

**BUSINESS SERVICES ORGANISATION**

**FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 March 2012**

**Business Service Organisation Annual Accounts  
For the year ended 31 March 2012**

*Laid before the Northern Ireland Assembly  
under the Health and Social Care (Reform) Act (Northern Ireland) 2009,  
schedule 3, paragraph 10(5) by the Department of Health, Social Services and Public Safety*

*on*

*2 July 2012*

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## **BUSINESS SERVICES ORGANISATION**

### **ACCOUNTS FOR THE YEAR ENDED 31 March 2012**

#### **FOREWORD**

These accounts for the year ended 31 March 2012 have been prepared in accordance with Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972, as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003, in a form directed by the Department of Health, Social Services and Public Safety.

## **BUSINESS SERVICES ORGANISATION**

### **ACCOUNTS FOR THE YEAR ENDED 31 March 2012**

#### **STATEMENT OF ACCOUNTING OFFICER RESPONSIBILITIES.**

Under Health and Social Care (Reform) Act (Northern Ireland) 2009; the Department of Health, Social Services and Public Safety has directed the Business Services Organisation to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The financial statements are prepared on an accruals basis and must provide a true and fair view of the state of affairs of the Business Services Organisation of its income and expenditure, changes in taxpayers equity and cash flows for the financial year.

In preparing the financial statements the Accounting Officer is required to comply with the requirements of Government Financial Reporting Manual (FREM) and in particular to:

- observe the Accounts Direction issued by the Department of Health, Social Services and Public Safety including 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 FREM have been followed, and disclose and explain any material departures in the financial statements.
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Business Services Organisation will continue in operation.
- keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Business Services Organisation.
- pursue and demonstrate value for money in the services the Business Services organisation provides and in its use of public assets and the resources it controls.

The Permanent Secretary of the Department of Health, Social Services and Public Safety as Accounting Officer for health and personal social services resources in Northern Ireland has designated David Bingham of the Business Services Organisation as the Accounting Officer for the Business Services Organisation. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Business Services Organisation's assets, are set out in the Accountable Officer Memorandum, issued by the Department of Health, Social Services and Public Safety.

**BUSINESS SERVICES ORGANISATION**

**ACCOUNTS FOR THE YEAR ENDED 31 March 2012**

**CERTIFICATE OF THE DIRECTOR OF FINANCE, CHAIRMAN AND CHIEF EXECUTIVE**

I certify that the annual accounts set out in the financial statements and notes to the accounts (pages 27 to 75) which I am required to prepare on behalf of the Business Services Organisation have been compiled from and are in accordance with the accounts and financial records maintained by the Business Services Organisation and with the accounting standards and policies for HSC bodies approved by the DHSSPS.



Director of Finance

21 June 2012

Date

I certify that the annual accounts set out in the financial statements and notes to the accounts (page 27 to 75) as prepared in accordance with the above requirements have been submitted to and duly approved by the Board.



Chairman

21 June 2012

Date



Chief Executive

21 June 2012

Date

## **BUSINESS SERVICES ORGANISATION**

### **ACCOUNTS FOR THE YEAR ENDED 31 March 2012**

#### **STATEMENT ON INTERNAL CONTROL**

##### **1.1 Scope of Responsibility**

1.1.1 The Board of the Business Services Organisation (BSO) is accountable for internal control. As Accounting Officer and Chief Executive of the BSO, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation 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 by the Department of Health, Social Services and Public Safety.

1.1.2 There are a range of processes and structures in place to ensure appropriate accountability and partnership working in this regard. These include:

- Management Statement / Financial Memorandum

The Management Statement and Financial Memorandum was formally signed off by the Chief Executive on 28 March 2011.

- Service Level Agreements with our Customers

During the year ended 31 March 2012, suitable Service Level Agreements were in place to manage the working relationships with the Health and Social Care Board (HSCB), Public Health Agency (PHA), Trusts and other Health and Social Care organisations which determine the services to be provided and the fees to be paid for these services.

- Regional Programme Arrangements

##### Business Services Transformation Programme (BSTP)

In May 2010 responsibility for BSTP transferred to the BSO. The role of the BSO within the overall programme and management structure is to coordinate, direct, resource and oversee the implementation of the BSTP and related projects in order to deliver the expected outcomes and benefits within the agreed financial resources and timescales. As Accounting Officer for the BSO I have the responsibility for expenditure of the delegated budget. Appropriate governance arrangements are in place which clearly outline the roles and responsibilities of all parties concerned, ie. DHSSPS, BSO and other HSC Organisations.

##### Regional ICT Programme

Individual ICT projects, commissioned by HSCB within the context of the Regional HSC ICT Strategy, are each assigned a Senior Responsible Owner (SRO). While BSO Information Technology Services (ITS) provide a project management service and manage project expenditure, the ongoing performance of these projects will continue to be the responsibility of the SRO and will be monitored through project management arrangements agreed with the SRO and HSCB. The BSO resources used to project manage and enable delivery of the projects will be managed by the commissioning agreement with HSCB. HSCB is responsible for commissioning the

projects and will allocate the required budget to deliver these to the BSO on an annual basis. Robust monitoring arrangements for project oversight exist within the BSO's Operations directorate. Appropriate oversight arrangements at a corporate level within BSO and HSCB continue to be developed, and formal progress and exception reporting on these projects has been implemented in 2011/12. Dedicated finance support for the budgetary management aspects of these projects has also been initiated and the ICT programme spend associated with each project has been migrated from Account NI to HSC finance systems during 2011/12. BSO is responsible for ensuring that programme funding is spent in line with the annual spend projections agreed between BSO and HSCB for each project (or any adjustments agreed to these in year), or that any exceptions are reported in a timely way to HSCB, and that BSO ITS project management resources are delivered in line with the HSCB commissioning agreements.

#### Administered Services

The BSO, on instruction from the DHSSPS, undertakes payment arrangements for a range of services, namely, Bursaries for Nurse Training, Healthy Start Initiative, Supplement for Undergraduate Medical and Dental Education (SUMDE), Regional Training Schemes and ArtsCare for which total funding of approximately £21m is received via the Revenue Resource Limit (RRL). The responsibility of the BSO in relation to Bursaries and Healthy Start services has been clarified in discussions with Departmental representatives and outlined in formal Service Level Agreements from 2011/12 onwards.

The Office of the First and Deputy First Minister (OFMDFM) announced in December 2011 the introduction of a one-off hardship payment, funded by the Northern Ireland Executive. The payment was made to cancer sufferers who had received eligible treatment in the six months from June to December 2011. BSO Finance processed the payment on behalf of the DHSSPS, and BSO FPS provided a helpline service, dealing with enquiries from GPs and members of the public in respect of this new scheme.

- In-Year Transfer of Services to BSO

#### Beeches Management Centre and Nursing Education Development Centre (NEDC)

The DHSSPS wrote to HSC organisations in December 2010 inviting comments on proposals to merge the Beeches Management Centre (BMC) and the Nursing Education Development Centre (NEDC) into the BSO. The outcome of the consultation was a decision to the transfer of the BMC and NEDC to the BSO with effect from 1 July 2011. The BSO worked with a regional group to document how the new arrangements would work in practice. The outcome was a paper that was agreed at the BSO Board meeting held on 28 April 2011. The BMC was split into two units, the HSC Leadership Centre and the HSC Clinical Education Centre. A Due diligence exercise was carried out on the administrative and financial aspects of the BMC prior to the transfer. This confirmed that the BMC staff and business should transfer on 1 July but a hold was put on the transfer of NEDC. This was because of an ongoing appeal process involving the grading of staff under Agenda for Change (AFC). It was agreed by the BSO Board that it would be prudent to postpone transfer until this matter was resolved.

Since the transfer date new Heads of each Centre have been appointed. The governance and management arrangements within BSO are now in place. BSO

assumed management responsibility for NEDC staff and operations but contracts of employment have not yet transferred. This will occur when the AFC grading issue is resolved. Resolution of this matter is outside the control of BSO.

1.1.3 In October 2011 I presented to DHSSPS a Mid Year Assurance Statement which gave an assurance on the controls which had operated in the first six months of 2011/12. This Statement was presented to the Governance and Audit Committee on 4 October 2011 for consideration and was ratified by the BSO Board at a meeting on 20 October 2011. This Statement builds upon the position achieved at that time.

1.1.4 The BSO has also conducted its mid year accountability and performance review (November 2011) with the sponsoring body at DHSSPS. The year end review is still to be arranged. Good progress has been made on the achievement of the 49 Service Delivery Objectives with 39 objectives fully delivered and the remainder classed as work in progress.

## **1.2 The Purpose of the System of Internal Control**

1.2.1 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of organisational policies, aims and objectives; and
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

1.2.2 The system of internal control has been in place in the BSO for the year ended 31 March 2012, and up to the date of approval of the Annual Report and Accounts, and accords with Department of Health, Social Services and Public Safety guidance.

The Board of the BSO exercises strategic control over the operation of the organisation through a system of corporate governance which includes: -

- a Corporate Plan;
- a schedule of matters reserved for Board decisions;
- a scheme of delegation, which gives decision making authority, within set parameters, to the Chief Executive and other officers;
- standing orders and standing financial instructions;
- the establishment of a Governance and Audit Committee;
- the establishment of a Remuneration Committee.
- the Management of Information Systems

The system of internal financial control is based on a framework of regular financial information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. In particular it includes:-

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board;
- Regular, formal in-year forecasts (or latest best estimates – LBEs) which are submitted to the Board for noting;

- monthly reviews by the Board of financial reports which indicate financial Performance against forecast;
- Setting targets to measure financial and other performances;
- clearly defined capital investment control guidelines;
- formal budget management disciplines, eg. monthly reports and variance analysis.

1.2.3 The BSO has an internal audit service, which is managed from within the Organisation however it retains its independence and relationship with the Governance and Audit Committee. The Internal Auditor has worked during 2011/12 to Government Internal Audit Standards and was informed by an analysis of the risk to which the BSO was exposed, annual audit plans being based upon this analysis.

1.2.4 In her annual report, presented to the Governance and Audit Committee meeting held on 17 April 2012, the Internal Auditor reported that there was an overall SATISFACTORY system of internal control in place designed to meet the BSO's objectives.

1.2.5 In 2011/12 the Internal Auditor reviewed and reported upon the following systems as part of her annual Internal Audit programme:

<b>Finance Audits</b>	<b>Assurance Obtained</b>
Payroll	Satisfactory
Payments to Creditors	Satisfactory
Bank and Cash	Satisfactory
Asset Management	Satisfactory
Travel	Satisfactory
Management of Contracts	Limited
<b>Corporate Risk Based Audits</b>	
Family Practitioner Services(Dental and Ophthalmic)	Satisfactory
Procurement and Logistics Services (PaLS)	Satisfactory: Pals BSO Satisfactory: PaLs BSO service to customers
ITS	Limited
Pensions	Satisfactory
Human Resources	Satisfactory
BSTP	Satisfactory
<b>Governance Audits</b>	
Risk Management	Satisfactory
Management of Complaints	Satisfactory
Information Governance	Satisfactory
Beeches Integration	Satisfactory

1.2.6 All assurances received were Satisfactory with the exception of ITS and Management of Contracts which have a Limited assurance.

1.2.7 The Internal Auditor's sixteen programmed Audit Reports in 2011/12 contained 12 Priority One findings:

Management of Contracts

The Internal Auditor noted from a sample of high value contracts four had rolled forward old contract arrangements and pricing agreements rather than instigating a competitive

tendering processes. The Internal Auditor also noted that the contracts spreadsheet did not facilitate easy monitoring of contracts which were about to expire. In light of these findings at PaLS, NIAO during their year end substantive fieldwork examined the impact of this on the wider contracts population. This is developed in further detail at paragraph 2.1.2 Significant Internal Control Issues.

BSO PaLS has a live contract portfolio of circa 1500 contracts which it is required to manage and renew. In advance of, and since, the issue of formal HSC Guidance on Award of Contracts without Competition issued on 30 December 2011, BSO PaLS undertook a review of arrangements and prioritised action, seeking resources to support that action whilst redeploying existing resources in support of addressing any shortfalls in contract coverage. Whilst the risk attached to the specific issue of contracts roll forward / extension did not appear in the PaLS Directorate Risk Register during 2011/12, risks to delivery of the contracts programme and the impact on service provision particularly in respect of the award of contracts did and actions had been taken to mitigate those risks, including those actions previously referred to. The majority of the contracts highlighted in the Internal Auditors report relate to contracts formerly managed by NHS Logistics and NHS PASA who were subsumed into NHS Supply Chain. At renewal of those contracts NHS Supply Chains arrangements for procurement no longer suited the needs of HSC and alternative arrangements had to be sought. Of the contracts highlighted by the Internal Auditor action to put formal compliant arrangements is well advanced on all but one contract with a number already at tender.

#### Information Technology Services - Data Centres Back Up and Recovery Processes

This Report contained five Priority One findings.

The Internal Auditor noted that whilst ITS had a manual change management process in place and is accessible to all staff through Sharepoint. It was unclear to the Internal Auditor how well this process had been communicated to and enforced with HSC organisations and third party support suppliers. BSO has now revised its change management process documentation which is to be circulated to HSC organisations and ITS staff for comment before approval and implementation. The revised documentation stresses the importance of compliance and this is enforced through penalty arrangements with many 3<sup>rd</sup> party contractors responsible for supported systems hosted on services in data centre. The revised change management process will be incorporated into the ITS quality management system.

The Internal Auditor noted there was no policy in place to define the circumstances where a related work request or change request warrant a full Prince based project management structure which would ensure that system developments or systems undergoing significant change would be formally managed. BSO is currently developing a policy in line with the Internal Auditor's recommendations which will be incorporated into the ITS quality management system.

The Internal Auditor noted that while a number of documented procedures were in place covering backup and recovery processes they were incomplete and had not been approved by ITS SMT. BSO are currently drafting a Backup Policy which will be agreed with HSC customers. The procedure will also be added to the ITS quality management procedures.

The Internal Auditor noted that the change management process had not always been followed and that often a request for TSM back up was completed retrospectively on

discovery of additional information from systems owners. BSO in December 2012 will migrate to version 6 of TMS (the backup software). This will involve migrating and retesting all backups. Back up details will also be verified with all business/data owners as part of this process.

The Internal Auditor requested that the introduction of the Service Transition Assurance Process (STAP) currently in place which requires the backup process to be tested and signed off by relevant project prior to seeking Change Advisory Board approval should continue and be repeated where a service has undergone significant change. BSO implemented this process in February 2012 and will continue to implement STAP where appropriate. The STAP process will be incorporated into the ITS quality management system.

#### Human Resources

The Internal Auditor noted that the BSO had not introduced the Knowledge and Skills Framework (KSF) which is a key component of the Agenda for Change Terms and Conditions and that the Appraisal System did not incorporate the key elements of the Knowledge and Skills Framework. The BSO's Senior Management Team considered the relevance of KSF to the BSO and decided that a Simplified KSF with associated processes should be implemented. The BSO is currently consulting with Trade Unions with regarding to rolling out this process on a phased basis.

#### Payments to Creditors

The Internal Auditor noted that the General Ledger contained a number of Creditors automatically created through the Non Stock SIS system who had already been paid. The BSO reminded staff and client organisations of the need to ensure that goods are receipted against Non stock orders. A regular review is now undertaken of the validity of creditors listed in the General Ledger in respect of Non Goods Received.

The Internal Auditor also noted that in some instances duplicate payments were occurring when invoices received without an order number were approved for payment by budgetholders whilst subsequent invoices with an order number were being paid through the LAPs. The BSO immediately put in place a process to ensure invoices received without an order number were returned to the supplier requesting an order number.

#### Pension Services

The Internal Auditor noted that an overpayment had been made in respect of a permanent injury payment caused by misinterpretation of guidance. BSO immediately reviewed all permanent injury payment cases which confirmed that no further overpayments had occurred. BSO Pensions staff are currently in the process of recovering the overpayment identified. BSO Pensions staff have also been re-trained on permanent injury benefits and procedural guidance has been amended to ensure non recurrence.

#### Information Governance

The Internal Auditor noted that 25% of service users had not completed a data flow analysis return, an information asset register return, or an information risk assessment return which had resulted in an incomplete Register of Data Access Agreements or Corporate Information Assets. The Internal Auditor also noted that all BSO service areas had not demonstrated compliance with the Retention and Disposal Schedule. BSO has requested all outstanding information from service areas is returned immediately. A consolidated Data Access Agreement Register has been compiled and will be presented on an annual basis to BSO's IGMG. BSO has also established a process to ensure that

service areas are compliant with the Retention and Disposal Schedule.

#### Beeches Integration

The Internal Auditor noted that neither the HSC Leadership Centre nor the HSC Clinical Education Centre operated under the guidance of any Risk Management Strategy with no risk registers being maintained or completed. The Chief Executive of the BSO will meet with the Business Manager to establish a Risk Register which will allow for inclusion in BSO corporate risk register. In addition, Risk Management training will be rolled out as appropriate.

#### BSTP

The Internal Auditor noted that an amended Roles and Responsibilities document establishing additional scrutiny levels had not been approved by the Programme Board despite the new working arrangements being in place. The Internal Auditor also noted that the roles and responsibilities of the Programme Board and Implementation Board require further embedding and that the Agenda of the Implementation Board meetings are not consistently fully addressed. BSO has placed the revised Roles and Responsibilities document on the Agenda of the next programme board. The revised Programme Boards are still very new and require time to be embed however it has been proposed that the Programme director will review the workings of the Board. This review will test whether the Board is being embedded or whether further changes are required.

#### **Update of 2010/11 Internal Audits**

All Priority One recommendations identified in the 2010/11 internal audit reports in respect of Payroll, Use of Agency Staff, Pension Services have been implemented and two priority one recommendations in the Management of Contracts report and one in the Pharmaceutical Services will be completed in the 2012/13 year. The details of which are set out below.

#### Management of Contracts

The Internal Auditor noted that contracts were not in place for Postage, Telecommunications and Car- Parking and that the community clinical waste contract had been extended beyond the contract period. BSO has now Contracts in place for Postage, Car Parking and Clinical Waste. In respect of Telecommunication a new billing system is now in place however an individual tendering process for BSO with a telecommunication provider is not considered necessary at this stage due to the possible regional approach to a BT contract which would maximise VFM. A strategic review is planned during the 2012/13 year.

The Internal Auditor noted that the accuracy of activity on the contract relating to collection and disposal of FPS clinical waste was not verified. BSO are working with clients to ensure signatures from relevant practitioners are obtained.

#### Pharmaceutical Services

The Internal Auditor noted that within pharmaceutical services, secondary databases had been operational for a number of years and understanding and use of many of these systems was limited to individuals as no formal documentation was in place. The BSO recognises the risks associated with secondary systems and is engaged in a Project to replace the Pharmaceutical Payment System. In the interim BSO will document all secondary systems.

### **Update of 2009/10 Internal Audits**

All Priority One recommendations identified in the 2009/10 internal audits have been implemented with the exception of one priority one recommendation in the Information Governance report which has been partially implemented and will be completed in the 2012/13 year.

- 1.2.8 In 2011/12 the Internal Auditor also carried out a number of specific reviews on behalf of BSO:

A Serious Adverse Incident (SAI) was reported in on 23<sup>rd</sup> January 2012 in respect of data loss for a single database hosted in the HSC Datacentres. BSO management decided to commission a specific audit of the current backup status and associated processes.

The terms of reference for the audit were:

- To provide assurance on the adequacy and robustness of the ITS Data Centres Backup and Recovery processes.
- To identify all ITS supported systems and review backup and recovery arrangements to identify potential weaknesses in these processes.
- To review backup processes to ensure they are adequately managed, monitored and tested.

The findings of this audit work will be considered by management in conjunction with the SAI Investigation report.

### **Monthly Financial Checklist**

At the request of the Director of Finance internal audit carried out a review of the Monthly Financial Checklist process in September 2011. The monthly checklist was introduced to document the completion of all monthly finance tasks for BSO and for each of its client organisations. Internal Audit provided a satisfactory assurance in relation to the activities and controls which underpin the Monthly Financial checklist processes for BSO and those client organisationstested under the Terms reference of this Review.

### **Real Asset Management – Migration Process**

At the request of the Director of Finance, following the introduction of the Real Asset Management System (RAM) in September 2011, BSO Internal Audit performed a review of the transfer process of assets from excel spreadsheets to RAM. The review included details of assets from the BSO and all client organisations to which it provides an asset management service. The review concluded that Asset details were generally transferred accurately. A full Asset Management internal audit followed in February 2012 which provided a satisfactory level of assurance.

- 1.2.9 The Internal Auditor also reported on the BSO's compliance with HSC Controls Assurance Standards. She confirmed that she had verified compliance with the core standards of Risk Management, Financial Management and Governance and that substantive compliance had been achieved in all three standards. She also reported that substantive compliance had been obtained in respect of the Food Hygiene and Records Management however moderate compliance was achieved in the Fire Safety and Security Management Standards.

1.2.10 All internal and external audit reports and reviews are presented to the Governance and Audit Committee. Management responses to the recommendations are scrutinised by the Committee. To ensure the timely implementation of actions arising from such reports the BSO implements an Audit Control Process. This involves:

- the issue by the Finance Governance and Audit Officer of a proforma progress template containing the recommendations to all relevant Directorates;
- a response by managers outlining the progress made in implementing recommendations or an explanation for any delays in so doing;
- a review by the Director of Finance of progress made and a request for remedial actions if necessary;
- the presentation of regular reports on progress to the Governance and Audit Committee;
- a review of all recommendations by the Senior Management Team.

The Internal Auditor carries out a follow up audit on a bi-annual basis and reports to the Governance and Audit Committee on progress in implementing recommendations

1.2.11 With regard to the wider control environment the BSO has in place a range of organizational controls, commensurate with the current assessment of risk, designed to ensure the efficient and effective discharge of its business in accordance with the law and departmental direction.

Every effort was made during 2011/12 to ensure that the objectives of the BSO were pursued in accordance with the recognised and accepted standards of public administration including those relating to Section 75 of the NI Act 1998. The BSO's recruitment and selection policies are based on the principle of equality of opportunity and controls are in place to ensure that all decisions were taken in accordance with the relevant legislation. The tendering and procurement policies and procedures accord to the legislative standards required of public bodies.

In June 2011, new requirements were communicated to all HSC bodies by DHSSPS on the Award of Contracts without Competition. BSO is working to address those regional contracts which now fall outside these new requirements. DHSSPS accepts that HSC bodies will require a longer period to put in place any new arrangements needed, and BSO's plan will see contract extensions brought under new contractual arrangements over the next 3 years. In the interim, BSO will adhere to the approval arrangements for any Single Tender Actions (STA) in accordance with the DHSSPS directions. BSO has also set up a Compliance Unit to specifically advise BSO and all HSC bodies on the use of STAs, and this will be in place from 1<sup>st</sup> April 2012.

### **1.3 Capacity to Handle Risk**

1.3.1 HSC Organisations are required to ensure that an independently assured risk management system is in place that conforms to the principles contained in AS/NZS 4360:2004 and which meets HSC and other requirements in respect of managing risks, hazards, incidents, complaints and claims.

1.3.2 The BSO has been engaged in a programme of work to develop and mainstream a Risk Management Process in compliance with DHSSPS guidance.

1.3.3 Risk Management is the process by which the BSO takes steps to control the risks to

which it may be exposed. Overall responsibility for risk management rests with the BSO Board, with responsibility for implementation assigned to the Chief Executive. The Director of Finance is the Board's Accountable Officer for Risk Management, which is delivered through the Directorate of Customer Care and Performance.

1.3.4 Leadership is given to the risk management process by BSO Directors and the Chief Legal Adviser, who are operationally responsible for the management of risks within their respective Directorates in accordance with BSO Risk Management Policies and Procedures. Risk Management is a core component of the job description of all senior managers within the organisation.

1.3.5 There is an approved process of managing risks through risk registers which ensures that significant risks are reviewed by the Board. In 2009/10 and 2011-12 this process was reviewed by Internal Audit and awarded satisfactory assurance and substantive compliance was achieved on the CAS Risk Management Standard in 2011/12 with an improved score from last year.

The BSO aim is to ensure good risk management is evident and sustained throughout the organisation by the involvement of all staff in the identification and management of risk in their service. Staff are involved in assessing risks for their service. The development of an eLearning Module for Risk Management Training, operational from June 2011 will further assist in achieving this aim.

#### **1.4 The Risk and Control Framework**

1.4.1 Risk Management Policies & Procedures are in place which describes the arrangements for embedding risk management in the activities of the BSO, through explicit processes for identifying, assessing and responding to risks and incidents. The Senior Management Team has been responsible for the development, management and implementation of the BSO's Risk Management Strategy.

1.4.2 The BSO is committed to providing high quality business services to NI Health and Social Care and the BSO Corporate Plan 2010-12 established a clear mission, values and set of corporate objectives.

1.4.3 Risk can be defined as something happening that may have an impact on the achievement of the BSO's Corporate Objectives and is most likely to affect service delivery.

1.4.4 The BSO recognises that it is not possible to eliminate all risks but aims to minimise the risk where possible. This was achieved through the following measures:

- Identifying the Principal Risks to the achievement of the six Corporate Objectives outlined in the BSO Corporate Plan 2010-2013, both at Corporate and Service level;
- Development of a Corporate Risk and Assurance Report which allowed Directors to take the identified principal risks to the achievement of Corporate Objectives and identify and assess the effectiveness of controls and assurances to manage or mitigate these risks, thereby providing the BSO Board and Governance and Audit Committee with a level of assurance on strategic risk management. Where insufficient control or assurance is identified, action plans were put in place to manage the risk further;
- Production of Risk Registers at Service level which include risk action plans;

- Evaluating risk in accordance with the BSO Risk Management Policies and Procedures which includes a process for escalating risk from service to corporate level;
  - Directors defining local risk management responsibilities within their Directorate and holding Assistant Directors / Senior Managers responsible for the management and update of their Directorate / Service Risk Register, development of risk actions plans and monitoring of progress;
  - Risk Reporting Monitoring Arrangements were in place to report progress on risk actions to the appropriate level - Board, Governance and Audit Committee, Senior Management Team and Directors;
  - A nominated accountable officer and lead officer for all applicable Controls Assurance Standards, charged with delivering action plans to secure substantive compliance;
  - The integration of risk management methodologies into the business planning process;
  - Lessons learned from past experience;
  - Risk Management Training via the development of an eLearning Module; which is accessible to all BSO Staff.
  - Strategic overview of the impact of risk management for reporting in the Mid –Year Assurance Statement and the Annual Statement on Internal Control.
- 1.4.5 Risks to the management of information / data security are identified and managed by the Information Governance Management Group, representatives of which are drawn from the Senior Managers cadre across the BSO. The work undertaken by this Group in 2011/12 is outlined in paragraph 1.5 below.
- 1.4.6 Controls measures are in place to ensure that the BSO’s obligations under equality, diversity and human rights legislation are complied with. Following the 2010-11 Audit of Inequalities an action plan was developed and progress is monitored directly by the Board.
- 1.4.7 The risk control framework has been further strengthened in 2011/12 by improvements made in the BSO’s business processes. These include:
- Training was provided by BSO Legal Services on the Bribery Act 2010 to the Board and Senior Managers (June – July). Further Training was provided to Pals and Finance Staff;
  - Development of a Bribery Risk Assessment Tool and training on Bribery Risk Assessment to Service Areas via workshops to ensure that service areas have a periodic, informed and documented assessment of the nature and extent of risk exposure and to assist in the development of appropriate actions to mitigate the risks;
  - Development of a BSO Anti-Bribery Policy – this policy was approved by the BSO Board in April 2012;
  - Review of Policies and Procedures to reflect the impact of the 2010 Bribery Act – Gifts and Hospitality and work on other policies is on-going;

- Issue of a short guide for staff on Corporate Governance Standing Financial Instructions;
- Development of an Information Governance Risk Assessment Tool which all service areas have undertaken to identify and analyse risk exposure and to assist in the development of appropriate actions to mitigate the risk;
- Customer Service Training provided to BSO Services Areas, enabling teams to consider the values and behaviours needed to improve customer focus, to analyse customer feedback such as surveys, letters, customer forum meetings, complaints and compliments with a view to ultimately planning to improve customer focus. A positive response was received from participants & customers;
- Review of Performance Indicators used in Performance Scorecards to ensure that relevant indicators are identified, used and monitored. The Scorecards are the mechanism of managing performance throughout the organisation and the standard vehicle to present such information at Board level;
- Internal Audit of BSO Complaints Process was undertaken in 2011-12 and was awarded satisfactory assurance. An action plan has been developed and is being monitored to ensure that audit recommendations will be delivered;
- Involvement of Non-Executive Directors and Senior Managers in conducting investigations into Complaints Reviews;
- In year Reviews reported to Board
  - Bowel Screening Service undertaken by NHS Wales
  - SAI Reviews:
    - Data loss from HSC datacentre on 20<sup>th</sup> January 2012, chaired by Stephen Stewart, South Eastern HSC Trust” which was presented to the Board in April 2012.
    - RVH Data Centre. Review chaired by Paul Wickens, Chief Executive of NICS Enterprise Shared Services
  - Feasibility Study on the acceleration of Pharmacy Payments to 30 days
- Roll out of Benchmarking to other service areas, Human Resources participated in the IPFA 2011-12 Benchmark programme;
- Expanding use of Customer Survey’s, HSC Pension Service, Counter Fraud and Probity Services participated for the first time in the Customer Survey Programme, which now means that all services provided to Customers are surveyed on an annual basis.

1.4.8 The BSO continues to promote the value of external assurances gained through benchmarking services, attainment / reaccreditation of recognised awards such as COPE, IIP, ISO, Lexcel, Mark of Excellence Award. They form part of our Assurance Process (internal and external) which assists the BSO in providing assurance to others that risks are effectively managed and the organisation is on track to achieve its strategic vision, aims and objectives.

1.4.9 BSO’s risk and assurance processes are part of our organisation’s planning and performance

management arrangements and are focused on the outcome they have been designed to achieve, the achievement of objectives and a dynamic process that fosters the right behaviours necessary to drive innovation and sustainable performance improvement at all levels within the Organisation.

### Compliance with Controls Assurance Standards

1.4.10 There are 16 standards which are assessed internally by Lead Officers within the BSO and reviewed by Directors. Seven of these standards are then independently verified by the Internal Auditor. The Internal Auditor agreed with the BSO assessments in all cases.

The assessment of compliance for each standard is set out in the table below.

<b>Standard</b>	<b>DHSS&amp;PS Expected Level of Compliance</b>	<b>Level of Compliance</b>	<b>Reviewed by</b>
Records Management	Substantive	Substantive	Internal Audit
ICT	Substantive	Substantive	Self Assessed
Fleet and Transport Management	Substantive	Substantive	Self Assessed
Purchasing and Supply	Substantive	Substantive	Self Assessed
Emergency Planning	Substantive	Substantive	Self Assessed
Food Hygiene	Substantive	Substantive	Internal Audit
Financial Management	Substantive	Substantive	Internal Audit
Fire Safety	Substantive	Moderate	Internal Audit
Buildings, Land etc	Substantive	Substantive	Self Assessed
Waste Management	Substantive	Substantive	Self Assessed
Environmental Management	Substantive	Substantive	Self Assessed
Health & Safety	Substantive	Substantive	Self Assessed
Governance	Substantive	Substantive	Internal Audit
Security Management	Substantive	Moderate	Internal Audit
Risk Management	Substantive	Substantive	Internal Audit
Human Resources	Substantive	Substantive	Self Assessed

1.4.11 This review has identified areas for improvement in the systems and processes to maintain compliance. Action plans are in place to address weaknesses identified in the Security Management and Fire Safety Standards and each Director has in place an action plan to achieve progress in 2012/13 in all other Standards. This process will be monitored by the Senior Management Team and the Governance and Audit Committee on a regular basis.

#### Fraud

1.4.12 The BSO participated in the 2010/11 National Fraud Initiative. The BSO complied with the Data Protection Act 1998 by issuing Fair Processing Notices to advise individuals that their data was being processed. The BSO received notification of data matches in January 2011 and a senior manager within Finance has investigated and followed up on all recommended data matches highlighted. The Governance and Audit Committee is kept informed of progress.

1.4.13 The BSO has approved its Fraud Policy and Fraud Response Plan and these are available via the BSO Internet and Intranet.

### **1.5 Management of Information Risks**

1.5.1 During 2011/12 the Information Governance Management Group (IGMG) under the Chairmanship of the Director of Human Resources and Corporate Services continued to

operate within its terms of reference. Two areas of note are the completion of a penetration test of the ICT systems and the further strengthening of ICT security in respect of the Medi-cator system.

Throughout the year Information Asset Officers attended training organised by DHSSPS. In addition a series of workshops to follow up on training provided in 2010/11 were organised. Training continues to be available for staff within BSO and is organised on a quarterly basis.

- 1.5.2 It was recognised that improvements in information governance were necessary and that there is a need to standardise processes and controls across the range of functions.
- 1.5.3 The IGMG is tasked with embedding good information governance throughout the organisation. This group reports to the BSO Board via the Director of HRCS who is also the Data Guardian for the organisation.
- 1.5.4 Operationally there are controls in place at Directorate level to manage access to personal data. All of the regional systems and those which support the FPS payments are governed by data subject access requirements. All key systems are password protected and subject to automatic protocols which require regular change.

#### Assurance Framework

- 1.5.5 The Assurance Framework and the Corporate Risk Register has been combined into one report, the Corporate Risk and Assurance Report which contains the risks to the achievement of BSO Objectives, outlines the existing controls and assurances and identifies gaps in controls or assurances and outlines any necessary actions required to close these gaps. Progress on risk actions, changes to the risk profile were monitored monthly by SMT and quarterly by the BSO Board.
- 1.5.6 The Corporate Risk and Assurance Report provides a structure for the Accounting Officer, the Governance and Audit Committee and the BSO Board for acquiring and examining the evidence to support the Statement on Internal Control.
- 1.5.7 The BSO will continue to develop its assurance processes by building on the twin concept of separating evidence collation and evidence assurance, thereby allowing the BSO Board to have greater confidence in the system of internal control operating within the BSO.

#### Adverse Incidents and Complaints

- 1.5.9 The BSO recognises that both adverse incidents and complaints can be indicators of inadequate processes and unsafe practices. The examination can present the opportunity to improve services, limit risks and contribute to the achievement of the BSO's objectives. During 2011/12 three adverse incidents were reported while thirty complaints were received and appropriate action taken.

During the year two serious adverse incidents were reported to the Health and Social Care Board. One of these related to the failure of datacentres to maintain ongoing services. The original incident in April 2011 was related to refurbishment work being carried out within one of the HSC Datacentres which caused an outage on some systems. A review was conducted and appropriate lessons learned and change processes adapted accordingly. The second incident related to a further outage of the systems and a formal SAI report has been commissioned.

A third serious adverse incident related to a loss of data during a migration of systems from HSC Trusts into the datacentre. An SAI report into this incident is also awaited at time of writing. Action was taken to alert Trusts to the loss of the data and the information in the system is being rebuilt from other sources by BSO and the 3 Trusts affected. The data loss was reported to the Information Commissioner who has decided that no further action is necessary at this stage as "... no potential detriment appears to have been caused to the affected data subjects in this instance. Also the incident has been contained due to the prompt remedial action undertaken by the BSO, such as asking the relevant Trust's to alert clinicians of the lost information so that they can reconstruct important and relevant information files. Therefore the case does not appear to meet the criteria set out in our Data Protection Regulatory Action Policy necessitating further action by the ICO".

Given the 3 SAI reported, a business case has been sent to the DHSSPS seeking agreement to the engagement of external support to undertake an overarching review of the operation of the HSC Datacentres, and approval was received in March to proceed to engage external consultants. The terms of reference for the Review are set out below:

"The review will be asked to scrutinize the way in which the HSC Datacentres are structured and run in the context of good practice in the industry. The review will address the following areas and provide recommendations as relevant.

1. The growth in services since the establishment of the HSC datacentres under the auspices of the consolidated server project, including information on planned future growth.
  2. The technologies and architectures currently being used in the datacentres to gauge if they are fit for purpose and meet best practice recommendations for the operation of highly available and complex datacentre configurations.
  3. Change management processes currently used to manage changes to the HSC datacentres, including changes to technology and services, and associated testing and capacity planning.
  4. Major Incident, Business Continuity and Service Recovery Processes for the HSC datacentres, including communication and out of hours service support levels and skill sets needed.
  5. The current organisational structures and resourcing levels against industry practice."
- 1.5.10 During 2011/12 a total of 191 Freedom of Information requests were received with 86% being responded to within 20 days.
- 1.5.11 There has been one incident of data loss reported to the Information Commissioner during 2011/12. The details of which have been highlighted in paragraph 1.5.9.

An information breach also occurred when documents relating to an individual who was subject to exemption checks was sent to a third party. Efforts are ongoing to contact the data subject to make them aware of the breach.

- 1.5.12 During 2011/12 the corporate management arrangements relating to the Business Continuity Plan were tested and reported to the Board. The business continuity arrangements surrounding our ICT infrastructure were also tested as were elements of the Procurement and Logistics and Legal Services Continuity plans. Lessons learned from the exercises are being adopted

and included in revised arrangements. During the year work commenced to bring the Business Continuity arrangements into line with BS 25999.

## **1.6 Compliance with Circular HSS (F) 67/2006**

- 1.6.1 In 2006 the DHSSPS issued a circular on the arrangements for dealing with payments to legal representatives for claims and the controls expected. As the sole provider of legal services to the HSC, the BSO Directorate of Legal Services is required to comply with this circular.
- 1.6.2 The Chief Legal Adviser has confirmed to me that the BSO is compliant with HSS (F) 67/2006.

## **1.7 ITS Programme and Pension Payments**

The expenditure relating to ITS programme and Pension Payments were processed through Account NI. Reimbursement is sought from BSO for this expenditure. The reconciliation process is managed by the Whole of Government Accounts where transactions streams and balances are agreed. This process is used to substantiate the balances within the Financial Statements of the BSO. Steps are being taken to migrate all operational expenditure to BSO systems from 1<sup>st</sup> April 2012.

## **1.8 Review of Effectiveness**

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

The committee and reporting structures of the BSO provide the framework and process that maintains; monitors and reviews the effectiveness of the system of internal controls and risk management.

### **The Board reviews:**

- Corporate Risk & Assurance Report quarterly to identify gaps in controls and assurances and to agree and review actions provides evidence that the effectiveness of controls that manage the risks to the BSO achieving its objectives have been reviewed.
- Regular reports giving internal assurances, at monthly, quarterly including finance, performance, human resources and corporate services and reports on service delivery.
- Annual Reports such as Annual Accounts and Annual Report.
- External Assurances: Report to those charged with Governance.
- Governance and Audit Committee Annual Report to the Board

### **The Governance and Audit Committee reviews:**

- Internal and External audit reports
- Audit Control Process which monitors adherence to audit recommendations
- Service Risk Reports: risk management process and progress on risk actions
- Report on Adherence to Controls Assurance Standards
- Annual risk report
- Fraud reports

The Senior Management Team (SMT) manages the BSO governance processes that enable Directors to report to the Board. At SMT Directors who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

My review is also informed by other reviews undertaken.

The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the annual Internal Audit report.

My review is also informed by reports received from External auditors including the Report to those Charged to those with Governance.

In respect of the findings of the Internal Audit Reports as described in sections 1.2.4 -1.2.9 and the Significant Internal Control Issues described in section 1.8 and 1.9 I am satisfied that there are plans in place to address any weaknesses identified and ensure continuous improvement to the system of internal control and will be implemented in 2012/13.

During 2010/11 83% of recommendations within internal audit reports received by the BSO were actioned. The Audit Control process, reporting progress on recommendations regularly to the Governance and Audit Committee and to the SMT, will continue during 2012/13. The internal audit plan for 2010-13 will continue to focus on addressing those areas deemed to pose the highest risk to the attainment of the Organisation's objectives.

### **1.9 Existing Significant Internal Control Issues**

1.9.1 Family Practitioner Services (FPS) continues to operate with a significant number of secondary database type systems which supplement and support primary systems in calculating payments to family practitioners (c£750m pa). These secondary databases have been developed to accommodate changes in the type of payments made under new practitioner contracts. This situation is unchanged during 2011/12. The BSO recognises the risks associated with these secondary systems and is engaged in a Project to replace all existing FPS systems, under the auspices of the Business Services Transformation Programme. DFP approved the OBC for these replacement systems in February 2012. The project is underway Gateway approval processes and initial procurement activity will commence upon receipt of a financial allocation from HSC Board.

1.9.2 The Northern Ireland Executive's Final Budget 2011-15, announced by the Minister for Finance and Personnel on 4 March 2011, presents very significant challenges for Health and

Social Care in Northern Ireland to deliver on the overall objectives for Health and Social Services and Public Safety and maintain services within a financial envelope significantly less than the assessed level of need. Allied to the significant underlying deficits identified by Trusts and the need to achieve additional savings, through cost reduction programmes, to offset these deficits there is a risk that the overall levels of savings required across HSCNI are so great that the services which BSO provides to its customers are adversely affected or the Organisation itself fails to breakeven.

To mitigate against these risks the BSO has initiated a BSO Service offering which will provide continued focus on providing HSC clients with a value for money, best in class service which is underpinned by an improvement in overall efficiency of at least 4%.

The BSO has identified the potential for generating additional income by offering our services beyond HSC. It is however at present constrained by the legislation governing the functions of the Organisation. A business case which sets out the rationale for a change in the legislation is currently with the Department for consideration and discussions have taken place between BSO officers and Departmental representatives during the year. BSO officers have responded to all requests for information from the Department in order to facilitate consideration of the matter.

- 1.9.3 Following an adverse incident in April 2011, which resulted in downtime on the HSC datacentres, an SAI review was undertaken on behalf of BSO. The report was published in June 2011, and a series of short term recommendations were completed prior to proceeding with work to shut down/powerdown the 2<sup>nd</sup> HSC datacentre in September 2011. This exercise was successful, and BSO continues to follow up on the longer term recommendations of the Review.
- 1.9.4 Under the continuum of service provision inherited from legacy organisations the BSO provides certain services to customers which, while under the direction of DHSSPS, were not included in the 2009 HSC Reform Act. The services are provided under service level agreement. The management fee for services provided is not material relative to BSO's core services. The omission of these customers is currently the subject of discussion with the DHSSPS.

## **2.1 New Significant Internal Control Issues**

- 2.1.1 Two SAIs were declared by BSO in January 2012, concerning some services provided from the HSC Datacentres (these have already been referred to in 1.5.9 above). These are being investigated in line with the SAI procedure as required, and Terms of Reference and review team membership has been agreed for both incidents. BSO also wished to commission an overarching technical and management review of the HSC Datacentres, and submitted a business case for management consultancy support for this work to DHSSPS, which was approved in March 2012. BSO has also put in place a range of additional controls in the interim period, while it awaits the outcome of the SAI Reviews and the HSC Datacentre Review. BSO has also brought the risk of service impact from the HSC datacentres from the risk register of ITS business unit, onto the corporate risk register.
- 2.1.2 Following correspondence on the use of Single Tender Actions (STAs) from Dr Andrew McCormick, Permanent Secretary in June 2011 BSO PaLS carried out a full review of regional contracts, identifying those which had been extended beyond their original duration for a range of reasons, including the lapsing of previous national contracts. From this review an action plan to undertake/accelerate tender processes was developed, and action has

commenced to bring those arrangements under formal contract coverage. Resource was made available by BSO in 2011/12 to support this work through the use of a Procurement Service framework established by PaLS. The activity will span a number financial years and it is planned to address all areas of concern with the exception of Medical Gases which has been discussed at RPCEG and will require dedicated resources and a full project team with Trust Estates, Pharmacy and BSO Procurement input.

During their substantive year end fieldwork NIAO, in light of the issues arising from Internal Audit's review of the Management of Contracts (referred to in paragraph 1.2.7 above), performed a detailed review of the PaLS contracts database and identified 21 tender actions which are affected during 2011/12. A number of contracts within these tender actions (eight contracts with a value of £2.5 million) are supplied to HSC bodies via the BSO PaLS warehouse. NIAO considered these contracts to be in potential breach of the Public Contract Regulations 2006 (as amended) and have modified their audit opinion as a result and attached a report to the Financial Statements. Actions required to tender these requirements is in progress. BSO will bring forward additional actions during 2012/13 to minimise the number of STAs which may be required for any regional contracts affected by contract extensions.

### 2.1.3 Shared Services

On Monday 14th May the Minister for Health, Edwin Poots, announced his decision to move forward with the implementation of shared services for the HSC. The original proposal of four Centres of Expertise (CoE) in Belfast, Ballymena, Armagh and Omagh was approved. The proposal was also supported by the establishment of two satellite offices in Downpatrick and Londonderry. The Minister also announced that the shared services implementation will proceed during 2013 rather than the latter half of 2012, which will give increased priority to the implementation of the new systems.

The BSO is now responsible for managing the project to transfer the current services to CoE Service centres in line with the minister's decision. A transition plan will be developed during May and June which will detail the transition actions and risks in the key areas of Systems, Accommodation, Services and Staff. This Transition of Services will be managed by BSO, and is a project under the auspices of the BSTP. It also requires significant levels of close working with current employers and their staff and their representatives during the period of transition, and will be led by the BSO Director of Operations. A shared services implementation group has been established within the BSO, chaired by the Chief Executive and supported by all members of the Senior Management Team which will implement a Transition Plan once approved by BSTP Programme Board. Exception and progress reporting will be to the BSO Board and the BSTP Programme Board in line with the current governance arrangements within BSTP.

  
\_\_\_\_\_  
Chief Executive

21 June 2012

\_\_\_\_\_  
Date

## **Business Services Organisation**

### **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 Business Services Organisation for the year ended 31 March 2012 under the Health and Social Care (Reform) Act (Northern Ireland) 2009. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, 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 Business Services Organisation, Chief Executive and auditor**

As explained more fully in the Statement of Business Services Organisation's Responsibilities and Chief Executive's Responsibilities, the Business Services Organisation and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with the Health and Social Care (Reform) Act (Northern Ireland) 2009. 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 Business Services Organisation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Business Services Organisation; 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.

#### **Basis for Qualified Opinion on Regularity**

In 2011-12 an Internal Audit review examined the Business Service Organisation's contract management procedures and provided a limited assurance opinion. The opinion was limited because of;

- the use of roll forward contract arrangements and pricing agreements rather than competitive tendering processes ; and
- issues surrounding the system to monitor contracts, so that those due to expire would be highlighted in a timely manner.

It is our view that the use of the negotiated procedure in these circumstances without prior publication of a contract notice, to the EU Journal is a potential breach of Public Contract Regulations (as amended).

I examined Business Service Organisation contracts and found evidence that the potential breach in legislative guidance extended to contracts with estimated expenditure in 2011-12 of £2.5million. This expenditure is deemed to be irregular as the breach in legislative guidance is potentially a breach of the Public Contract Regulations 2006 (as amended).

### **Opinion on Regularity**

In my opinion, except for expenditure of £2.5 million on contracts which were potentially in breach of Public Contract Regulations 2006 (as amended), 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 the Business Services Organisation's affairs as at 31 March 2012 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Care (Reform) Act (Northern Ireland) 2009 and Department of Health, Social Services and Public Safety 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 Health, Social Services and Public Safety directions made under the Health and Social Care (Reform) Act (Northern Ireland) 2009; and
- the information given in the Business Services Organisation Board, Finance Directorate, Financial Performance and Summary Financial Statement sections of 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 Department of Finance and Personnel's guidance.

### **Report**

My report on the qualification of my regularity opinion is at pages 76 to 78.



*KJ Donnelly*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*  
*29th June 2012*

## BUSINESS SERVICES ORGANISATION

### STATEMENT of COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2012

	NOTE	2012 £	Restated 2011 £
<b>Expenditure</b>			
Staff costs	3.1	(33,891,947)	(32,127,471)
Depreciation	4.0	(4,268,233)	(3,794,150)
Other Expenditure	4.0	(84,283,253)	(76,747,646)
		<u>(122,443,433)</u>	<u>(112,669,267)</u>
<b>Income</b>			
Income from activities	5.1	79,326,573	72,529,605
Other Income	5.2	13,174,771	12,840,417
Deferred income	5.3	-	-
		<u>92,501,344</u>	<u>85,370,022</u>
<b>Net Expenditure</b>		<b><u>(29,942,089)</u></b>	<b><u>(27,299,245)</u></b>
<b>Revenue Resource Limit (RRL)</b>	25.1	29,963,865	27,331,176
<b>Surplus/deficit against RRL</b>		<b><u>21,776</u></b>	<b><u>31,931</u></b>

### OTHER COMPREHENSIVE EXPENDITURE

	NOTE	2012 £	Restated 2011 £
Net gain/(loss) on revaluation of Property, Plant & Equipment	6.1/10/6.2/10	(385,117)	141,180
Net gain/(loss) on revaluation of Intangibles	7.1/10/7.2/10	(219,258)	564,336
Net gain/(loss) on revaluation of available for sales financial assets		-	-
<b>TOTAL COMPREHENSIVE EXPENDITURE</b>		<b><u>(30,546,464)</u></b>	<b><u>(26,593,729)</u></b>

The notes on pages 32 to 75 form part of these accounts

## BUSINESS SERVICES ORGANISATION

### STATEMENT of FINANCIAL POSITION as at 31 March 2012

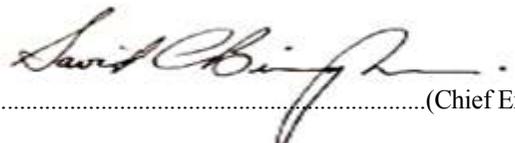
	NOTE	2012 £	Restated 2011 £	Restated 2010 £
<b>Non Current Assets</b>				
Property, Plant and Equipment	6.1/6.2	44,950,276	34,925,566	31,863,432
Intangible assets	7.1/7.2	4,602,272	6,846,992	7,479,395
Financial Assets	8.0	-	-	-
Trade and other receivables	12.0	-	-	-
Other current assets	12.0	-	-	-
<b>Total non current Assets</b>		<u>49,552,548</u>	<u>41,772,558</u>	<u>39,342,827</u>
<b>CURRENT ASSETS</b>				
Assets classified as held for sale	9.0	-	-	-
Inventories	11.0	3,703,278	3,216,110	3,216,737
Trade and other Receivables	12.0	20,291,669	19,398,994	33,009,432
Other current assets	12.0	1,669,566	1,539,213	1,630,769
Financial assets	8.1	-	-	-
Cash and cash equivalents	13.0	<u>120,758</u>	<u>2,198,090</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<u>25,785,271</u>	<u>26,352,407</u>	<u>37,856,938</u>
<b>Total Assets</b>		<u><b>75,337,819</b></u>	<u><b>68,124,965</b></u>	<u><b>77,199,765</b></u>
<b>Current Liabilities</b>				
Trade and other Payables	14.0	(62,168,263)	(50,172,692)	(51,013,372)
Other liabilities	14.0	-	-	-
Provisions	16	-	-	-
<b>Total current liabilities</b>		<u>(62,168,263)</u>	<u>(50,172,692)</u>	<u>(51,013,372)</u>
<b>Non current assets plus/less net current assets/liabilities</b>		<u><b>13,169,556</b></u>	<u><b>17,952,273</b></u>	<u><b>26,186,393</b></u>

<b>Non Current liabilities</b>				
Provisions	16.0	(656,797)	(482,543)	(574,759)
Other Payables > 1 yr	14.0		-	
Financial Liabilities	8.0		-	
<b>Total Non Current Liabilities</b>		<u>(656,797)</u>	<u>(482,543)</u>	<u>(574,759)</u>
<b>ASSETS LESS LIABILITIES</b>		<u><b>12,512,759</b></u>	<u><b>17,469,730</b></u>	<u><b>25,611,634</b></u>
 <b>TAXPAYERS' EQUITY</b>				
Revaluation Reserve		7,119,840	4,674,322	3,801,495
SoCNE Reserve		5,392,919	12,795,408	21,810,139
		<u><b>12,512,759</b></u>	<u><b>17,469,730</b></u>	<u><b>25,611,634</b></u>

The Financial Statements on pages 27 to 31 were approved by the Board on 21 June 2012 and were signed on its behalf by:

  
Signed.....(Chairman)

Date.....21 June 2012

  
Signed .....(Chief Executive)

Date .....21 June 2012

The notes on pages 32 to 75 form part of these accounts

## BUSINESS SERVICES ORGANISATION

### STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 March 2012

	Note	2012 £	Restated 2011 £
<b>Cashflows from operating activities</b>			
Net expenditure after coc & interest		(29,942,089)	(27,299,245)
Adjustments for non cash costs		7,823,883	6,059,304
(Increase)/decrease in trade & other receivables		(1,023,029)	13,701,994
<i>less movements in receivables relating to items not passing through the SoCNE:</i>			
movements in receivables relating to sale of property, plant and equipment		-	-
movements in receivables relating to the sale of intangibles		-	-
movements in receivables relating to finance leases		-	-
movements in receivables relating to PFI and other service concession arrangements		-	-
(Increase)/decrease in inventories		(487,168)	627
Increase/(decrease) in trade payables		11,995,571	4,979,610
<i>less movements in payables relating to items not passing through the SoCNE:</i>			
movements in payables relating to the purchase of property, plant and equipment		1,089,775	(682,559)
movements in payables relating to the purchase of intangibles		-	-
movements in payables relating to finance leases		-	-
movements in payables relating to PFI and other service concession arrangements		-	-
Use of provisions	16	(87,603)	(52,529)
<b>Net cash outflow from operating activities</b>		<u>(10,630,660)</u>	<u>(3,292,798)</u>
<b>Cashflows from investing activities</b>			
(Purchase of property, plant & equipment)	6	(13,795,173)	(6,004,531)
(Purchase of intangible assets)	7	(115,499)	(887,680)
Proceeds of disposal of property, plant & equipment		-	-
<b>Net Cash inflow/(Outflow) from investing activities</b>		<u>(13,910,672)</u>	<u>(6,892,211)</u>
<b>Cash flows from financing activities</b>			
Grant in aid		22,464,000	18,203,389
Cap element of payments iro finance leases & on balance sheet (SoFP) PFIs and other service concession arrangements		-	-
<b>Net financing</b>		<u>22,464,000</u>	<u>18,203,389</u>
<b>Net increase (decrease) in cash &amp; cash equivalents in the period</b>		(2,077,332)	8,018,380
<b>Cash &amp; cash equivalents at the beginning of the period</b>	13	2,198,090	(5,820,290)
<b>Cash &amp; cash equivalents at the end of the period</b>	13	120,758	2,198,090

The notes on pages 32 to 75 form part of these accounts

## BUSINESS SERVICES ORGANISATION

### STATEMENT OF CHANGES IN TAXPAYERS EQUITY for the year ended 31 March 2012

	Note	SoCNE Reserve £	Revaluation Reserve £	Total £
<b>Balance at 31 March 2010</b>		21,795,057	3,801,495	25,596,552
Change in accounting policy – removal of donated asset reserves		15,082		15,082
<b>Restated balance at 1 April 2010</b>		<b>21,810,139</b>	<b>3,801,495</b>	<b>25,611,634</b>
<b>Changes in taxpayers equity 2010-11</b>				
Grant from DHSSPS		18,203,389	-	18,203,389
Transfers between reserves		-	-	-
Impairment		-	-	-
Transfers from DHSSPS (Comprehensive expenditure for the year)		(27,299,245)	167,311	167,311
Non cash charges - auditors remuneration	4	81,125	-	81,125
<b>Balance at 31 March 2011</b>		<b>12,795,408</b>	<b>4,674,322</b>	<b>17,469,730</b>
<b>Changes in taxpayers equity 2011-12</b>				
Grant from DHSSPS		22,464,000		22,464,000
Transfers between reserves (Comprehensive expenditure for the year)	7.1	(29,942,089)	(604,375)	(30,546,464)
Transfer of asset ownership		-	3,049,893	3,049,893
Donated asset reserve – transfer to net expend for depreciation		-	-	-
Non cash charges - auditors remuneration	4	75,600		75,600
<b>Balance at 31 March 2012</b>		<b>5,392,919</b>	<b>7,119,840</b>	<b>12,512,759</b>

## **BUSINESS SERVICES ORGANISATION**

### **ACCOUNTS FOR THE YEAR ENDED 31 March 2012**

#### **NOTES TO THE ACCOUNTS**

##### **STATEMENT OF ACCOUNTING POLICIES**

#### **1. Authority**

These accounts have been prepared in a form determined by the Department of Health, Social Services and Public Safety based on guidance from the Department of Finance and Personnel's Financial Reporting manual (FReM) and in accordance with the requirements of Article 90(2)(a) of the Health and Personal Social Services (Northern Ireland) Order 1972 No 1265 (NI 14) as amended by Article 6 of the Audit and Accountability (Northern Ireland) Order 2003.

The accounting policies follow IFRS to the extent that it is meaningful and appropriate to the Business Services Organisation (Organisation). Where a choice of accounting policy is permitted, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Organisation for the purpose of giving a true and fair view has been selected. The Organisation's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting convention**

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

#### **1.2 Currency**

These accounts are presented in UK Pounds sterling.

#### **1.3 Property, Plant and Equipment**

Property, plant and equipment assets comprise Land, Buildings, Dwellings, Transport Equipment, Plant & Machinery, Information Technology, Furniture & Fittings, and Assets under construction.

##### **Recognition**

Property, plant and equipment must be capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the Organisation;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £1,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building or unit, irrespective of their individual or collective cost.

On initial recognition property, plant and equipment are measured at cost including any expenditure such as installation, directly attributable to bringing them into working

condition. Items classified as “under construction” are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

### **Valuation of Land and Buildings**

Land and buildings are carried at the last professional valuation, in accordance with the Royal Institute of Chartered Surveyors (Statement of Asset Valuation Practice) Appraisal and Valuation Standards in so far as these are consistent with the specific needs of the HSC

The last valuation was carried out on 31 January 2010 by Land and Property Services (LPS) which is an independent executive within the Department of Finance and Personnel. The valuers are qualified to meet the ‘Member of Royal Institution of Chartered Surveyors’ (MRICS) standard.

Professional revaluations of land and buildings are undertaken at least once in every five year period and are revalued annually, between professional valuations, using indices provided by LPS.

Land and buildings used for the Organisation’s services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Fair values are determined as follows:

- Land and non-specialised buildings – open market value for existing use
- Specialised buildings – depreciated replacement cost
- Properties surplus to requirements – the lower of open market value less any material directly attributable selling costs, or book value at date of moving to non current assets.

### **Modern Equivalent Asset**

DFP has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. Land and Property Services (LPS) have included this requirement within the latest valuation.

### **Assets Under Construction (AUC)**

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

### **Fixtures and Equipment**

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation. From 1 April 2008 indexation has ceased in respect of short life assets (short life - defined as a useful life of up to and including 5 years). The carrying value of existing assets at that date were written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

Where estimated life of fixtures and equipment exceed 5 years, suitable indices will be applied each year and depreciation will be based on indexed amount.

### **Revaluation Reserve**

An increase arising on revaluation is taken to the revaluation reserve except when it reverses a price impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure.

### **1.4 Depreciation**

No depreciation is provided on freehold land since land has unlimited or a very long established useful life. Items under construction are not depreciated until they are commissioned. Properties that are surplus to requirements and which meet the definition of “non current assets held for sale “ are also not depreciated.

Otherwise, depreciation is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. Assets held under finance leases are also depreciated over their estimated useful lives. The estimated useful life of an asset is the period over which the Organisation expects to obtain economic benefits or service potential from the asset. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. The following asset lives have been used.

<b>Asset Type</b>	<b>Asset Life</b>
Freehold Buildings	25 – 60 years
Leasehold property	Remaining period of lease
IT Assets	3 – 10 years
Intangible assets	3 – 10 years
Other Equipment	3 – 15 years

### **1.5 Impairment loss**

If there has been an impairment loss due to a general change in prices, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure within the Statement of Comprehensive Net Expenditure. If the impairment is due to the consumption of economic benefits the full amount of the impairment is charged to the Statement of Comprehensive Net Expenditure and an amount up to the value of the impairment in the revaluation reserve is transferred to the General fund. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited firstly to the Statement of Comprehensive Net Expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### **1.6 Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure which meets the definition of capital restores the asset to its original specification, the expenditure is

capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

The overall useful life of the Organisation's buildings takes account of the fact that different components of those buildings have different useful lives. This ensures that depreciation is charged on those assets at the same rate as if separate components had been identified and depreciated at different rates.

## **1.7 Intangible assets**

Intangible assets includes any of the following held - software, licences, trademarks, websites, development expenditure, Patents, Goodwill and intangible Assets under Construction. Software that is integral to the operating of hardware, for example an operating system is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to sell or use the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### **Recognition**

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Organisation's business or which arise from contractual or other legal rights. Intangible assets are considered to have a finite life. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Organisation; where the cost of the asset can be measured reliably. All single items over £5,000 in value must be capitalised while intangible assets which fall within the grouped asset definition must be capitalised if their individual value is at least £1,000 each and the group is at least £5,000 in value.

The amount recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date of commencement of the intangible asset, until it is complete and ready for use.

Intangible assets acquired separately are initially recognised at fair value. Following initial recognition, intangible assets are carried at fair value by reference to an active market, and as no active market currently exists depreciated replacement cost has been used as fair value.

## **1.8 Donated assets**

Donated non-current assets were previously capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They were valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments were taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset was released from the donated asset reserve to income to offset the depreciation expenditure. On sale of donated assets, the net book value was transferred from the donated asset reserve to the General Reserve.

With effect from 1 April 2011, DFP changed the above policy on donated asset reserves. The donation reserve no longer exists. What used to be contained in the donated asset reserve has moved to the Statement of Comprehensive Net Expenditure (previously known as General Reserve) and to the Revaluation Reserve. Income for donated assets is now recognised when received. This is a change in accounting policy and the previous year's Statement of Comprehensive Net Expenditure and the two previous year's Statement of Financial Position have been restated.

## **1.9 Non-current assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. In order to meet this definition IFRS 5 requires that the asset must be immediately available for sale in its current condition and that the sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset and the sale is considered likely to be concluded within one year. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value, less any material directly attributable selling costs. Fair value is open market value, where one is available, including alternative uses. Assets classified as held for sale are not depreciated.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount. The profit from sale of land which is a non-depreciating asset is recognised within income. The profit from sale of a depreciating asset is shown as a reduced expense. The loss from sale of land or from any depreciating assets is shown within operating expenses. On disposal, the balance for the asset on the revaluation reserve is transferred to the Statement of Comprehensive net Expenditure reserve.

Property, plant or equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

## **1.10 Inventories**

Inventories are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

## **1.11 Income**

Operating Income relates directly to the operating activities of the Trust /Body and is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable.

### **Grant in aid**

Funding received from other entities, including the Department and the Health and Social Care Board are accounted for as grant in aid and are reflected through reserves.

### **1.12 Investments**

The Organisation does not have any investments.

### **1.13 Other expenses**

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

### **1.14 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **1.15 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

#### The BSO as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Organisation's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land may be either an operating lease or a Finance lease depending on the conditions in the lease agreement and following the general guidance set out in IAS 17. Leased buildings are assessed as to whether they are operating or finance leases.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

#### The BSO as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Organisation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Organisation's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### **1.16 Private Finance Initiative (PFI) transactions**

The Organisation has had no PFI transactions during the year.

#### **1.17 Financial instruments**

- Financial assets

Financial assets are recognised on the balance sheet when the Organisation becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

- Financial liabilities

Financial liabilities are recognised on the balance sheet when the Organisation becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

- Financial risk management

IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the relationships with HSC Commissioners, and the manner in which they are funded, financial instruments play a more limited role within Trusts/Bodies in creating risk than would apply to a non public sector body of a similar size, therefore Trusts/Bodies are not exposed to the degree of financial risk faced by business entities. Trusts/Bodies have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the Trusts/Bodies in undertaking activities. Therefore the HSC is exposed to little credit, liquidity or market risk.

- Currency risk

The Organisation is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The Organisation has no overseas operations. The Organisation therefore has low exposure to currency rate fluctuations.

- Interest rate risk

The Organisation has limited powers to borrow or invest and therefore has low exposure to interest rate fluctuations.

- Credit risk

Because the majority of the Organisation's income comes from contracts with other public sector bodies, the Organisation has low exposure to credit risk.

- Liquidity risk

Since the Organisation receives the majority of its funding through its principal Commissioner which is voted through the Assembly, it is therefore not exposed to significant liquidity risks.

### **1.18 Provisions**

In accordance with IAS 37, provisions are recognised when the Organisation has a present legal or constructive obligation as a result of a past event, it is probable that the Organisation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using DFP's discount rate of 2.2% in real terms.

The Organisation has also disclosed the carrying amount at the beginning and end of the period, additional provisions made, amounts used during the period, unused amounts reversed during the period and increases in the discounted amount arising from the passage of time and the affect of any change in the discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Organisation has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Organisation has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

### **1.19 Contingencies**

Under IAS 37, the Organisation discloses contingent liabilities where there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organisation, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organisation. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

### **1.20 Employee benefits**

#### **Short-term employee benefits**

Under the requirements of IAS 19: Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. It is not anticipated that the level of untaken leave will vary significantly from year to year. Untaken flexi leave is estimated to be immaterial to the Organisation and has not been included.

#### **Retirement benefit costs**

The Organisation participates in the HSC Superannuation Scheme. Under this multi-employer defined benefit scheme both the Organisation and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DHSSPS. The Organisation is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis. Further information regarding the HSC Superannuation Scheme can be found in the HSC Superannuation Scheme Statement in the Departmental Resource Account for the Department of Health, Social Services and Public Safety.

The costs of early retirements are met by the BSO and charged to the Statement of Comprehensive Net Expenditure at the time the BSO commits itself to the retirement.

As per the requirements of IAS 19, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions. The 31 March 2008 valuation will be used in the 2011/12 accounts.

### **1.21 Reserves**

#### **SoCNE Reserve**

Accumulated surpluses are accounted for in the SoCNE Reserve.

#### **Revaluation Reserve**

The Revaluation Reserve reflects the unrealised balance of cumulative indexation and revaluation adjustments to assets other than donated assets.

### **1.22 Value Added Tax**

Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

### **1.23 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Organisation has no beneficial interest in them. Details of third party assets are given in Note 25 to the accounts.

### **1.24 Government Grants**

Government assistance for capital projects whether from UK, or Europe, were treated as a Government grant even where there were no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants (does not include grant-in-aid) were previously credited to a government grant reserve and were released to income over the useful life of the asset.

DFP has issued new guidance effective from 1 April 2011. Government grant reserves are no longer permitted. Income is generally recognised when it is received. In exceptional cases where there are conditions attached to the use of the grant, which, if not met, would mean the grant is repayable, the income should be deferred and released when obligations are met. BSO has been in receipt of Government Grants, therefore, no restatement of previous year's Statement of Comprehensive Net Expenditure and the two previous year's Statement of Financial Position have been required.

### **1.25 Losses and Special Payments**

Losses and special payments are items that the Assembly would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had HSC trusts/bodies not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses and compensations register which reports amounts on an accruals basis with the exception of provisions for future losses.

### **1.26 Accounting Standards that have been issued but have not yet been adopted**

Under IAS 8 there is a requirement to disclose those standards issued but not yet adopted.

Management has reviewed the new accounting policies 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 the initial application.

### **1.27 Change in Accounting policy / Prior Year Restatement**

There was a change Accounting policy during the year. The prior year figures have been

changed in the accounts to reflect the change in accounting policy. In the Statement of Financial position the previous two years have been restated to comply with IAS 1 paragraph 29. The change was;

**(i) Removal of Donation and Government Grant Reserves**

Income, receivables and non cash RRL have been restated in the comparative years to reflect this.

**(ii) Transfer of Function**

On 1 April 2011, the HSC Leadership Centre (formerly known as the Beeches Management Centre) was transferred to the Business Services Organisation. The comparative figures included in the financial statements and notes to the accounts have been restated.

## **BUSINESS SERVICES ORGANISATION**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012**

#### **ANALYSIS OF NET EXPENDITURE BY SEGMENT**

##### **Note 2**

The core business and strategic direction of the Business Services Organisation is the provision of both shared and support services to the HSC.

The BSO Board acts as the Chief Operating Decision Maker and receives financial information on the Organisation under the following headings:

- BSO main – this segment incorporates Finance, Legal Services, Human Resources, Family Practitioner Services, Counter Fraud and Probity, Superannuation Branch and Customer Care and Performance
- Information Technology Services (ITS) – this segment incorporates the functions transferred to the BSO from the Department of Health formally known as the Directorate of Information Services (DIS)
- Procurement and Logistic Services (PaLS) – this segment represents the procurement and supply services provided to HSC Trusts and other HSC Bodies
- Managed Services – the BSO manages several regional services on behalf of the HSC, such as Nursing Bursaries and Healthy Start. The costs of these services are represented in this segment.

The analysis by segment for 2011-12 is provided in the table below. Comparative figures are provided in a subsequent table.

## Statement of Operating Costs by Operating Segment for the Year Ended 31 March 2012

	Note	BSO Main	ITS	PaLS	Managed Services	Total
<b>Staff Costs</b>		£	£	£	£	£
Wages & Salaries	3	18,295,025	5,986,235	7,842,293	1,768,394	33,891,947
Recoveries in respect of outward secondments	3	(258,265)	-	(23,011)	(490,608)	(771,884)
		<u>18,036,760</u>	<u>5,986,235</u>	<u>7,819,282</u>	<u>1,277,786</u>	<u>33,120,063</u>
<b>Other Expenditure</b>						
IT Programme	4	-	9,153,384	-	-	9,153,384
SUMDE	4	-	-	-	881,453	881,453
Bursaries	4	-	-	-	13,783,657	13,783,657
Healthy Start	4	-	-	-	3,409,296	3,409,296
Cost of Sales	4	-	-	41,372,633	-	41,372,633
Supplies and services - general	4	141,634	116,291	61,354	-	319,279
Establishment	4	5,268,372	165,886	470,501	7,944	5,912,703
Transport	4	405,331	62,718	901,555	75,563	1,445,167
Premises	4	1,316,041	128,655	829,902	1,182	2,275,780
Bad debts	4	-	-	-	-	-
Misc	4	444,315	7,977	165,451	1,556,508	2,174,251
Depreciation	4	4,268,233	-	-	-	4,268,233
Amortisation	4	2,213,822	-	-	-	2,213,822
Impairments	4	968,259	-	-	-	968,259
(Profit)/ loss on disposal of assets (excluding profit on land)	4	36,112	-	-	-	36,112
Cost of Capital charges	4	-	-	-	-	-
Provisions provided for in year	4	261,857	-	-	-	261,857
Auditors Remuneration	4	75,600	-	-	-	75,600
		<u>15,399,576</u>	<u>9,634,911</u>	<u>43,801,396</u>	<u>19,715,603</u>	<u>88,551,486</u>
<b>Income</b>						
GB/Republic of Ireland Health Authorities	5	-	-	-	-	-
HSC Trusts	5	24,348,527	15,530,717	10,213,446	256,939	50,349,629
Sales	5	-	-	41,379,831	-	41,379,831
		<u>24,348,527</u>	<u>15,530,717</u>	<u>51,593,277</u>	<u>256,939</u>	<u>91,729,460</u>
<b>Net Expenditure</b>		<u>9,087,809</u>	<u>90,429</u>	<u>27,401</u>	<u>20,736,450</u>	<u>29,942,089</u>
<b>Revenue Resource Limit (RRL)</b>	25	<u>9,186,830</u>	<u>29,035</u>	<u>449,500</u>	<u>20,298,500</u>	<u>29,963,865</u>
Surplus/(deficit) against RRL as reported		<u>99,021</u>	<u>(61,394)</u>	<u>422,099</u>	<u>(437,950)</u>	<u>21,776</u>
Internal recharges		60,702	222,086	(282,788)	-	-
		<u>60,702</u>	<u>222,086</u>	<u>(282,788)</u>	<u>-</u>	<u>-</u>
Surplus/(deficit) per Management information		<u>159,723</u>	<u>160,692</u>	<u>139,311</u>	<u>(437,950)</u>	<u>21,776</u>

**Statement of Operating Costs by Operating Segment for the Year Ended 31 March 2011  
(Restated)**

	Note	BSO Main	ITS	PaLS	Managed Services	Total
<b>Staff Costs</b>		£	£	£	£	£
Wages & Salaries	3	17,803,472	5,137,299	7,549,156	1,637,543	32,127,470
Recoveries in respect of outward secondments	3	(270,805)	(3,159)	(21,298)	(273,308)	(568,570)
		<u>17,532,667</u>	<u>5,134,140</u>	<u>7,527,858</u>	<u>1,364,235</u>	<u>31,558,900</u>
<b>Other Expenditure</b>						
IT Programme	4	-	7,991,428	-	-	7,991,428
SUMDE	4	-	-	-	978,447	978,447
Bursaries	4	-	-	-	13,873,000	13,873,000
Healthy Start	4	-	-	-	2,945,000	2,945,000
Cost of Sales	4	-	-	37,182,868	-	37,182,868
Supplies and services - general	4	231,260	106,910	-	-	338,170
Establishment	4	5,539,558	225,965	482,270	50,529	6,298,322
Transport	4	213,644	58,341	851,067	63,947	1,186,999
Premises	4	920,158	136,968	968,407	5,190	2,030,723
Bad debts	4	-	-	-	-	-
Misc	4	529,311	3,755	211,093	913,376	1,657,535
Depreciation	4	3,794,150	-	-	-	3,794,150
Amortisation	4	2,223,715	-	-	-	2,223,715
Impairments	4	-	-	-	-	-
(Profit) / loss on disposal of assets (excluding profit on land)	4	-	-	-	-	-
Cost of Capital charges	4	-	-	-	-	-
Provisions provided for in year	4	(39,686)	-	-	-	(39,686)
Auditors Remuneration	4	81,125	-	-	-	81,125
		<u>13,493,235</u>	<u>8,523,367</u>	<u>39,695,705</u>	<u>18,829,489</u>	<u>80,541,796</u>
<b>Income</b>						
GB/Republic of Ireland Health Authorities	5	-	-	-	-	-
HSC Trusts	5	23,595,707	13,559,007	10,113,166	324,768	47,592,648
Sales	5	-	-	37,208,803	-	37,208,803
		<u>23,595,707</u>	<u>13,559,007</u>	<u>47,321,969</u>	<u>324,768</u>	<u>84,801,451</u>
<b>Net Expenditure</b>		<u>7,430,195</u>	<u>98,500</u>	<u>(98,406)</u>	<u>19,868,956</u>	<u>27,299,245</u>
<b>Revenue Resource Limit (RRL)</b>	25	<u>6,783,730</u>	<u>21,000</u>	<u>666,000</u>	<u>19,860,446</u>	<u>27,331,176</u>
Surplus/(deficit) against RRL as reported		<u>(646,465)</u>	<u>(77,500)</u>	<u>764,406</u>	<u>(8,510)</u>	<u>31,931</u>
<b>Reconciliation with Management information</b>						
Internal recharges		604,037	111,358	(715,395)	-	-
		<u>604,037</u>	<u>111,358</u>	<u>(715,395)</u>	<u>-</u>	<u>-</u>
Surplus/(deficit) per Management information		<u>(42,428)</u>	<u>33,858</u>	<u>49,011</u>	<u>(8,510)</u>	<u>31,931</u>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 3 STAFF NUMBERS AND RELATED COSTS

##### 3.1 Staff Costs

Staff costs comprise

	2012			Restated
	Total	Permanently employed staff	Others	2011
	£	£	£	£
Wages & Salaries	29,946,012	22,913,503	7,032,509	28,020,111
Social security costs	1,525,971	1,525,971	-	1,463,227
Other pension costs	2,731,742	2,731,742	-	2,644,133
<b>Sub-Total</b>	<b>34,203,725</b>	<b>27,171,216</b>	<b>7,032,509</b>	<b>32,127,471</b>
Capitalised staff costs	(311,778)	(311,778)	-	-
<b>Total staff costs reported in Statement of Comprehensive Expenditure</b>	<b>33,891,947</b>	<b>26,859,438</b>	<b>7,032,509</b>	<b>32,127,471</b>
Less recoveries in respect of outward secondments	(771,884)			(568,570)
<b>Total net costs</b>	<b>33,120,063</b>			<b>31,558,901</b>

Staff Costs exclude £311,778 charged to capital projects during the year (2011 £Nil)

The BSO participates in the HSC Superannuation Scheme. Under this multi-employer defined benefit scheme both the HSC and employees pay specified percentages of pay into the scheme and the liability to pay benefit falls to the DHSSPS. The BSO is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis.

As per the requirements of IAS 19, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions. A full valuation as at 31 March 2008 was completed in 2010/11.

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 3.2 Average number of persons employed

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

	<b>Total No.</b>	<b>2012 Permanently employed staff No.</b>	<b>Others No.</b>	<b>Restated 2011 Total No.</b>
Medical and dental	-	-	-	-
Nursing and Midwifery	-	-	-	-
Professions Allied to medicine	-	-	-	-
Ancillaries	-	-	-	-
Administrative and clerical	1,069	876	193	926
Ambulance staff	-	-	-	-
Works	-	-	-	-
Other Professional and technical	-	-	-	-
Social Services	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,069</b>	<b>876</b>	<b>193</b>	<b>926</b>

The staff numbers disclosed as Other in 2011/12 include 113 temporary members of staff. The number of staff in this category was not included in 2010/11.

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 3 STAFF NUMBERS AND RELATED COSTS

##### 3.3 Senior Employees' Remuneration

The salary, pension entitlements and the value of any taxable benefits in kind of the most senior members of the Business Services Organisation were as follows:

Name	2011-12			2010-11			Real increase in pension and related lump sum at age 60 £000s	Total accrued pension at age 60 and related lump sum £000s	2011-12		Real increase in CETV £000s
	Salary £000s	Bonus / Performance pay £000	Benefits in Kind (Rounded to nearest £100)	Salary £000s	Bonus / Performance pay £000	Benefits in Kind (Rounded to nearest £100)			CETV at 31/03/10 £000s	CETV at 31/03/11 £000s	
<b>Non-Executive Members</b>											
Alexander Coleman	20-25	-	-	20-25	-	-	-	-	-	-	-
Robin McClelland *	5-10	-	-	5-10	-	-	-	-	-	-	-
Greg Irwin	5-10	-	-	5-10	-	-	-	-	-	-	-
Hilary McCartan	5-10	-	-	5-10	-	-	-	-	-	-	-
Geraldine Fahy *	5-10	-	-	5-10	-	-	-	-	-	-	-
Sean Mahon	5-10	-	-	5-10	-	-	-	-	-	-	-
Brian McMurray	5-10	-	100	5-10	-	-	-	-	-	-	-
Gerald Strong	5-10	-	100	5-10	-	-	-	-	-	-	-
Alan Hanna	5-10	-	-	5-10	-	-	-	-	-	-	-

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 3.3 Senior Employees' Remuneration

Name	2011-12			2010-11			Real increase in pension and related lump sum at age 60 £000s	Total accrued pension at age 60 and related lump sum £000s	CETV at 31/03/11 £000s	CETV at 31/03/12 £000s	Real increase in CETV £000s
	Salary £000s	Bonus / Performance pay £000	Benefits in Kind (Rounded to nearest £100)	Salary £000s	Bonus / Performance pay £000	Benefits in Kind (Rounded to nearest £100)					
<b>Executive Members (continued)</b>											
David Bingham	100-105	-	300	100-105	-	-	2	5	44	73	29
Hugh McPoland	75-80	-	700	75-80	-	-	(1)	135	649	697	48
Teresa Molloy	80-85	-	500	80-85	-	-	2	52	173	215	42
Patrick Anderson ##	80-85	-	400	-	-	-	1	3	10	26	16
Larry O'Neill #	-	-	-	45-50	-	-	-	-	-	-	-
Shane Devlin **	70-75	-	400	70-75	-	-	1	8	47	75	28
Alphy McGuinness	80-85	-	200	80-85	-	-	1	95	434	480	46
Karen O'Loan ***	70-75	-	-	35-40	-	-	1	84	302	356	54

\* The salaries for Geraldine Fahy and Robin McClelland are paid directly to their employers.

# Larry O'Neill left on 31 October 2010. His remuneration for the period 1 April 2010 to 31 October 2010 is shown above.

\*\* Shane Devlin was appointed as Director of BSTP with effect from 16 June 2010 leaving his post as Director of Customer Care and Performance on that date.

\*\*\* Karen O'Loan was appointed as Director of Customer Care and Performance on 20 September 2010. Her remuneration for the period from 20 September 2010 to 31 March 2012 is shown above.

## Patrick Anderson was appointed as Director of Finance on 1 April 2011.

As Non-Executive members do not receive pensionable remuneration, there will be no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital 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 the disclosure applies. The CETV figures and the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the HPSS pension scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

CETVs are calculated within the guidelines prescribed by the Institute and Faculty of Actuaries.

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

### **Fair Pay Statement**

The Hutton Fair Pay Review recommended that, from 2011-12, all public service organisations publish their top to median pay multiples each year. The DHSSPS subsequently issued Circular HSC (F) 23/2012, setting out a requirement to disclose the relationship between the remuneration of the most highly paid director in the organisation and the median remuneration of the organisation's workforce. Following application of the guidance contained in Circular (F) 23/2012, the following can be reported:

Band of Highest Paid Director's Total Remuneration:	£105-110,000
Median Total Remuneration:	£21,798
Ratio:	4.9

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 3 STAFF NUMBERS AND RELATED COSTS

##### 3.4 Reporting of early retirement and other compensation scheme – exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band	
	2012	2011	2012	2011	2012	2011
<£10,000	-	-	-	-	-	-
£10,000-£25,000	-	-	-	-	-	-
£25,000-£50,000	-	-	2	-	2	-
£50,000-£100,000	-	-	2	-	2	-
£100,000-£150,000	-	-	1	-	1	-
£150,000-£200,000	-	-	-	-	-	-
>£200,000	-	-	1	-	1	-
Total number of exit packages by type						
	£000s	£000s	£000s	£000s	£000s	£000s
Total resource cost	-	-	569	-	569	-

Redundancy and other departure costs have been paid in accordance with the provisions of the HSC Pension Scheme Regulations and the Compensation for Premature Retirement Regulations, statutory provisions made under the Superannuation Act 1972. Exit costs are accounted for in full in the year in which the exit package is approved and agreed and are included as operating expenses at note 4. Where early retirements have been agreed, the additional costs are met by the employing authority and not by the HSC pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table

	2012	2011
	£	£
3.5 Staff Benefits		
Staff benefits	-	-

##### 3.6 Retirements due to ill-health

During 2011/12 there were no early retirements from the BSO agreed on the grounds of ill-health.

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 4 OPERATING EXPENSES

##### Operating Expenses

##### 4.0 Operating Expenses are as follows:-

	<b>2012</b>	<b>Restated</b>
	<b>£</b>	<b>2011</b>
		<b>£</b>
IT Programme	9,153,384	7,991,428
Supplement for Undergraduate Medical and Dental Education (SUMDE)	881,453	978,447
Bursaries	13,783,657	13,873,000
Healthy Start	3,409,296	2,945,000
Cost of Sales	41,372,633	37,182,868
Supplies and services – general	319,279	338,170
Establishment	5,912,703	6,298,322
Transport	1,445,167	1,186,999
Premises	2,275,780	2,030,723
Bad Debts	-	-
Miscellaneous	2,174,251	1,657,535
<b>Non cash items</b>		
Depreciation	4,268,233	3,794,150
Amortisation	2,213,822	2,223,715
Impairments	968,259	-
(Profit) / loss on disposal of assets (excluding profit on land)	36,112	-
Loss on disposal of assets ( including land)	-	-
Provisions provided for in year	261,857	(39,686)
Cost of borrowing provisions (unwinding of discount on provisions)	-	-
Auditors remuneration	75,600	81,125
<b>Total</b>	<b>88,551,486</b>	<b>80,541,796</b>

During the year the BSO purchased no non audit services from its external auditor (NIAO).

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 5 INCOME

##### 5.1 Income from Activities

	2012	Restated 2011
	£	£
GB/Republic of Ireland Health Authorities		-
HSC Trusts	37,946,742	35,320,802
Non-HSC:- Private patients	-	-
Sale of Goods	41,379,831	37,208,803
Clients contributions		-
<b>Total</b>	<u>79,326,573</u>	<u>72,529,605</u>

##### 5.2 Other Operating Income

	2012	Restated 2011
	£	£
Other income from non-patient services	12,402,887	12,271,847
Seconded staff	771,884	568,570
Charitable and other contributions to expenditure	-	-
Donations / Government Grant / Lottery Funding for non current assets	-	-
Profit on disposal of land	-	-
Interest receivable		-
<b>Total</b>	<u>13,174,771</u>	<u>12,840,417</u>

##### 5.3 Deferred income

	2012	Restated 2011
	£	£
Income released from conditional grants		-
Donated asset reserve transfer for depreciation & amortisation	-	-
<b>Total</b>	<u>-</u>	<u>-</u>

#### TOTAL INCOME

<u>92,501,344</u>	<u>85,370,022</u>
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## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 6.1 Property, Plant & Equipment - year ended 31 March 2012

	<b>Land</b>	<b>Buildings (excluding dwellings)</b>	<b>Dwellings</b>	<b>Assets under Construction</b>	<b>Plant and Machinery (Equipment)</b>	<b>Transport Equipment</b>	<b>Information Technology (IT)</b>	<b>Furniture and Fittings</b>	<b>Total</b>
	£	£	£	£	£	£	£	£	£
<b>Cost or Valuation</b>									
At 1 April 2011	2,040,000	8,545,339	-	10,199,291	149,225	1,227,536	23,441,975	314,608	45,917,974
Indexation	(535,344)	369,873	-	-	13,394	-	-	-	(152,077)
Additions	-	12,620	-	9,835,197	-	59,048	2,798,534	-	12,705,399
Donations / Government grant / Lottery Funding	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	(249,809)	-	(249,809)
Transfers	1,529,943	1,579,931	-	-	-	-	(8,533)	-	3,101,341
Revaluation	-	325,306	-	-	-	-	-	-	325,306
(Impairments)	(434,084)	(1,417,623)	-	-	-	-	(23,182)	-	(1,874,889)
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	(67,866)	(71,473)	-	(139,339)
At 31 March 2012	2,600,515	9,415,446	-	20,034,488	162,619	1,218,718	25,887,512	314,608	59,633,906

#### Depreciation

At 1 April 2011	-	617,248	-	-	43,882	811,592	9,353,667	166,019	10,992,408
Indexation	-	24,572	-	-	3,939	-	-	-	28,511
Reclassifications	-	-	-	-	-	-	(176,948)	-	(176,948)
Transfers	-	55,423	-	-	-	-	(3,975)	-	51,448
Revaluation	-	(76,139)	-	-	-	-	-	-	(76,139)
(Impairments)	-	(288,584)	-	-	-	-	(12,072)	-	(300,656)
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	(34,334)	(68,893)	-	(103,227)
Provided during the year	-	285,019	-	-	15,993	108,362	3,829,749	29,110	4,268,233
At 31 March 2012	-	617,539	-	-	63,814	885,620	12,921,528	195,129	14,683,630

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 6.1 (continued) Property, Plant & Equipment- year ended 31 March 2012

	Land £	Buildings (excluding dwellings) £	Dwellings £	Assets under Construction £	Plant and Machinery (Equipment) £	Transport Equipment £	Information Technology (IT) £	Furniture and Fittings £	Total £
<b>Carrying Amount</b>									
At 31 March 2012	2,600,515	8,797,907	-	20,034,488	98,805	333,098	12,965,984	119,479	44,950,276
At 31 March 2011	2,040,000	7,928,091	-	10,199,291	105,343	415,944	14,088,308	148,589	34,925,566
<b>Asset financing</b>									
Owned	2,600,515	8,797,907	-	20,034,488	98,805	333,098	12,965,984	119,479	44,950,276
Finance Leased	-	-	-	-	-	-	-	-	-
On b/s PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
<b>Carrying Amount</b>									
At 31 March 2012	2,600,515	8,797,907	-	20,034,488	98,805	333,098	12,965,984	119,479	44,950,276

The total amount of depreciation charged in the Statement of Comprehensive Net Expenditure Account in respect of assets held under finance leases and hire purchase contracts is £Nil (2011: £Nil)

The fair value of assets funding from the following sources during the year was:

	2012 £	2011 £
Donations	4,560	10,156
Government grant	-	-
Lottery funding	-	-

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 6.2 Property, Plant & Equipment - year ended 31 March 2011 (Restated)

	<b>Land</b> £	<b>Buildings (excluding dwellings)</b> £	<b>Dwellings</b> £	<b>Assets under Construction</b> £	<b>Plant and Machinery (Equipment)</b> £	<b>Transport Equipment</b> £	<b>Information Technology (IT)</b> £	<b>Furniture and Fittings</b> £	<b>Total</b> £
<b>Cost or Valuation</b>									
At 1 April 2010	2,400,000	8,130,590	-	11,310,566	143,604	1,153,846	15,597,337	314,608	39,050,551
Indexation	(360,000)	308,269	-	-	51	-	331,027	-	279,347
Additions	-	106,480	-	3,447,588	5,570	73,690	3,053,761	-	6,687,089
Donations / Government grant / Lottery funding	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	(4,558,863)	-	-	4,558,863	-	-
Transfers	-	-	-	-	-	-	28,015	-	28,015
Revaluation	-	-	-	-	-	-	-	-	-
(Impairments)	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	(127,028)	-	(127,028)
At 31 March 2011	<b>2,040,000</b>	<b>8,545,339</b>	-	<b>10,199,291</b>	<b>149,225</b>	<b>1,227,536</b>	<b>23,441,975</b>	<b>314,608</b>	<b>45,917,974</b>

#### Depreciation

At 1 April 2010	-	393,419	-	-	29,413	701,170	5,930,711	132,406	7,187,119
Indexation	-	14,916	-	-	39	-	123,212	-	138,167
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
(Impairments)	-	-	-	-	-	-	-	-	-
Reversal of impairments (indexn)	-	-	-	-	-	-	-	-	-
(Disposals)	-	-	-	-	-	-	(127,028)	-	(127,028)
Provided during the year	-	208,913	-	-	14,430	110,422	3,426,772	33,613	3,794,150
At 31 March 2011	-	<b>617,248</b>	-	-	<b>43,882</b>	<b>811,592</b>	<b>9,353,667</b>	<b>166,019</b>	<b>10,992,408</b>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

	Land £	Buildings (excluding dwellings) £	Dwellings £	Assets under Construction £	Plant and Machinery (Equipment) £	Transport Equipment £	Information Technology (IT) £	Furniture and Fittings £	Total £
<b>Carrying Amount</b>									
At 31 March 2011	2,040,000	7,928,091	-	10,199,291	105,343	415,944	14,088,308	148,589	34,925,566
At 31 March 2010	2,400,000	7,737,171	-	11,310,566	114,191	452,676	9,666,626	182,202	31,863,432

<b>Asset financing</b>									
Owned	2,040,000	7,928,091	-	10,199,291	105,343	415,944	14,088,308	148,589	34,925,566
Finance Leased	-	-	-	-	-	-	-	-	-
On b/s PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
<b>Carrying Amount</b>									
At 31 March 2011	2,040,000	7,928,091	-	10,199,291	105,343	415,944	14,088,308	148,589	34,925,566

<b>Asset financing</b>									
Owned	2,400,000	7,737,171	-	11,310,566	114,191	452,676	9,666,626	182,202	31,863,432
Finance Leased	-	-	-	-	-	-	-	-	-
On b/s PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	-	-
<b>Carrying Amount</b>									
At 1 April 2010	2,400,000	7,737,171	-	11,310,566	114,191	452,676	9,666,626	182,202	31,863,432

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 7.1 INTANGIBLE ASSETS - Year ended 31 March 2012

	Software licenses	Software	Total
Cost or Valuation	£	£	£
At 1 April 2011	3,890,366	11,688,744	15,579,110
Indexation	(253,051)	(244,570)	(497,621)
Additions	-	115,499	115,499
Donations / Government grant / Lottery funding	(67,732)	317,541	249,809
Reclassifications	-	-	-
Transfers	-	-	-
Revaluation	-	-	-
(Impairments)	-	-	-
(Disposals)	-	-	-
At 31 March 2012	<b>3,569,583</b>	<b>11,877,214</b>	<b>15,446,797</b>
<b>Amortisation</b>			
At 1 April 2011	2,628,248	6,103,870	8,732,118
Indexation	(168,937)	(109,426)	(278,363)
Reclassifications	(67,735)	244,683	176,948
Transfers	-	-	-
Revaluation	-	-	-
(Impairments)	-	-	-
(Disposals)	-	-	-
Provided during the year	327,131	1,886,691	2,213,822
At 31 March 2012	<b>2,718,707</b>	<b>8,125,818</b>	<b>10,844,525</b>
<b>Carrying Amount</b>			
At 31 March 2012	<b>850,876</b>	<b>3,751,396</b>	<b>4,602,272</b>
At 31 March 2011	<b>1,262,118</b>	<b>5,584,874</b>	<b>6,846,992</b>
<b>Asset financing</b>			
Owned	850,876	3,751,396	4,602,272
Finance Leased	-	-	-
On b/s PFI and other service concession arrangements contracts	-	-	-
<b>Carrying Amount</b>			
At 31 March 2012	<b>850,876</b>	<b>3,751,396</b>	<b>4,602,272</b>

The fair value of assets funded from the following sources during the year was:

	2012	2011
	£	£
Donations	-	-
Government grant	-	-
Lottery funding	-	-

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### NOTE 7.2 INTANGIBLE ASSETS - Year ended 31 March 2011

	Software licenses	Software	Total
Cost or Valuation	£	£	£
At 1 April 2010	3,597,013	9,920,640	13,517,653
Indexation	239,353	717,741	957,094
Additions	54,000	833,680	887,680
Donations / Government grant / Lottery funding	-	-	-
Reclassifications	-	-	-
Transfers	-	216,683	216,683
Revaluation	-	-	-
(Impairments)	-	-	-
(Disposals)	-	-	-
At 31 March 2011	<b>3,890,366</b>	<b>11,688,744</b>	<b>15,579,110</b>
<b>Amortisation</b>			
At 1 April 2010	2,030,462	4,007,796	6,038,258
Indexation	132,654	260,104	392,758
Reclassifications	-	-	-
Transfers	-	77,387	77,387
Revaluation	-	-	-
(Impairments)	-	-	-
(Disposals)	-	-	-
Provided during the year	465,132	1,758,583	2,223,715
At 31 March 2011	<b>2,628,248</b>	<b>6,103,870</b>	<b>8,732,118</b>
<b>Carrying Amount</b>			
At 31 March 2011	<b>1,262,118</b>	<b>5,584,874</b>	<b>6,846,992</b>
At 31 March 2010	<b>1,566,551</b>	<b>5,912,844</b>	<b>7,479,395</b>
<b>Asset financing</b>			
Owned	1,262,118	5,584,874	6,846,992
Finance Leased	-	-	-
On b/s PFI and other service concession arrangements contracts	-	-	-
<b>Carrying Amount</b>			
At 31 March 2011	<b>1,262,118</b>	<b>5,584,874</b>	<b>6,846,992</b>
<b>Asset financing</b>			
Owned	<b>1,566,551</b>	<b>5,912,844</b>	<b>7,479,395</b>
Finance Leased	-	-	-
On b/s PFI and other service concession arrangements contracts	-	-	-
<b>Carrying Amount</b>			
At 31 March 2010	<b>1,566,551</b>	<b>5,912,844</b>	<b>7,479,395</b>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 8. FINANCIAL INSTRUMENTS

BSO have no financial instruments.

#### 9. ASSETS CLASSIFIED AS HELD FOR SALE

BSO did not hold any assets classified as held for sale in 2010/11 or 2011/12.

#### 10. IMPAIRMENTS

	Property, Plant & Equipment		2012		Total £
	£	£	Intangibles		
	Purchased	Donated	£	£	
Total value of impairments for the period	1,574,233	-	-	-	1,574,233
Impairments which the revaluation reserve covers (shown in Other Comprehensive Expenditure Statement)	(605,974)	-	-	-	(605,974)
<b>Impairments charged to Statement of Comprehensive Net Expenditure Account</b>	<b>968,259</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>968,259</b>

	Property, Plant & Equipment		2011		Total £
	£	£	Intangibles		
	Purchased	Donated	£	£	
Total value of impairments for the period	-	-	-	-	-
Impairments which the revaluation reserve covers (shown in Other Comprehensive Expenditure Statement)	-	-	-	-	-
<b>Impairments charged to Statement of Comprehensive Net Expenditure Account</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 11. INVENTORIES

Classification	2012	2011
	£	£
Goods for resale	3,703,278	3,216,110
<b>Total</b>	<b>3,703,278</b>	<b>3,216,110</b>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2012 £	Restated 2011 £	Restated 2010 £
<b>Amounts falling due within one year</b>			
Trade Receivables	20,291,669	19,398,994	32,617,989
Deposits and advances	-	-	391,443
VAT receivable	-	-	-
Other receivables – not relating to fixed assets	-	-	-
Other receivables – relating to property, plant and equipment	-	-	-
Other receivables – relating to intangibles	-	-	-
<b>Trade and other Receivables</b>	<u>20,291,669</u>	<u>19,398,994</u>	<u>33,009,432</u>
Prepayments and accrued income	1,669,566	1,539,213	1,630,769
Current part of PFI and other service concession arrangements prepayment	-	-	-
<b>Other current assets</b>	<u>1,669,566</u>	<u>1,539,213</u>	<u>1,630,769</u>
<b>Amounts falling due after more than one year</b>			
Trade Receivables	-	-	-
Deposits and advances	-	-	-
Other receivables	-	-	-
<b>Trade and other Receivables</b>	<u>-</u>	<u>-</u>	<u>-</u>
Prepayments and accrued income	-	-	-
<b>Other current assets falling due after more than one year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<u>20,291,669</u>	<u>19,398,994</u>	<u>33,009,432</u>
<b>TOTAL OTHER CURRENT ASSETS</b>	<u>1,669,566</u>	<u>1,539,213</u>	<u>1,630,769</u>
<b>TOTAL RECEIVABLES AND OTHER CURRENT ASSETS</b>	<u>21,961,235</u>	<u>20,938,207</u>	<u>34,640,201</u>

The balances are net of a provision for bad debts of £155k (2011 £69k; 2010 £143K).

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 12 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

##### 12.1 Trade Receivables and other current assets: Intra-Government balances

Name	Restated	Restated	Restated	Restated	Restated	
	Amounts falling due within 1 year 2011/12 £	Amounts falling due within 1 year 2010/11 £	Amounts falling due within 1 year 2009/10 £	Amounts falling due after more than 1 year 2011/12 £	Amounts falling due after more than 1 year 2010/11 £	Amounts falling due after more than 1 year 2009/10 £
Balances with other central government bodies	13,262,455	13,652,812	1,199,728	-	-	-
Balances with local authorities	-	-	-	-	-	-
Balances with NHS /HSC Trusts	6,370,352	5,382,703	31,364,302	-	-	-
Balances with public corporations and trading funds	-	-	-	-	-	-
Intra-Government Balances	19,632,807	19,035,515	32,564,030	-	-	-
Balances with bodies external to government	2,328,428	1,902,692	2,076,171	-	-	-
Total Receivables & other current assets at 31 March	<b>21,961,235</b>	<b>20,938,207</b>	<b>34,640,201</b>	-	-	-

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 13. CASH AND CASH EQUIVALENTS

	<b>2012</b>	<b>Restated</b>
	<b>£</b>	<b>2011</b>
		<b>£</b>
Balance at 1 <sup>st</sup> April	2,198,090	(5,820,290)
Net change in cash and cash equivalents	(2,077,332)	8,018,380
<b>Balance at 31<sup>st</sup> March</b>	<b>120,758</b>	<b>2,198,090</b>

#### The following balances at 31 March were held at

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Commercial Banks and cash in hand	120,758	2,198,090
	<b>120,758</b>	<b>2,198,090</b>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2012 £	Restated 2011 £	Restated 2010 £
<b>Amounts falling due within one year</b>			
Other taxation and social security	(387,846)	244,626	1,112,019
Bank overdraft	-	-	5,820,290
VAT payable	-	-	-
Trade capital payables – property, plant and equipment	2,851,260	3,941,035	3,258,476
Trade capital payables – intangibles	-	-	-
Trade revenue payables	55,128,015	42,915,128	40,811,786
Payroll payables	-	-	-
Clinical Negligence payables	-	-	-
RPA payables	-	-	-
Other payables	4,576,834	3,071,903	10,801
Accruals and deferred income	-	-	-
Accruals and deferred income – relating to property, plant and equipment	-	-	-
Accruals and deferred income – relating to intangibles	-	-	-
<b>Trade and other payables</b>	<b>62,168,263</b>	<b>50,172,692</b>	<b>51,013,372</b>
Current part of finance leases	-	-	-
Current part of Long term loans	-	-	-
Current part of imputed finance lease element of on balance sheet (SoFP) PFI and other service concession arrangements contracts	-	-	-
<b>Other current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total payables falling due within one year</b>	<b>62,168,263</b>	<b>50,172,692</b>	<b>51,013,372</b>
<b>Amounts falling due after more than one year</b>			
Other Payables, accruals and deferred income	-	-	-
Trade and other payables	-	-	-
Clinical Negligence payables	-	-	-
Finance leases	-	-	-
Imputed finance lease element of on balance sheet (SoFP) PFI and other service concession arrangements contracts	-	-	-
Long term loans	-	-	-
<b>Total non current other payables</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRADE PAYABLES AND OTHER CURRENT LIABILITIES</b>	<b>62,168,263</b>	<b>50,172,692</b>	<b>51,013,372</b>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 14 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

##### 14.1 Trade payables and other current liabilities - Intra-government balances

Name	Restated		Restated		Restated	
	Amounts falling due within 1 year 2011/12 £	Amounts falling due within 1 year 2010/11 £	Amounts falling due within 1 year 2009/10 £	Amounts falling due after more than 1 year 2011/12 £	Amounts falling due after more than 1 year 2010/11 £	Restated Amounts falling due after more than 1 year 2009/10 £
Balances with other central government bodies	47,633,614	42,688,943	26,518,161	-	-	-
Balances with local authorities	1,309	-	-	-	-	-
Balances with NHS /HSC Trusts	2,843,612	568,312	6,019,137	-	-	-
Balances with public corporations and trading funds	-	102,450	-	-	-	-
Intra-Government Balances	50,478,535	43,359,705	32,537,298	-	-	-
Balances with bodies external to government	11,689,728	6,812,987	18,476,074	-	-	-
Total Payables and other liabilities at 31 March	<b>62,168,263</b>	<b>50,172,692</b>	<b>51,013,372</b>	-	-	-

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

##### 14.2. Loans

BSO had no loans in 2010/11 or 2011/12.

#### 15. PROMPT PAYMENT POLICY

##### 15.1 Public Sector Payment Policy - Measure of Compliance

The Department requires that HSC pay their non HSC trade creditors in accordance with the CBI Prompt Payment Code and Government Accounting Rules. The BSO's payment policy is consistent with the CBI prompt payment codes and Government Accounting rules and its measure of compliance is:

	2012 Number	2012 Value £	2011 Number	2011 Value £
Total bills paid	21,875	66,844,539	35,196	89,264,638
Total bills paid within 30 day target or under agreed payment terms	20,926	65,339,606	34,375	84,265,900
% of bills paid within 30 day target or under agreed payment terms	95.7%	97.8%	97.7%	94.4%

##### 15.2 The Late Payment of Commercial Debts Regulations 2002

The amount included within Interest Payable arising from claims made by small businesses under this legislation are as follows :

	£
<b>Total</b>	<u><u>-</u></u>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 16 PROVISIONS FOR LIABILITIES AND CHARGES – 2012

Name	Pensions relating to former directors £	Pensions relating to other staff £	Clinical Negligence £	RPA Restructuring £	Other £	2012 £
Balance at 1 April 2011	51,854	365,689			65,000	482,543
Provided in year	25,982	231,606			18,026	275,614
(Provisions not required written back)		(3,791)			(9,966)	(13,757)
(Provisions utilised in the year)	(12,546)	(33,316)			(41,741)	(87,603)
Unwinding of discount						
At 31 March 2012	65,290	560,188			31,319	656,797

#### Net Expenditure Account Charges

	2012 £	2011 £
Arising during the year	275,614	73,690
Reversed unused	(13,757)	(113,377)
Unwinding of discount		-
<b>Total charge within Operating costs</b>	<b>261,857</b>	<b>(39,687)</b>
<b>Reimbursements receivable</b>		
Clinical Negligence Central Fund	-	-
RPA	-	-
Other	-	-
<b>Total reimbursements receivable</b>	<b>-</b>	<b>-</b>
<b>Net Increase/decrease to Net Expenditure</b>	<b>(261,857)</b>	<b>(39,687)</b>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### Analysis of expected timing of discounted flows as at 31 March 2012

<b>Name</b>	<b>Pensions relating to former directors £</b>	<b>Pensions relating to other staff £</b>	<b>Clinical Negligence £</b>	<b>RPA Restructuring £</b>	<b>Other £</b>
Not later than one year	4,305	41,156	-	-	31,319
Later than one year and not later than five years	17,219	164,623	-	-	-
Later than five years	43,766	354,409	-	-	-
<hr/>					
At 31 March 2012	<b>65,290</b>	<b>560,188</b>	-	-	<b>31,319</b>

Provisions have been made for 6 types of potential liability: Clinical Negligence, Employer's and Occupiers liability, Early Retirement, Injury Benefit, Employment Law and Restructuring. The provision for early retirements and injury benefit relates to the future liabilities for the BSO based on information provided by the HSC Superannuation Branch. For clinical negligence, employer's and occupiers claims and employment law the BSO has estimated an appropriate level of provision based on professional legal advice. The estimate for the restructuring provision is based on information available from HR and the DHSS as at 31/3/10.

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 16 PROVISIONS FOR LIABILITIES AND CHARGES – 2011

Name	Pensions relating to former directors £	Pensions relating to other staff £	Clinical Negligence £	RPA Restructuring £	Other £	2011 £
Balance at 1 April 2010	50,695	499,064	-	-	25,000	574,759
Provided in year	2,541	23,551	-	-	47,598	73,690
(Provisions not required written back)	-	(113,377)	-	-	-	(113,377)
(Provisions utilised in the year)	(1,382)	(43,549)	-	-	(7,598)	(52,529)
Unwinding of discount	-	-	-	-	-	-
At 31 March 2011	51,854	365,689	-	-	65,000	482,543

#### Analysis of expected timing of discounted flows at 31 March 2011

Name	Pensions relating to former directors £	Pensions relating to other staff £	Clinical Negligence £	RPA Restructuring £	Other £
Not later than one year	20,875	185,625	-	-	65,000
Later than one year and not later than five years	20,875	180,064	-	-	-
Later than five years	10,104	-	-	-	-
At 31 March 2011	51,854	365,689	-	-	65,000

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 17. CAPITAL COMMITMENTS

<b>Contracted capital commitments at 31 March not otherwise included in these financial statements</b>	<b>2012 £</b>	<b>2011 £</b>	<b>2010 £</b>
Property, plant and equipment	18,959,141	-	-
Intangible assets	-	-	-
	<u>18,959,141</u>	<u>-</u>	<u>-</u>

#### 18 COMMITMENTS UNDER LEASES

##### 18.1 Operating Leases

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

<b>Obligations under operating leases comprise</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Land</b>		
Not later than 1 year	33,477	-
Later than 1 year and not later than 5 years	405,000	707,385
Later than 5 years	-	-
	<u>438,477</u>	<u>707,385</u>
<b>Other</b>		
Not later than 1 year	4,566	4,566
Later than 1 year and not later than 5 years	5,988	5,988
Later than 5 years	-	-
	<u>10,554</u>	<u>10,554</u>

##### 18.2 Finance Leases

BSO has no Finance leases.

##### 18.3 Operating Leases

BSO has not issued any operating leases

## **BUSINESS SERVICES ORGANISATION**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012**

#### **19. COMMITMENTS UNDER PFI CONTRACTS**

BSO had no commitments under PFI Schemes at either 31 March 2011 or 31 March 2012.

#### **20. OTHER FINANCIAL COMMITMENTS**

The BSO did not have any financial commitments at either 31 March 2011 or 31 March 2012.

#### **21. FINANCIAL INSTRUMENTS**

The BSO did not have any financial instruments at either 31 March 2011 or 31 March 2012.

#### **22. CONTINGENT LIABILITIES**

The BSO did not have any contingent liabilities at either 31 March 2011 or 31 March 2012.

#### **23. RELATED PARTY TRANSACTIONS**

The BSO is an arms length body of the Department of Health, Social Services and Public Safety and as such the Department is a related party with which the BSO has had various material transactions during the year. In addition the BSO provides a range of shared services to all other HSC bodies.

During the year, none of the Board members, members of the key management staff or other related parties has undertaken any material transactions with the BSO with the exception noted below.

A non-executive director, Sean Mahon, is the managing director of Cable & Wireless Plc. During the year ended 31 March 2012 Cable & Wireless Plc successfully tendered for services to be delivered to BSO. The director was not involved in either the tendering or BSO decision making processes.

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 24. THIRD PARTY ASSETS

The BSO holds the following bank accounts, which are not included in these financial statements

Name of Account	Details
BSO No3 Account BSO No4 Account	These accounts are concerned with the payment of family practitioners (GPs, Opticians, Dentists and Community Pharmacists). The income and expenditure relating to these accounts are included in the Annual Accounts of the Health and Social Care Board and are covered by their audit process
BSO NIGALA	This account is used for the transfer of funds on behalf of the Northern Ireland Guardian ad Litem Agency (NIGALA), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of NIGALA and are covered by its audit process.
BSO NISCC BSO NISCC Registration	This account is used for the transfer of funds on behalf of the Northern Ireland Social Care Council (NISCC), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of NISCC and are covered by its audit process.
BSO NIPEC	This account is used for the transfer of funds on behalf of the Northern Ireland Practice and Education Council for Nursing and Midwifery (NIPEC), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of NIPEC and are covered by its audit process.
BSO RQIA	This account is used for the transfer of funds on behalf of the Regulation and Quality Improvement Authority (RQIA), for whom the BSO provides financial and other services. The income and expenditure relating to this account are included in the Annual Accounts of RQIA and are covered by its audit process.

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 25. Financial Performance Targets

##### 25.1 Revenue Resource Limit

The BSO is given a Revenue Resource Limit which it is not permitted to overspend

The Revenue Resource Limit for BSO is calculated as follows:

	<b>2012</b>	<b>Restated</b>
	<b>Total</b>	<b>2011</b>
	<b>£</b>	<b>Total</b>
		<b>£</b>
DHSSPS ( excl non cash)	24,624,247	23,964,446
Other Gov Department		-
Non cash RRL (from dept)	7,822,618	6,064,230
Adjustment for IFRIC 12 Project	(2,483,000)	(2,697,500)
<b>Revenue Resource Limit</b>	<u>29,963,865</u>	<u>27,331,176</u>

##### 25.2 Capital Resource Limit

The BSO is given a Capital Resource Limit which it is not permitted to overspend.

	<b>2012</b>	<b>Restated</b>
		<b>2011</b>
	<b>£</b>	<b>£</b>
Gross Capital Expenditure	12,820,897	7,574,769
Less IFRIC 12 Spend	(2,483,000)	(2,697,500)
(Receipts from sales of fixed assets)	-	-
Net capital expenditure	<u>10,337,897</u>	<u>4,877,269</u>
Capital Resource Limit	<u>10,339,896</u>	<u>4,931,752</u>
Overspend/(Underspend) against CRL	<u>(1,999)</u>	<u>(54,483)</u>

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 25.3 Financial Performance Targets

The BSO is required to ensure that it breaks even on an annual basis by containing its surplus/deficit within 0.25% of total expenditure

	<b>2012</b>	<b>Restated</b>
	<b>£</b>	<b>2011</b>
		<b>£</b>
Expenditure	(122,443,433)	(112,669,267)
Income	92,501,344	85,370,022
Net Expenditure	(29,942,089)	(27,299,245)
RRL	29,963,865	27,331,176
Surplus/(Deficit)	21,776	31,931
Break Even cumulative position(opening)	938,492	906,561
Other Adjustments		-
Break Even Cumulative position (closing)	<u>960,268</u>	<u>938,492</u>

#### Materiality Test:

	<b>2012</b>	<b>2011</b>
	<b>%</b>	<b>%</b>
Break Even in year position as % of total expenditure	0.02%	0.03%
Break Even cumulative position as % of total expenditure	0.88%	0.94%

## BUSINESS SERVICES ORGANISATION

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2012

#### 26. LOSSES & SPECIAL PAYMENTS

TYPE OF LOSS		NO. OF CASES	VALUE £
1	Cash Losses - Theft, fraud etc		
2	Cash Losses - Overpayments of salaries, wages and allowances		
3	Cash Losses - Other causes (including unvouched and incompletely vouched payments)		
4	Nugatory and fruitless payments <ul style="list-style-type: none"> <li>i. Abandoned capital schemes</li> <li>ii. Late payment of Commercial Debt</li> <li>iii. Other</li> </ul>		
5	Bad debts and claims abandoned		
6	Stores and Inventory Losses - Theft, fraud, arson (whether proved or suspected) etc <ul style="list-style-type: none"> <li>i. Bedding and linen</li> <li>ii. Other equipment and property</li> </ul>	7	1,036
7	Stores and Inventory Losses - Incidents of the service (result of fire, flood, etc)		
8	Stores and Inventory Losses - Deterioration in store	22	664
9	Stores and Inventory Losses - Stocktaking discrepancies		
10	Stores and Inventory Losses - Other causes <ul style="list-style-type: none"> <li>i. Bedding and linen</li> <li>ii. Other equipment and property</li> </ul>	290	4,304
11	Compensation payments (legal obligation) <ul style="list-style-type: none"> <li>i. Clinical Negligence</li> <li>ii. Public Liability</li> <li>iii. Employers Liability</li> </ul>		
12	Ex-gratia payments - Compensation payments (including payments to patients and staff)		
13	Ex-gratia payments - Other payments		
14	Extra statutory payments		
15	a. Losses sustained as a result of damage to buildings and fixtures arising from bomb explosions or civil commotion. b. Damage to vehicles		
<b>TOTAL</b>		319	6,004

#### 26.1 Special Payments

There were no special payments or gifts made during the financial year

#### 27. Post Balance Sheet Events

There are no post balance events having a material effect on the accounts.

#### 28. Date Authorised for Issue

The Accounting Officer authorised these financial statements for issue on 29 June 2012.

## **Business Services Organisation 2011-12**

### **Report of the Comptroller and Auditor General**

1. The Business Services Organisation (BSO) was established on 1<sup>st</sup> April 2009 under the Health and Social Care (Reform) Act (Northern Ireland) 2009 (the Act). In accordance with the Act, I am required to certify and report on the BSO's financial statements. I conduct my audit in accordance with International Standards on Auditing (UK and Ireland) to give reasonable assurance that they are free from material misstatement. I am also required to satisfy myself that in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities which govern them.
2. BSO provides a range of business support and specialist professional services to the Health and Social Care (HSC) sector. One of these services is the supply of procurement and logistics service (PaLS). PaLS is recognised as a Centre of Procurement Expertise (COPE) and is established under the Northern Ireland Public Procurement Policy as approved by the Northern Ireland Assembly.
3. HSC bodies can purchase goods and services from suppliers in three ways;
  - a. Through BSO using PaLS centrally negotiated contracts (£41million in 2011-12). BSO accounts for this as expenditure when paying the contractor and income when a HSC body pays for supplies taken from its stores. The payment to BSO is included as expenditure within the financial statements of HSC bodies;
  - b. Directly with suppliers using BSO PaLS centrally negotiated contracts (approximately £383 million in 2011-12). Health bodies will also purchase directly with suppliers on an ad hoc basis through BSO PaLS procurement teams (approximately £62 million in 2011-12). This expenditure is not included in BSO accounts but in those of each HSC body; and
  - c. Directly with suppliers of goods and services not covered by BSO PaLS contracts, using contracts negotiated by the HSC bodies themselves.
4. In 2010-11 Internal Audit provided limited assurance opinions on contract management weakness for contracts negotiated by the five area trusts referred to at 3(c) above. These weaknesses did not impact on my audit opinion on the Trusts' financial statements due to their immateriality, however, due to the recurrence of these issues across the health sector, I decided to report.
5. Internal Audit examined BSO PaLS contract management procedures, (i.e. those referred to at 3 (a) and 3 (b) above) in 2011-12 and again provided a limited assurance opinion. The opinion was limited because of;
  - a. the use of roll forward contract arrangements and pricing agreements rather than competitive tendering processes; and

- b. issues surrounding PaLs system to monitor contracts, so that those due to expire would be highlighted in a timely manner. PaLs manages approximately 1500 contracts.
6. Internal Audit's review extended to contracts which impacted on the financial statements of both BSO and the other HSC bodies. It is our view that the use of the negotiated procedure without prior publication of a contract notice to the EU journal is a potential breach of the Public Contract Regulations 2006. Consequently, we had to consider the extent to which potential breaches of the Public Contract Regulations, extended across the health sector. We examined the contracts which had been identified by Internal Audit to verify the findings. We also examined a sample of contracts which had not been subject to Internal Audit review to establish if there was any evidence that the issues noted by Internal Audit existed in other contracts. We noted no further instances of improper use of roll forward contracts.
7. We estimated that HSC bodies incurred expenditure of £2.5 million through BSO directly on PaLs contracts which were potentially in breach of Public Contract Regulations 2006. We further estimate that there is a total of £6.1 million potentially in breach over the period 2007-08 to 2011-12.
8. HSC bodies hold information for each supplier engaged directly using BSO PaLs contracts but do not break this down to individual contracts. We have been told that for the bodies to have obtained this information from current Health Sector IT systems would have been very costly. We have been able to estimate, from BSO records, the likely direct expenditure on the potentially irregular contracts which had been extended beyond their term by HSC bodies. In no case are these sums material figures for any of the HSC bodies, so I have decided not to report on this sector wide issue in the financial statements of each HSC body. I will, however, include this matter in my 2011-12 Health General Report, to be published later this year.
9. In recent years I have reported on poor procurement practice within the wider public sector, including, as noted above, the health sector. I am concerned that BSO PaLs, as a Centre of Procurement Expertise, also has contract management procedure weaknesses and does not appear to have applied the lessons learned from the examples noted in my reports<sup>1</sup>. I also note that the corporate governance processes within BSO did not highlight these issues. This matter was only escalated through the governance system when reported on by Internal Audit. As noted above, potentially irregular actions by BSO PaLs could have extended to financial statements across the health sector. I asked BSO why the contract management issues had not been identified.

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<sup>1</sup> PAC report On Procurement and Governance in Northern Ireland Water (NIA 40/10/11R) published 3rd February 2011 and the Financial Auditing and Reporting General Report by the Comptroller and Auditor General for Northern Ireland 2011, published 25<sup>th</sup> October 2011.

10. In respect of the potential impact on value for money of such extensions, BSO have told me that prices secured within the terms of the extension compare favourably with national benchmarks. BSO advise that a number of the contract extensions were secured in order to enable tender strategies to be developed and implemented to deliver improved value for money. For example the extension on the surgical dressings contract was part of a wider programme of work led by the Department of Health, Social Services and Public Safety under the CSR Pharmaceutical Contracting Efficiencies Programme and the extension to the general groceries tender allowed PaLS to restructure the tender into smaller lots to improve competition within the market and to enable smaller suppliers to bid.
11. BSO also advised that immediate remedial action is being taken forward to re-source the products which are within the extended contracts through compliant arrangements with NHS Supply Chain.
12. I welcome BSO PaLS acceptance of Internal Audit's recommendations to improve contract management controls and actions to implement the recommendations. With the potential regularity and litigation risks associated with delayed contract tendering, added to any potential value for money rewards available from improvement, I would encourage BSO PaLS to address the weaknesses identified, as a priority.
13. I intend to keep this area under review and will consider the impact of any follow-up work completed by Internal Audit when examining BSO's financial statements next year. I recommend BSO review its corporate governance processes to ascertain why the contract management weaknesses were not identified within the organisation and addressed prior to the Internal Audit Report.
14. I welcome the disclosure of these control weaknesses, and action being taken to address them, in the BSO Statement on Internal Control.



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