



THE
COMPENSATION
Agency

**ANNUAL REPORT
AND ACCOUNTS
2010-2011**



INVESTOR IN PEOPLE



COMPENSATION AGENCY

Annual Report and Accounts **For the year ended 31 March 2011**

Laid before the Northern Ireland Assembly
under section 11(3) (c) of the Government Resources
and Accounts Act (Northern Ireland) 2001
by the Department of Justice

on

30 June 2011



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This document is also available at our website at <http://www.dojni.gov.uk/compensation-agency/>

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CONTENTS

	Page
FOREWORD	2
ANNUAL REPORT AND MANAGEMENT COMMENTARY	
The Agency's business	3
Commitment to customer service	5
Commitment to our people	6
Commitment to corporate governance and reporting arrangements	7
Commitment to environmental, social and community issue	8
Other disclosures	9
Further information	11
REMUNERATION REPORT	12
ACCOUNTS	
Statement of Chief Executive's Responsibilities	17
Statement on Internal Control	18
The Certificate and Report of the Comptroller and Auditor General	24
Statement of Comprehensive Net Expenditure	26
Statement of Financial Position	27
Statement of Cash flows	28
Statement of Changes in Taxpayers' Equity	29
Notes to the Accounts	30



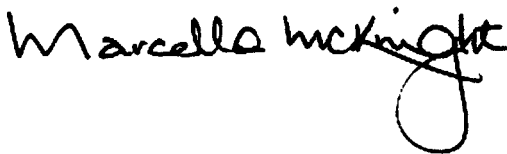
FOREWORD

I am pleased to sign the annual report which records that in 2010/11 the Agency achieved 9 out of its 10 key performance targets set for the year. During the year, we received 8,870 new applications and review/appeal requests, decided on 8,855 cases and paid out almost £25m in compensation. This represents a significant achievement by the Agency and demonstrates the drive, commitment and experience of its staff.

The Agency strengthened its focus on Customer Service in 2010/11 and I am pleased to report that during the year we successfully obtained accreditation for the new Customer Service Excellence Scheme.

Recognising that the Agency's business has reduced significantly in recent years, our accommodation requirements need to be reviewed. To ensure future capability and resilience, and to further improve the way we handle claims, a comprehensive appraisal of our IT Case Management systems has been initiated. To compliment this work and exploit any opportunities it generates for improved productivity and operational excellence we have also commenced a review of our procedures for handling claims. This review has incorporated practical training for managers in the principles of LEAN management. Against the background of these developments we have once again set challenging targets for the year ahead aiming to improve on our performance on last year.

The Agency has an excellent team of very experienced staff who have demonstrated a commitment to good customer service and efficient service delivery. I look forward very much to leading the team over the next year.



MARCELLA McKNIGHT



Devolution of policing and justice functions

On 12 April 2010, justice functions in Northern Ireland were devolved to the Northern Ireland Assembly and the Department of Justice came into existence as a new Northern Ireland Department. From this date the Compensation Agency became an executive agency of the Department of Justice.

In accordance with the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Annual Report and Accounts of the Agency for the year ended 31 March 2011 and onwards, will be laid in the Northern Ireland Assembly.

During the period up to 12 April 2010, the Compensation Agency complied with the corporate governance and accountability framework arrangements (including *Managing Public Money*) issued by HM Treasury and the Northern Ireland Office.

From 12 April 2010 onwards, the Compensation Agency complied with the corporate governance and accountability framework arrangements (including *Managing Public Money Northern Ireland*) issued by the Department of Finance and Personnel and Department of Justice.

The Agency's Business

The Compensation Agency is an executive agency within the Department of Justice.

As outlined in our Business Plan for 2011/14, our aim is:

To provide a professional service to victims who have been injured through violent crime or who have had their property damaged, we recognise the affect on their lives and, where appropriate, give them some financial support in an effort to help them recover and move on.

Beneath that overall aim lie two key objectives:

- **That our customers receive the best service possible** – we will deliver this by ensuring that our processes support and respect victims of crime, that our staff focus on victims needs, and that victims who are eligible for compensation, are paid in accordance with the relevant schemes.
- **That we achieve best value for the resources at our disposal** – we aim to deliver this by saving on our operating costs and improving our processing capability and reducing our revenue costs.

The Compensation Schemes

The Agency administers four statutory compensation schemes in Northern Ireland for criminal injuries, criminal damage and, on behalf of the NIO, actions taken under the Justice and Security (Northern Ireland) Act 2007.



ANNUAL REPORT AND MANAGEMENT COMMENTARY

The **Criminal Injuries Compensation Scheme 2002 and the Criminal Injuries Compensation Scheme 2009** (“the Tariff Schemes”) provide compensation to victims of violence in Northern Ireland who have been physically and/or mentally injured or who are a dependant or relative of a deceased victim. The governing legislation is the Criminal Injuries Compensation (Northern Ireland) Order 2002.

During the year, the Agency decided 5,218 Tariff claims at First Decision, as against 5,403 received during the year. The Agency received 1,929 new Review requests during the year and issued 1,941 Review decisions. In total, £12.3m was paid in compensation under the Tariff Scheme.

The **1988 Order Criminal Injuries Compensation Scheme** applies to incidents which took place before 1 May 2002. The Agency has continued to focus on clearing the remaining cases under this scheme. During the year decisions were reached in 156 of the outstanding cases. £8m was paid, representing a continuing downward trend owing to reduction in the overall number of cases.

The reduction in work in this area has enabled the Agency to reduce staffing levels within the legal team. As the numbers of remaining cases continue to reduce, we will keep staffing levels under review.

The **Criminal Damage Compensation Scheme** provides compensation for malicious damage to property in Northern Ireland caused by terrorism, unlawful assemblies of three or more people and for malicious damage to agricultural property. The governing legislation is the Criminal Damage (Compensation) (Northern Ireland) Order 1977. The number of criminal damage cases received under this scheme has increased slightly in the 2010/11 year to 803 (798 were received in 2009/10). During the 2010/11 year, the Criminal Damage Branch cleared 869 claims. The Agency paid a total of £4.4m in Criminal Damage compensation awards in 2010/11. £5.3m was paid in Criminal Damage claims in 2009/10. This decrease in the total awards made was due to the settlement of a smaller number of high value cases in 2010/11 than in 2009/10.

191 appeals arising from the 1988 Criminal Injuries Compensation Scheme and the Criminal Damage Compensation Scheme were cleared during the year. Eighty nine new appeal requests were received during the same period.

Compensation is also paid to those who suffer loss or damage resulting from action taken under the Justice and Security (Northern Ireland) Act 2007 (which has superseded the Terrorism Act 2000). On devolution Legal authority to fund such claims became the responsibility of the Northern Ireland Office (NIO). Given that there are relatively few claims under this scheme the Agency continued to administer, on behalf of the NIO, actions taken under this legislation. 66 such claims were cleared as against 71 received during 2010/11. Payments made totalled £0.09m in 2010/11 compared to £0.11m in 2009/10. Payments made by the Agency during the year will be reimbursed by the NIO.



ANNUAL REPORT AND MANAGEMENT COMMENTARY

Commitment to Customer Service

Performance against Targets

	Key Targets	Area	Target	Year to 31/3/11	Variance
1.	To clear 62% of all cases still in hand at 1 April 2010 by 31 March 2011	Criminal Damage	62%	67%	5%
2.	To clear 32% of all cases received in year by 31 March 2011	Criminal Damage	32%	46%	14%
3.	To make a decision on 76% of claims in hand on 1 April 2010 by 31 March 2011	Tariff	76%	76%	–
4.	To make a decision on 30% of claims registered in year by 31 March 2011	Tariff	30%	31%	1%
5.	To make a decision on 91% of review cases in hand on 1 April 2010 by 31 March 2011	Tariff	91%	92%	1%
6.	To make a decision on 53% of review cases received in year by 31 March 2011	Tariff	53%	67%	14%
7.	That the Agency's standards of adjudication are appropriate. This will be confirmed by the Department's Internal Audit Branch through random sampling of claims	All Schemes	Confirmation from Internal Audit that target has been met	Validated	N/A
8.	To manage the Agency spending on salary, running costs and capital within financial limits agreed with the Department (including in-year adjustments)	Finance	£3,389k	£3,316k	£73k
9.	To investigate and reply to 95% of complaints within 10 working days of receipt	Corporate Services	95%	100%	5%
10.	To develop by 31 March 2011 a new target and supporting methodology to determine the level of customer satisfaction with the Agency's services.	Corporate Services	Department advised not to set a new target for customer satisfaction levels.	Target not met	N/A

Customer Service Excellence

We take pride in our high standards of customer service and offer a high level of responsiveness to customers. We were therefore pleased to have received our first accreditation under the new Customer Service Excellence, which replaced the Chartermark.

Customer Opinion Survey

Good progress was also made against our **customer service** objective set to better determine customer satisfaction levels. In January, we launched a pilot of our customer satisfaction survey. Although the response rate was low, of those who did respond, 57% rated the Agency's services as satisfactory or very



ANNUAL REPORT AND MANAGEMENT COMMENTARY

satisfactory. However advice from Statistics and Research Branch indicated that the response rate was too low to base a target for improvement in future years and we need to work further with the experts to devise a more accurate baseline measurement. By failing to set a customer satisfaction target we were unable to claim full achievement of the key performance objective. The Department is wholly satisfied that the Agency successfully completed the work necessary to devise the improvement target and it supports the decision not to rush into setting a target.

Complaints

During the year, we received 15 formal complaints. These complaints were fully investigated and out of the 15 complaints received, 4 were justified. 100% of the complaints received were responded to within 10 working days.

Stakeholders

We have continued to meet key stakeholders regularly and encouraged them to be open and frank in expressing their comments and any concerns regarding the Agency's services. We have continued to develop our links with Victim Support NI and other interested bodies.

Commitment to our People

Development and Training

During the year, all our staff attended a workshop on Performance Management.

In addition to this, individual staff members also availed of the courses including: CPD Training for Legal staff, TRIM Training, Managing Projects, Risk Management, Manual Handling, Secretarial Training, Audit and Governance and IT. All staff also successfully completed mandatory Diversity training.

Employee Involvement

The Agency continues to emphasise the importance of internal communications. The Agency Coordinating Group brings together a range of managers from across the Agency at monthly meetings. Additionally, all staff are invited to attend monthly Chief Executive briefings, where the Departmental Board Brief is delivered and discussed. Both sessions feed into discussions at monthly team meetings held at Branch level.

Sickness Absence Information

For the 2010/11 year, sickness absence was an average of 9.2 days per employee. This reflected an improvement of 0.6 days on 2009/10.



ANNUAL REPORT AND MANAGEMENT COMMENTARY

Trade Union

During the year it was agreed that due to its reduced size, the Agency no longer required separate Whitley meetings and that business could be conducted via the Departmental Whitley machinery. However, the Agency continues to engage with TUS at a local level on all matters impacting on staff.

Commitment to Corporate Governance and Reporting Arrangements

Framework Document

During the year the Agency operated under the terms of a Framework Document which defines the responsibilities of and the relationships between the Agency, and the Department of Justice; financial and personnel arrangements; and planning, monitoring and accounting arrangements.

The Chief Executive is personally and directly accountable to the Minister for the effective operation of the Agency and for managing its financial and human resources. She is also the Agency's Accounting Officer, accountable for the economic, efficient and effective use of resources provided to the Agency, for the propriety of its expenditure, and for ensuring that Government accounting requirements are met.

Role of Agency Strategy Group

To assist the Chief Executive in discharging these responsibilities, the Agency draws on the skills and experience of the Agency Strategy Group (ASG), comprising senior managers. ASG provides leadership to the Agency, agreeing its strategic direction and annual targets and plans, overseeing the delivery of the agreed targets, and aiming to secure a high standard of corporate governance. ASG meets at least on quarterly basis.

Accounts Direction

The Agency's Accounts for the year ended 31 March 2011 (page 17) are prepared under a direction given by the Department of Finance & Personnel dated 3rd May 2011 in accordance with Section 11 (2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Financial Summary

Annual net operating cost of £26m showed an increase of 38% on 2009/10 (£18.8m). In respect of Compensation claims the Agency provides for new cases received and also makes adjustments as required to the value of cases in hand.

The provision for Compensation Claims on the Statement of Financial Position decreased to £42.2m from £45.7m last year. This is due to more cash being paid out in settlement of claims than that required to be provided in the year.



ANNUAL REPORT AND MANAGEMENT COMMENTARY

Internal Audit

The Agency obtained internal audit services from the DoJ Internal Audit Unit. An audit programme for the year is based on an assessment of risk. During the year the DOJ Internal Audit carried out an audit of the Agency's policies and procedures relating to Information Assurance and also undertook a target validation exercise. The DOJ Internal Audit reported its findings to the Agency.

Risk Management

The Compensation Agency has adopted the DOJ's Risk Management Policy which ensures that effective risk management processes improve the quality of decision making and the ability to deliver. Risk management is a structured way of supporting managers in making informed decisions so that by handling threats and opportunities effectively the Agency is in a stronger position to deliver its business. A risk management plan has been prepared and is reviewed quarterly by the Agency Strategy Group.

Audit Committee

The Agency's Audit Committee comprises the Chief Executive of the Agency, the Agency's Head of Finance, and Olwen Laird (OPONI) a Non-Executive Board Member. Representatives from the Department's Internal Audit Branch and from the Agency's external auditors are invited to all Audit Committee meetings. The Agency plans to strengthen the Committee membership in 2011/12 through the appointment of a new independent chairperson.

Payments to Suppliers

Payment within 10 working days

The Agency's policy is to pay bills from all suppliers within 10 working days following receipt of a properly rendered invoice or in accordance with contractual conditions, whichever is earlier.

Monthly statistics highlight that the Agency consistently achieved more than 98% of payments to suppliers within 10 working days during the financial year. In terms of the overall performance for 2010/11, 98% (2009/10: 95.9%) of invoices were paid within 10 working days following receipt of a properly rendered invoice.

Commitment to Environmental, Social and Community Issues

The Agency, in its primary role, supports and enhances the social well-being of community life in Northern Ireland through the operation of the statutory compensation schemes. The Criminal Damage Compensation Scheme seeks, amongst other things, to sustain the confidence of the business community, while the Criminal Injury Compensation Schemes seek to ensure that individual members of the community who have suffered as the victims of violent crime may avail of financial support.



ANNUAL REPORT AND MANAGEMENT COMMENTARY

Alongside this, the Agency seeks to provide outlets for staff to support the community through volunteering. Two days' additional leave is available each year for staff involved in voluntary activities.

The Agency continues to participate in a recycling scheme for toner cartridges. The photocopying and printing paper which we purchase contains 100% recycled material.

Other Disclosures

Provisions

The Statement of Financial Position at 31 March 2011 shows provisions for liabilities and charges of £42,162k. This valuation recognises that provisions will crystallize in future years and will be funded by Departmental funding. There is no reason to believe that this funding will not be forthcoming. For more details see Note 13 to the Accounts.

Pensions

The Department is covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) and bears the cost of pension provision for its' staff by payment of an Accruing Superannuation Liability Charge (ASLC). The scheme is essentially non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Agency meets the cost of pension cover provided for staff by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS(NI) as a whole.

Notes 1.11 and 3 of the Notes to the Accounts and the Remuneration Report on pages 12-16 provide details of the pensions liabilities of the Agency.

Related Party Transactions

No key managerial staff or other related parties have undertaken any material transactions with the Compensation Agency during the year.

Charitable Donations

There were no formal charitable donations during the year. However, staff hosted a number of charity fund raising events during the year.



ANNUAL REPORT AND MANAGEMENT COMMENTARY

Going Concern

The Statement of Financial Position at 31 March 2011 shows negative Taxpayers' Equity of £42,173k. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the Department of Justice of which the Compensation Agency is part.

Future financing of the Compensation Agency's liabilities is accordingly to be met by future grants of Supply to the Department of Justice and the application of future income, both to be approved annually by the Northern Ireland Assembly. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Agency's financial statements for 2010/11.

Audit

Prior to the devolution of policing and justice functions in Northern Ireland, the Financial Statements were audited by the Comptroller and Auditor General (who heads the National Audit Office) and reported to Parliament. Financial Statements for 2010/11 onwards are audited by the Comptroller and Auditor General for Northern Ireland (C&AG), who heads the Northern Ireland Audit Office and is appointed by statute and reports to Northern Ireland Assembly. His certificate and report is produced at pages 24 to 25.

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

The notional audit fee for the work performed by the staff of the C&AG during the reporting period, and which relates solely to the audit of these Financial Statements, was £12k (2009/10 £16k). Notional audit charges for 2009/10 include additional costs for the audit of the implementation of International Financial Reporting Standards.

The C&AG may also undertake other statutory activities that are not related to the audit of the body's Financial Statements such as Value for Money reports. No such activity took place during the year.

Chief Executive and Directors

Marcella McKnight became Chief Executive with effect from 1st April 2010. Ray Jones was Head of Operations for the Agency and retired during the year. His post has been suppressed. Disclosure of salary and pension information for these senior posts has been included in the remuneration report.



ANNUAL REPORT AND MANAGEMENT COMMENTARY

Events occurring after the reporting period:

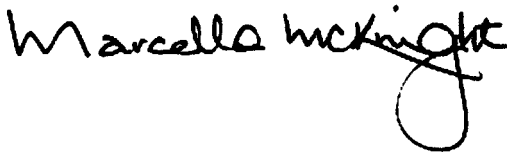
There are no significant events after the reporting period to report.

Further Information

Further information, including guides to the compensation schemes and the Agency's corporate and business plan, is available from:

The Personal Secretary to the Chief Executive
The Compensation Agency
Royston House
34 Upper Queen Street
BELFAST BT1 6FD
Tel (028) 9024 7417
E-mail comp-agency@nics.gov.uk
Web www.compensationni.gov.uk

Signed:



MARCELLA McKNIGHT
Chief Executive
16 June 2011



REMUNERATION REPORT

Remuneration Policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a freeze on senior pay in respect of 2010/11 and 2011/12 pay awards, in line with the Executive's decision in Budget 2011-15 to mirror the UK Coalition Government's commitment to impose pay restraint.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of NICS Permanent Secretaries pay in line with the annual pay strategy as approved by the Minister of Finance and Personnel. The freeze on pay in 2010/11 and 2011/12 also applies to Permanent Secretaries.

The pay system in place for senior civil servants in the Northern Ireland Civil Service is currently under review.

Service Contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org



REMUNERATION REPORT

Salary and Pension Entitlements (Audited Information)

For 2010/11 the salary and other allowances of the Chief Executive and the Head of Operations (the other most senior member of the management team) were as follows:

Name	2010/11			2009/10		
	Salary £000	Bonus Payments £000	Benefits In Kind (to nearest £100)	Salary £000	Bonus Payments £000	Benefits In Kind (to nearest £100)
Ms Marcella McKnight Chief Executive	50-55	0-0.5	NIL	NIL	NIL	NIL
Mr Ray Jones Head of Operations	15-20	0-0.5	NIL	40-45	0.5-1	NIL

Salary

'Salary' includes gross salary, allowances and overtime. Ray Jones took partial retirement on 1st November 2009 and fully retired on 30th September 2010. His full time equivalent salary was in the range £50-55,000. Marcella McKnight became the Chief Executive with effect from 1st April 2010.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. None of the above received benefits in kind.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2010-11 and the comparative bonuses reported for 2009-10 relate to the performance in 2009-10.



REMUNERATION REPORT

Pension Benefits (Audited Information)

Name	Real increase in pension and related lump sum at age 60 £000	Total accrued pension at age 60 and related lump sum £000	CETV at 31/03/2010 £000	CETV at 31/03/2011 £000	Real increase in CETV after adjustment for inflation and changes in market investment factors £000
Ms Marcella McKnight Chief Executive	0-2.5	20-25	292	350	37
	5-7.5 lump sum	60-65 lump sum			
Mr Ray Jones Head of Operations	0-2.5	0-5	4	8	4
	0-2.5 lump sum	0-5 lump sum			

Ray Jones partially retired in 2009/10 and is in receipt of a pension in the range £20-25,000 and a lump sum in the range £135-140,000. He has now retired completely and is in receipt of the above pension benefits in addition to the partial retirement benefits.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements; either a final salary scheme (**classic**, **premium** or **classic plus**). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under **classic**, **premium**, and **classic plus** are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (**partnership** pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the **nuvos** arrangement or they can opt for a **partnership** pension account. **Nuvos** is an 'earned pension' arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the CPI. For 2011, public service pensions will be increased by 3.1% with effect from 11 April.



REMUNERATION REPORT

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium, classic plus** and **nuvos**. 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 makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium** and **classic plus** and 65 for members of **nuvos**. Further details about the Civil Service pension 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 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the member has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.



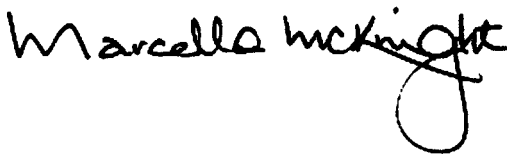
REMUNERATION REPORT

The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Civil Service pensions. This means that CETV in this year's report for 31/03/10 will not be the same as the corresponding figure shown in last year's report.

Real increase in CETV

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

Signed:



MARCELLA McKNIGHT

Chief Executive

16 June 2011



ACCOUNTS

STATEMENT OF CHIEF EXECUTIVE'S RESPONSIBILITIES

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel have directed the Agency to prepare a statement of accounts for the 2010/11 year.

The accounts are prepared on an accruals basis so as to give a true and fair view of the income and expenditure, changes in taxpayers' equity and cash flows of the Agency for the year ended 31 March 2011, and of the state of affairs as at that date.

In preparing the accounts the Chief Executive is required to comply with the requirements of the Government Financial Reporting Manual (FReM) 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 FReM, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to assume that the Agency will continue in operation.

The Chief Executive of the Compensation Agency has been appointed as the Accounting Officer for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum, published in "*Managing Public Money Northern Ireland*", issued by the Department of Finance and Personnel.



ACCOUNTS

STATEMENT ON INTERNAL CONTROL

1 Scope of responsibility

As the designated Agency Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Compensation Agency policies, aims and objectives, whilst safeguarding the public funds and Agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*. I am accountable for the effective, efficient and economic use of resources provided to the Agency; for regularity and propriety of its expenditure; and for ensuring that the requirements of *Managing Public Money Northern Ireland* are met.

The Compensation Agency is an Executive Agency within the Department of Justice (DoJ) and operates within the context of the Department's overall vision and strategic objectives. The Department approves the Agency's Corporate and Business Plan and regularly reviews the Agency's progress in achieving its objectives and key performance targets. This takes the form of Quarterly Governance Review Meetings with the Director of Justice Policy and members of the Compensation Agency's Senior Management team. These reviews enable the Department to provide the Agency with an informed, critical and independent view of the potential risks to the Agency.

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 the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Compensation Agency for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with DFP guidance.

3 Capacity to handle risk

The management of risk is driven by the Agency's senior management team and the Audit Committee:

- The Agency recognises that risk management is an integral part of its business operations and that the identification and management of risks may affect the achievement of its Ministerial Key Performance Targets. The Agency's senior management team comprises the Agency Strategy Group which provides support and assistance to me, as Chief Executive, across all



ACCOUNTS

aspects of the Agency's activities. One of the responsibilities of this group is to ensure that risk management is embedded into the Agency's culture. Year end assurance statements were completed by each of the senior management team covering the key areas for which they are responsible. They confirm the steps that have been taken to implement effective internal control during the course of the year.

- Each quarter the Audit Committee in an advisory capacity reviews the high level risks currently facing the Agency as identified by management (set out in the Agency's Risk Register) together with managements assessment of their likelihood, impact, the controls in place to mitigate the risks, and further action required. When reviewing the risk management processes and actions of management the audit committee provides a challenge function and may also suggest emerging risks for inclusion in the Risk Register.

The Accounting Officer and Agency Strategy Group are accountable for risk management within their areas of responsibility and throughout the Agency the active management of risk is an ongoing daily activity. Risk management is a standing agenda item at senior management meetings where the Group considers early warning signs of risks materialising and significant control failings or weaknesses.

The senior management team promotes an anti-fraud culture and the Agency has adopted the Departmental Fraud and Whistle blowing policies.

4 **The risk and control framework**

The Agency has adopted the guidance contained in DOJ's "Risk Management – A Practical Guide" which provides clear approach to risk management.

The Agency aspires to an approach to risk management which is mainstreamed within everyday work, where managers consider and continuously review risk as part and parcel of the Agency's normal operations. The assessment of risk is carried out alongside the development of the business plans. During the planning process the Agency refers to the Corporate Risk Appetite Framework which presents a risk profile identifying the areas of high and low risk tolerance.

The Agency adopts a combined 'top down' and 'bottom up' approach. As part of the planning process all senior managers are asked to review their own business areas and assess the risks faced within their area of responsibility. The Agency Strategy Group considers these operational risks and in line with strategic planning priorities determines the high level risks that could affect achievement of the Department's strategic objectives for the year. Risks are prioritised using a risk matrix, which assesses impact/likelihood. Each risk is assigned to a risk owner/manager who will take the appropriate steps to manage and control the risk. Risk management is discussed at monthly management and branch meetings and any updates required are considered by senior management.



ACCOUNTS

Stewardship Statements at senior management level are completed annually. The purpose of the Assurance Statements is to improve management and control by identifying managements' specific responsibilities and seeking written assurance that these have been exercised with due care and attention. These Assurance Statements also inform the content of this Statement on Internal Control.

I am also supported by the Agency's Audit Committee. The membership of the Audit Committee comprises:

- The Chief Executive
- The Agency's Head of Finance
- A Non Executive Director

A representative from the DOJ's Justice Policy Directorate attends the meetings of the Audit Committee on behalf of the Departmental Sponsor. A representative of the DoJ's Internal Audit Unit and the external auditor also attend. The Audit Committee operates under an agreed Terms of Reference which is periodically reviewed. The Agency plans to strengthen the Committee membership in 2011/12 through the appointment of a new independent chairperson.

Another key element of the Agency's risk and control framework is a professionally led Departmental Internal Audit function that works to Government Internal Audit Standards, reviewing the overall arrangements for managing risk and that provides assurance, and reports any matters of concern to the Audit Committee. Assurance is also obtained from the external auditors who report to the Audit Committee following the statutory audit of the Agency's Annual Report & Accounts.

There are a number of other sources from which I draw assurance on the system of internal control. These include the work of the following independent bodies:-

- Criminal Justice Inspectorate for NI
- Criminal Injuries Compensation Appeals Panel NI
- H & S Executive NI
- Investors In People
- Department of Finance and Personnel
- DOJ Financial Services Division



ACCOUNTS

Information Assurance

The Agency has fully embraced the DoJ's Information Assurance policy and procedures and is represented, at Chief Executive or Director level, on the DoJ Information Risk Owners Council (IROC) which comprises senior business owners across the departmental family and holds them to account for the ownership and management of information assurance risks within their respective business areas. In line with IROC requirements, the Agency has appointed a Security Manager to oversee delivery of the Information Assurance policy and procedures and to implement the Security Policy Framework.

5 Review of effectiveness

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

Stewardship Statements

Full-year Stewardship Statements have been completed and signed by each Head of Branch providing written assurance that their specific responsibilities have been exercised with due care and attention.

Sponsor Department Review

As part of the Agency's governance arrangements the Chief Executive and Head of Finance met quarterly with the Agency's Departmental Sponsor. At these review meetings the Board reported on the Agency's performance against annual business plan targets and objectives. In addition, the following was reported and reviewed:

- an update of the Agency's financial position;
- details of progress on the implementation of both internal and external audit recommendations;
- a summary of the Agency's Risk Register; and
- sick absence & prompt payment performance.



ACCOUNTS

DOJ Governance

I have ensured effective management of financial resources, by following good management practice and guidance issued by DoJ's Financial Services Division. Budget holders also received detailed monthly management accounts and updated financial forecasts throughout the year. The budgets which were delegated to me for the 2010/11 financial year were not exceeded. In addition, in 2010/11 the Agency implemented new financial governance procedures that require quarterly governance returns to be submitted to Financial Services Division to assist it in reviewing our adherence to governance guidance and policies.

Audit Committee

The Audit Committee met three times during the year and considered the following:

- Risk management and the Risk Register;
- The results of internal and external audit activity and reviewed progress of the implementation of recommendations to address weaknesses identified in internal audit reports and external audit management letters;
- Internal Audit planning and strategy;
- Progress against Key Performance Targets;
- Prompt payments; and
- TOR for the Audit Committee.

The Audit Committee has met subsequent to the year-end to review and approve the final 2010/11 Annual Report & Accounts prior to sign off by the Accounting Officer.

Internal and External Audit

My review of the effectiveness of the system of internal control has been informed by the reports produced by the Internal Audit, and comments made by the external auditors in their Management Letter.

During 2010/11 Information Assurance and Target Verification audits were carried out by Internal Audit. In their Information Assurance report, their audit opinion was that the controls exerted overall to the approach of the Information Assurance Framework for the Compensation Agency was satisfactory and that positive steps have been taken by the Agency to develop the Information



ACCOUNTS

Assurance Framework. Internal Audit identified some areas which would need to be addressed before the framework is fully established and embedded. Most recommendations contained in the report have now been Actioned and the three outstanding recommendations have been partially Actioned.

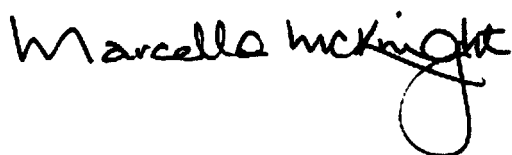
The Agency agrees an audit plan with the internal auditors every year. The subject area for the audit is specifically chosen to ensure that new or emerging controls are fully tested or to ensure that existing controls continue to operate in an effective manner. Looking ahead, an Internal Audit of Fraud Policy and Procedures is planned for 2011/12.

All of the recommendations contained in the Report to those Charged with Governance arising from the National Audit Office's external audit of the Agency's 2009/10 Annual Report & Accounts have been addressed. During 2010/11, the Agency participated in the National Fraud Initiative in Northern Ireland. No cases of fraud were identified as part of our participation.

6 Significant internal control problems

There were no significant internal control problems identified during the year.

Signed:



MARCELLA McKNIGHT
Chief Executive
16 June 2011



ACCOUNTS

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 Compensation Agency for the year ended 31 March 2011 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement Chief Executive's of Responsibilities, the Chief Executive 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 Government Resources and Accounts Act (Northern Ireland) 2001. 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. 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 reported in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which 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 conform to the authorities which govern them.



ACCOUNTS

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Annual Report and Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

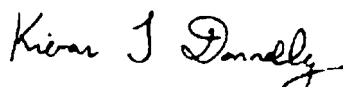
Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited 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 Statement on Internal Control 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
21 June 2011



ACCOUNTS

THE COMPENSATION AGENCY

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH

	Note	2010-11 £000			Restated 2009-10 £000
		Staff Costs	Other Costs	Income	
Administration Costs					
Staff costs	3	2,391			2,080
Other administration costs	4		1,470		1,598
Programme Costs					
Programme costs	5		22,373		15,283
Income	6			(189)	(167)
Totals		2,391	23,843	(189)	18,794
Net Operating Cost				26,045	18,794

OTHER COMPREHENSIVE NET EXPENDITURE

	Note	2010-11 £000	Restated 2009-10 £000
Net loss / (gain) on revaluation of Property, Plant and Equipment	7	2	(15)
Total Comprehensive Expenditure for the year ended 31 March 2011		26,047	18,779

The Notes on pages 30 to 49 form part of these Accounts.



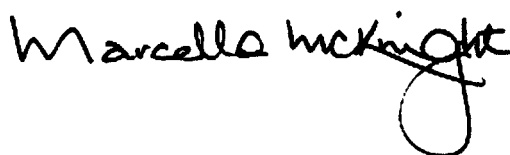
ACCOUNTS

THE COMPENSATION AGENCY

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	2010-11 £000	Restated 2009-10 £000	Restated 1 April 2009 £000
Non-current assets				
Property, plant and equipment	7	180	275	297
Intangible assets	8	110	165	186
Total non-current assets		290	440	483
Current assets				
Trade and Other receivables	10	177	101	64
Cash and cash equivalents	11	189	–	–
Total Current assets		366	101	64
Total assets		656	541	547
Current liabilities				
Trade and other payables	12	667	426	477
Bank overdraft	11	–	2,581	805
Total current liabilities		667	3,007	1,282
Non-current assets less net current liabilities		(11)	(2,466)	(735)
Non current liabilities				
Provisions	13	42,162	45,661	58,817
Total non-current liabilities		42,162	45,661	58,817
Assets less liabilities		(42,173)	(48,127)	(59,552)
Taxpayers' Equity				
General fund		(42,223)	(48,179)	(59,619)
Revaluation reserve		50	52	67
Total taxpayers equity		(42,173)	(48,127)	(59,552)

Signed:



MARCELLA McKNIGHT

Chief Executive

16 June 2011

The Notes on pages 30 to 49 form part of these Accounts.



ACCOUNTS

THE COMPENSATION AGENCY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2010-11 £000	Restated 2009-10 £000
Cash flows from operating activities			
Net operating cost		(26,045)	(18,794)
Notional costs	4	398	185
Non-cash costs		153	322
Decrease in trade and other receivables	10	(75)	(37)
Increase in provisions	13	22,373	15,283
less movements in receivables relating to items not passing through the OCS			
Increase in trade payables and accruals	12	269	15
less movements in payables relating to items not passing through the OCS			
Use of provisions	13	(25,872)	(28,439)
Machinery of Government		-	343
Net cash outflow from operating activities		(28,799)	(31,122)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(4)	(102)
Purchase of intangible assets	8	(2)	(25)
Items funded by parent	7	-	2
Decrease in non-current asset accrual	12	(28)	(52)
Net cash outflow from investing activities		(34)	(177)
Cash flows from financing activities			
Funding from parent		31,603	29,537
Receipt (paid)/due to the Consolidated fund		-	(14)
Net financing		31,603	29,523
Net increase/(decrease) in cash and cash equivalents in the period	11	2,770	(1,776)
Cash and cash equivalents at the beginning of the period	11	(2,581)	(805)
Cash and cash equivalents at the end of the period	11	189	(2,581)

The Notes on pages 30 to 49 form part of these Accounts.



ACCOUNTS

THE COMPENSATION AGENCY

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Restated General Fund £000	Restated Revaluation Reserve £000	Restated Total Reserves £000
Balance at 31 March 2009		(59,713)	67	(59,646)
Changes in accounting policy		94	-	94
Restated balance at 1 April 2009		(59,619)	67	(59,552)
Changes in taxpayers' equity for 2009-10				
Net (loss) on revaluation of property, plant and equipment	7	-	15	15
Non-cash charges – auditor's remuneration	4	16	-	16
Non-cash charges – Finance/Personnel services from parent Department	4	138	-	138
Non-cash charges – Services of the Department of Finance and Personnel	4	15	-	15
Non-cash charges – Information Services from parent Department	4	153	-	153
Items funded by Parent		2	-	2
Transfers between reserves		30	(30)	-
Machinery of Government	24	343	-	343
Net operating cost for the year		(18,794)	-	(18,794)
Total recognised Income and expense for 2009-10		(18,097)	(15)	(18,112)
Funding from Parent		29,537	-	29,537
Balance at 31 March 2010		(48,179)	52	(48,127)
Changes in taxpayers' equity for 2010-11				
Net gain/(loss) on revaluation of property, plant and equipment	7	-	(2)	(2)
Non-cash charges – auditor's remuneration	4	12	-	12
Non-cash charges – Finance/Personnel services from parent Department	4	234	-	234
Non-cash charges – Services of the Department of Finance and Personnel	4	16	-	15
Non-cash charges – Information Services from parent Department	4	136	-	153
Net operating cost for the year		(26,045)	-	(26,061)
Total recognised Income and expense for 2010-11		(25,647)	(2)	(25,649)
Funding from Parent		31,603	-	31,603
Balance at 31 March 2011		(42,223)	50	(42,173)

The Notes on pages 30 to 49 form part of these Accounts.



ACCOUNTS

NOTES TO THE AGENCY'S ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) as issued by DFP. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Compensation Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Compensation Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

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

1.2 Property, plant and equipment

The Agency's property, plant and equipment comprise Information Technology, Furniture and Fittings and Leasehold Improvements, which are revalued annually using appropriate indices compiled by the Office for National Statistics and the Royal Institute of Chartered Surveyors. The threshold for capitalisation of property, plant and equipment assets is normally £1,000. However, in keeping with the Departmental policy, personal computers are capitalised even where their purchase cost is less than £1,000. In addition, the Agency adopts a grouping policy for certain items that meet the definition of a plant and equipment but with individual values less than £1,000. Grouped assets are only recognised in the Accounts when the individual items within the group are similar in nature and use. Office furniture is included as a grouped asset within Furniture and Fittings.

Where appropriate, surpluses and deficits on revaluation are taken to the Revaluation Reserve and permanent reductions in the value of non-current assets are charged to the Statement of Comprehensive Net Expenditure.

1.3 Intangible Assets

The Agency recognises software as intangible assets where that software is seen to be providing a service to the public. Any additional development of that software is also capitalised. Purchases of software licences are capitalised as intangible assets where the purchase cost of an individual licence exceeds £1,000. Licences for general office productivity applications are included within the purchase cost of a PC and capitalised as property, plant and equipment. Software licences are adjusted to their current value each year. In the main, the software licences used by the Agency are open-ended i.e. they do not expire after a given period.



ACCOUNTS

Therefore, they are written off over the expected useful lives of the software to which they relate.

1.4 Depreciation and Amortisation

Depreciation is provided on all non-current assets at rates calculated to write off the cost (less any estimated residual value) of each asset over its expected useful life as detailed below.

Information Technology	5 – 11 years
Furniture and Fittings	5 – 10 years
Purchased Software Licences and development	3 – 8 years
Leasehold Improvements	2 – 7 years (remaining lease term upon capitalisation)

Non-current assets are depreciated, on a straight-line basis, from the month in which they were acquired. All assets have been re-valued by reference to indices produced by the Office for National Statistics, HM Treasury or the Royal Institute of Chartered Surveyors.

1.5 Inventories

Inventories consist only of consumable items and are therefore expensed in the year of purchase.

1.6 Operating income

Operating income is income that relates directly to the operating activities of the Compensation Agency. The Department of Justice has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid (See Note 19). Recovery is not normally sought from the earnings or assets of an offender. However, recovery is sought from an offender who subsequently becomes entitled to State compensation and any amounts so recovered are included as Programme Income.

1.7 VAT

On devolution the Agency became VAT registered. For the 2010/11 year, where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. Sums in the accounts are inclusive of VAT for the 2009/10 year.



ACCOUNTS

1.8 Provisions

The Agency provides for obligations arising from claims for compensation that were received by the Agency on or before the Statement of Financial Position date. The amounts so provided are based on the Agency's best estimate of the expenditure needed to settle these obligations.

1.9 Prior Period adjustments

An adjustment was made in the prior period to reflect a change in accounting policy associated with a notional cost of capital charge (See Notes 1.15 and 23), and a machinery of government change (See Note 24).

1.10 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme costs. Administration costs reflect the cost of running the Compensation Agency as defined in the Financial Reporting Manual. Programme costs reflect non-administration costs, including payments of compensation and other disbursements by the Compensation Agency that are related to claims for compensation.

1.11 Pensions

Past and present employees are covered by the provisions of the Civil Service Pension Schemes which are described in Note 3 and in the Remuneration Report on page 12. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency 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 Principal Civil Service Pension Scheme (NI) (PCSPS (NI)) and the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI) or the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.



ACCOUNTS

1.12 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Department discloses for Northern Ireland Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Northern Ireland Assembly in accordance with the requirements of *Managing Public Money Northern Ireland*. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Northern Ireland Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Northern Ireland Assembly.

1.13 Staff costs

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

1.14 Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Agency's accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity are described below:

Provisions for Compensation:

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



ACCOUNTS

1.15 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2011

The following standards had a material impact on the financial statement

Chapter in FReM 2010-11	Area affected	Description of revision	Comments
11	Income and Expenditure	The removal of Cost of Capital charging from accounts.	Applies to all public sector bodies. Guidance issued by HM Treasury meant that this change was budgetary neutral. No impact on the Agency other than disclosure. 2009-10 comparatives have been restated accordingly to exclude cost of capital charges. Prior year expenditure included within Net Operating Cost decreased by £1,895k as a result of this restatement. The decrease was off-set by a corresponding reduction in the level of notional charges against the General Fund. Further details are contained in Note 24.

The Agency has reviewed the remaining standards, interpretations and amendments to published standards that became effective during 2010-11 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the financial position or results of the Agency.

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

The Compensation Agency has reviewed the additional or revised accounting standards and new (or amendments to) interpretations contained within the Government Financial Reporting Manual (FReM) 2011-12 and considers that these changes are not relevant to its operations.

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2011 or later periods, but which the Agency has not adopted early. Other than as outlined in the table below, the Agency considers that these standards are not relevant to its operations.

Standard	Description of revision	Application date	Comments
IAS 24	Related Party Disclosures - Revised definition of related parties	Annual periods beginning on or after 1 January 2011	Inclusion of a partial exemption for government-related entities. Given that the FReM interprets the related party requirements significantly to reduce the disclosure on transactions between public sector entities it is unlikely that this will have significant impact.



ACCOUNTS

2 ANALYSIS OF NET EXPENDITURE BY SEGMENT

	Criminal Injuries Tariff Scheme £000	Criminal Injuries (1988 Order) £000	Criminal Damage £000	Other £000	Total £000
2010/11					
Gross expenditure	13,905	6,282	5,997	50	26,234
Income	(152)	(31)	(6)	-	(189)
Net Expenditure	13,753	6,251	5,991	50	26,045
2009/10 Restated					
Gross expenditure	13,432	2,494	2,997	38	18,961
Income	(138)	(24)	(5)	-	(167)
Net Expenditure	13,294	2,470	2,992	38	18,794

The main compensation schemes are reported to management on a monthly basis. On these schemes, additional provision is required for new claims received, and for any revaluation of claims in hand. The detail above shows the value of additional provision required for these schemes during the year including professional fees and charges, offset by any reimbursements received for claims under those schemes. Staff costs, running costs and associated non-cash costs are then apportioned against the individual schemes giving the total cost to run the scheme for that year.

3. STAFF NUMBERS AND COSTS

Staff costs comprise:

	2010/11 £000			Restated 2009/10 £000		
	Permanent	Other	Total	Permanent	Other	Total
Salaries and Wages	1,915	18	1,933	1,679	-	1,679
Social Security Costs	127	-	127	120	-	120
Pension Costs	331	-	331	281	-	281
Total	2,373	18	2,391	2,080	-	2,080

The Principal Civil Service Pension Scheme (PCSPS) and the Principal Civil Service Pension Scheme (NI) (PCSPS (NI)) are unfunded multi-employer defined benefit schemes but the Compensation Agency is unable to identify its share of the underlying assets and liabilities. The most up to date valuation was carried out as at 31 March 2007. Details of these valuations are available in the resource accounts of the



ACCOUNTS

Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk) or in the PCSPS(NI) resource accounts (www.civilservicepensions-ni.gov.uk).

For 2010/11, employer's contributions of £330,661 were payable to the PCSPS and the PCSPS (NI) (2009/10: £280,756) at one of four rates in the range 18% to 25% per cent of pensionable pay based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership account, a stakeholder pension with an employer contribution. There were no contributions due to the partnership pension providers or prepaid contributions at the Statement of Financial Position date.

Average number of persons employed

The average number of full-time equivalent persons employed during the year was:

<i>Number of Employees</i>	2010/11	2009/10
Directly employed	67	70
Total	67	70



ACCOUNTS

4. OTHER ADMINISTRATIVE COSTS

	2010/11 £000	Restated 2009/10 £000
Rentals under operating leases	200	200
Other Accommodation Costs	256	293
Operational computing expenses	214	309
Advisory services	147	141
Printing and stationery	24	22
Postage	40	43
Office equipment	6	6
Other office services	7	7
Consultancy fees Train	(1)	22
Training	2	17
Telecommunications	15	20
Travel, Subsistence and hospitality	3	5
Professional fees and publications	6	6
Total cash costs	919	1,091
Non-cash items:		
Depreciation and amortisation	153	178
Loss/(Gain) on Disposal of Property, Plant, Equipment	-	6
Loss/(Gain) on Disposal of Intangibles	-	1
Total non-cash (admin) costs	153	185
<i>*Notional costs</i>		
Finance & Personnel Services provided by Parent Department	234	138
Audit Fees	12	16
Services provided by Department of Finance & Personnel	16	15
Information Services provided by Parent Department	136	153
Total notional costs	398	322
Total	1,470	1,598

*Certain chargeable services are provided without the transfer of cash. In addition, other costs are added to the accounts in order that they reflect the full economic cost of provision. The services provided by the Department of Finance and Personnel represent the provision of network management and operator services in respect of the Agency's use of the Government Telephone Network.



ACCOUNTS

5 PROGRAMME COSTS

	2010/11 £000	Restated 2009/10 £000
Non cash items:		
Compensation provided for in year:		
Criminal Injury (1988 Order)	5,728	2,410
Criminal Injury Tariff Scheme (2002 Order)	10,793	10,375
Criminal Damage	4,850	1,782
	21,371	14,567
Related Costs provided for in year:		
Legal Services and Court Expenses	283	(98)
Professional Advisors	246	353
Medical Services	469	458
Other Fees & Expenses	4	3
	1,002	716
Total	22,373	15,283

6 INCOME

Income during the year was as follows:

	2010/11 £000	2009/10 £000
Programme Income from reimbursements	189	167
Total	189	167



ACCOUNTS

7 PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or Valuation				
At 1 April 2010	225	355	161	741
Additions	–	–	4	4
Revaluation of Property, Plant & Eqpt	–	(4)	–	(4)
At 31 March 2011	225	351	165	741
Accumulated Depreciation				
At 1 April 2010	141	244	81	466
Provided in Year	49	29	18	96
Revaluation	–	(1)	–	(1)
At 31 March 2011	190	272	99	561
Net Book Value				
At 31 March 2011	35	79	66	180
At 31 March 2010	84	111	80	275

Asset Financing:

Owned	35	79	66	180
Net Book Value at 31 March 2011	35	79	66	180



ACCOUNTS

	Leasehold Improvements £000	Information Technology £000	Furniture and Fittings £000	Total £000
Cost or Valuation				
At 1 April 2009	222	291	154	667
Additions	3	89	10	102
Disposals	–	(56)	(5)	(61)
Revaluation of Property, Plant & Eqpt	–	31	2	33
At 31 March 2010	225	355	161	741
Accumulated Depreciation				
At 1 April 2009	93	209	68	370
Provided in Year	48	68	17	133
Disposals	–	(50)	(5)	(55)
Revaluation	–	17	1	18
At 31 March 2010	141	244	81	466
Net Book Value				
At 31 March 2010	84	111	80	275
At 31 March 2009	129	82	86	297

Asset Financing:

Owned	84	111	80	275
Net Book Value at 31 March 2010	84	111	80	275



ACCOUNTS

8 INTANGIBLE ASSETS

	Purchased Software Licences and Development £000
Cost or Valuation	
At 1 April 2010	1,792
Additions	2
At 31 March 2011	
Accumulated Amortisation	
At 1 April 2010	1,627
Provided in Year	57
At 31 March 2011	1,684
Net Book Value	
At 31 March 2011	110
At 31 March 2010	165

	Purchased Software Licences and Development £000
Cost or Valuation	
At 1 April 2009	1,774
Additions	25
Disposals	(7)
At 31 March 2010	1,792
Accumulated Amortisation	
At 1 April 2009	1,588
Provided in Year	45
Disposals	(6)
At 31 March 2010	1,627
Net Book Value	
At 31 March 2010	165
At 31 March 2009	186



ACCOUNTS

9. FINANCIAL INSTRUMENTS

As the cash requirements of the Compensation Agency are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

10. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2010/11 £000	2009/10 £000	1 April 2009 £000
Amounts falling due within one year.			
Trade receivables	108	28	11
Other receivables	32	–	–
Prepayments and accrued income	37	73	53
Total	177	101	64

11. CASH AND CASH EQUIVALENTS

	2010/11 £000	2009/10 £000	1 April 2009 £000
Balance at 1 April	(2,581)	(805)	(1,892)
Net change in cash and cash equivalent balances	2,770	(1,776)	1,087
Balance at 31 March	189	(2,581)	(805)
The balance at 31 March was held at:			
Commercial banks and cash in hand	189	(2,581)	(805)



ACCOUNTS

12. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2010/11 £000	2009/10 £000	1 April 2009 £000
Amounts falling due within one year.			
Trade Payables	265	184	265
Accruals and deferred income	395	207	111
Non current asset accruals	7	35	87
Receipt due to the consolidated fund			14
Total	667	426	477

13. PROVISIONS FOR LIABILITIES AND CHARGES

At 31 March 2011, the Compensation Agency had the following liabilities relating to outstanding claims under the compensation schemes operated by the Agency:

	Compensation Claims		
	2010/11 £000	Restated 2009/10 £000	Restated 1 April 2009 £000
Balance at 1 April	45,661	58,817	41,381
Provided in the year	22,373	15,283	51,578
Provisions not required written back	–	–	–
Provisions utilised in the year	(25,872)	(28,439)	(34,142)
Balance at 31 March	42,162	45,661	58,817

This liability relates to the three schemes operated by the Agency and the associated fees and charges thereon. The prior period figures are restated to reflect a prior period adjustment in respect of provisions relating to the Justice and Security Act 2007 cases (See Notes 23 and 24).

Criminal Injuries provisions fall into two categories determined by the legislation under which claims are made.

Under the Criminal Injuries 1988 Order, the provision for cases in hand at 31 March 2011 is £19,951k. At that date there were 263 cases remaining, and the Agency aims to clear these remaining cases in 2011/12 and 2012/13. Case values are estimated as to their settlement value.

The Criminal Injuries Tariff Scheme was introduced in May 2002, and a total of £8,609k is held for cases which were outstanding at 31 March 2011. Provisions are calculated on a statistical model which follows the claims process through the three potential outcomes at first decision, review and appeal. Cases take



ACCOUNTS

on average 12-14 months to clear.

The Criminal Damage provision for those cases under the 1977 Order was held at £13,604k at 31 March 2011. Case values are determined by a loss adjuster's valuation which is included in cases over £50k in value with an assessment of probability for liability. Smaller cases are provided for on the basis of statistics relating to likelihood of award and average value. Clearance times can vary substantially due to the complexity of some cases and whether or not they require a court settlement.

14. CAPITAL COMMITMENTS

At 31 March 2011, the Agency had no further outstanding capital commitments.

15. COMMITMENTS UNDER LEASES

15.1 Operating leases

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

<i>Obligations under operating leases comprise:</i>	2010/11 £000	2009/10 £000	1 April 2009 £000
Land & Buildings			
Not later than one year	148	198	198
Later than one year and not later than five years	–	148	346
Later than five years	–	–	–
	148	346	544
Photocopiers			
Not later than one year	–	2	3
Later than one year and not later than five years	–	–	3
Later than five years	–	–	–
	–	2	6
Total operating leases			
Not later than one year	148	200	201
Later than one year and not later than five years	–	148	349
Later than five years	–	–	–
Total	148	348	550



ACCOUNTS

15.2 Finance Leases

At 31 March 2011 the Agency had no commitments under finance leases.

16. COMMITMENTS UNDER PFI CONTRACTS

At 31 March 2011 the Agency had no commitments under PFI contracts

17. OTHER FINANCIAL COMMITMENTS

At 31 March 2011 the Agency had not entered into any non-cancellable contracts.

18. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

A number of contingent liabilities arise relating to potential future costs of care for seriously injured claimants. There were 2 contingent liabilities as at 31 March 2011 in respect of claims made under the Criminal Injuries Compensation (Northern Ireland) Order 1988. This arises from a formal legal agreement entered into as part of the resolution these claims, which would otherwise have had to be paid in anticipation of potential future care costs. The health authority does not at present envisage seeking reimbursement of costs, however should that circumstance arise the Compensation Agency would be liable for 20% of the care costs incurred on an annual basis. This contingent liability is currently estimated at £40k per annum per case.

In addition, the Agency has entered into an agreement with the Health and Social Care Trusts relating to future care costs and has agreed to meet the full cost of care in such cases. At present there are 5 cases under the Tariff scheme for which potential future care costs could apply. At present the quantum of any potential future payments is unknown. The health authority does not at present envisage seeking reimbursement of costs.

19. LOSSES AND SPECIAL PAYMENTS

The Department of Justice has powers to recover compensation and costs from offenders of crimes in respect of which criminal compensation has been paid. Amounts not received are treated as a loss. There were 684 cases amounting to £6,965,763 where final compensation payments were made in 2010/11 and offenders identified but it was not considered economic to pursue recovery. (2009/10: 612 cases amounting to £6,981,652)

During 2010/11, final compensation payments were made in 2,705 cases (this includes the 684 cases mentioned above). The total amount of compensation paid in these cases was £23,759,728. This figure incorporates interim payments made in previous years. (2009/10: 2,594 cases amounting to £29,212,839)



ACCOUNTS

20. RELATED PARTY TRANSACTIONS

The Department of Justice is regarded as a related party. During the year, the Compensation Agency has had various material transactions with the Department of Justice.

In addition the Compensation Agency has had various material transactions with other central Government bodies. Most of these transactions have been with:

- Land and Property Services (an Executive Agency of the Department of Finance and Personnel)
- Central Procurement Directorate (a Directorate of the Department of Finance and Personnel)
- Business & Development Service (an Executive Agency of the Department of Finance and Personnel)

No key managerial staff or other related parties have undertaken any material transactions with the Compensation Agency during the year.

21. THIRD PARTY ASSETS

The Agency holds (as custodian or trustee) certain monetary assets belonging to third parties. These assets relate solely to bank balances held for minors under the Criminal Injuries Compensation (Northern Ireland) Order 2002. They are retained by the Agency until the minors attain the age of 18 and attract compound interest at variable rates that are dependent on the outstanding balance.



ACCOUNTS

The assets held at the Statement of Financial Position date (which all relate to bank balances) were as follow

	2010/11 £000	Net Inflow/ (Outflow) £000	2009/10 £000
Monetary Assets	4,204	692	3,512

22. INTRA-GOVERNMENT BALANCES

	Receivables: Amounts falling due within one year £000	Payables: Amounts falling due within one year £000
Balances with other central government bodies	40	608
Balances with public corporations and trading funds	–	–
Balances with bodies external to government	137	59
At 31 March 2011	177	667
Balances with other central government bodies	28	322
Balances with public corporations and trading funds	–	–
Balances with bodies external to government	73	104
At 31 March 2010	101	426
Balances with other central government bodies	11	288
Balances with public corporations and trading funds	–	–
Balances with bodies external to government	53	189
At 1 April 2009	64	477



ACCOUNTS

23. PRIOR YEAR ADJUSTMENTS

On instruction from DFP and as amended in the 2010/11 FReM, a charge, reflecting the notional cost of capital utilised by the Agency, is no longer included in operating costs. The charge for the 2009/10 financial year was £1,894k. This change in accounting policy is reflected in the comparative amounts for 2009/10 and has been treated as a prior year adjustment in line with IAS 8.

The prior year comparative figures were also restated to reflect a Machinery of Government change in respect of provisions relating to actions taken under the Justice and Security (Northern Ireland) Act 2007 (see Note 24). £464k of new provisions were created during 2009/10 and the value of cases in hand at 31 March 2010 was £438k.

Prior year comparative figures (see Notes 4 and 5) have been restated accordingly. The impact on Operating Costs and on Opening Reserves is shown below.

Impact of Prior Year Adjustment on Operating Costs Disclosed in Statement of Comprehensive Net Expenditure

	2009/10		2008/09	
	£000	£000	£000	£000
Programme Costs				
Income		(167)		(172)
Programme Costs (<i>as disclosed in the 2009/10 and 2008/09 financial statements</i>)	13,909		49,971	
<i>plus 2010-11 Prior Year Adjustment re Notional Cost of Capital</i>	1,838		1,760	
Machinery of Government change	(464)		28	
Programme Costs (<i>restated 2009/10 and 2008/09 comparative disclosed in these financial statements</i>)		15,283		51,759
Administration Costs				
Staff Costs		2,080		2,087
Other Administration Costs (<i>as disclosed in the 2009/10 and 2008/09 financial statements</i>)	1,542		1,761	
<i>plus 2010-11 Prior Year Adjustment re Notional Cost of Capital</i>	56		41	
Administration Costs (<i>restated 2009/10 and 2008/09 comparative disclosed in these financial statements</i>)		1,598		1,802
Net Operating Cost before Exceptional Costs (restated)		18,794		55,476

Impact of Prior Year Adjustment on Opening Reserves Disclosed in Statement of Changes in Taxpayers Equity

	2009/10		2008/09	
	£000	£000	£000	£000



ACCOUNTS

General Fund Balance at 31 March 2010		48,617		59,713
Machinery of Government change	(438)		(94)	
2009-10 Net Operating Cost				
<i>Less 2010-11 Prior Year Adjustment to 2009-10 Net Operating Cost re Notional Cost of Capital Charge</i>	(1,894)		(1,801)	
<i>Add 2010-11 Prior Year Adjustment to 2009-10 re Notional Cost of Capital Charge</i>	1,894		1,801	
Net 2010-11 Prior Year Adjustment to General Fund	–		–	
Restated General Fund Balance at 1 April 2010		48,179		59,619

24. MACHINERY OF GOVERNMENT

Prior to devolution the Compensation Agency was an executive agency of the Northern Ireland Office, and administered and had legal authority to fund claims under the Justice and Security (Northern Ireland) Act 2007. On devolution the Compensation Agency became an executive agency of the Department of Justice and under Machinery of Government rules the work, costs and responsibility for the Justice and Security (Northern Ireland) Act 2007 moved to the Northern Ireland Office.

On devolution when the Compensation Agency became an Agency of the DOJ, an adjustment to prior year comparatives was required eliminate any non-DOJ amounts. Under Machinery of Government rules the prior year comparative figures have therefore been restated.

Given that there are relatively few claims under this scheme the Agency continued to administer, on behalf of the NIO, actions taken under this legislation. As Legal authority to fund such claims is the responsibility of the Northern Ireland Office, the associated costs are no longer reflected in the Agency's accounts. Instead payments made by the Agency are now reimbursed by the Northern Ireland Office.

25. DATE AUTHORISED FOR ISSUE

The Accounting Officer authorised these financial statements for issue on the same date as the signed Certificate and Report of the Comptroller and Auditor General.



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