial targets for the Commission.

11 Contingent liabilities

As at 31 March 2004, the Commission was supporting eight cases where legal costs might be liable depending on the outcome of the cases and whether cost orders are made against the applicants.

Subsequently, three of these cases were lost and cost orders made against the applicant for their and the respondent's costs. The extent of the respondent's costs has not yet been revealed. Leave to appeal the judgement in one of these cases has been granted and, in the other cases, leave to appeal was being considered. Therefore, the final outcome of these cases, and therefore the extent of the Commission's liabilities – if any – in respect of them, will not be known until the 2005–2006 financial year at the earliest.

The other cases were ongoing as at 31 March 2005.

In light of the above, it is not possible to quantify the potential liabilities in respect of the eight cases.

12 Financial commitments*Operating lease commitments*

At 31 March 2004 the Commission had the following annual commitments under non-cancellable operating leases. The amounts disclosed are inclusive of VAT.

	Land and buildings		Office equipment	
	2004	2003	2004	2003
	£	£	£	£
<i>Expiry date</i>				
Less than one year	0	0	0	2,566
In over five years	66,593	66,593	0	0
	<u>66,593</u>	<u>66,593</u>	<u>0</u>	<u>2,566</u>

Legal casework

As at 31 March 2004, the Commission was disputing 10 cases, not disclosed elsewhere in the financial statements, where legal costs would not be recoverable. The total cost of these cases was estimated at £70,000.

Capital commitments

The Commission had no capital commitments at 31 March 2004 (2003: £nil).

13 Related party transactions

The Commission is a non-departmental public body (NDPB) sponsored by the Northern Ireland Office (NIO). NIO is regarded as a related party. During the period the Commission had various transactions with NIO.

None of the Commission members, members of the key management staff or other related parties has undertaken any material transactions with the Commission during the period.

14 Reconciliation of result for the year to net cash outflow from operating activities

	2004 £	2003 £
Result for the year	158,491	12,516
Depreciation of tangible assets	33,874	34,390
Notional costs	4,095	2,660
Decrease/(increase) in debtors	63,433	(68,994)
Increase in creditors within one year (Note 15)	(112,435)	213,242
Capital grant released	(33,874)	(34,390)
Net cash outflow from operating activities	113,584	159,424

15 Gross cash flows

	2004 £	2003 £
<i>Capital expenditure and financial investments</i>		
Payments to acquire tangible assets	(4,223)	(29,048)
	(4,223)	(29,048)

The difference of £6,380 between 'payments to acquire tangible assets' and Additions (Note 6) is due to the payments for certain fixed assets being outstanding at 31 March 2004. This also accounts for the difference in 'increase in creditors within one year' (Note 14) and the creditors' analysis (Note 8).

16 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the non-trading nature of its activities and the way in which executive non-departmental public bodies are financed, the Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Commission has no powers to borrow or invest surplus funds and has limited year end flexibility. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Commission in undertaking activities. As permitted by FRS 13, debtors and creditors which may mature or become payable within 12 months from the balance sheet date have been excluded from this disclosure.

Liquidity risk

The Commission is financed by grant in aid from the Northern Ireland Office and is accountable to Parliament through the Secretary of State for Northern Ireland and is not therefore exposed to significant liquidity risk.

Interest rate risk

All financial assets and financial liabilities of the Commission carry nil rates of interest and therefore are not exposed to interest-rate risk.

Currency risk

The Commission does not trade in foreign currency and therefore has no exposure to foreign currency risk.

Fair values

The book value and fair values of the Commission's financial assets and financial liabilities as at 31 March 2004 are set out below

Primary financial instruments

	Book value	Fair value
	£	£
<i>Financial assets</i>		
Cash at bank	277,109	277,109
<i>Financial liabilities</i>		
Bank overdraft	N/A	N/A

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