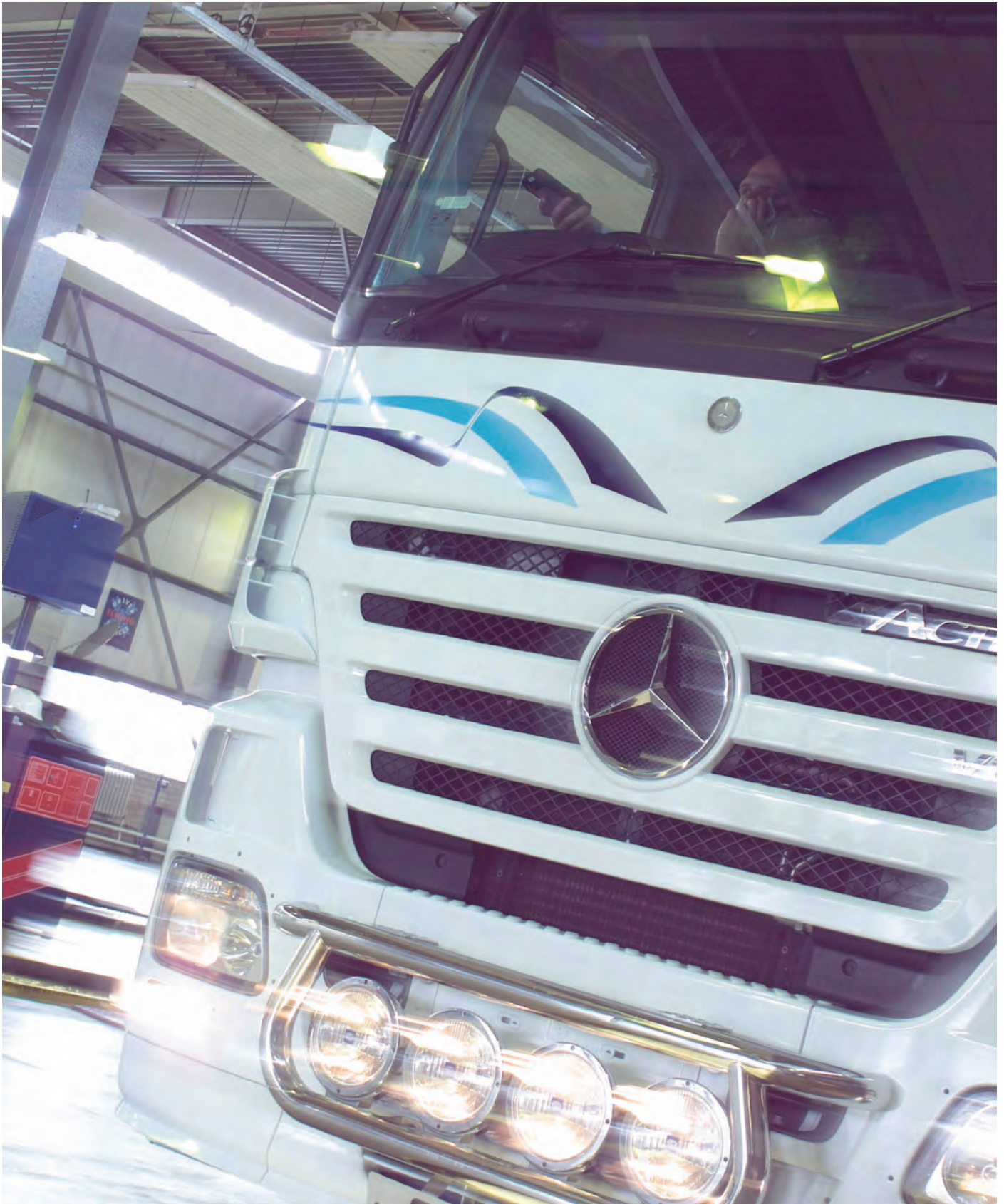


Driver & Vehicle Agency
Annual Report and Statement of Accounts
for the Year Ended 31 March 2011



**Driver & Vehicle Agency
Annual Report and Statement of Accounts
for the Year Ended
31 March 2011**

The Accounting Officer authorised these
financial statements for issue

on

24 June 2011

Laid before the Northern Ireland Assembly
under Article 8 (6)(b) of the Financial Provisions (Northern Ireland) Order
1993 by the Comptroller and Auditor General for Northern Ireland

and

Section 11(3) (c) of the Government Resources and Accounts
Act (Northern Ireland) 2001 by the Department of the Environment
on

1 July 2011

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1 Chief Executive's Foreword

As Chief Executive, I am pleased to present the annual report and accounts for this the fourth year of business for the Driver & Vehicle Agency (DVA).

The Agency has continued to deliver positive results in a wide range of business areas, meeting nine out of 11 key business targets and delivering compliance levels of almost 99% on motor tax and over 95% on the MOT. Waiting times for vehicle and driving tests and turnaround times for licensing transactions require careful hands-on management on a daily basis, and all were achieved with flying colours.

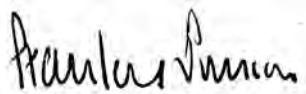
We were also awarded the prestigious Customer Service Excellence standard following a thorough and rigorous evaluation by external assessors, while in our annual customer survey we achieved a satisfaction rate of 97.3%, a figure that was the best ever for DVA and also well above industry benchmarks.

Other major achievements included introducing vehicle testing for stretched limousines, a register of approved motorcycle instructors, and compulsory basic training for motorcyclists. We also implemented a scheme for the mutual recognition of driving disqualifications with the Republic of Ireland, and agreed reciprocal driver licence exchange protocols with the Provinces of Canada.

We dealt with a major review of corporate services functions, and the implications of the significant financial pressures currently facing the Department, and completed preparations for the transition to Account NI from 1 April 2011.

Despite this notable record of success, there is of course much more to be done. In 2011-12 we will have a significant role to play in implementing the forthcoming programme of taxi reform, for example, and changes to the operator licensing regime for goods vehicles. We will also be progressing implementation of the third EU directive on driver licensing, while big decisions will be required in relation to new booking and enquiry services, fees and the delivery of driver and vehicle licensing functions. Compliance levels for buses, lorries and taxis are all below what they should be, so we need to deliver a new strategy for compliance and enforcement. In the meantime, the demand for many of our services is increasing, while financial pressures are growing and customer expectations rising.

However, the experience of the past year is proof positive of the dedication, commitment and ability of the Agency's staff. I am grateful for their hard work and unstinting application in 2010-11, and I know that with their support we can confront the challenges of 2011-12 with confidence and with expectation.

A handwritten signature in black ink, appearing to read "Stanley Duncan". The signature is written in a cursive style with a large initial 'S'.

STANLEY DUNCAN

Chief Executive

24 June 2011

2 Directors' Report

HISTORY AND STATUTORY BACKGROUND

DVA was created under the Review of Public Administration on 1 April 2007 by the merger of Driver and Vehicle Licensing NI (DVLNI) and the Driver & Vehicle Testing Agency (DVTA).

The Chief Executive is also the Executive Agency Accounting Officer and reports through the Permanent Secretary to the Minister for the Department of the Environment (DOE).

CORE BUSINESS ACTIVITIES

DVA is responsible for:

- vehicle and driver testing;
- vehicle registration and licensing – issuing tax discs, registering new and used vehicles, sale and transfer of registration marks;
- the collection and enforcement of vehicle excise duty (VED);
- driver licensing – issuing and where appropriate withdrawing licences in respect of drivers of cars, motorcycles, lorries, buses, etc;
- driving instructor registration – assessing the suitability of applicants, checking tuition standards and taking appropriate action when instructors fail to meet required standards;
- road transport licensing – issuing and where appropriate withdrawing licences in respect of taxi drivers, road freight operators and road service (bus) operators, public service vehicle (bus and taxi) licensing;
- enforcement of licensing, roadworthiness and other legal requirements for goods and passenger carrying operators and their vehicles;

- managing major contracts with private sector providers of, for example, vehicle testing equipment, telephone and internet booking services, IT managed services and delivery of the driving theory test;
- other requirements in relation to vehicles including Transports Internationaux Routier (TIR) checks, initial fitness testing for newly built buses (COIF), collision investigations and checking repair work following defect/prohibition notices;
- quality – ISO accreditation for both driver testing and vehicle testing at all centres has ensured consistency in the application of testing procedures both within the Agency and between the Agency and partner groups involved in testing and enforcement activity, and ensured the efficiency and effectiveness of the testing process whilst allowing testing staff the flexibility to meet customers' individual needs;
- technical policy – ensuring DVA fulfils its legal obligations in regard to the provision of statutory vehicle tests, providing technical advice to Road Safety & Vehicle Regulation Division (RSVRD) to assist in the drafting of new, and amending existing, legislation, reviewing legislative changes that may affect the vehicle testing environment, and developing and implementing appropriate operational policies;
- research and development – keeping apprised of technical and legislative developments in vehicle technology and in vehicle test equipment through engagement with national and European testing authorities and their suppliers and applying new technologies to improve effectiveness and efficiency for the benefit of the Agency and its customers.

SCOPE OF ACCOUNTS

The Agency's accounts have been prepared under a direction issued by the Department of Finance and Personnel (DFP) in accordance with:

- Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001; and
- Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993.

STRATEGIC MANAGEMENT BOARD

Members of the DVA Strategic Management Board for the period of the accounts were:



Stanley Duncan	Chief Executive
Trevor Evans	Group Director – Driver, Vehicle and Road Transport Licensing
Bernie Rooney	Group Director – Driver & Vehicle Testing and Standards
David Wilson	Acting Group Director – Finance & Corporate Services (until October 2010)
James Hutchinson	Group Director – Business Development (replaced David Wilson in October 2010)
Noel Brady	Independent Board Member until 31st August 2010 (replacement appointed in April 2011)

The Strategic Management Board met regularly and was responsible for the overall direction and management of the Agency's business. As civil servants, the remuneration of members of the Strategic Management Board was determined by the normal Civil Service pay arrangements (see the Remuneration Report on page 55).

The independent board member's appointment may be terminated by three months written notice by either party – this period can be waived or reduced by consent. The independent board member is not a civil servant and therefore the superannuation provisions do not apply.

PENSION LIABILITIES

Staff pension liabilities are borne by the Principal Civil Service Pension Scheme (NI) and are therefore not reflected in these accounts. Details of the scheme are included at Note 2 to the DVA Licensing Financial Statements and Notes 4 and 26 to the DVA Testing Financial Statements.

PAYMENTS TO SUPPLIERS

The Agency is committed to the prompt payment of bills for goods and services received, in accordance with the Late Payment of Commercial Debts (Interest) Act 1998, the Late Payment of Commercial Debts Regulations 2002 and British Standard 7890 - Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is the later. In November 2008, the Northern Ireland Executive introduced a proposal that payments be made within 10 days to help local businesses in the current economic climate.

During the year to 31 March 2011, Licensing paid 99.9% of invoices within 30 days and 97.11% of invoices within 10 days. Testing paid 98.36% of invoices within 30 days and 78.71% of invoices within 10 days.

DISABLED PERSONS

The Agency is committed to and operates within the Northern Ireland Civil Service Code of Practice on the Employment of Disabled People and aims to ensure that disablement is not a bar to recruitment or advancement.

EQUAL OPPORTUNITIES

The Agency follows the NICS policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work.

EMPLOYEE INVOLVEMENT

The Agency continues to encourage staff involvement and commitment to its business. Effective communication channels are in place, including a monthly in-house newsletter, regular team meetings and briefings. The Agency's Whitley Council provides for regular consultation with staff representatives. The Agency continues to support and encourage staff development through formal learning and development opportunities and attainment of nationally recognised qualifications.

HEALTH & SAFETY

The health and safety of staff and customers remain paramount, and therefore the Agency seeks to ensure that the highest standards of H&S are integrated with improved business performance. The Agency remains committed to the Health & Safety Executive's model for Successful Health & Safety Management (HSG65), and this commitment is reflected in the Agency's H&S Policy Statement, Organisation and Arrangements. During the year an additional Arrangement was introduced to address the reporting of "near miss" incidents.

The Agency continues to ensure the ongoing delivery of a range of H&S training courses, the provision of generic H&S risk assessments to assist local management, the investigation of accidents and the review of overall H&S performance. During the year the Agency's H&S Section also helped to conduct a review of H&S performance across the Department.

INTERNATIONAL DEVELOPMENT

During the year DVA continued its involvement in European initiatives led by the Commission Internationale des Examens de Conduite Automobile (CIECA) and the Comite International de l'Inspection Technique Automobile (CITA). The affiliation with CIECA provides an opportunity for Northern Ireland to contribute to proposed policies and initiatives at conceptual stage thereby enabling an input to European policy development. At the 2010 CIECA conference DVA gave a presentation on the proposed way forward for driver testing in Northern Ireland, and this was well received by all participants.

DVA has continued its involvement in CITA. Membership of working groups on quality assurance, training, braking systems, electronically controlled systems and new technologies afforded the opportunity to exchange information and identify best practice in the delivery of Directive 96/96/EC (which relates to roadworthiness tests for motor vehicles and their trailers). DVA was represented at the 2009 CITA conference where it was agreed to establish five new working groups focused on safety systems, environmental protection systems, standardized inspection outcomes, continuous compliance, and information systems. DVA has nominated representatives to sit on the safety systems and standardized inspection outcomes working groups. These groups will consider issues relating to technical training, quality, and testing policies affecting electronic control systems and brakes.

In relation to driver and vehicle licensing, DVA continued its membership of EReg, the association of European registration authorities, and participated in the EReg working group on the international exchange of data. DVA also chaired the Small Users Group of EUCARIS, which is a Europe-wide communications network that enables participating countries to exchange data about motor vehicles and driving licences in a secure environment.

FINANCIAL INSTRUMENTS

In accordance with International Financial Reporting Standard 7, Financial Instruments: Disclosures, details of the impact of financial instruments on the Agency's risk profile are disclosed at Note 25 of the DVA Testing accounts.

QUALITY

The Quality Unit continued to implement a comprehensive and broadly based system of quality control for vehicle testing. A programme of technical quality checks to measure and improve performance (direct supervision) was delivered by local test centre management and augmented by the headquarters quality team.

A full reaccreditation audit at 10 of the 15 of test centres was also undertaken by our external partners SGS to validate the application of the BS EN ISO 9001:2008 quality management system for the administration, supervision and delivery of practical driving tests and vehicle inspection activities for private cars and goods vehicles conducted in accordance with statutory requirements. DVA's accreditation to this standard was confirmed for a further three years until March 2014. Audits were also carried out to confirm standards in the areas of administration, finance, corporate governance and health and safety. Work was undertaken to further develop the application of the BS EN ISO 17025:2005 standard to maintain DVA's position as a "Technical Service" appointed by the Vehicle Certification Agency (VCA). This was confirmed by a VCA audit during the year.

BOARD MEMBERS' INTERESTS

There were no company directorships or other significant interests held by board members which conflicted with their management responsibilities.

KEY CONTRACTS

The Agency has a number of contracts with various organisations. Of these, 5 are regarded as business critical. These are with:

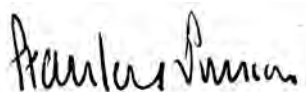
- Romaha - MOT2 contract, Vehicle Testing;
- Fujitsu - ICT services, Driver and Vehicle Licensing;
- Pearsons - Theory Test, Driver Testing;
- Northgate - Booking Services Programme, Vehicle and Driver Testing; and
- Control - Maintenance, calibration and validation of the weighbridge network, Enforcement.

AUDIT

The financial statements were audited by the Comptroller & Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and the Financial Provisions (Northern Ireland) Order 1993. As head of the Northern Ireland Audit Office (NIAO), he and his staff were wholly independent of the Agency, and he reported his findings to the Northern Ireland Assembly (NIA).

The audit of the financial statements for 2010-11 resulted in a notional audit fee of £14,000 (2009-10: £13,691) for DVA Licensing and a hard charge for the DVA Testing audit of £26,499 (2009-10: £13,744). No remuneration was paid to the external auditor in respect of non-audit work.

As far as I am aware there is no relevant information which has not been made available to the auditors. I have taken all steps necessary to make myself aware of any relevant information and to ensure that the Agency's auditors are aware of that information.



STANLEY DUNCAN

Chief Executive

24 June 2011

3 Highlights 2010-11

- MOT evasion rate reduced to **4.76%**;

- **44** multi-agency operations to remove unlicensed vehicles undertaken;

- **98.8%** compliance with payment of vehicle excise duty;

- **£167m** was collected in VED of which **£87m** was collected through Post Offices;

- **1,379** people convicted for evasion of VED and £1.07m collected in penalties, fines, back duty and court costs;

- **155** Post Offices provided a re-licensing facility using the pre-printed renewal form, 19 provided an additional re-licensing facility using the manual renewal form;

- **18,455** people paid the late licensing penalty under Continuous Registration totalling **£743,020**;

- **97.3%** overall customer satisfaction level;

- **99.92%** of vehicle test applications appointed within **21 days** or on request at a later date;

- **972,054** vehicle tests provided;

- **98.61%** of practical driving test applications appointed within **28 days** or on request at a later date;

- **66,259** practical driving tests provided;

- **54,946** theory tests conducted;

- **608,855** tests booked either online or by telephone;

- **9 out of 11 key targets** were achieved or exceeded;

- **98.5%** of registration documents for newly registered vehicles dispatched within **10 working days**;

- **98%** of licensing refunds dispatched within **5 working days**;

- **100%** of vehicle licences applied for by post dispatched within **5 working days**;

- **99.7%** of driver licences dispatched within **10 working days**;

- **207,727** driving licences issued;

- **1,442,560** tax discs issued (including first licences);

- **99.2%** of taxi plates on receipt of all documentation dispatched within **5 working days**;

- **98.2%** of change of keeper notifications were processed and a new Harmonised Registration Certificate (HRC) dispatched within **5 working days**;

- **99.7%** of road freight vehicle licences were dispatched on receipt of all documentation within **5 working days**;

- **26,941** taxi (including plates) and road transport licences issued;

- **28,286** cherished vehicle registration numbers transferred and **1,957** attractive marks sold;

- The average waiting time in a local vehicle licensing office was **5.79 minutes**;

- The average waiting time in a test centre was **2 minutes**;

- **97%** level of compliance with theory test standards;

- **13,574** invoices paid by DVA Licensing, **99.9% within 30 days**;

- **7,375** invoices paid by DVA Testing, **98.36% within 30 days**.

4 Management Commentary

INTRODUCTION

This commentary sets out the Agency's main objectives, provides a detailed report on performance during 2010-11, and comments upon the general environment within which we operated.

VISION

The Agency's vision has been defined as **Safer vehicles and safer drivers**.

MISSION STATEMENT

The mission of DVA is "To contribute to road safety, law enforcement and a cleaner environment by promoting compliance of drivers, vehicles and transport operators through testing, licensing, enforcement and education".

STRATEGIC OBJECTIVES

The Agency's strategic objectives, which underpin every aspect of the business plan, are to:

- improve compliance with statutory requirements;
- improve the quality, integrity and security of our records;
- deliver quality services to meet the needs of customers and other stakeholders;
- apply appropriate quality standards to all current and new processes;
- improve our efficiency, effectiveness and economy;
- develop the organisation and its people.

VALUES

The Agency values describe how we behave and treat each other, and how we treat our customers and stakeholders. They confirm that in all we do we will:

- show respect;
- be accountable;
- display awareness of the need for work-life balance;
- be supportive;
- display leadership;
- be dependable.

4.1 Performance against Targets

The Agency's performance was measured externally by its performance against targets. The targets set to measure performance against the strategic objectives for 2010-11 are set out below.

SBO Ref	Target 2010-11	Measured by	Result
1.1	MOT evasion maintained at less than 5%	DFT Annual On-Road Evasion Survey	Achieved
1.2	HGV Compliance	Biennial roadside survey (not measured this year)	Not achieved
1.5	Evasion of excise duty (motor tax) rate to remain at less than 2%	DFT Annual On-Road VED Evasion Survey	Achieved
3.1	Achieve 93% customer satisfaction	Annual Northern Ireland Statistics and Research Agency survey	Achieved
3.2	Waiting Times (vehicle tests): 91% of all applications appointed within 21 days or on request at a later date	Measured from time of first request until actual appointment date, other than appointments requested at a later date	Achieved
3.3	Waiting Times (driving tests): 85% of all applications appointed within 28 days or on request at a later date	Measured from time of first request until actual appointment date, other than appointments requested at a later date	Achieved
3.5	All 8 service delivery targets achieved (licensing)	In-house monitoring	Achieved
5.1	Aggregate cost efficiency index (ACE) of 2.9% for testing activity	Outputs and costs compared with the previous year after inflation and removal of new or additional work activity	Achieved
5.2	Standard hour cost (testing) of £63.44	Total cost of providing practical driving and vehicle tests divided by the value in hours of the total tests conducted	Achieved
5.3	Return on capital of 3.5% for testing activity	The target set by HM Treasury for public sector non-commercial operations in relation to the return on average resources used	Achieved
5.4	2.5% licensing efficiency		Not achieved

MEASURES TO SUPPORT THE TIMELINESS OF SERVICE DELIVERY TO CUSTOMERS

ACTIVITY		TARGET 2010-11	OUTCOME
Vehicle Licensing			
Registration Document	To dispatch xx% of registration documents for newly registered vehicles within 10 working days	90%	Achieved
Refunds	To dispatch xx% of refunds within 5 working days	95%	Achieved
Postal Licensing	To dispatch xx% of licences within 5 working days	95%	Achieved
Driver Licensing			
Driving licences	To dispatch xx% of driver licences within 10 working days	95%	Achieved
Taxi Plating			
Taxi plates	To dispatch xx% of taxi plates on receipt of all documentation within 5 working days	96%	Achieved
Change of Keeper V5			
Change of keeper notifications	To process xx% of change of keeper (V5C) notifications and dispatch new HRC documents within 5 working days	95%	Achieved
Road Freight Vehicle Licences			
Road freight licences	To dispatch xx% of road freight vehicle licences on receipt of all documentation within 5 working days	95%	Achieved
Local Office Waiting Times			
Waiting times	Average waiting time	No more than 13 minutes	Achieved
Test Centre Waiting Times			
Reception	Average waiting time	No more than 13 minutes	Achieved
Telephone Enquiries			
Enquiries	Answer xx% of calls within 30 seconds	70%	Achieved

4.2 Business Report, Volumes & Performance

DRIVER LICENSING

207,727 driving licences were issued during the year.

Driver Licensing Division, working in conjunction with the UK Borders Agency and other enforcement bodies, made a number of detections of illegal immigrants which led to successful prosecutions. The Division also took part in an inter-departmental review of procedures for identity checking and checking the status of foreign applicants, which has improved the efficiency and the effectiveness of the processes.

Following the introduction of the new Exchange Licences Designation Order in 2009, the Division has successfully negotiated bi-lateral arrangements for the exchange of licences with Canada's Provinces and Territories.

In addition, the introduction of the new Designation Order permits the exchange of driving licences from a wide range of countries where driver testing and licensing systems are assessed as being of similar standards to those in Northern Ireland.

Driver Licensing Division's Performance

Driver Licensing Division exceeded its target of issuing 95% of licences within 10 working days; 99.3% of licences were issued within this time.

Target	2009-10	2010-11	Result 2010-11	Proposed Target 2011-12
To achieve a yearly average of x% of licences dispatched in y working days from receipt of the application	Target 95% in 10 days	Target 95% in 10 days	Achieved	Target 95% in 10 days
	Outcome 99.3%	Outcome 99.7%		

Driver Licensing Transactions – Business Volumes

Transaction	Outturn 2010-11
Group 1 Licences (cars, motorcycles etc.)	
Ordinary First Licence (Provisional)	27,228
Exchange of Surrendered Licence	5,591
Conversion of Provisional to Full	29,629
Replacement/Duplicate Licences	25,131
Name and address changes	19,224
Renewals to over 70's	32,234
Medical Renewals	5,216
Expiry/Optional Renewals	50,971
Group 2 Licences (minibus, bus, lorry)	
Vocational First Licence	2,240
Conversion of Provisional to Full	1,428
Replacement/Duplicate/Exchange Licences	2,049
Name and address changes	1,504
Renewal Licences	5,282
Digital Tachographs	
Driver Cards	3,760
Company Cards	234
Workshop Cards	78
Control Cards	138

DRIVER TESTING

66,259 driving tests were conducted during the year.

Driver Testing – Performance

Driver testing achieved its key target.

Target	2009-10	2010-11	Result 2010-11	Proposed Target 2011-12
Tests appointed	<p>Target 85% in 28 days or on request at a later date</p> <p>Outcome 99.04%</p>	<p>Target 85% in 28 days or on request at a later date</p> <p>Outcome 98.61%</p>	Achieved	<p>Target At least 92% in 28 days or on request at a later date</p>

Driver Testing Transactions – Business Volumes

Transaction	Outturn 2010-11
Practical Tests Provided	
L Test Private Cars	57,496
L Test Motorcycles	3,469
LGV	3,956
PCV	415
Miscellaneous Test Categories	923
TOTALS	66,259

The volume of practical driving test applications fell by 3.23% during 2010-11.

Transaction	Outturn 2010-11
Theory Test Applications Received	
Private Cars	51,205
Motorcycles	2,274
LGV Hazard Perception	1,743
LGV Multiple Choice	1,818
LGV CPC Module 2	624
LGV CPC Conversion Module 2	1
PCV Hazard Perception	398
PCV Multiple Choice	392
PCV CPC Module 2	334
PCV CPC Conversion Module 2	-
TOTALS	58,789

Transaction	Outturn 2010-11
Theory Tests Conducted	
Private Cars	48,033
Motorcycles	2,065
LGV Hazard Perception	1,589
LGV Multiple Choice	1,625
LGV CPC Module 2	552
LGV CPC Conversion Module 2	1
PCV Hazard Perception	391
PCV Multiple Choice	378

PCV CPC Module 2	311
PCV CPC Conversion Module 2	1
TOTALS	54,946

	Outturn 2010-11
Theory Test % Pass Rate	
Private Cars	63.39%
Motorcycles	79.47%
LGV CPC Module 2	66.30%
LGV CPC Conversion Module 2	100.00%
LGV Hazard Perception	82.69%
LGV Multiple Choice	78.71%
PCV Hazard Perception	83.89%
PCV Multiple Choice	84.39%
PCV CPC Module 2	69.45%
PCV CPC Conversion Module 2	100.00%

Register of Approved Driving Instructors

	Outturn 2010-11
Applications Received % Pass Rate	
Theory and Hazard Perception Test	41%
Driving Ability Test	51%
Instructional Ability Test	29%

	Outturn 2010-11
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ADI Register Statistics	
ADIs Registered	1,287
Male	1,107
Female	180
ADIs Removed from Register	34
Check Tests	185
New Registrants	164

Register of Approved Motorcycle Instructors

The Agency introduced a register for approved motorcycle instructors (AMI) on 29 November 2010. This was a prerequisite to the introduction of compulsory basic training, which was launched at Stormont by the Minister on 16 February 2011.

The AMI register mirrors the register of approved driving instructors (ADIs) for those eligible to deliver training to car learner drivers. Only approved motorcycle instructors will be permitted to conduct training for payment in Northern Ireland.

Outturn 2010-11	
Applications Received % Pass Rate	
Theory and Hazard Perception Test	57%
Riding Ability Test	100%
Instructional Ability Test	-

Outturn 2010-11	

AMI Register Statistics	
AMIs Registered (from 29 Nov 2010 to 31 March 2011)	32
Male	31
Female	1
AMIs Removed from Register	-
Check Tests	-
New Registrants (from 29 Nov 2010 to 31 March 2011)	32

VEHICLE REGISTRATION AND LICENSING

Vehicle Licensing Division implements the Agency Agreement between the Department of the Environment for Northern Ireland and the Department for Transport (DfT) on the delivery of licensing and registration services for vehicles and the collection and enforcement of vehicle excise duty. These are excepted matters, not devolved to the Northern Ireland Assembly.

The Division met all its service delivery targets in 2010-11. In 2009-10, the project to integrate the vehicle licensing IT systems operated by DVA in NI and by the Driver and Vehicle Licensing Agency (DVLA) in Great Britain was suspended by DVLA. This project would have created a UK-wide system for the first time and would also have resulted in significant elements of work being centralised in Swansea. It would also have delivered enhanced customer services to Northern Ireland customers, such as online and telephone re-licensing and additional services in Post Offices. These services are already available in GB, and there was increasing pressure from customers for the extension of these services to NI. DVA continued to press DVLA for progress in this key area.

In 2010-11, 104,926 new vehicles were registered and 1,337,634 tax discs were renewed.

In February 2010, an agreement was concluded between the UK and Ireland for the mutual exchange of data about the keepers of vehicles which have unpaid parking or toll charges in either the Republic of Ireland or Northern Ireland, the first data exchange took place at the end of March 2010.

Vehicle Licensing Transactions – Business Volumes

Transaction	Outturn 2010-11
First Registrations	104,926
Re-Licensing	1,337,634
Cherished Transfers & Sale of Marks	30,243
Refunds	69,359
Enforcement Cases (non-payment of duty)	111,280
Telephone Enquiries	316,291

VEHICLE EXCISE DUTY EVASION

The 2010 roadside survey on the level of evasion of VED, which was carried out by DfT across the UK, showed that 1.2% of vehicles in traffic in Northern Ireland were unlicensed. Although an increase on the 2009 figure of 0.8%, this was a very significant achievement reflecting the hard work that has seen evasion rates falling from a peak of 10% in 2004. In response to the rise in evasion in 2008, DVA, in conjunction with the police, launched “Operation Evader”, a campaign which was rolled out across all police districts and which continued in 2010-11. This operation involved the joint detection and clamping of unlicensed vehicles. As a result of Operation Evader over 1,400 vehicles were clamped or impounded in 2010-11.

As a result of changes provided for in the Finance Act 2008, the Agency is now able to take enforcement action against unlicensed vehicles detected in publicly accessible areas as well as those on public roads. In addition to helping to increase compliance, this supports action to improve the accuracy of the vehicle record.

DVA continues to receive vehicle excise reports from its law enforcement partners and takes enforcement action against those vehicle keepers identified. It also continues to

participate in joint operations with these Agencies to identify and remove unroadworthy vehicles from the road.

DVA also supports the Police Service of Northern Ireland by issuing warning letters to keepers of vehicles with misrepresented numbers and where necessary utilises its power to withdraw vehicle registration marks.

The Agency continues to utilise its automated number plate recognition (ANPR) technology to detect and report suspected cloned vehicles and to support the PSNI in identifying and combating crime.

Vehicle Licensing Division's Performance

Vehicle Licensing Division achieved all its key targets.

Function	Targets	2008-09	2009-10	2010-11	Result 2010-11	Proposed Target 2011-12
Postal Licensing	To achieve a yearly average of x% of licences dispatched in y working days	Target 97% in 5 days Outcome 100%	Target 97% in 5 days Outcome 99.8%	Target 95% in 5 days Outcome 100%	Achieved	Target 95% in 5 days
Registration Documents	To achieve a yearly average of x% of registration documents dispatched in y working days.	Target 97% in 12 days Outcome 99%	Target 97% in 12 days Outcome 97.9%	Target 90% in 10 days Outcome 98.5%	Achieved	Target 90% in 10 days
Refunds	To achieve a yearly average of x% of refunds dispatched in y working days	Target 97% in 9 days Outcome 99.2%	Target 97% in 9days Outcome 99.9%	Target 95% in 5 days Outcome 98.0%	Achieved	Target 95% in 5 days
Waiting Time at LVLOs	Average waiting time of x minutes	Target Average waiting time of 13 minutes Outcome 10.6 minutes	Target Average waiting time of 13 minutes Outcome 6.1 minutes	Target Average waiting time of 13 minutes Outcome 5.79 minutes	Achieved	Target Average waiting time of 13 minutes
Change of Keeper (V5C)	To process x% of change of keeper (V5C) notifications and dispatch a new HRC	Target 96% in 8 days Outcome 99.8%	Target 96% in 8 days Outcome 99.6%	Target 95% in 5 days Outcome 98.2%	Achieved	Target 95% in 5 days

VEHICLE TESTING

972,054 vehicle tests were delivered during the year, while the number of vehicle test applications increased by 7.29% in 2010-11 compared with 2009-10.

The Agency has revised a range of vehicle test schemes as a consequence of European and national legislative changes. The individual vehicle approval (IVA) scheme for passenger cars, goods vehicles, buses, coaches and trailers is being introduced in annual phases. The Agency has provided for the mandatory IVA testing of certain buses from October 2010, and is preparing for the testing of light goods vehicles from October 2011. The IVA scheme provides an alternative to European Community whole vehicle type approval (ECWVTA) and supports local vehicle manufacturers. The Agency has provided for the testing and licensing of left hand drive stretched limousines for use as private hire taxis. Local taxi operators have been lobbying for the licensing of these vehicles as public service vehicles for a considerable period of time. The Agency has revised the annual test requirements for certain heavy goods vehicles, to provide for the acceptance of new side guards and conspicuity markings fitted in compliance with ECWVTA. DVA has also worked with the Maritime and Coastguard Agency to provide for the appropriate construction and PSV licensing of an amphibious bus which is now operating sightseeing tours in Belfast utilising a stretch of the River Lagan.

The Agency continues to work closely with RSVRD to provide a new regulatory regime affecting the construction, testing and licensing of taxis. DVA's primary focus is on the development of technical specifications for testing and the formulation of an appropriate legislative framework.

The Agency and RSVRD are also preparing for the implementation of the amending roadworthiness directive 2010/48/EU. This introduces a range of new testable items effecting the periodic testing of cars, trucks, buses, trailers and motorcycles.

DVA and the Vehicle and Operator Services Agency (VOSA) in GB have made significant progress towards the introduction of a UK wide trailer logging scheme. The purpose of the scheme is to ensure that only those trailers that have been built to ECWVTA requirements or the alternative national requirements may enter service in the UK.

Vehicle Testing – Performance

Vehicle testing achieved its key target.

Target	2009-10	2010-11	Result 2010-11	Proposed Target 2011-12
Average waiting time - days	Target 90% in 21 days or on request at a later date Outcome 99.04%	Target 91% in 21 days or on request at a later date Outcome 99.92%	Achieved	Target At least 92% in 21 days or on request at a later date

Vehicle Testing Transactions – Business Volumes

Applications Received	Outturn 2010-11
Private Cars	667,225
Motorcycles	21,908
Light Goods	65,918
Heavy Goods	28,132
Trailers	15,313
Omnibus	2,529
Taxis	11,041
LPCV	3,050
Single Vehicle Approval – Motorcycles (MSVA)	28
Single Vehicle Approval – Others (SVA)	138
Individual Vehicle Approval - Cars	41
Carriage of Dangerous Goods (CDG)	216
TOTALS	815,539

Full Tests Carried Out	Outturn 2010-11
Private Cars	655,173
Motorcycles	21,503
Light Goods	64,343
Heavy Goods	27,796
Trailers	14,847
Omnibus	2,729
Taxis	10,832
LPCV	2,939
SVA/MSVA	223
CDG	210
TOTALS	800,595

Vehicle Testing Quality Control Checks	Outturn 2010-11
Vehicles Checked by Quality Control Officer	691
Vehicles Checked by Centre Managers	1,181

Tests - Other	Outturn 2010-11
Road Traffic Collision Report	20
COIF	313
COIF Paid Retests	29
COIF Free Retests	126
DDA Tests	305
DDA Retests	27
TOTALS	820

Other Activities	Outturn 2010-11
Vehicle Test Productivity (Standard Minute Value)	446.71
Driver Test Productivity (Standard Minute Value)	429.91

ROAD TRANSPORT LICENSING

During the year, preliminary work continued towards introducing changes set out in the Taxis Act 2008.

Revised procedures were also introduced for the regulation and enforcement of the NI freight industry, and a review of the regulation of the bus industry was completed.

The Division also continued to work with the Department towards the establishment of a new Transport Regulation Unit as part of the implementation of the Goods Vehicles (Licensing of Operators) Act 2010.

Road Transport Licensing – Business Volumes

Transaction	Outturn 2010-11
PSV Licences	
• Omnibus	2,462
• Taxi	10,559
Taxi Driver Licences	3,512
Road Service Licences	
• Operator	187
• Vehicle	2,505
Freight Operator Licences	394
Freight Vehicle Licences	6,872

Road Transport Licensing Division's Performance

Functions	Targets	2009-10	2010-11	Result 2010-11	Proposed Target 2011-12
Road Freight Vehicle Licences	To dispatch x% of licences in y working days from receipt of the application	Target 95% in 6 days Outcome 99.7%	Target 95% in 5 days Outcome 99.7%	Achieved	Target 95% in 5 days
Taxi Plating	To dispatch x% of taxi plates in y working days from receipt of all documentation	Target 96% in 6 days Outcome 99.2%	Target 96% in 5 days Outcome 99.2%	Achieved	Target 96% in 5 days

COMPLIANCE AND ENFORCEMENT

The section continued to target its resources on the non-compliant sector of the industry resulting in an increase of almost 20% in the number of vehicles assessed. The overall effectiveness of enforcement checks also increased, particularly in respect of goods vehicles, with an increase in the detection rate from 57.9% in 2009-10 to 62.0% in 2010-11.

The number of offences which resulted in prosecution (as a percentage of vehicles checked) decreased from 26.4% in 2009-10 to 21.7% in 2010-11. However, the total penalties imposed remained almost constant. From February 2011 fixed penalty notices were introduced for less serious offences. A number of intelligence-led in-depth investigations were conducted which resulted in some operators receiving significant court fines. Other large investigations are ongoing in respect of serious offences in relation to tachographs.

The section continued to experience difficulties with the recruitment of additional staff and as an interim measure staff from a recruitment agency were employed to provide support.

The 2010 MOT evasion survey indicated an evasion level of 4.76% (4.87% in 2009). Compliance levels within the goods and taxi fleets will be measured as part of the Agency biennial surveys planned for the next financial year.

The findings of these surveys can be viewed on the DVA website at: www.dvani.gov.uk.

The section has also developed, updated and published a range of educational material to assist operators to understand the requirements associated with running their businesses including a guide to the use of maintenance software and storage of maintenance records.

The section also continued to assist RSVRD with development work on the Goods Vehicles (Licensing of Operators) Act 2010, the graduated fixed penalty and deposit scheme and the Taxis Act.

Enforcement Section – Business Volumes

Vehicles Checked	Outturn 2010-11
Goods Vehicles	2,480
Trailers	1,355
Taxis	1,520
Buses	501
Cars	230

Tachograph Charts Examined	Outturn 2010-11
Operators' Premises	7,659
Roadside	32,952
TOTAL	40,611

Enforcement Section – Performance

Goods Vehicles – Offences	Outturn 2010-11
Overweight	514
Defective	1,028
Drivers' Hours	463
*Overall offences actioned	1,432

* Serious Offences dealt with by way of prosecution, prohibition or defect notice issued.

Taxis – Offences	Outturn 2010-11
Defective	374
Vehicle/Driver Licensing	183
Compliance with Taxi specifications	532
*Overall offences actioned	547

* Serious Offences dealt with by way of prosecution, prohibition or defect notice issued.

Buses - Offences	Outturn 2010-11
Operator Centre Assessments	32
Defective	142
Licensing	70
*Overall offences actioned	184

*Serious Offences dealt with by way of prosecution, prohibition or defect notice issued.

Cars - Offences	Outturn 2010-11
Defective	177
*Overall offences actioned	160

*Serious Offences dealt with by way of prosecution, prohibition or defect notice issued.

Enforcement Section – Prosecutions and Fines

Court/Prosecution Results (based on Courts Data received by 27/5/11)	Outturn 2010-11
Test Certificate/Vehicle Licence	105
Road Freight Licences	68
Vehicle Overweights	271
Defects	104
Drivers Hours/Tachographs	523
Other Offences	251
Prosecutions	1,322
Total Penalties	£209,486

Tachograph Centre Approval	Outturn 2010-11
Approved Centres	27
Number of Visits	39
New Centres Approved	1
Approval Withdrawn	0
Closed	1
Approved Digital Tachograph Centres	27

4.3 Business Development and Information Systems

PROGRAMME MANAGEMENT

The 2010-11 year saw further progress towards the delivery of the 2008-2012 Change Programme, and we are pleased to report that we are now at a stage of the programme where a number of the benefits identified in 2008 are coming to fruition. In particular in 2010-2011 we successfully managed the introduction of compulsory basic training for motorcyclists and the associated approved motorcycle instructors register. A number of other projects are moving forward with delivery anticipated in 2011 and beyond eg implementation of the third EU directive on driver licensing, replacement of the test booking system, replacement of the driver licensing system, driver licence card production, and implementation of the Taxis Act 2008.

INFORMATION SYSTEMS

The Department's corporate services review had a significant impact on the Agency's ICT resource. All ICT-qualified staff moved on transfer to a new centralised ICT function on 1 April 2010. However, on a day to day basis management of ICT issues remained with the Agency. The first requirement of this move was to reduce the ICT headcount by some 18%. Whilst this has undoubtedly had an impact on performance, services continued to be delivered, and a number of ICT-related changes were introduced.

BUSINESS DEVELOPMENT & ICT HIGHLIGHTS 2010-11

Introduction of an Approved Motorcycle Instructors Register

In November 2010 the Agency introduced a statutory register for approved motorcycle instructors (AMI). This is the first statutory register for motorcycle instructors in the UK, and means that only registered instructors may provide training for reward.

Compulsory Basic Training

The introduction of CBT on 21 February 2011 requires all learner moped and motorcycle riders to complete training before being permitted to ride unaccompanied on public roads. The training must be administered by an approved motorcycle instructor authorised to carry out CBT.

Graduated Fixed Penalty and Deposit scheme.

Significant work has been carried out on this scheme during 2010-11 in association with our partners including the PSNI and NI Court Service. Phase 1 has been introduced with Phases 2 and 3 scheduled for delivery in 2011-12.

Vehicle Licensing and Registration.

A number of procedural changes have been introduced following the relocation of the Northern Ireland vehicle licensing IT system (NIVIS) to DVLA in March 2010.

Driver Licence Card Production

It is expected that the outsourcing of the production of plastic driving licence cards to DVLA will be completed by June 2011.

Driver Licensing System

Detailed analysis in 2010-11 confirmed that integration of the GB and NI driver licensing systems was not a practical proposition, and a project was established to investigate other options. With the assistance of business consultants it has been agreed that the best way forward at this time will involve the re-writing of business rules held in the existing Virtual Machine Environment (VME) to a more procurement friendly platform such as Oracle™.

Booking Services

The current BSP contract expired on 31 March 2010. The Agency negotiated an extension to the contract to cover the period from 1 April 2010 to 31 March 2012, and work is continuing to have a workable solution in place by April 2012.

Road Transport Enforcement IT System

During 2010-11 the enforcement IT system was further enhanced to deliver on-road solutions and to include functionality to deal with the graduated fixed penalty and deposit scheme.

IS STRATEGY

The 2008–2013 IS strategy is built around the concept of service-oriented architecture, and to that end all future development is being viewed for potential integration and re-use where possible, thus reducing the costs, risks and lengthy procurement exercises associated with monolithic systems.

EFFECTIVE LINE OF BUSINESS SUPPORT AND SERVICE DELIVERY

As well as the highlights shown above, a large number of system enhancements were introduced during 2010-11 under the control of the Change Programme Board. Whilst generally smaller in nature these have had a significant impact on service delivery and/or improved efficiency. Examples include: improved audit functionality for the taxi licensing system; enhanced search facilities for the freight and bus system (FABS), and improvement to document viewers on the driver licensing system.

4.4 Customer Service

The level of service that our customers can expect, along with advice on making a complaint should the quality of service fall below the expected standard, is clearly set out in our customer charter, customer services guide and complaints procedure, and also on our website.

COMPLAINTS AND COMPLIMENTS

During the year DVA dealt with 392 complaints and received 95 compliments: 99.0% of complaints were dealt with within 10 working days.

DVA Customer Services staff answered 513,010 telephone calls last year, 73.37% of calls were answered within the 30 second target.

The Agency will continue to review and improve the delivery of this service.

CUSTOMER SATISFACTION RESULTS

The 2010 DVA Customer Satisfaction Survey, conducted by the Northern Ireland Statistics & Research Agency (NISRA), showed an overall satisfaction rate of 97.3% with the services delivered. This was an improvement on the previous year. An action plan has been developed to identify areas for further improvement.

CUSTOMER SERVICE EXCELLENCE (CSE)

In December 2010 DVA achieved the prestigious Customer Service Excellence (CSE) standard following a four day assessment process which involved a thorough inspection of the evidence provided as well as interviews with staff and customers in several locations.

PARTNERSHIPS

Consultation on a regular basis took place with representatives of our main customer

groups such as the retail motor, road and passenger transport and ADI industries, local suppliers and cherished number dealers. This is a valuable two-way channel of communication and provides useful input to the business planning process.

The Agency set up and worked closely with the motorcycle stakeholder group to successfully introduce the AMI register and CBT.

We worked closely with RSVRD on the development of the Northern Ireland Road Safety Strategy for the period to 2020.

We worked closely with relevant bodies in GB such as DfT, DSA, VOSA, and also with the Road Safety Authority (RSA) in Ireland. We also liaised regularly with the PSNI on a range of issues including roadside enforcement.

We continued to build on the working relationships already established with our private sector partners for the delivery of services: Romaha for the provision of vehicle test equipment and associated services, Pearson VUE for delivery of the theory test service; and Northgate Information Solutions for the provision of booking systems and telephone booking services.

CUSTOMER SERVICE IMPROVEMENTS

DVA Testing Booking Service

The take-up rate for electronic booking (telephone and internet) services continued to increase steadily throughout the year reaching over 64%. Online booking continued to be successful, particularly with driving test candidates. The trend looks set to continue in the coming year. In February our call centre, operated by Northgate, took its two millionth booking. Customers using electronic booking methods continued to record high levels of satisfaction, with the service regularly achieving satisfaction ratings above 95%.

The introduction of an online application service for approved driver and motorcycle instructors was received positively by the industry. Whilst uptake was initially low it is increasing as applicants' confidence in the use of the service grows.

Post Offices

Re-licensing services using pre-printed renewal forms are available at 155 Post Offices. An additional service is also available in 19 of these offices using the manual form. This means that customers who do not receive renewal forms – eg because they do not notify us of changes of address or because they have purchased used vehicles and want to tax them for the first time - can now do so at these offices.

Identity Checking at Local Offices

An identity checking facility, for those customers who do not wish to send important documents to us in the post, was available in all eight local vehicle licensing offices, while the service offered in the Belfast office was expanded to include non-UK and Irish passports.

4.5 Financial Review

DVA LICENSING

Funding

DVA Licensing is funded jointly through income from fees and moneys voted by the Northern Ireland Assembly for driver, taxi and freight licensing. Vehicle registration and licensing functions are funded by DVLA through an Agency Agreement between DfT and DOE.

Non-Current Assets

Licensing's non-current asset book value is currently £1.4m (2009-10 £4.4m) This balance relates to £1.1m of application software and software licences, £321k of information technology and £27k of furniture and fittings.

The non current asset book value decreased significantly during the year. This decrease is mainly due to the transfer of £2.4m of application software and £357k of information technology to DVLA. This transfer was completed as a result of a decision taken by DVLA to include the vehicle licensing ICT managed service in the DVLA ICT contract.

Financial Performance

DVA Licensing received income of £17.4m during the year (2009-10 £18m) from its four main income streams. These are analysed as follows:

- driver licensing income amounted to £3.5m (2009-10 £3.5m);
- vehicles division costs recovered from DVLA were £11.9m (2009-10 £12.3m);
- taxi licensing fees amounted to £1.4m (2009-10 £1.5m);
- operator (road freight and bus) licensing fees amounted to £0.6m (2009-10 £0.7m).

The expenditure of DVA Licensing in 2010-11 was £19.1m (2009-10 £25.2m) including notional costs. Expenditure was significantly higher in 2009-10 due to the equal pay settlement of £6.2m.

The net operating cost for the year was £1.7m (2009-10 £7.2m).

Vehicle Excise Duty

DVA Licensing accounts do not incorporate the revenue collected from VED and the sale of marks or the associated refunds and other payments. These are accounted for separately in the VED account prepared by DVLA, as the Agency acts as agent of the Secretary of State for Transport for these activities. VED, which is excluded from the accounts, increased by £3m this year from £164m to £167m.

DVA TESTING

Funding

DVA Testing has continued its trading fund status under the provisions of the Driver & Vehicle Testing Agency Trading Fund (Northern Ireland) Order 1996. This means that it operated outside the supply process and met all its expenditure requirements from the income it generated through its principal activities. DVA Testing was required to break even after interest and dividends, taking one year with another. It also had a responsibility to achieve such further financial objectives as DFP deemed appropriate. Roadside enforcement activity, which was outside the trading fund, was financed through the supply process.

The Order created a public dividend capital of £2.1m and a long term loan of £1.4m in consideration of the appropriation of Crown assets and liability to DVA Testing. Ongoing funding is through fees and revenue reserves retained in DVA Testing.

Non-current Assets

Movements in property plant and equipment and intangible assets are disclosed in Notes 9 and 10 respectively. Land and buildings with an open market value for

existing use of £4.2m were appropriated by DVA Testing on attainment of trading fund status on 1 April 1996. Legal title to the land and buildings occupied by DVA Testing is held by various Northern Ireland government departments including DOE.

The trading fund's properties are revalued by Land & Property Services (LPS) on the basis of open market value for existing use on a periodic basis. DVA Testing's enforcement properties are revalued by LPS on the basis of depreciated replacement cost on a periodic basis. The most recent valuations were carried out by LPS on 31 March 2011 but details of the open market value on an alternative use basis were not provided. Any DVA Testing properties which are surplus to requirements are revalued on the basis of open market value of estimated incidental costs of disposal.

Financial Performance

Income from activities (other than Enforcement) increased during the year by £0.9m due to higher test volumes for vehicle tests. This was offset by a decrease in theory and practical driver tests. The average number of full time equivalent staff decreased by 30 from the previous year. Other operating costs increased by £1.10m from 2009 and this was mainly due to the cost of the impairment of the fixed assets and property write down, and the insurance charge.

Salary costs have decreased mainly due to the settlement for equal pay provided for in the 2009/10 year.

DVA Testing's working capital position has improved in line with the retained surplus for the year.

Key Corporate Financial Targets

DVA Testing was required to achieve a return of 3.5% per year on capital employed, expressed as a percentage of average net assets employed at current values. DVA Testing achieved a return of 24.66% during the year (20.80% for 2009-10).

DVA Testing achieved a standard hour cost of £61.06, a 3.75% improvement on the target of £63.44.

The planned Aggregate Cost Efficiency (ACE) index target for 2010-11 was 2.9%.
DVA Testing achieved an ACE index of 5.65%.

4.6 Our People

THE AGENCY'S PEOPLE

The table below shows the staff employed by the Agency in delivering its services as at 31 March 2011, together with an indication of the planned number of staff at 31 March 2012. These figures take account of staff transferred to DOE wef 1 April 2010 as a result of the DOE Corporate Services Review.

Division	Number of Staff as at 31 March 2011		Forecast 31 March 2012
	Permanent	Temporary	
Test Centres	445	10	478
Testing HQ	84	1	88
Enforcement	42	3	52
Vehicles HQ	296	19	288
LVLOs	76	-	76
Drivers Division	64	-	64
Taxi and Freight/ Bus	32	-	44
TOTAL	1,039	33	1,090

A significant number of these staff made use of the flexible working hours and work life balance policies available throughout the NICS. At present there are 138 staff working on either a part time basis or under job sharing arrangements.

The overall departmental management of attendance target for the 2010-11 year was 9.5%. The combined monthly absence rates to 31 March 2011 were 4.6% for Testing and 5.2% for Licensing.

LEARNING AND DEVELOPMENT

DVA continued to invest in the learning and development of its people. Through continuous feedback and evaluation we were able to identify staff training and development needs.

Our training needs were met through the delivery of formal training courses provided both externally and in-house. Some examples of in-house training were:

- induction for all new staff joining the Agency;
- customer services;
- data protection/ freedom of information;
- fire safety awareness/ manual handling/ DSE awareness;
- new entrant driving examiner.

TECHNICAL TRAINING

Specific technical training was developed, delivered and reviewed during the year in conjunction with, and to address the needs of Operations Testing. Distance learning was introduced through an in-house training DVD to provide for refresher training of over 300 staff, at 15 locations, in new headlight alignment testing procedures. During the year the Technical Training Unit delivered training included:

- reduced pollution certificate;
- new entrant vehicle examiner (light vehicles);
- heavy vehicle lane conversion;
- headlight alignment testing refresher;
- air brake refresher;
- initial bus test/DDA;
- ADR/CDG (Carriage of Dangerous Goods);
- taxi meter calibration;
- refresher training for staff returning to work following an extended absence.

ASSISTANCE TO STUDY

DVA continued to support the NICS Assistance to Study policy. This service offers financial assistance to staff seeking to further their education in areas which have a positive influence on their individual performance and contribute to the overall effectiveness of the business.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

DVA is committed to being a socially and environmentally responsible organisation and has developed a corporate social responsibility policy and action plan with strategic objectives based around the following key areas:

- environment – to reduce the impact of our operations on the environment;
- community – to enrich and support the local community;
- workplace – to maintain our commitment as an employer of choice.

The Agency is committed to ongoing reductions in its environmental impact, and participates in the ARENA Network environmental benchmarking survey. The survey targets 250 of Northern Ireland's largest public and private organisations, with 15 different sectors represented. The Agency has established baseline costs and Co2 output figures for flights, mileage, energy usage and waste management, and is working with the ARENA Network on an action plan to help improve environmental performance and reduce costs. The Agency started to consider the development of a new environmental management system (EMS) to help address applicable legal requirements, improve existing practices and procedures, and ensure compliance with ISO 14001:2004.

As a member of Business in the Community, DVA is committed to supporting its staff to work with local community and charitable organisations through a wide range of community involvement programmes and fundraising activities. Listed below are some of the charities that have recently benefited from events held by DVA staff.

Silver Surfer

St Vincent de Paul

MacMillan Cancer Relief

Age Concern

Comic Relief

Jeans for Genes

Haiti Earthquake Appeal

Salvation Army

Coleraine Mountfern Centre

Foyle Hospice

Chest, Heart and Stroke

BLOOD DONOR CAMPAIGN / UK TRANSPLANT

The Agency continued to support the Northern Ireland Blood Transfusion Service and UK Transplant by including leaflets in its driver and vehicle licensing reminders, encouraging people to drive safely, to donate blood and to become organ donors.

4.7 Future Developments

VEHICLE LICENSING CENTRALISATION

Following DVLA's termination of the project to integrate the NI and GB vehicle licensing IT systems in 2009, discussions have continued with DVLA about the future provision of IT services and about the establishment of parity of service provision for customers in Northern Ireland. DVA have emphasised the need to provide customers in Northern Ireland with the services available in Great Britain, a full range of vehicle licensing services in Post Offices and the ability to renew tax discs online and by telephone.

FINANCIAL INTEGRATION

The Agency's new accounting system, Account NI, went live on 4 April 2011. All other departments and agencies within the NICS already use the Account NI system. The new system will help to standardise accounting policies and financial processes across the Agency and the Department.

DRIVER LICENSING SYSTEM REPLACEMENT PROJECT

Following the securing of funding, work has started on the development of a replacement for the end-of-life IT system for driver licensing. In conjunction with the development of new functionality required to implement the third EU directive on driver licensing in January 2013, the existing IT system will be amended to open its future management, support and development to a more broadly based procurement competition. The new managed service provider appointed will be responsible for delivering enhanced systems to meet identified business needs.

MOT2 CONTRACT

Following a recent performance review, the Agency is working in conjunction with a programme delivery unit in the Department's Finance & Business Planning Division

to address a number of outstanding issues affecting the PFI contract with the Romaha consortium.

PUBLIC AFFAIRS STRATEGY

Significant work was put into the development of a public affairs strategy during the year. The delivery of this strategy in future years will provide a framework for the way DVA intends to communicate with key stakeholders and customers alike and will help to inform management and decision-making processes. It will incorporate communication plans and key messages, and will ensure that communication channels and the services provided to stakeholders and customers are regularly reviewed.

STAKEHOLDER ENGAGEMENT STRATEGY

In 2010-11 we developed a strategy for the Agency's interaction with customers and key stakeholders.

5 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 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 circumstances where 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

SALARY AND PENSION ENTITLEMENTS

The following sections provide details of the remuneration and pension interests of the Chief Executive and Board Members of the Agency.

Senior Management Remuneration

This information is subject to audit.

Officials	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)
Mr S Duncan Chief Executive (Appointed on 23/11/2009)	65 - 70	-	-	20 - 25 65 - 70 (full year equivalent)	-	-
Mr B Magee Chief Executive (Retired on 16/12/2009)	-	-	-	50 - 55 75 - 80 (full year equivalent)	-	-
Mr T Evans Group Director	60 - 65	-	-	60 - 65	-	-
Mrs B Cosgrove Acting Group Director (Retired on 31/03/2010)	-	-	-	50 - 55	-	-
Mrs B Rooney Group Director	45 - 50	-	-	45 - 50	-	-
Mr D Wilson Acting Group Director (Until 26/09/2010)	25 - 30 45 - 50 (full year equivalent)	-	-	45 - 50	-	-
Mr J Hutchinson Group Director (From 27/09/2010)	20 - 25 45 - 50 (full year equivalent)	-	-	-	-	-
Mr N Brady Independent Board Member (Until 31/08/2010)	0 - 5	-	-	5 - 10	-	-

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any gratia payments.

This report is based on payments made by the Agency and thus recorded in these accounts.

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.

No senior employee received any benefit in kind during the year.

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.

No senior employees received any bonuses during the year.

Pensions of Senior Management

This information is subject to audit.

Officials	Accrued pension at age 60 as at 31/03/11 or leaving date if earlier and related lump sum	Real increase/ (decrease) in pension and related lump sum at age 60	CETV at 31/03/11 or date of leaving if earlier	CETV at 31/03/10 or date of commencement if later***	Real Increase/ (Decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Mr S Duncan Chief Executive	25 - 30 plus 80 - 85 lump sum	(0 - 2.5) plus lump sum (0 - 2.5)	548	510	(1)	-
Mr T Evans Group Director	25 - 30 plus 85 - 90 lump sum	(0 - 2.5) plus lump sum (0 - 2.5)	615	570	(3)	-
Mrs B Rooney Group Director	20 - 25 plus no lump sum	0 - 2.5 plus no lump sum	230	195	17	-
Mr D Wilson Acting Group Director (Until 26/09/2010)	20 - 25 plus 70 - 75 lump sum	0 - 2.5 plus lump sum 2.5 - 5	525	463	34	-
Mr J Hutchinson Group Director (Appointed 27/09/2010)	5 - 10 plus 25 - 30 lump sum	0 - 2.5 plus lump sum 0 - 2.5	96	93	1	-
Mr N Brady Independent Board Member (Until 31/08/2010)	N/A	N/A	N/A	N/A	N/A	N/A

*** The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits are provided through the Northern Ireland 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 (classic, premium, and 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.

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 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 CSP 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 individual has transferred to the CSP arrangements. 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

update Civil Service pensions. This means that the CETV in this year's report for 31 March 2010 will not be the same as the corresponding figure shown in last year's report.

All senior employees are members of either PCSPS (NI) classic scheme or premium scheme.

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 or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for Loss of Office

No compensation payments were made or are due to any of the senior management for DVA under Civil Service Compensation Scheme (Northern Ireland) [CSCS (NI)] in the year ending 31 March 2011.



STANLEY DUNCAN

Chief Executive

24 June 2011

6 Accounts for the Year Ended 31 March 2011

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Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act (Northern Ireland) 2001 and Article 8(6) of the Financial Provisions (Northern Ireland) Order 1993, DFP has directed the Agency to prepare statements of accounts. These are prepared on an accruals basis and must give a true and fair view of the state of affairs at the year end and of the Agency's income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to:

- prepare two sets of accounting information, one for the operations that formerly comprised the Driver & Vehicle Testing Agency and one for the operations that formerly comprised Driver and Vehicle Licensing Northern Ireland;
- observe the accounts direction issued by DFP, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual (FReM) have been followed, and disclose and explain any material departures in the accounts/financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer of the DOE/DFP has appointed the Chief Executive of the Agency as the Accounting Officer. His relevant responsibilities as Accounting

Officer, including his responsibility for the propriety and regularity of the public finances, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum issued by DFP and published in Managing Public Money Northern Ireland.

The 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 Agency's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland (MPMNI).

The Driver & Vehicle Agency is an executive agency within the Department of the Environment (DOE) and operates within the context of the Department's overall vision and strategic objectives. The Minister approves the policy framework within which the Agency operates and its business plans including annual performance targets.

As Chief Executive of the Agency, I report to the Deputy Secretary responsible for the Department's Road Safety and Corporate Services Group. I also attend the Departmental Audit Committee.

DVA is responsible for driver, vehicle and vehicle operator licensing and testing in NI. It carries out the functions of licensing and registering vehicles and the collection of vehicle excise duty on behalf of the Department for Transport (DfT) under the terms of an agency agreement between DOE and DfT.

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 provide only 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 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 Agency for the year ended 31 March 2011

and up to the date of approval of the annual report and accounts, and accords with Department of Finance and Personnel guidance.

3. Capacity to handle risk

The Agency Board leads the risk management process and has established appropriate procedures to ensure that risk is adequately managed within the Agency. The Agency's risk management process, which has been endorsed by the Board, sets out the roles and responsibilities of the Board, the Audit Committee and Internal Audit.

The Agency's corporate governance manager has responsibility for developing the risk management process, coordinating risk registers, and providing advice and guidance to management and staff on risk management issues.

4. The risk and control framework

The Department's risk management policy sets out the approach to risk management and the framework for identifying, assessing and monitoring risks. The Agency has developed processes to facilitate business areas in identifying and reporting risks. All new risks are presented to the Board for evaluation and approval of any mitigating actions. Risks are evaluated in terms of impact and likelihood of occurrence, and the existing controls in place to mitigate the risk to an acceptable level. Risk registers at corporate and business unit levels are maintained and monitored regularly. The Board reviewed the key risk register monthly.

The level of risk that the Agency considers acceptable to bear is set on a risk by risk basis.

Management of Data

DVA functions encompass the maintenance of its driver, taxi, operators and vehicle licensing registers. It is critically concerned with data security and complies strictly with legislative release provisions, the Data Protection Act and Cabinet Office guidelines.

Training on data security is provided to all new staff and awareness training is provided to senior managers, and relevant information communicated to all staff on a

regular basis. All managers have management of information as a key area of responsibility in personal performance agreements.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review 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, comments made by the external auditors in their reports on audit results, and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Agency has a range of structures to assist in maintaining and reviewing the effectiveness of the system of internal control.

Internal Audit

The Agency used the services of the Department for Regional Development's Internal Audit Service, which operates in accordance with the Government's Internal Audit Standards. I received regular reports including the independent opinion of the head of Internal Audit on the adequacy and effectiveness of the Agency's risk management, corporate governance and internal control processes together with recommendations for improvement.

External Audit

The Agency's external audit function was provided by the Northern Ireland Audit Office.

The Strategic Management Board

The Strategic Management Board, which I chair, comprised the three group directors and one independent non-executive board member until August 2010. In relation to reviewing the effectiveness of the system of internal control, progress on the implementation of audit recommendations and the Agency's key risks were presented at each monthly meeting. The Audit Committee provides an annual report to the Board on the comprehensiveness of assurance in meeting the Board's and Accounting Officer's needs.

DOE Corporate Services

During 2010 the responsibility for the delivery of corporate service functions including Finance and Personnel transferred to the Department. The DOE Directors of these areas attend the Strategic Board providing a forum for addressing risk management, governance and control matters in respect of the provision of corporate service functions.

Audit Committee

The DVA Audit Committee, which is chaired by an independent non-executive member, met four times during the reporting period. The Audit Committee's responsibilities, which are detailed in its terms of reference, include assisting the Chief Executive, as Accounting Officer, on matters of governance, risk, control and assurance.

Change Programme Board

I gained additional assurance on the system of internal control via the Change Programme Board, which is responsible for ensuring the strategic planning and implementation of all projects. This group, which I chair and which meets monthly, includes all group directors and a senior representative from the Department's Road Safety and Vehicle Regulation Division. The management of risks, issues and interdependencies in relation to the Agency's five-year change programme is a function of this group.

Testing Quality Unit

The Testing Quality Unit, utilising ISO accreditation, assist in maintaining and reviewing the effectiveness of the system of internal control. They conduct a programme of reviews at test centres covering the administration, supervision and delivery of the practical driving test and vehicle inspection activities of all classes of vehicle. Results are reported to the Strategic Management Board quarterly.

6. Significant Internal Control Problems

In overall terms, Internal Audit provided me with satisfactory assurance regarding the adequacy and effectiveness of the risk management, control and governance processes within the Agency. I am unaware of any significant weaknesses in control or of any irregularities in accounting practice except as noted below.

In 2010-11 Internal Audit undertook a departmental wide review on Security of Information and in April 2011, a draft report concluded with a limited assurance rating. Although the draft report is under consideration by management, action has already been taken with the development of a Strategic Information Assurance Framework and an Information Assurance Action Plan, to address the recommendations.

Testing Issues

In April 2009, the Public Accounts Committee (PAC) published a report on the private finance initiative (PFI) contract for the provision and maintenance of vehicle testing equipment and related services. The report highlighted a number of concerns including a lack of clarity in respect of the ownership of risk in relation to the provision of vehicle testing capacity to the end of the contract and the failure under the contract to put in place a system of vehicle emissions testing that was fully compliant with EU requirements. In response the Agency has undertaken an audit of contract documentation and service delivery, and a comprehensive performance review of the contract is under way. The initial stage of this review was completed in April 2010, and this provided a detailed account of contractual issues requiring resolution. A programme of work to address these issues is progressing under the direction and oversight of a PFI Contract Review Group. This Group, of which I am a member, is chaired by the Department's Permanent Secretary, and comprises senior staff from the Department, the Strategic Investment Board and DFP's Central Procurement Directorate, with the support of external financial and legal advisers. The delivery of this programme of work will provide the basis for a response to the PAC report and will enable the Department to deliver on the commitments given in the Memorandum of Reply.

A "limited" audit opinion was received in March 2011 regarding some aspects of the Agency's procedures for purchasing and paying for goods and services. The issues were in relation to delegation levels, segregation of duties and the retention of quotations. Implementation of the recommendations in the Internal Audit report, together with the Agency's transition to Account NI from April 2011, will address these issues.


A "limited" audit opinion was received in the 2011 Internal Audit review of driver and vehicle testing in relation to the quality review programme, the requirement to review

the Agency's quality strategy, the development of a staffing strategy, and the need to procure external assessment services for the purposes of ISO accreditation. In response, plans have been put in place to complete a review of the role and functions of the DVA Quality Unit, to procure a contract to deliver UKAS-approved services for the maintenance of ISO 9001:2008 accreditation, and to review the positioning of the Quality Unit within DVA. Approval has also been received for the appointment to the Quality Unit of an additional member of staff.

Licensing Issues

Driver Licensing continues to receive a "limited" audit opinion regarding the lack of an appropriate audit trail for amendments to the VME element of the NI driver licensing IT system. Additional controls have been put in place but the risk cannot be eliminated or reduced significantly on the current system. The Agency has therefore agreed to accept the risk pro tem but a project has been initiated to rewrite the IT system to replace the VME element with an Oracle-based system that will incorporate the necessary control features. This work will be completed by January 2013.

A "limited" audit opinion was received in the 2011 Internal Audit review of Taxi licensing in relation to the security of licences. Internal Audit recommended that staff should be reminded to record the issue/ receipt of books of taxi vehicle licences in the 'sign out book', reconcile the licences issued to IT system and 'spoilt' licences/discs should be endorsed and reconciled. All these recommendations have been implemented.



STANLEY DUNCAN

Chief Executive

24 June 2011

DVA LICENSING

Driver and Vehicle Agency (Licensing)
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Driver and Vehicle Agency (Licensing) for the year ended 31st 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, the 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 of Chief Executive's 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.

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 31st 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 Chief Executive's Foreword, Directors' Report, Highlights 2010/11, Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report 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.
- 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

27th June 2011

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

	Note	2010-11	2010-11	2010-11	2009-10
		£000	£000	£000	Restated £000
		Staff Costs	Other Costs	Income	
Administration costs:					
Staff costs	2	11,812	-	-	11,469
Other administrative costs	3	-	6,326	-	7,648
Operating income	5	-	-	(14,859)	(14,870)
Programme Costs:					
Staff costs		-	-	-	-
Programme costs	4	-	1,009	-	6,075
Income	5	-	-	(2,611)	(3,116)
Totals		11,812	7,335	(17,470)	7,206
Net Operating Cost				1,677	7,206

Other Comprehensive Expenditure

	Note	2010-11	2009-10
		£000	Restated £000
Net (gain)/loss on revaluation of Property, Plant and Equipment	6	(2)	(3)
Net (gain)/loss on revaluation of Intangibles	7	(53)	(132)
Total Comprehensive Expenditure for the year ended 31 March		1,622	7,071

The notes on pages 78 to 103 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
Non-current assets:			
Property, plant and equipment	6	348	858
Intangible assets	7	1,101	3,510
Total non-current assets		1,449	4,368
Current assets:			
Trade and other receivables	8	1,007	546
Cash and cash equivalents	9	1,330	2,302
Total current assets		2,337	2,848
Total assets		3,786	7,216
Current liabilities			
Trade and other payables	10	(1,912)	(1,776)
Total current liabilities		(1,912)	(1,776)
Non-current assets less net current assets/liabilities		1,874	5,440
Non-current liabilities			
Deferred payable	10	(128)	(2,728)
Provisions for liabilities and charges	11	(86)	(5,178)
Total non-current liabilities		(214)	(7,906)
Assets less liabilities		1,660	(2,466)
Taxpayers' equity			
General fund		1,474	(3,578)
Revaluation reserve		186	1,112
Total taxpayers' equity		1,660	(2,466)

The notes on pages 78 to 103 form part of these accounts

STANLEY DUNCAN
Chief Executive
24 June 2011



Statement of Cash Flows

for the year ended 31 March 2011

		2010-11	2009-10
		£000	Restated £000
	Note		
Cash flows from operating activities			
Net operating cost		(1,677)	(7,206)
Adjustments for non-cash transactions	3,4	1,391	6,424
(Increase)/Decrease in trade and other receivables	8	(461)	511
Increase/(Decrease) in trade payables	10	(2,464)	(446)
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
(Increase)/ Decrease in amounts due to the Consolidated Fund	10	12	(10)
(Increase)/ Decrease in amounts due in respect of capital accruals		69	322
(Increase)/ Decrease in amounts due to deferred payable	10	2,600	(448)
Use of provisions	11	(3,722)	(36)
Net cash outflow from operating activities		<u>(4,252)</u>	<u>(889)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(130)	(490)
Purchase of intangible assets		(254)	(839)
Deferred payable – capital funding received from DVLA	10	-	832
Net cash outflow from investing activities		<u>(384)</u>	<u>(497)</u>
Cash flows from financing activities			
Funding received from Department for equal pay settlement		3,690	-
Net financing		<u>3,690</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		(946)	(1,386)
Payments of amounts due to the Consolidated Fund		(26)	(16)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the consolidated fund			
		<u>(972)</u>	<u>(1,402)</u>
Cash and cash equivalents at the beginning of the period	9	<u>2,302</u>	<u>3,704</u>
Cash and cash equivalents at the end of the period	9	<u>1,330</u>	<u>2,302</u>

The notes on pages 78 to 103 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 1 April 2010		(3,578)	1,112	(2,466)
DOE funding for equal pay settlement	11	3,690	-	3,690
HMRC equal pay tax liability paid by DOE	11	1,362	-	1,362
CFER's payable to the Consolidated Fund		(14)	-	(14)
Comprehensive Expenditure for the year		(1,677)	55	(1,622)
Non-cash Adjustments:				
Non-cash charges – auditor's remuneration	3	14	-	14
Non-cash charges – notional charges	3	888	-	888
Net book value of assets transferred to DVLA less the related deferred payable	6,7,10	(192)	-	(192)
Realisation of revaluation reserve balances for assets transferred to DVLA		981	(981)	-
Balance at 31 March 2011		1,474	186	1,660

	Note	General Fund Restated £000	Revaluation Reserve £000	Total Reserves Restated £000
Balance at 1 April 2009		2,766	977	3,743
CFER's payable to the Consolidated Fund	5	(26)	-	(26)
Comprehensive Expenditure for the year		(7,206)	135	(7,071)
Non-cash Adjustments:				
Non-cash charges – auditor's remuneration	3	14	-	14
Non-cash charges – notional charges	3	874	-	874
Balance at 31 March 2010		(3,578)	1,112	(2,466)

The notes on pages 78 to 103 form part of these accounts.

Notes to the Accounts (DVA Licensing)

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (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 DVA Licensing for the purpose of giving a true and fair view has been selected. The particular policies adopted by DVA Licensing are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In accordance with the 2010-11 FReM and in line with Department of Finance and Personnel advice, it is no longer a requirement to calculate a cost of capital charge for the year. The 2009-10 figures have been restated to remove the cost of capital credit, in accordance with IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

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

Property, plant and equipment assets comprise of plant and machinery and information technology equipment held by DVA Licensing.

Plant and equipment is carried at valuation in existing use. Their values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Surpluses and deficits arising on revaluation are taken to the revaluation reserve.

Information technology equipment is carried at depreciated historical cost. Due to technological advances an accelerated depreciation method is applied to write off the cost of IT equipment to a nil residual book value over their assumed useful economic life.

The capitalisation threshold is £500 for IT equipment and £1,000 for all other assets.

DVA Licensing does not own any land or buildings. A charge for accommodation costs is included in the Statement of Comprehensive Net Expenditure.

1.3 Intangible assets

Intangible assets comprise software development and the value of the capitalised licences to operate DVA Licensing systems. These assets are carried at valuation in existing use. Software development values are revised annually through the use of suitable indices compiled by the Office for National Statistics. Surpluses and deficits arising on revaluation are taken to the revaluation reserve.

The value of the information held on the drivers' and vehicles' databases, including unallocated vehicle registration marks cannot be estimated and is therefore not recognised in the Statement of Financial Position.

1.4 Depreciation and amortisation

Depreciation and amortisation is provided at rates calculated to write off the valuation of property, plant and equipment and intangible assets by equal instalments over their estimated useful lives with the exception of IT equipment. The estimated useful lives are normally in the following ranges:

Plant and Machinery	3 to 10 years
Intangible assets	3 to 10 years

IT equipment is depreciated using the accelerated depreciation method to write off assets over 3 to 5 years. Assets in the course of construction are not depreciated until they have been brought into use.

1.5 Deferred payable

The deferred payable represents the original cost of non current assets, financed by DVLA, for use by vehicles division of DVA Licensing and are depreciated on a historical cost basis.

1.6 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

Administration costs reflect the costs of running DVA Licensing. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost - control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

Programme costs reflect non administration costs.

1.7 Operating income

Operating income is recognised in the Statement of Comprehensive Net Expenditure in the period in which the underlying activity takes place. It principally comprises of fees and charges for services provided on a full-cost basis to external customers, and other government bodies. It includes both income classified as Accruing Resources and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT.

Operating income is split under the following headings in the Statement of Comprehensive Net Expenditure:

- Administration Income
- Programme Income

1.8 Employee benefits including pensions

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been estimated using average staff numbers and costs applied to the average untaken leave balance determined from the results of a survey conducted by DVA Licensing to ascertain leave balances as at 31 March 2011.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI) which is a defined benefit scheme and is unfunded and non-contributory except in respect of dependants' benefits. DVA Licensing 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 (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

1.9 Value Added Tax (VAT)

Most of the activities of DVA Licensing are outside the scope of VAT and VAT is reclaimed centrally by DOE. All items in the Statement of Comprehensive Net Expenditure are therefore exclusive of VAT.

1.10 Notional charges

Notional amounts are charged to the Statement of Comprehensive Net Expenditure in respect of services provided by Government Bodies in order to reflect the full cost of these services.

1.11 Leases

Operating leases and rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.12 Provisions

DVA Licensing provides for legal or constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Department of Finance and Personnel (currently 2.2%).

1.13 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, DVA Licensing discloses for 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 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 Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.14 Financial Instruments

DVA Licensing's financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. Due to the short-term nature of the financial instruments held, carrying value is considered to represent the fair values.

2 Staff numbers and related costs

Staff costs comprise:

	2010-11 £000	2010-11 £000	2010-11 £000	2009-10 £000
	Total	Permanently Employed Staff	Others	Total
Wages and Salaries	9,674	8,873	801	9,511
Social Security Costs	560	559	1	551
Other Pension Costs	1,578	1,578	-	1,407
Total Cost	11,812	11,010	802	11,469

The Principal Civil Service Pension Scheme (Northern Ireland) PCSPS (NI) is an unfunded multi-employer defined benefit scheme but DVA Licensing is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS (NI) resource accounts.

For 2010-11 employer's contributions of £1,576,853 were payable to the PCSPS (NI) (2009-10 £1,406,905) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2011-12 the rates will be in the range 18% to 25%. 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 pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1,283 (2009-10 £nil) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £103 (2009-10 £nil), 0.8% of pensionable pay, were payable to the PCSPS (NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

Two individuals (one, 2009-10) retired on ill-health grounds during the financial year. The total accrued pension liabilities in the year amounted to £2,343 (2009-10 1,541).

Average number persons employed

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

	2010-11 Number	2010-11 Number	2010-11 Number	2009-10 Number
	Total	Permanent Staff	Others	
Directly Employed	439	439	-	437
Other	57	-	57	77
Total	496	439	57	514

Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
	2010-11	2010-11	2010-11	2009-10
<£10,000	-	1	1	-
£10,000 - £25,000	-	-	-	-
£25,000 - £50,000	-	1	1	2
£50,000 - £100,000	-	-	-	-
£100,000 - £150,000	-	-	-	-
£150,000 - £200,000	-	-	-	-
Total number of exit packages by type	-	2	2	2
Total resource cost £000	-	39	39	72

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs

are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

3 Other Administrative Costs

	Note	2010-11 £000	2009-10 Restated £000
Computer costs		1,486	2,092
Accommodation		963	1,069
Contracted-out services		600	548
Stationery and printing		389	467
Postage		387	750
Publicity		4	105
Other administrative expenditure		1,019	1,177
Rentals under operating leases		79	76
Non-cash items:			
<i>Depreciation and amortisation:</i>			
Property, plant & equipment	6	192	149
Intangible assets	7	382	653
Deferred payable	10	(77)	(384)
<i>Notional charges:</i>			
Services provided by DOE		323	149
Services provided by DRD		58	53
Services provided by DFP		507	672
NIAO auditors remuneration		14	14
<i>Other non – cash items:</i>			
Provisions provided for in year	11	-	58
Total Administrative Costs		6,326	7,648

Auditors' remuneration contains no element relating to non-audit work.

4 Programme Costs

	Note	2010-11 £000	2009-10 £000
Medical assessments		992	997
Legal		25	14
Other expenditure		-	4
Non-cash items:			
Provisions provided in year - Equal Pay	11	-	5,090
Provisions not required written back	11	(8)	(30)
Total Programme Costs		1,009	6,075

5 Income

	2010-11 £000	2009-10 £000
Administrative Income		
Driver Licensing Fees	1,100	531
Vehicle Licensing Division ⁽¹⁾	11,915	12,349
Taxi Licensing Fees	1,182	1,276
Road Freight Licensing Fees	634	688
Other	28	26
	14,859	14,870
Programme Income		
Driver Licensing Fees	2,405	2,938
Taxi Licensing Fees	206	178
	2,611	3,116
Total Income	17,470	17,986

⁽¹⁾The Agency's Vehicle Licensing Division is financed by DVLA under the terms of a formal Agency agreement between the DfT and DOE. The income to Vehicle Licensing Division is the amount charged to DVLA to cover the total costs of the division excluding depreciation.

6 Property, plant and equipment

	Information Technology £000	Plant & Machinery £000	Total £000
Cost or valuation			
At 1 April 2010	2,642	288	2,930
Additions	37	-	37
Transfer to DVLA ⁽¹⁾	(398)	-	(398)
Disposals	(669)	-	(669)
Revaluation	-	13	13
At 31 March 2011	1,612	301	1,913
Depreciation			
At 1 April 2010	1,820	252	2,072
Charged in year	181	11	192
Transfer to DVLA ⁽¹⁾	(41)	-	(41)
Disposals	(669)	-	(669)
Revaluation	-	11	11
At 31 March 2011	1,291	274	1,565
Net book value at 31 March 2011	321	27	348
Net book value at 31 March 2010	822	36	858
Asset financing:			
Owned	321	27	348
Net book value at 31 March 2011	321	27	348

⁽¹⁾ DVA's Vehicle Licensing ICT managed service contract expired on 31 March 2010 and a decision was taken by DVLA to bring this contract under DVLA's ICT contract. To facilitate this decision a number of vehicle licensing assets were transferred to DVLA.

	Information Technology £000	Plant & Machinery £000	Assets Under Construction £000	Total £000
Cost or valuation				
At 1 April 2009	2,067	270	785	3,122
Additions	264	2	-	266
Transfer from assets under construction	439	-	(439)	-
Transfer to Intangible Assets	-	-	(346)	(346)
Disposals	(128)	-	-	(128)
Revaluation	-	16	-	16
At 31 March 2010	2,642	288	-	2,930
Depreciation				
At 1 April 2009	1,810	227	-	2,037
Charged in year	137	12	-	149
Disposals	(127)	-	-	(127)
Revaluation	-	13	-	13
At 31 March 2010	1,820	252	-	2,072
Net book value at 31 March 2010	822	36	-	858
Net book value at 31 March 2009	257	43	785	1,085
Asset financing:				
Owned	822	36	-	858
Net book value at 31 March 2010	822	36	-	858

7 Intangible assets

	Software Licences £000	Information Technology £000	Total £000
Cost or valuation			
At 1 April 2010	385	16,574	16,959
Additions	-	279	279
Transfer to DVLA ⁽¹⁾	-	(12,394)	(12,394)
Disposals	(284)	-	(284)
Revaluation	-	193	193
At 31 March 2011	101	4,652	4,753
Amortisation			
At 1 April 2010	315	13,134	13,449
Charged in year	11	371	382
Transfer to DVLA ⁽¹⁾	-	(10,036)	(10,036)
Disposals	(283)	-	(283)
Revaluation	-	140	140
At 31 March 2011	43	3,609	3,652
Net Book Value at 31 March 2011	58	1,043	1,101
Net Book Value at 31 March 2010	70	3,440	3,510

⁽¹⁾ DVA's Vehicle Licensing ICT managed service contract expired on 31 March 2010 and a decision was taken by DVLA to bring this contract under DVLA's ICT contract. To facilitate this decision a number of vehicle licensing assets were transferred to DVLA.

	Software Licences £000	Information Technology £000	Total £000
Cost or valuation			
At 1 April 2009	385	14,826	15,211
Additions	-	742	742
Transfer from property, plant & equipment assets under construction	-	346	346
Disposals	-	-	-
Revaluation	-	660	660
At 31 March 2010	385	16,574	16,959
Amortisation			
At 1 April 2009	304	11,964	12,268
Charged in year	11	642	653
Disposals	-	-	-
Revaluation	-	528	528
At 31 March 2010	315	13,134	13,449
Net Book Value at 31 March 2010	70	3,440	3,510
Net Book Value at 31 March 2009	81	2,862	2,943

8 Trade and other receivables

	31 March 2011 £000	31 March 2010 £000
Amounts falling due within one year:		
Trade receivables	93	100
Other receivables	135	127
Prepayments and accrued income	491	115
VAT	288	204
Balance at 31 March	1,007	546

Intra-Government Balances

	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other Central Government bodies	327	224	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	170	172	-	-
Intra-Governmental Balances	496	396	-	-
Balances with bodies external to government	510	150	-	-
Total trade and other receivables	1,007	546	-	-

9 Cash and cash equivalents

	31 March 2011 £000	31 March 2010 £000
Balance as 1 April	2,302	3,704
Net change in cash and cash equivalent balances	(972)	(1,402)
Balance at 31 March	1,330	2,302

The following balances at 31 March were held at:

Commercial banks and cash in hand	1,330	2,302
Balance at 31 March	1,330	2,302

10 Trade payables and other current liabilities

	31 March 2011 £000	31 March 2010 £000
Amounts falling due within one year:		
Fees paid in advance	144	169
Trade payables	321	276
Accruals	870	827
Amount due to DVLA	575	490
Amount due to the Consolidated Fund	2	14
	1,912	1,776
Amounts falling due after more than one year:		
Deferred payable	128	2,728
Balance at 31 March	128	2,728

Intra-Government Balances

	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
	Amounts falling due within one year		Amounts falling due after more than one year	
Balances with other Central Government bodies	924	869	128	2,728
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	12	10	-	-
Intra-Governmental Balances	936	879	128	2,728
Balances with bodies external to government	976	897	-	-
Total payables	1,912	1,776	128	2,728

Deferred payable

	31 March 2011	31 March 2010
	£000	£000
Opening balance	2,728	2,280
Additions	-	832
Transfer to DVLA ⁽¹⁾	(2,523)	-
Amortisation	(77)	(384)
Closing balance	128	2,728

⁽¹⁾ DVA's Vehicle Licensing ICT managed service contract expired on 31 March 2010 and a decision was taken by DVLA to bring this contract under DVLA's ICT contract. To facilitate this decision a number of vehicle licensing assets were transferred to DVLA.

11 Provisions for liabilities and charges

	Employee Liability Costs £000	Legal £000	Early Retirement £000	Equal Pay £000	Total £000
Balance at 1 March 2010	20	30	38	5,090	5,178
Provided in the year	-	-	-	-	-
Provisions not required written back	-	-	-	(8)	(8)
Provisions utilised in the year	-	(4)	(28)	(5,052)	(5,084)
Unwinding of discount	-	-	-	-	-
Balance at 31 March 2011	20	26	10	30	86

Analysis of expected timing of provisions:

	Employee Liability Costs £000	Legal £000	Early Retirement £000	Equal Pay £000	Total £000
Not later than one year	20	26	10	30	86
Later than one year and not later than five years	-	-	-	-	-
Later than five years	-	-	-	-	-
Balance at 31 March 2011	20	26	10	30	86

Early Departure Costs

DVA Licensing is required to meet the cost of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age. DVA Licensing provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years by establishing a provision for the estimated payments. The provision is discounted by the Treasury discount rate of 2.2% in real terms if considered material.

Equal Pay

This provision represents DVA Licensing's expected share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay.

During the year £5,052k was utilised in respect of the equal pay provision. The Department transferred funding of £3,690k to DVA Licensing for the equal pay settlement and paid £1,362k to HMRC for the tax liability on the settlement, on DVA Licensing's behalf. A small number of equal pay claims were still outstanding at the financial year end.

Other Provisions

Other provisions include legal costs which may become payable in respect of on-going judicial reviews and unsettled employer liability cases.

12 Financial Instruments

As the cash requirements of DVA Licensing 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 DVA Licensing's expected purchase and usage requirements and cash balances held at a commercial bank. DVA Licensing is therefore exposed to little credit, liquidity or market risk.

13 Capital commitments

	31 March 2011 £000	31 March 2010 £000
Contracted capital commitments at 31 March		
2011 not otherwise included in these accounts:		
Property, plant and equipment	-	28
Intangible assets	-	23
At 31 March	-	51

14 Other financial commitments

DVA Licensing has entered into contracts (which are not leases), for the maintenance of IT systems. At the 2011 financial year end these are cancellable with an agreed period of notice without a financial penalty.

15 Financial targets

DVA Licensing has no key corporate financial targets.

16 Related - party transactions

The DOE is regarded as a related party. During the year, DVA Licensing has had various material transactions with the Department. In addition, DVA Licensing has had various material transactions with DVLA, an Executive Agency of the DfT.

None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with DVA Licensing during the year.

17 Contingent liabilities disclosed under IAS 37

DVA Licensing has no contingent liabilities.

18 Post Reporting Period Events

There are no post reporting period events that impact on these financial statements.

19 Date authorised for issue

The Accounting officer authorised these financial statements for issue on 24 June 2011.

20 Losses and special payments

	2010-11		2009-10	
	Number of cases	£000	Number of cases	£000
Losses	2	-	4	-
Special payments	11	6	82	112

Constructive Loss

Update on 2009-10

In 2011-12 work will commence to redefine the delivery of electronic services. It is proposed to utilise some outputs from the VINI (Vehicle Integration Northern Ireland) Project to assist in the analysis phase for NI electronic services. VINI had previously been disclosed as a delayed project and with the full solutions yet to be detailed or agreed, it is not possible to estimate with any accuracy the exact benefits that will be derived from the previously delayed project.

21 Business activities attracting fees and charges

2010-11				Objective
	Income £000	Cost £000	Annual Surplus/ (Deficit) £000	
Driver Licensing Fees	3,505	4,898	(1,393)	Full cost recovery
Vehicle Licensing Division	11,915	11,915	-	
Taxi Licensing Fees	1,388	1,364	24	Full cost recovery
Road Freight Licensing Fees	634	651	(17)	Full cost recovery
Other	28	319	(291)	
	17,470	19,147	(1,677)	

2009-10				Objective
	Income £000	Cost Restated £000	Annual Surplus/ (Deficit) Restated £000	
Driver Licensing Fees	3,469	4,418	(949)	Full cost recovery
Vehicle Licensing Division	12,349	12,388	(39)	
Taxi Licensing Fees	1,454	1,283	171	Full cost recovery
Road Freight Licensing Fees	688	589	99	Full cost recovery
Equal Pay Settlement	-	6,254	(6,254)	
Other	26	260	(234)	
	17,986	25,192	(7,206)	

This note is to meet DFP requirements on fees and charges and not for the purposes of IFRS 8.

22 Segmental Reporting

DVA Licensing has 3 main operating segments which are determined by the services provided. These are as follows:

- Vehicle Licensing - responsible for vehicle registration and licensing in Northern Ireland on behalf of DVLA.
- Driver Licensing - responsible for the issue and, where appropriate, the withdrawal of licences in respect of drivers.
- Road Transport Licensing - responsible for the issue and, where appropriate, the withdrawal of licences in respect of taxi drivers, road freight operators, road service operators and public service vehicle licensing.

2010-11	Vehicle Licensing Division	Driver Licensing Division	Road Transport Licensing Division	Total
	£000	£000	£000	£000
Admin gross spend	11,522	4,004	1,710	17,236
Admin receipts	(11,915)	(1,114)	(1,816)	(14,845)
Net Admin	(393)	2,890	(106)	2,391
Programme gross spend	-	905	112	1,017
Programme receipts	-	(2,405)	(206)	(2,611)
Net Programme	-	(1,500)	(94)	(1,594)
Capital spend	-	255	61	316
Capital recharge	-	-	-	-
Net Capital	-	255	61	316
Net Resources from the DOE	(393)	1,645	(139)	1,113

Reconciliation to Statement of Comprehensive

Net Expenditure

Net Resources from the DOE	1,113
Equal Pay provision written back	(8)
CFER Income (Admin)	(14)
Notional Costs (Admin)	902
Capital Costs	(316)
Net Operating Cost	1,677

Reconciliation to Income

Admin receipts	(14,845)
Programme receipts	(2,611)
CFER income (Admin)	(14)
Total Income (Note 5)	(17,470)

Note: An analysis of assets and liabilities by segment is not regularly provided to the chief operating decision maker and therefore DVA Licensing is not reporting this information in accordance with IFRS 8.

2009-10	Vehicle Licensing Division	Driver Licensing Division	Road Transport Licensing Division	Total
	Restated £000	Restated £000	Restated £000	Restated £000
Admin gross spend	11,989	3,457	1,618	17,064
Admin receipts	(12,349)	(531)	(1,964)	(14,844)
Net Admin	(360)	2,926	(346)	2,220
Programme gross spend	-	912	73	985
Programme receipts	-	(2,938)	(178)	(3,116)
Net Programme	-	(2,026)	(105)	(2,131)
Capital spend	832	124	52	1,008
Capital recharge	(832)	-	-	(832)
Net Capital	-	124	52	176
Net Resources from the DOE	(360)	1,024	(399)	265

Reconciliation to Statement of Comprehensive

Net Expenditure

Net Resources from the DOE	265
Equal Pay Arrears (Admin)	1,165
Equal Pay Lump Sum (Prog)	5,090
CFER Income (Admin)	(26)
Notional Costs (Admin)	888
Capital Costs	(176)
Net Operating Cost	7,206

Reconciliation to Income

Admin receipts	(14,844)
Programme receipts	(3,116)
CFER income (Admin)	(26)
Total Income (Note 5)	(17,986)

Note: An analysis of assets and liabilities by segment is not regularly provided to the chief operating decision maker and therefore DVA Licensing is not reporting this information in accordance with IFRS 8.

DVA TESTING

Driver Vehicle Agency (Testing)
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Driver Vehicle Agency (Testing) for the year ended 31st March 2011 under the Financial Provisions (Northern Ireland) Order 1993. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the 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 of the Chief Executive's 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 Financial Provisions (Northern Ireland) Order 1993. 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Agency's affairs as at 31st March 2011 and of its surplus, cash flows and changes in taxpayers' equity for the year then ended; and

- the financial statements have been properly prepared in accordance with the Financial Provisions (Northern Ireland) Order 1993 and [insert appropriate authority] 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 Financial Provisions (Northern Ireland) Order 1993; and
- the information given in the Chief Executive's Foreword, Directors' Report, Highlights 2010/11, Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report 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 the 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
27th June 2011

Statement of Comprehensive Income

For the year ended 31 March 2011

		2010-11	2009-10
		£000	£000
	Note		
Income from operations:			
Income from activities	2	35,522	34,394
Expenditure:			
Staff costs	3	18,558	19,210
Depreciation & amortisation	4	907	590
Other operating costs	5	12,507	11,408
Total operating expenditure		31,972	31,208
Operating surplus		3,550	3,186
Finance income	6	23	17
Finance costs	7	(721)	(795)
Net finance costs		(698)	(778)
Dividend payable	8	(389)	(298)
Retained surplus for the year		2,463	2,110
Other comprehensive income			
Net (loss) on revaluation of property, plant and equipment	9	(1,166)	(1,305)
Contribution of Grant in Aid from Department for equal pay	14	1,769	375
Net gain (loss) on revaluation of intangible assets	10	32	(189)
Other comprehensive income for the year		635	(1,119)
Total comprehensive surplus for the year		3,098	991

The notes on pages 113 to 145 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
Non-current assets:			
Property, plant and equipment	9	18,830	19,988
Intangible assets	10	524	59
Total non-current assets		19,354	20,047
Current assets:			
Inventories		22	18
Trade and other receivables	11	971	886
Cash and cash equivalents	12	9,256	7,011
Total current assets		10,249	7,915
Total Assets		29,603	27,962
Current liabilities			
Trade and other payables	13	7,621	5,720
Provision for pay settlement	13	8	1,714
Total current liabilities		7,629	7,434
Total assets less current liabilities		21,974	20,528
Non-current liabilities			
Financial liabilities	13	6,223	7,875
Total non-current liabilities		6,223	7,875
Asset less liabilities		15,751	12,653
Taxpayers' equity			
Public dividend capital	15	2,100	2,100
Revaluation reserve	15	8,032	9,193
Retained earnings	15	5,619	1,360
Total taxpayers' equity		15,751	12,653

STANLEY DUNCAN
Chief Executive



24 June 2011

The notes on pages 113 to 145 form part of these accounts

Statement of Cash Flows

For the year ended 31 March 2011

		2011	2010
		£000	£000
	Note		
Cash flows from operating activities			
Retained surplus for the year		2,463	2,110
Adjustments for non-cash transactions			
Depreciation	4	907	590
Permanent diminution	5	1,588	1,151
(Profit)/Loss on disposal of fixed asset	5	(11)	1
Adjust for items not relating to operations			
Investment income receivable		(23)	(17)
Interest payable	7	721	795
Public dividend payable	8	389	298
Adjust for movements in working capital			
(Increase)/decrease in trade and other receivables		(84)	137
(Increase) in inventories		(4)	(1)
(Decrease) in trade payables		(48)	(205)
Increase in Provision for Pay Settlement		63	1,714
Payment of Provision for Pay Settlement	14	(1,769)	-
Interest paid		(789)	(795)
		<hr/>	<hr/>
Net cash inflow from operating activities		3,403	5,778
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(2,143)	(1,602)
Movement on PFI	19.1	332	-
		<hr/>	<hr/>
		(1,811)	(1,602)
Purchase of intangible assets	10	(926)	(5)
Movement on finance lease	18.1	926	-
		<hr/>	<hr/>
		-	(5)
Proceeds from sale of property, plant and equipment		14	3
Items included in payables		(36)	(1)

Interest received		23	17
Net cash outflow from investing activities		<u>(1,810)</u>	<u>(1,588)</u>
Cash flows from financing activities			
Payment of finance lease capital liability		(907)	(1,387)
Public dividend paid		(372)	(435)
Grant in Aid for Equal Pay Settlement	14	1,769	375
Net cash inflow/(outflow) from financing activities		<u>490</u>	<u>(1,447)</u>
Net increase in cash and cash equivalents in the period		<u>2,083</u>	<u>2,743</u>
Cash and cash equivalents at the beginning of the period		<u>7,011</u>	<u>4,268</u>
Cash and cash equivalents at the end of the period	12	<u>9,094</u>	<u>7,011</u>

The notes on pages 113 to 145 form part of these accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2011

	Note	Retained Earnings	Revaluation Reserve	Public Dividend Capital	Total Reserves
		£000	£000	£000	£000
Balance at 31 March 2010		1,360	9,193	2,100	12,653
Changes in Reserves 2010-11					
Net (loss) on revaluation of property, plant and equipment	9	-	(1,166)	-	(1,166)
Net gain on revaluation of intangible assets	10	-	32	-	32
Contribution from Department for Equal Pay	14	1,769	-	-	1,769
Transfer on realisation of assets		27	(27)	-	-
Retained surplus for the year		2,463	-	-	2,463
Balance as at 31 March 2011		5,619	8,032	2,100	15,751

The revaluation reserve includes a total balance relating to the revaluation of intangible assets of £34k.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2010

	Note	Retained Earnings	Revaluation Reserve	Public Dividend Capital	Total Reserves
		£000	£000	£000	£000
Balance at 31 March 2009		(1,058)	10,620	2,100	11,662
Changes in Reserves 2009-10					
Net (loss) on revaluation of property, plant and equipment	9	-	(1,305)	-	(1,305)
Net (loss) on revaluation of intangible assets	10	-	(189)	-	(189)
Contribution from Department for Equal Pay		375	-	-	375
Transfer on realisation of assets		(67)	67	-	-
Retained surplus for the year		2,110	-	-	2,110
Balance as at 31 March 2010		1,360	9,193	2,100	12,653

The revaluation reserve includes a total balance relating to the revaluation of intangible assets of £10k.

The notes on pages 113 to 145 form part of these accounts.

Notes to the Accounts (DVA Testing)

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (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 DVA Testing for the purpose of giving a true and fair view has been selected. The particular policies adopted by DVA Testing are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

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, intangible assets and inventories. Without limiting the information given the financial statements meet:

- the accounting and disclosure requirements of the Companies Act 2006;
- the accounting standards issued or adopted by the International Accounting Standards Board (IASB); and
- the accounting and disclosure requirements issued by DFP: insofar as those requirements are appropriate.

1.2 Property, plant and equipment

Property, plant and equipment assets comprise the land and buildings (excluding dwellings), furniture and fittings, plant and machinery and information technology equipment held by DVA Testing.

Plant and equipment is revalued annually by reference to the Office for National Statistics indices as published by the stationery office. Surpluses and deficits arising on revaluation are taken to the revaluation reserve.

Freehold and long leasehold land and buildings are carried at valuation in existing use and are revalued annually by Land and Property Services (LPS) in accordance with FReM. Weighbridges are valued on a depreciated replacement cost basis, annually by LPS.

Information technology equipment is carried at depreciated historical cost. Due to technological advances an accelerated depreciation method is applied to write off the cost of IT equipment to a nil residual book value over their assumed useful economic life.

The useful economic lives are reviewed regularly and when necessary revised. The capitalisation threshold for property, plant and equipment is £500 for IT equipment and £1,000 for all other assets.

Any deficiencies on any specific revaluations are taken back through the Revaluation Reserve and shown as Permanent Diminution.

1.3 Intangible assets

Intangible assets comprise software development, Third Generation Theory Test and the Booking Services Project. These assets are revalued annually through the use of suitable indices compiled by the Office for National Statistics. Surpluses and deficits arising on revaluation are taken to the Revaluation Reserve. Any deficits arising are shown as Permanent Diminution. Software development costs are written off in the period in which the expenditure is incurred, unless a beneficial relationship to a future period can be established, in which case the costs are capitalised. Costs are recovered in fees.

1.4 Depreciation and amortisation

Freehold and long leasehold land is not depreciated.

Depreciation and amortisation is provided at rates calculated to write off the valuation of property, plant and equipment and intangible assets by equal instalments over their estimated useful lives with the exception of Information Technology. The estimated useful economic lives are normally in the following ranges:

Buildings	10 to 54 years
Plant and Machinery	5 to 15 years
Transport Equipment	3 to 13 years
Information Technology	5 years

IT equipment is depreciated using the accelerated depreciation method to write off assets over 3 to 5 years. Assets in the course of construction are not depreciated until they have been brought into use. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. The estimated useful lives of assets are reviewed regularly and when necessary, revised.

1.5 Income

Income represents the revenue received for services provided by DVA Testing and is stated net of refunds and exclusive of VAT. For all driver and vehicle testing activities, income is recognised at the time a test is performed. Fees received in advance for which tests have yet to be performed are shown as fees paid in advance within current liabilities. Income is also recognised from DOE in relation to the costs of Enforcement activities carried out on behalf of DOE, and is recognised in line with the costs incurred in delivering these activities.

1.6 Employee benefits including pensions

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been estimated using average staff numbers and costs applied to the average untaken leave balance determined from the results of a survey to ascertain leave balances as at 31 March 2011.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) (NI) which is a defined benefit scheme and is

unfunded and non-contributory except in respect of dependants' benefits. DVA Testing 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 (NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS (NI). From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 may choose between memberships of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account). All contributions are charged to the Statement of Comprehensive Income as incurred.

1.7 Value Added Tax (VAT)

All items in these financial statements are stated exclusive of VAT.

1.8 Leases

Operating leases and rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease costs within PFI contracts are separately disclosed in accordance with IAS 17.

Booking Service Project (BSP) is an internet and call centre facility for handling vehicle and driver test bookings, which is provided by an independent third party supplier. Development costs meeting the criteria for capitalisation associated with this project have been recognised as intangible assets and amortised as explained in the intangible assets note. Property, plant and equipment acquired for use in development have been capitalised and depreciated over the expected useful life of the assets. DVA Testing has also capitalised assets and recognised finance lease liabilities in relation to intangible assets acquired under an implied finance lease within the BSP contract.

BSP contract was operational from 9 December 2002 and was extended to 31 March 2010. A single action tender to renew this service to cover the period from 1 April 2010 to 31 March 2012 was negotiated in July 2010.

Leases under the terms of which the Agency assumes substantially all the risks and

rewards of ownership are classified as finance leases in accordance with IAS 17. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.9 Provisions

DVA Testing provides for legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Department of Finance and Personnel (currently 2.2%).

1.10 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, DVA Testing 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 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 Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.11 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for de-recognition. A financial liability is derecognised when, and only when, it is extinguished.

The Agency does not hold any derivative financial instruments.

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents. They are recognised on the date they are originated and derecognised when the contractual rights to the cashflows from the asset expire.

Trade and other receivables are recognised initially at fair value on the date they originated and subsequently measured at amortised cost.

Non-derivative financial liabilities comprise trade and other payables, obligations under finance leases and implied finance lease obligations under PFI contracts.

1.12 Inventories

Inventories consist of oil and bio fuels which are valued at the lower of purchase cost and net realisable value which is the amount that an asset can be disposed of, less any direct selling costs.

1.13 Insurance Provision

Government policy on insurance against all risks (except motor insurance) is one of self financing.

In setting fees and charges for DVA Testing, the estimated insurance premiums are calculated and included in total costs. For financial statements DVA Testing charges to the Statement of Comprehensive Income insurance claims as they are advised. The value of the insurance premium included in fees to customers but not yet paid out as claims is set out in Note 24.

1.14 Enforcement

As at 1 April 2001 DVA Testing acquired the non-current assets associated with the enforcement activity previously undertaken by the Department. The costs of these assets are reflected as acquisitions in the Deferred Payables Account in the 2001-02 year.

Enforcement activities are funded by the Department on a cash basis to cover the direct cost of salaries, operational running costs and capital. The Statement of Comprehensive Income recognises any notional costs, accruals and prepayments. Depreciation, additions and any other change in assets are reflected as movements in the Deferred Payables Account.

1.15 Private Finance Initiative (PFI) Transactions

On 26 March 2001 DVA Testing entered into a 17-year service concession agreement with a contractor. PFI Transactions have been accounted for in accordance with International Financial Reporting Standards IAS 17 Leases and IFRIC 4 Determining Whether An Arrangement Contains A Lease. DVA Testing has capitalised assets and recognised finance lease liabilities in relation to assets acquired under an implied finance lease within the MOT2 contract, including IT Equipment, Vehicle Testing Equipment and additions to buildings. All such assets are depreciated in line with DVA Testing's depreciation Policy. The title for these assets rests with the contractor under the terms of the contract. MOT2 PFI Contract is for the provision and maintenance of vehicle test equipment, IT equipment, refurbishment of test centres, replacement doors and cleaning. DVA Testing is invoiced for this contract on a monthly basis and contractual payments relating to revenue expenditure are recorded as service charges in the Statement of Comprehensive Income. The implied finance lease liabilities are released in line with the Useful Capital Economic Lives of the associated assets. The interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method as described in FReM.

1.16 Return on Capital Employed

A charge, reflecting a return on investment to the sponsoring department, DOE, is payable by DVA Testing. The charge is calculated at the real rate set by HM Treasury (currently 3.5 %) on the average carrying amount of assets less liabilities (see Note 21). This Return on Capital Employed cost is reduced by the amount of interest payable on the loan balance due to DOE shown in Note 13 and the residual balance is shown as dividend payable in the Statement of Comprehensive Income.

1.17 Cash and Cash Equivalents

Balances comprising cash and cash equivalents include balances held in commercial banks and variable interest bearing funds held at the Northern Ireland Consolidated Fund.

1.18 Finance Income and Finance costs

Finance Income comprises interest income on funds invested. Interest income is recognised on a receivable basis in the Statement of Comprehensive Income.

Finance costs comprise interest expense on borrowing. Borrowing costs are recognised as an expense using the effective interest method.

1.19 Notional charges

Notional amounts are charged to the Statement of Comprehensive Income in respect of services provided by Government bodies in order to reflect the full cost of these services. These apply to the Enforcement Operation only.

1.20 Grant in Aid

Grant in Aid received from the Department is recognised on the Statement of Comprehensive Income and credited to retained earnings in the financial year it is received.

2 Income

	2010-11 £000	2009-10 £000
Income from activities		
Vehicle test fees	28,000	26,614
Practical driving test fees	3,189	3,330
Driving theory test fees	1,710	1,730
Other fees and licences	455	713
Enforcement contribution from DOE	2,082	1,885
PFI consultancy contribution from Strategic Investment Board	86	122
Total income	35,522	34,394

Income represents the revenue received for the services provided by DVA Testing. Income is stated exclusive of VAT and net of refunds. All activities are carried out in the UK.

Delivery to customers of the driving theory test was contracted out by the Agency to Pearson VUE Driving Assessments for a period of seven years from 3 September 2004. This was subsequently extended to 3 September 2014.

Enforcement Income is a contribution from DOE towards running expenses.

The Strategic Investment Board (SIB) made a contribution of £86k in 2010/11 (2010 £122k) towards the consultancy costs associated with the review of the PFI contract, in relation to the MOT2 Contract.

3 Staff numbers and related costs

(a) Staff costs comprise:

	2010-11 £000	2010-11 £000	2010-11 £000	2009-10 £000
	Total	Permanent Staff	Others	Total
Wages and salaries	15,010	14,606	404	14,043
Social security costs	1,014	1,014	-	941
Other pension costs	2,471	2,471	-	2,137
Capitalised as part of fixed assets	-	-	-	-
Settlement for equal pay	63	63	-	2,089
Total Cost	18,558	18,154	404	19,210

DVA Testing incurred total costs of £62,971 (2010 £2,089,000) in respect of the overall NICS Equal Pay Settlement (Note 14) and was reimbursed by the Department of Environment (DOE) in the amount of £1,769k in 2010/11 (2010 £375k) as Grant in Aid. At year end £62,971 has been shown as a movement in the Provision. (See Note 24).

(b) The average number of whole-time equivalent persons employed during the year was as follows:

	2010-11 Number	2010-11 Number	2010-11 Number	2009-10 Number
	Total	Permanent Staff	Others	Total
Senior management	1	1	-	3
Middle management	44	44	-	50
Administration (including support grades)	93	93	-	106
Technical grades (including driving examiners)	426	426	-	422
Other non-DVTA staff	22	-	22	35
Total	586	564	22	616

4 Depreciation

	31 March 2011	31 March 2010
	£000	£000
Depreciation on Property, plant & equipment	542	513
Depreciation on Intangible assets	493	242
	<hr/>	<hr/>
	1,035	755
Costs allocated against deferred payable	(128)	(165)
Total Depreciation	<hr/>	<hr/>
	907	590

5 Other Expenditure

	2010-11 £000	2009-10 £000
Maintenance and estate running costs	1,759	2,002
Integrated test lane contract costs	2,692	2,256
Booking service contract costs	1,226	1,257
Driving theory test	1,180	1,203
Postage and stationery	559	514
Rates	454	410
Other charges	655	300
Travel and subsistence	248	290
Training	212	277
Computer consumables	215	192
Management consultancy	126	312
Telephone	245	185
Credit card and bank charges on card processing	153	178
Security of cash	113	126
Rent	102	100
Office equipment	68	67
Auditor's remuneration	27	23
Rentals under operating leases	14	10
Insurance including claims	85	(146)
Non-cash items:		
Permanent diminution	1,588	1,151
<i>(Profit)/Loss on disposal of property, plant and equipment</i>	(11)	1
Services provided by DOE, DRD and DFP	928	819
Notional charges:		
Enforcement costs	(131)	(119)
Total other expenditure	12,507	11,408

The audit fee represents the cost for the audit of the Agency's financial statements carried out by the Northern Ireland Audit Office. There was no remuneration paid for non-audit work during the year.

6 Finance Income – Interest Receivable

All interest receivable relates to deposits made by DVA Testing to the Northern Ireland Consolidated Fund.

7 Finance Costs - Interest Payable and Similar Charges

Finance costs comprise interest expense on borrowings.

	2011	2010
	£000	£000
Interest on Loan from DOE	134	134
BSP Interest	25	14
MOT 2 Interest	562	647
Total finance costs	721	795

8 Dividends

	2011	2010
	£000	£000
Interim dividend paid	189	115
Final dividend payable	200	183
Total Dividend	389	298

Dividends are payable to the Northern Ireland Consolidated Fund. The dividend due is the balance of the 3.5% per annum return on the total assets employed less the current liabilities and deferred payable less the interest paid on the maturing loan.

The Financial Provisions (Northern Ireland) Order 1993 permits the Trading Fund the power to establish and maintain reserves under Article 8(2), exercisable only with concurrence of DFP. Reserves are held in the event that they may be required for building capital assets, in order to ensure compliance with Directive 96/96/EC in respect of vehicle emissions. Following a recent performance review, the Agency is working in conjunction with a programme delivery unit in the Department's Finance & Business Planning Division to address a number of outstanding issues affecting the PFI contract with the Romaha consortium.

9 Property, plant and equipment

	Land	Buildings	Plant & Machinery	Transport Equipment	IT	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2010	11,519	8,046	6,124	367	1,759	27,815
Additions	-	1,644	55	85	359	2,143
Disposals	-	-	(29)	(47)	(1,711)	(1,787)
Revaluation	(1,191)	(229)	493	(11)	336	(602)
Permanent diminution in value	-	(1,593)	-	-	-	(1,593)
At 31 March 2011	10,328	7,868	6,643	394	743	25,976
Depreciation						
At 1 April 2010	-	-	5,935	255	1,637	7,827
Charged in year	-	289	57	67	129	542
Disposals	-	-	(27)	(47)	(1,711)	(1,785)
Revaluation	-	(289)	481	(10)	380	562
At 31 March 2011	-	-	6,446	265	435	7,146
Net book value at 31 March 2011	10,328	7,868	197	129	308	18,830
Net book value at 1 April 2010	11,519	8,046	189	112	122	19,988
Asset financing:						
Owned	7,250	6,977	149	129	111	14,616
Finance leased	3,078	891	-	-	-	3,969
On-SOFP PFI contracts	-	-	48	-	197	245
Net book value at 31 March 2011	10,328	7,868	197	129	308	18,830

	Land	Buildings	Plant & Machinery	Transport Equipment	IT	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2009	12,790	8,327	6,071	343	1,629	29,160
Additions	-	1,382	126	52	42	1,602
Disposals	-	-	(11)	(25)	(108)	(144)
Revaluation	(1,271)	(462)	(62)	(3)	196	(1,602)
Permanent diminution in value	-	(1,201)	-	-	-	(1,201)
At 31 March 2010	11,519	8,046	6,124	367	1,759	27,815
Depreciation						
At 1 April 2009	-	-	5,956	231	1,475	7,662
Charged in year	-	291	54	51	209	605
Disposals	-	-	(11)	(25)	(108)	(144)
Revaluation	-	(291)	(64)	(2)	61	(296)
At 31 March 2010	-	-	5,935	255	1,637	7,827
Net book value at						
31 March 2010	11,519	8,046	189	112	122	19,988
Net book value at 1 April 2009	12,790	8,327	115	112	154	21,498
Asset financing:						
Owned	8,100	7,056	189	112	122	15,579
Finance leased	3,419	990	-	-	-	4,409
On-SOFP PFI contracts	-	-	-	-	-	-
Net book value at						
31 March 2010	11,519	8,046	189	112	122	19,988

Property Valuation

DVA Testing's properties funded within the trading fund were revalued by Land and Property Services (LPS) on 31 March 2011 at £15,462,500 (2010 £16,663,500) on an existing use basis. The valuations are in accordance with the Appraisal and Valuation Manual prepared and published by the Royal Institute of Chartered Surveyors.

The value of freehold land not depreciated is £5,565,550 (2010 £6,214,500) and the value of long leasehold land not depreciated is £3,078,000 (2010 £3,420,000).

DVA Testing's properties associated with the enforcement activity (including the weighbridges) were valued by LPS on 31 March 2011 at £2,734,456 (2010 £2,902,000) on a depreciated replacement cost basis. The value of weighbridge land not depreciated is £1,685,000 (2010 £1,885,000).

LPS is a related party to DVA Testing as it is itself a Government Agency

10 Intangible assets

	Information Technology	Software	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2010	782	598	1,380
Additions	926	-	926
Disposals	-	(301)	(301)
Revaluation	89	(210)	(121)
At 31 March 2011	1,797	87	1,884
Amortisation			
At 1 April 2010	729	592	1,321
Charge in year	489	4	493
Disposals	-	(301)	(301)
Revaluation	57	(210)	(153)
At 31 March 2011	1,275	85	1,360
Net Book Value at 31 March 2011	522	2	524
Net Book Value at 31 March 2010	53	6	59
Asset financing:			
Leased	487	-	487
Owned	35	2	37
Net Book Value at 31 March 2011	522	2	524

Information Technology (IT) comprises Third Generation Theory Test, and the Booking Services Project. As at 31 March 2010 the original Booking Services Project (BSP) asset net book values have been fully written down in line with the extended contract terms. The initial Fair Value of the BSP asset was estimated using a discounted cash flow calculation in relation to the contractual payments made in relation to this asset, excluding inflation and an implied interest rate of 3.5%. The Agency negotiated a new contract with the BSP contractor for a further two years to 31 March 2012, and has applied the same implied interest rate and methodology to estimate initial fair value.

	Information Technology	Software	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2009	5,163	528	5,691
Additions	-	5	5
Disposals	(4,611)	-	(4,611)
Revaluation	230	65	295
At 31 March 2010	782	598	1,380
Amortisation			
At 1 April 2009	4,872	425	5,297
Charge in year	44	106	150
Disposals	(4,611)	-	(4,611)
Revaluation	424	61	485
At 31 March 2010	729	592	1,321
Net Book Value at 31 March 2010	53	6	59
Net Book Value at 31 March 2009	291	103	394
Asset financing:			
Leased	-	-	-
Owned	53	6	59
Net Book Value at 31 March 2010	53	6	59

Information Technology (IT) comprises Third Generation Theory Test and Booking Services Project.

11 Trade and other receivables

	31 March 2011	31 March 2010
	£000	£000
Amounts due within one year:		
Other government bodies	328	219
Interest receivable	2	2
Prepayments and accrued income	193	195
VAT	448	470
Total receivables	971	886

11.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£000	£000	£000	£000
Balances with other central government bodies	931	788	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	15	17	-	-
Intra-Government balances	946	805	-	-
Balances with bodies external to government	25	81	-	-
Total receivables	971	886	-	-

12 Cash and cash equivalents

	31 March 2011 £000	31 March 2010 £000
The following balances at 31 March were held at:		
Commercial banks and cash in hand	51	456
Short term investments	9,205	6,555
Balance at 31 March	9,256	7,011

13 Trade payables and other current liabilities

	31 March 2011	31 March 2010
	£000	£000
Amount falling due within one year		
Bank overdraft	162	-
Fees paid in advance	2,053	1,763
Trade payables	204	918
Interest payable	-	67
Final dividend payable	200	183
Amount due to NI government bodies	377	479
Current part of finance leases	471	-
Current part of imputed finance lease element on Statement of Financial Position PFI contracts	472	380
Short term loan due to DOE	1,431	-
Other payables and accruals	2,251	1,930
Total	7,621	5,720
Provision for Pay Settlement	8	1,714
Total current liabilities	7,629	7,434
Amount falling due after more than one year		
Long term loan due to DOE	-	1,431
Imputed finance lease element on Statement of Financial Position PFI contracts	4,162	4,374
Deferred payable	2,061	2,070
Total	6,223	7,875
Balance at 31 March	13,852	15,309

13.1 Deferred payable

	31 March 2011 £000	31 March 2010 £000
Opening balance	2,070	2,159
Additions	124	125
Depreciation	(128)	(165)
Permanent diminution	(5)	(49)
Closing balance	2,061	2,070

13.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Balances with other central government bodies	1,997	2,429	-	1,431
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	11	14	-	-
Intra-Government balances	2,008	2,443	-	1,431
Balances with bodies external to government	5,621	4,991	6,223	6,444
Total	7,629	7,434	6,223	7,875

The loan (£1.431m) was repaid in full on 4 April 2011. The interest rate of 9.375% is fixed.

14 Provision for Equal Pay

This provision represents DVA Testing's expected share of the settlement payment to be made to staff at AA, AO, EOII and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay.

As over 13,000 staff were affected across the Northern Ireland Civil Service, each with their own personal circumstances, implementation of the settlement was a major administrative exercise and has taken several months to fully complete. The exact amount to be paid depended on a number of factors, including the number of staff who agreed to the settlement and the amount that HMRC calculated was due from departments to discharge taxation obligations. £63k (2010 £2,089k) has been charged to the Statement of Comprehensive Income as an increase in provision.

During the year the Agency received £1,769k (2010 £375K) from the Department as Grant in Aid.

The closing provision is £8k.

15 Taxpayers' Equity

Public Dividend Capital

Under Article 5(2) of the Driver & Vehicle Agency Trading Fund Order (Northern Ireland) 1996, Public Dividend Capital of £2,100,000 was created in order to facilitate commencement of operations of the Driver & Vehicle Testing Agency.

Revaluation Reserve

Nature and purpose is to reflect changes in the annual valuation of property, plant and equipment and intangible assets owned by the Agency. The amount in the revaluation reserve relating to intangible assets is disclosed in the Statement of Changes in Equity.

Retained Earnings

The nature and purpose is to reflect surplus of income over expenditure over the trading history and used for the further development of the Agency.

16 Contingent Liabilities disclosed under IAS 37

DVA Testing is disputing liability in Employers and Public Liability cases amounting to £209,000 (2010 £203,000)

17 Capital commitments

Future capital expenditure authorised but not yet contracted for, amounted to £1,756,000 (2010 £1,256,000) not related to PFI Contracts and £575,000 related to PFI Contracts at 31 March 2011 (2010 £561,000).

18 Commitments under leases

Finance Lease

The Agency re-negotiated a contract with BSP from 1 April 2010 - 31 March 2012.

Total obligations under on-balance sheet finance lease for the following periods comprises:

	31 March 2011	31 March 2010
BSP	£000	£000
Not later than one year	480	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Less interest element	(9)	-
	471	-

18.1 Movement under BSP

	31 March 2011	31 March 2010
BSP	£000	£000
Opening balance	-	610
Additions	926	-
Capital repayment	(455)	(610)
Balance at 31 March	471	-

Operating Lease

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires. There are no obligations under land or buildings.

Obligations under operating leases comprise:

	31 March 2011	31 March 2010
Other	£000	£000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March	-	-

19 Commitments under Public Finance Initiative (PFI)

PFI Contract is for the provision of a Vehicle Testing Service from a contractor. Under IFRIC 12 this asset is treated as an asset of DVA Testing.

Total obligations under on-balance sheet PFI Contracts for the following periods comprises:

	31 March 2011	31 March 2010
MOT2	£000	£000
Not later than one year	986	899
Later than one year and not later than five years	3,885	3,598
Later than five years	2,178	3,072
Less interest element	(2,415)	(2,815)
	4,634	4,754

In addition to the above, as at 31 March 2011 until the end of the contract 30 September 2018, DVA Testing is committed to £5,930,579 Capital Expenditure under the PFI contract for IT Equipment and Plant and Machinery. The commitment for the year 2011-12 was £574,838.

DVA Testing has no direct control over the timing of these acquisitions.

19.1 Movement under PFI

MOT2	31 March 2011	31 March 2010
	£000	£000
Balance at 1 April 2010	4,754	5,499
Additions	332	-
Capital repayment	(452)	(745)
Balance at 31 March	4,634	4,754

20 Other financial commitments

DVA Testing had an unsecured 15 years Maturing Loan of £1.431m which was repaid to DOE on 4 April 2011.

21 Corporate financial target

	2011	2011	2010	2010
	Actual	Target	Actual	Target
Return on average capital employed	24.66%	3.5%	20.80%	3.5%

The return on average capital employed has been calculated in line with trading fund guidance from DFP. The return is the surplus on ordinary activities measured before interest (both receivable and payable) and dividends payable. Capital employed is the capital (public dividend capital and loan capital) and reserves.

22 Related-party transactions

DOE is regarded as a related party. During the year, the Agency has had a number of material transactions with the Department. In addition, DVA Testing has had a number of material transactions with other Government Departments and Central Government bodies. Most of these transactions have been with DFP. Land and Property Services valued the land and buildings used by DVA Testing.

During the year neither the Chief Executive nor members of the Management Board nor any other related party has undertaken any material transaction with the Agency.

23 Contingent Asset disclosed under IAS 37

There is a contingent asset relating to a claim against a contractor, the supplier of replacement vehicle testing equipment (MOT2) under PFI. The claim is in respect of DVA Testing's inability, using the new equipment, to achieve the actual test times and levels of productivity provided for in the contract. DVA Testing has incurred additional costs and while penalties are provided for in the contract these have not yet been invoked. However, DVA Testing is working to resolve the outstanding issues and is currently consulting with DFP's Central Procurement Directorate in negotiations with the contractor on the way forward.

In view of the ongoing discussions and the commercial sensitivity of the relevant information the contingent asset has not been included in these accounts.

24 Operating Segments

DVA Testing has 6 main operating segments for all of Northern Ireland, these are as follows:

- Vehicle Testing – responsible for all vehicle categories including MOT.
- Practical Driver Testing – responsible for all practical driving tests for learners.
- Driver Theory Testing – all theory tests.
- Other Activities – this includes Approved Driving Instructor (ADI), Compulsory Basic Training (CBT), Approved Motorcycle Instructor (AMI), Duplicate Certificates and Vehicle Identity Checks (VIC).
- Enforcement – carried out on behalf of the Department – roadside enforcement activities for light goods vehicles, buses and taxis.
- The Strategic Investment Board (SIB) contributed towards the PFI Consultancy costs.

	31 March 2011 Income £000	31 March 2011 Cost £000	31 March 2011 Surplus £000	31 March 2010 Income £000	31 March 2010 Cost £000	31 March 2010 Surplus £000
Vehicle testing	28,000	24,495	3,505	26,614	22,560	4,054
Practical driver testing	3,189	3,233	(44)	3,330	3,048	282
Driver theory testing	1,710	1,294	416	1,730	1,323	407
Other activities	455	2,028	(1,573)	713	1,700	(987)
Enforcement	2,082	2,082	-	1,885	1,885	-
SIB contribution	86	86	-	122	122	-
	35,522	33,218	2,304	34,394	30,638	3,756
Adjustment on insurance provision	-	(222)	222	-	(443)	443
Contribution for equal pay	-	63	(63)	-	2,089	(2,089)
Statement of Comprehensive Income	35,522	33,059	2,463	34,394	32,284	2,110

As at 31 March 2011 a surplus of £899,000 (2010 £677,000 surplus) is included in DVA Testing's reserves in respect of unpaid insurance provisions.

Included in the figure for other activities is permanent diminution of £1,593k (2010 £1,102k) which is mainly in respect of the revaluation of land and buildings by Land and Property Services. There is no impairment charge in relation to assets acquired under operating segments.

Note: An analysis of assets and liabilities by segment is not regularly provided to the Chief Operating Decision Maker and therefore DVA Testing has not reported this information in accordance with IFRS 8.

25 Financial Instruments

IFRS 7 Financial Instruments: Disclosures, requires disclosures to enable users to evaluate the significance of financial instruments to performance and position and the nature and extent of the risks arising for DVA Testing. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 is more applicable. DVA Testing financial instruments principally comprise a long-term loan from DOE imputed finance lease liabilities under the MOT2 and BSP Contracts and items arising directly from its day to day

operations and are not held to change the risks facing DVA Testing in undertaking these activities.

- **Liquidity Risk**

DVA Testing manages liquidity risk within the framework of operating as a trading fund such that sufficient income is generated to meet expenditure on ongoing activities. Capital expenditure requirements are managed primarily from available cash balances but where additional funding is required for new initiatives, etc loans are sought from DOE.

- **Credit Risk**

DVA Testing does not have significant credit risk as fees for vehicle and driver tests are paid to the Agency in advance of the tests being performed.

- **Interest Rate Risk**

All of DVA Testing's financial liabilities carry nil or a fixed rate of interest and it is not, therefore, exposed to significant interest rate risk. Details of the fixed rate loan from DOE are shown below.

- **Interest Rate Profile**

The following tables show the interest rate and current profiles of DVA Testing's financial liabilities and financial assets.

Financial Liabilities

Currency	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Interest rate
Sterling	£000	£000	£000	£000	%
At 31 March 2011	10,859	-	1,431	4,323	9.375
			471		3.5
			4,634		11.1
At 31 March 2010	10,355	-	1,431	4,170	9.375
			4,754		11.1

DVA Testing's fixed rate financial liabilities at 31 March 2011 comprise the Short Term Loan at a fixed rate of 9.375% of £1,431k (2010 £1,431k) which was repaid in full on 4 April 2011. Other liabilities Booking Services Project (BSP) are interest bearing at an effective rate of 3.5% of £471k (2010 £0k) and the PFI MOT2 Contract are interest bearing at a rate of 11.1% of £4,634k (2010 £4,754k). The BSP Contract has been extended to the 31 March 2012 and the MOT2 Contract will end in 2018. Non-interest bearing financial liabilities comprise bank overdrafts of £162k (2010 £0k), the deferred payable of £2,061k (2010 £2,070k) and the Public Dividend Capital of the Agency of £2,100k (2010 £2,100k). The Public Dividend Capital is of unlimited term. The Deferred Payable will be fully extinguished in 2018.

Financial Assets

Currency	Total	Variable interest bearing financial assets	Non-interest bearing financial assets
Sterling	£000	£000	£000
At 31 March 2011	9,256	9,205	51
At 31 March 2010	7,011	6,555	456

DVA Testing's non-interest bearing financial assets at 31 March 2011 comprise the cash and bank balances of £51k (2010 £456k) and variable interest bearing funds held at the Northern Ireland Consolidated Fund of £9,205k (2010 £6,555k). These balances are available on demand.

• Foreign Currency Rate Risk

DVA Testing's exposure to foreign currency risk is not significant.

• Fair Value

Set out below is a comparison by category of book values and fair values of the DVA Testing's financial assets and liabilities at 31 March 2011.

Primary financial instrument	Book Value	Fair Value	Basis of Fair Valuations
	£000	£000	
Financial Liabilities:			
Deferred payable	2,061	2,061	Note A
Public dividend capital	2,100	2,100	Note B
Unsecured loan	1,431	1,431	
Long term PFI contract	4,634	4,284	Note C
BSP contract	471	471	
Overdraft	162	162	
Financial Assets:			
Cash at bank	51	51	
Northern Ireland consolidated fund	9,205	9,205	

The long term PFI Contract was discounted at 2.2% in line with accounting policy 1.9 Provisions.

Note A

The book value has been used as it is not practicable to estimate fair value with sufficient reliability.

Note B

The fair value of Public Dividend Capital is measured at historical cost as it falls outside the accounting boundary.

Note C

Fair value is less than book value but the Agency has not reduced the long-term PFI Contracts to fair value due to uncertainty of future anticipated costs on additions.

26 Pensions

DVA Testing is covered by the PCSPS (NI) and bears the cost of pension provision for its staff by payment of an Accruing Superannuation Liability Charge (ASLC). The PCSPS (NI) is an unfunded defined benefit scheme which produces its own resource accounts. DVA Testing is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation reported upon was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS (NI) resource accounts.

For 2010-11, employers' contributions of £2,470,502 were paid to the PCSPS (NI) (2010 £2,135,336) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. From 1 April 2010, the salary bands were revised. The contribution rates reflect benefits as they are accrued in a period, 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's contributions of £2,257 (2010 £1,884) were paid to one or more of a panel of three appointed stakeholder pension providers. Employee contributions are age related and range from 3% to 12.5% of pensionable pay. DVA Testing also matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay were payable to the PCSPS (NI) 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 31 March 2011 were £Nil. Contributions prepaid at that date were £Nil.

27 Losses and special payments

	2011 Number of Cases	2011 £000	2010 Number of Cases	2010 £000
Losses	2	-	-	-
Special payments	1,062	37	1,348	51

28 Post Reporting Period Events

The short term loan of £1,431k was repaid in full on 4 April 2011 to the DOE.

The annual report and accounts were authorised to be issued and laid before the Assembly on 1 July 2011.

There are no other post-reporting period events that impact on these financial statements.



An Agency within the Department of the
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