



**Annual Report  
&  
Accounts  
2004/05**

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## **Foreword by the Chief Executive**

2004/05 has been a very successful year for Defence Analytical Services Agency (DASA). The Agency achieved or exceeded all its key targets and made some real progress towards the corporate goal of having more impact on policy and decision making in the Ministry of Defence (MOD).

This report covers DASA's performance against its key, and other, targets in detail. What it does not reflect is the circumstances under which this excellent performance was delivered. DASA's policy of collocating a number of its branches with key customers is partly instrumental in the achievement of very high customer satisfaction. However these small and often isolated teams are therefore vulnerable to staff turnover and the resultant skill loss. This, and some major data quality issues, have been significant problems over the past year. DASA's strong performance has therefore been based on a lot of hard work and commitment by its staff, under the leadership of my predecessor, Colin Youngson, and the management team.

I was delighted to join DASA in November 2004. It is an impressive organisation – strongly focused on delivering to its customers and on developing and supporting its staff. It also has considerable potential to further develop its impact on decision and policy making in MOD and that has become a specific target for the Agency in the coming year. I look forward to working with all in DASA to build on its success in the future.

**Mike McDowall**  
**Chief Executive**  
**30 June 2005**

The maintenance and integrity of DASA's website is the responsibility of the Accounting Officer; the work carried out by the auditor does not involve the consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were originally presented on the website.

The role of the DASA is to provide economic and statistical information, analysis and advice to the MOD and to provide Parliament, other Government Departments and the Public with defence-related statistics and analytical information. More detail on DASA's role and responsibilities is contained in its Framework Document.

DASA's strategic direction is set by its Owner, the MOD's Finance Director, with the help of an Advisory Board of senior MOD customers and two external members. The Owner approves DASA's Corporate Plan \*, performance targets and budget, and monitors DASA's performance. DASA's Key Targets are approved by the Minister of State for the Armed Forces and announced in Parliament each year. DASA's performance against its Key Targets are reported to Parliament through this Annual Report and Accounts.

DASA's main products and services are:

- **Defence National Statistics \***
- **Statistics, analysis and interpretation** on a wide range of defence activity for use within MOD (personnel, financial, logistics, commercial, health, and equipment)
- **Forecasting** to support the Department's financial and personnel planning
- **Appraisal and evaluation** policy, scrutiny and advice to support the Department's investment decisions
- **Consultancy** services, advice and research including modelling, economic and statistical analyses, surveys and problem solving

DASA aims to have a strong customer focus, collocating with customers where we can. The Agency headquarters and biggest presence is at Bath and there is a large presence in London. We have branches at four customer sites: Gloucester, Portsmouth, Upavon and Bristol. We seek to understand our customers' needs and set in place Service Level Agreements (SLA) and Project Agreements. DASA's Key Targets always include performance against SLA targets and customer satisfaction targets.

We employ a mixture of economists, statisticians, IT specialists and other analysts, and administrative staff. We are an Investor in People, and seek to provide an environment in which individual contribution, team working, continuous improvement and a good work/life balance are encouraged.

\* Available at [www.dasa.mod.uk](http://www.dasa.mod.uk)

A summary of DASA's key achievements and developments during 2004/05 is as follows:

- The Agency achieved or exceeded all its key targets. It made some real progress towards the corporate goal of having more impact on policy and decision making in the MOD.
- DASA's Directorate of Economics and Statistics Advice (DESA) produced an analytical framework to underpin the development of the Defence Industrial Strategy and in collaboration with DTI and HM Treasury economists produced a draft discussion paper on the wider economic issues to defence industrial strategy.
- Work was completed for the Finance Director on the benefits of longer term foreign exchange hedging and of using hedging instruments to manage the Department's exposure to fuel price volatility. A review of incentives to value for money in defence contracting was completed for DG Commercial.
- The Appraisal and Evaluation branch scrutinised over 250 business cases subject to Central Approval, 24% more than in 2003/04. The Branch's work with TLB senior Finance Officers to raise the standard of TLB Investment Appraisals (IAs) began to bear fruit with the Corporate Governance Questionnaire Review finding an improvement from 25% to 50% in the proportion of TLB IAs that are fit for purpose.
- The Appraisal and Evaluation Branch also developed and issued new policy guidance on assessment of value for money for support provision projects following consultation through the Joint Defence Change Working Group and developed a new IA mini guide to complement JSP507.
- Notable achievements within DASA's Directorate of Personnel Statistics and Planning (PS&P) included:
  - modelling work to support RAF restructuring plans was completed.
  - civilian forecasting model was developed for the Civilian Workforce Team to support the rundown exercise.
  - the publication of Tri-Service Publication (TSP) 10 – Location of Armed Forces Deployment by Local Authority – was reinstated.
  - work was commissioned to support the Army's plans to restructure the Infantry.
- A major programme of improvement to health statistical information for the MOD was introduced in the period: including support for the Kings Op TELIC health survey, Gulf veterans mortality statistics, medical downgradings, analyses of suicides, and a new RAF permanent downgrading database for use by medical boards.
- Completion of various new projects for the DLO was achieved including: creation and development of DLO Workforce Planning Database; work with the Cleansing Project on Location & Organisation Work Package; review of Trident Low Stock for 84 thousand Trident-applicable items; review of forecast demand rates for Maritime items managed by the Non-Project Procurement Office; analysis of missile performance by batch and age for Guided Weapons Systems Support IPT.

The main organisational and general developments were:

- Ashley Adams joined the DASA Strategic Board as a DASA Non-Executive Director in June 2004.
- The relocation of DASA HQ from London to Bath was completed in September 2004.
- Ian Gouldbourne was appointed Director DASA Information Systems and Logistics (IS&L) in June 2004.
- Mike McDowall was appointed DASA Chief Executive in November 2004.
- DASA received IIP re-accreditation in September 2004.
- An IS Strategy was created to form a framework for business development over next 5 years.
- Project in production phase and on schedule to replace DASA's IT mainframe and improve our data handling capability.

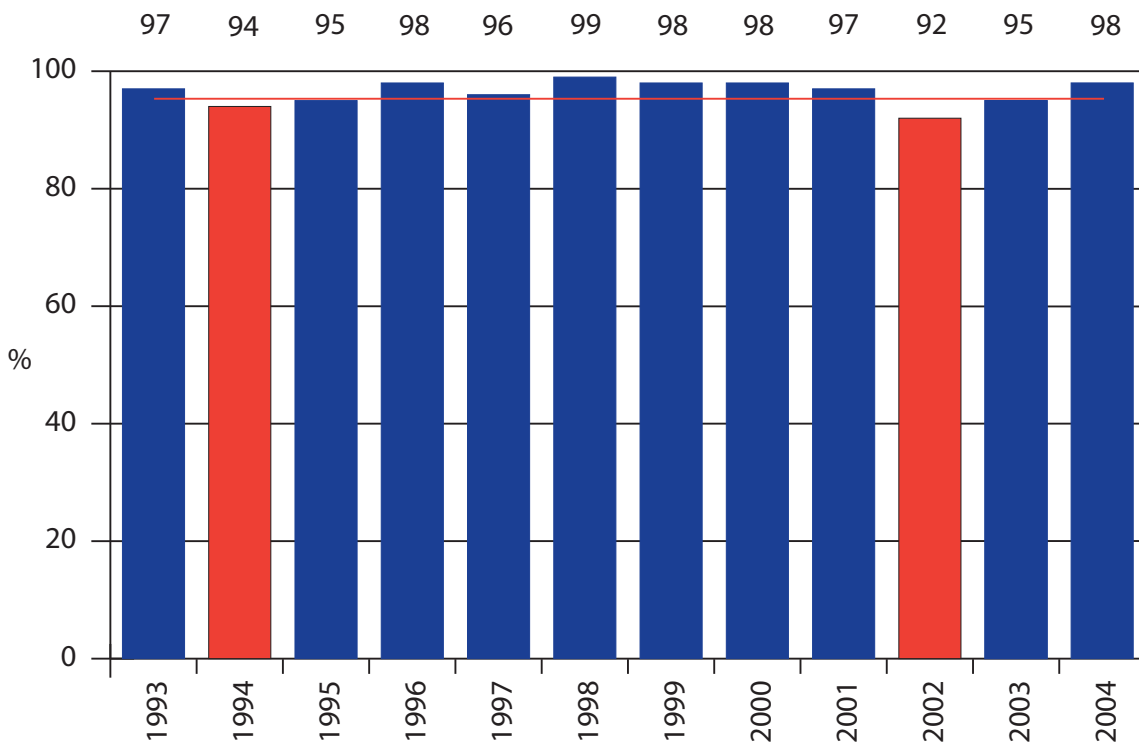
**Delivering Services to Meet Customer Needs**

**Key Target 1. To meet at least 95% of the timeliness and quality targets in the 36 Service Level Agreements with customers for on-going work, and Project Agreements for surveys, modelling and other one-off projects.**

Service Level Agreements with customers cover about 75% of DASA's work. They are reviewed with customers each year and made progressively more demanding. For other areas of DASA's business, project agreements are made with customers on what is to be delivered and when. This Key Target has been used since 1992/93 and provides a continuous benchmark of DASA's performance. The target measures performance against over 500 timeliness and quality targets.

**Met – 98.1% achievement**

Graph 1: Timeliness and Quality Targets met



**Key Target 2. To publish the five key defence National Statistics on time, with no major errors and with no breaches of the pre-release access arrangements, and to meet 95% of the timeliness and quality targets for other defence National Statistics publications.**

DASA produces all defence National Statistics. 2003/04 was the first full year when DASA had to comply with the National Statistics Code of Practice. This new Key Target measured DASA's performance against the over-100 timeliness and quality targets for defence National Statistics publications. All National Statistics publications have pre-announced release dates. For UK Defence Statistics, the quality target will be failed if errors are found which require the reprinting of five or more tables. For other National Statistics, the quality target will be failed if the error necessitates reporting to the National Statistician. National Statistics processes are subject to audit by the Statistics Commission.

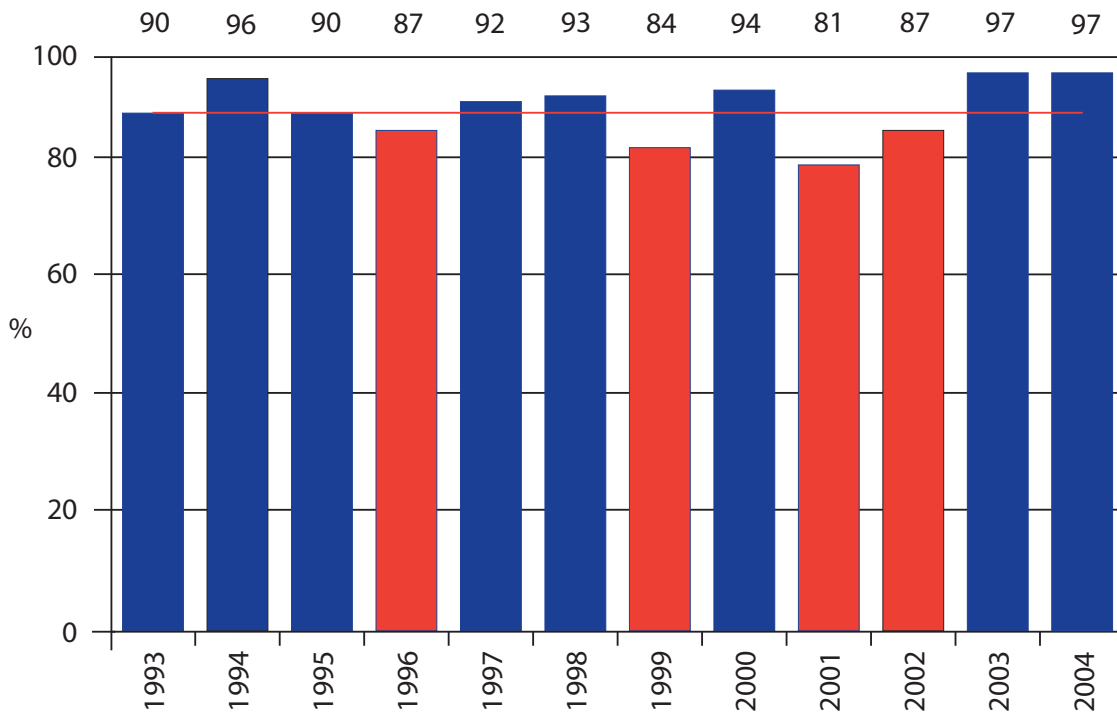
**Met – 98.4% achievement**

**Key Target 3. To have at least 90% of customers saying in the annual Customer Satisfaction Survey, that they are satisfied with the overall service they receive from DASA.**

Each year DASA asks its main customers (about 70) a number of questions about their perception of the service they receive and how they expect it to change in the future. The responses are used to improve the service. A Key Target on customer satisfaction has been used since 1993/94 and provides a continuous measure of performance.

**Met - 97% achievement**

Graph 2: Customers at least satisfied with the service



### Investing in Quality

**Key Target 4. To conduct a National Statistics quality review of DASA's service pensioners statistics and recommend improvements in their quality and scope.**

All National Statistics are subject to regular and comprehensive review of their relevance and quality. This review was conducted to National Statistics standards, and was part of the National Statistics Work Programme for 2003/04. It follows the reviews of personnel statistics (2000/01), UK Defence Statistics (2001/02), Armed Forces medical statistics (2001/02), finance and economic statistics (2002/03) and defence logistics statistics (2003/04). The review was overseen by a Project Board, which included external members. The Project Board also had to judge whether the Review was conducted satisfactorily.

**Met - The Project Board agreed at its meeting on 23 February that the review had been conducted satisfactorily.**

**Key Target 5. To implement 75% of the 2004/05 targets in the implementation plan for the defence finance and economic statistics National Statistics quality review conducted in 2002/03.**

As 85% of key recommendations were implemented in the period, this target was exceeded.

**Met – 85% achievement**

## Developing our People

**Key Target 6. To have at least 85% of staff saying, in the annual Staff Opinion Survey, that they are satisfied with working in DASA.**

DASA needs to attract and retain good people. We aim to be a good employer, offering a good all-round package to staff. We are an Investor in People, and have met the Work-Life Balanced Standard. This Key Target measures from responses to DASA's annual Staff Attitude Survey whether we are continuing to meet our aim.

**Met – 85% achievement**

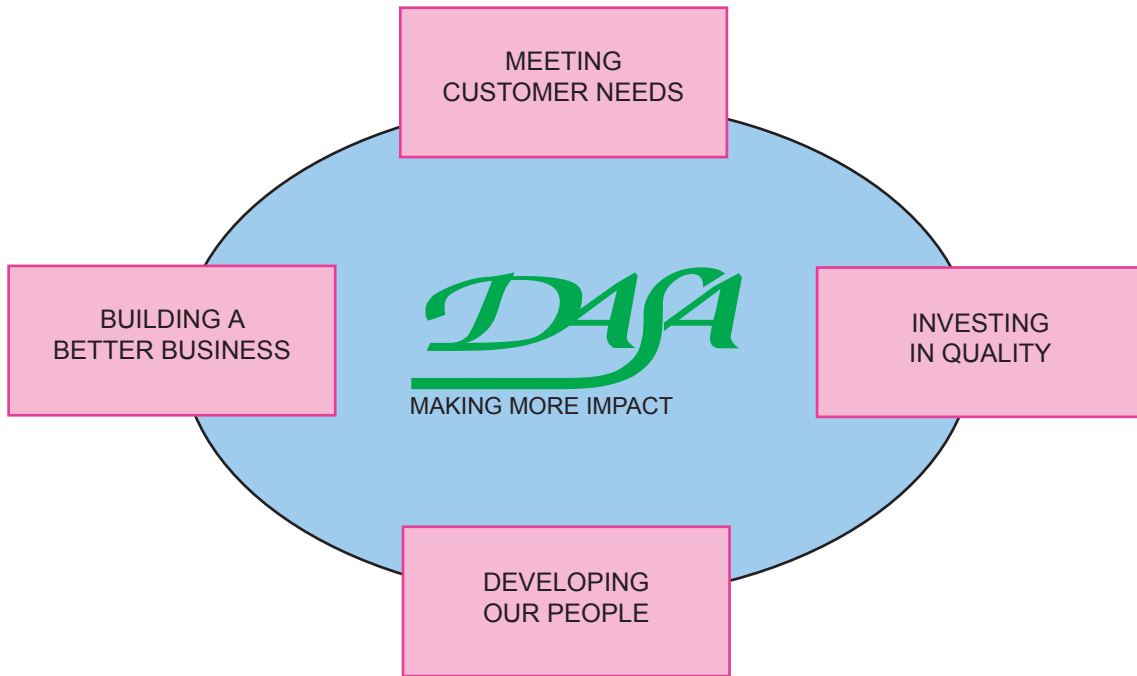
## Building a Better Business

**Key Target 7. To make sufficient efficiency gains to provide the necessary resources for a) Key Target 5 to be addressed, b) a scoping study to be conducted into DASA's taking on responsibility for the collection and presentation of deployment statistics, and c) an expanded investment appraisal advice service established.**

Sufficient efficiency gains made which enabled these activities to be undertaken.

**Met**

DASA uses a balanced scorecard approach to co-ordinate its Corporate Plan and to monitor progress.



Our performance against the Balanced Scorecard is shown overleaf.

## Scorecard Quadrant A: Meeting customer needs

- A1 To deliver analytical services to meet the needs of MoD customers  
 A2 To publish defence National Statistics, and meet other external needs  
 A3 To develop new products and services to meet new customer needs  
 A4 To manage customer expectations, improve customer relations and progressively improve customers' views

	Performance measures	Targets	Final Position
A1	Timeliness and quality of agreed products and services	Meet at least 95% of the timeliness and quality targets in the 36 Service Level Agreements with customers for on-going work and Project Agreements for Surveys, modelling and other one-off projects. ( <i>Key Target 1</i> )	Achieved 98.1%.
A2	Timeliness and quality of defence National Statistics	Meet at least 95% of the timeliness and quality targets for Defence National Statistics publications, and to have no breaches of the pre-released access arrangements for the four key outputs. ( <i>Key Target 2</i> )	Achieved 98.4% and no breaches of pre-release arrangements.
	Timeliness of responses to parliamentary questions, ministerial enquiries and Data Protection Act, Open Government and Freedom of Information Act requests	95% met on time	Achieved. Near 100% met.
A3	Analytical framework for the Defence Industrial Strategy	End July 2004	Achieved. Analytical Framework to the DIS was delivered to time.
	Expanded advice on appraisal and evaluation	End September 2004	Partly achieved. Visits made. Consultancy service operating.
	Modelling of Armed Forces pension Scheme	End March 2005	Achieved. Veterans Agency highly satisfied.
	Performance indicators of leave lost or carried over	End September 2004	Target dropped. No longer required. Existing leave surveys continue.
	Systems for monitoring precautions taken and health outcomes of personnel deployed on operations	End March 2005	Achieved. Databases all compiled and up and running. Epidemiology research programme support continuing.
	Modelling of inventory provisioning parameters	End of March 2005	Achieved. Support given to General Stores IPT.
A4	Identification of customer needs	Customer SLAs reviewed annually	Partly achieved and ongoing.
	Level of customer satisfaction recorded in annual survey	At least 90% saying they are satisfied with the overall service they receive from DASA ( <i>Key Target 3</i> )	Achieved 97% satisfied or very satisfied.

## Scorecard Quadrant B: Investing in Quality

- B1 To understand and improve the quality and timeliness of defence statistics and analyses  
 B2 To manage data inputs and suppliers effectively  
 B3 To improve the robustness of DASA's information systems and production processes

Performance measures	Targets	Final Position	
B1 Quality Reviews conducted and recommendations addressed	Conduct a National Statistics quality review of DASA's service pensioners statistics and recommend improvements in their quality and scope ( <i>Key Target 4</i> )	Achieved.	
	Produce action plan to implement findings of the Quality Review of defence logistics statistics conducted in 2003/04	Achieved. Produced and published on the National Statistics web site.	
	Implementation of recommendations of Quality Reviews	Implement 75% of the 2004/05 targets in the implementation plan for the defence finance and economic statistics National Statistics quality review conducted in 2002/03 ( <i>Key Target 5</i> )	Achieved. 85% of key recommendations implemented.
	Compliance with National Statistics Code of practice and other relevant legislation	No breaches reported to the National Statistician	Achieved.
	No breaches of Data Protection Act	Achieved.	
B2 Service Level Agreement coverage with major data suppliers	All SLAs reviewed annually	Partly achieved.	
	Quality of raw data from suppliers	Quality monitoring diagnostics developed for all main data sources	Partly achieved.
	Alignment with new departmental admin systems – JPA, HRMS, DMICP, DFMS	Ensure JPA development compatible with DASA/customer requirements	Achieved and ongoing.
B3 Quality of DASA's production processes and systems	Update DASA's IS strategy	Achieved and ongoing.	
	Introduce a quality management system (QMS) for DASA's information systems	Postponed due to other priorities.	
	Key processes documentation kept up to date	Achieved and ongoing.	
	Key processes documentation independently reviewed	Ongoing.	

### Scorecard Quadrant C: Developing our people

- C1 To create an environment where people want to work  
 C2 To have the right number of people and right skills to deliver

	Performance measures	Targets	Final Position
C1	Staff satisfaction levels	To have at least 85% of staff saying that they are satisfied with working in DASA (measured in the annual Staff Opinion Survey) ( <i>Key Target 6</i> )	Achieved. At least 85% satisfied or very satisfied.
		Gain Investor in People re-accreditation	Achieved in September 2004.
	Absence rates	DASA short term absence rate below MOD average of 7.6 days, and reducing year on year	Outcome not known at time of publication.
C2	Sufficient staff in post to meet customer needs	Maintain staff level above minimum of 185	Target missed.
	Average number of training days	5 days for permanent staff	Achieved.
	Timely completion of performance reports and six-month reviews	100%	Outcome not known at time of publication.
	Number of people studying for new qualifications that benefit the Agency	10% of average staff numbers	Achieved.
	Number of line managers having undergone 360° reporting in last three years	At least 50% of senior managers	Failed.

**Scorecard Quadrant D: Building a better business**

D1 To maintain a sound system of corporate governance

D2 To adhere to Departmental requirements

	Performance measures	Targets	Final Position
D1	Management actions from external audits implemented	Implement accepted recommendations from 2004 NAO audit of DASA accounts	Not fully achieved.
	Risk identified and managed effectively	Quarterly Risk Register review	Achieved. Reviewed at Strategic Board.
	DASA finances managed effectively and efficiently	Secure STP and customer funding sufficient to deliver Corporate Plan	Achieved.
		Produce audited Annual Report and Accounts before Parliamentary summer recess	Achieved.
		Agree strategies for DII convergence and mainframe replacement	Ongoing. Risk mitigation in place.
		Make sufficient efficiency gains to provide the necessary resources for a) Key Target 5 to be addressed, b) a scoping study to be conducted into DASA's taking on responsibility for the collection and presentation of deployed statistics, and c) an expanded investment appraisal advice service established ( <i>Key Target 7</i> )	Achieved. Efficiency gains enabled activities to be undertaken.
D2	Compliance with Business Continuity, Health and Safety and security requirements	Test BC Plans for London, Bath and a remote site by Dec 04	Partially achieved. Further work carried forward to next year.
		Re-evaluate SHEF effectiveness by Feb 05	Achieved.
	Timely financial and performance reporting to meet Departmental requirements	Submit DRAC to timetable	Achieved.

## Foreword to the Accounts

### Introduction

1. These accounts report DASA's thirteenth year as an Executive Agency of the MOD. They have been prepared in accordance with a Direction given by the Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The Balance Sheet at 31 March 2005 shows a negative Taxpayers' Equity of £668k. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament to meet the Net Cash Requirement of the MOD of which the DASA is part. Under the Government Resources Account Act 2000, no money may be drawn from the Fund by the MOD other than required for the service of the specified year or retained in excess of that need.

In common with government departments, the future financing of DASA's liabilities is accordingly to be met by future grants of Supply to the MOD to be approved by Parliament. Such approval for amounts required for 2005/06 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

### History

2. The Defence Analytical Services Agency was formed by an amalgamation of the three MOD Statistical Divisions in April 1992. Defence Agency status was granted on 1<sup>st</sup> July of that year. The Agency had its first quinquennial review (QQR) in 1997/98 and its status as an Agency was reconfirmed in early 1998. The business review, completed in 2003, has again confirmed DASA's status as an Agency. The Directorate of Economic Advice was merged into DASA on 1<sup>st</sup> April 2004.

### Post Balance Sheet Events

3. These are covered at Note 15 of the Accounts.

### Role

4. DASA's role is to provide professional statistical, evaluation and analytical services and advice to MOD, and to provide Parliament, other Government Departments and the Public with defence-related statistics, evaluation and analytical information.

(For details of DASA's main products and services see Paragraph 3 of DASA's Role and Background in Section 1 of the Annual Report above.)

### Owner and Advisory Board

5. The Secretary of State delegates Ownership responsibilities for the Agency to the Department's Finance Director. The Owner is responsible for the strategic direction of the Agency, and for ensuring that the services provided or proposed are appropriate to the wider MOD needs. The Owner approves DASA's Corporate Plan, sets the Agency's Key Targets, and monitors the Agency's performance. He is assisted by the DASA Owner's Advisory Board, whose members during 2004/05 are shown in figure 1 below. Details of the remuneration of non-MOD members of the Advisory Board are shown at Note 2(v) to the financial statements.

**Figure 1: DASA Owner's Advisory Board 2004/05**

Trevor Woolley	Finance Director and Owner
Maj Gen T Tyler	Deputy Adjutant General
Surg Vice Admiral Ian Jenkins	Surgeon General
Dr Chris Mace	Director General Resources, Defence Logistics Organisation
Tony Pawson	Director General Corporate Communications (to Jan 05)
John Pitt-Brooke	Director General Media and Communications (from Jan 05)
R Adm Dick Melly	Chief of Staff 2nd Sea Lord (to March 05)
R Adm M Kimmons	Chief of Staff 2nd Sea Lord (from March 05)
Carole Tolley	Director General Financial Management (to October 2004)
Julian Miller	Director General Service Personnel Policy
Nicholas Evans	DG Management and Organisation (from October 2004)
Stephen French	Director General Equipment (from October 2004)
AVM A Collier	Chief of Staff, RAF Personnel & Training Command.
Richard Pearson	Director, Institute of Employment Studies (to December 2004). Consultant (from January 2005). (External Member)
John Pitt-Brooke	Director General Civilian Personnel (to Jan 05)
Deborah Loudon	Director General Civilian Personnel (from Jan 05)
Stan Porter	Commercial Director and Supply Relations, DPA
Bernard Silverman	Professor of Statistics, Oxford University (external member)
Colin Youngson	Chief Executive, DASA (to November 2004)
Mike McDowall	Chief Executive, DASA (from November 2004)
Janet Dougharty	Director DASA Personnel Statistics & Planning
Ian Gouldbourne	Director DASA Information Services & Logistics (from October 2004)
Neil Davies	Director DASA Directorate of Economic Statistics & Advice

### Chief Executive and Management Board

6. The Chief Executive of DASA is responsible for all aspects of the day to day running of the Agency. He is directly accountable to the Principal Accounting Officer of the MOD (the Permanent Under Secretary) for the propriety and regularity of the Agency's expenditure and its prudent and economical administration. The appointment of the former Chief Executive was through inter-Departmental competition whereas the current Chief Executive was appointed through external competition. All Board members hold substantive Civil Service contracts. Civil Service Management Code regulations will apply on termination of appointment of the Chief Executive and other members of the Management Board. The salaries of the Chief Executive and other Board members are determined through the Senior Civil Service or other Civil Service pay award mechanisms as appropriate.

7. The Chief Executive of DASA is the Head of Profession for statistics in the Ministry of Defence, with additional responsibilities for the quality of Defence National Statistics as set out in the National Statistics Framework Document. Director DASA DESA is the Senior Economic Advisor to the Ministry of Defence.

8. The achievement of DASA's Corporate Plan is directed and monitored by the DASA Executive Committee and DASA Strategic Board whose members during 2004/05 are shown in figures 2 and 3 below. Details of the remuneration of Management Board members are shown in Note 2 (iii & v) to the financial statements.

**Figure 2: DASA Executive Committee 2004/05**

<b>Colin Youngson</b>	Chief Executive (to November 2004)
<b>Mike McDowall</b>	Chief Executive (from November 2004)
<b>Janet Dougharty</b>	Director - Personnel Statistics and Planning
<b>Glen Watson</b>	Director - Information Services & Logistics (to April 2004)
<b>Ian Gouldbourne</b>	Director - Information Services & Logistics (from June 2004)
<b>Neil Davies</b>	Director for Economic Statistics and Advice
<b>Dave Watts</b>	Acting Director Information Services & Logistics (April to June 2004)
<b>Jim Blackburn</b>	Executive Committee Secretary

**Figure 3: DASA Strategic Board 2004/05**

<b>Colin Youngson</b>	Chief Executive (to November 2004)
<b>Mike McDowall</b>	Chief Executive (from November 2004)
<b>Janet Dougharty</b>	Director - Personnel Statistics and Planning
<b>Glen Watson</b>	Director - Information Systems & Logistics (to April 2004)
<b>Ian Gouldbourne</b>	Director - Information Systems & Logistics (from June 2004)
<b>Dave Watts</b>	Acting Director - Information Systems & Logistics (April to June 2004)
<b>Neil Davies</b>	Director for Economic Statistics and Advice
<b>Martin Jackson</b>	Bursar, St Anne's College Oxford, External Member (to May 2004)
<b>Ashley Adams</b>	Chairman, Corporate Governance Committee (from May 2004)

9. The annual cash requirements for the Agency are included in the Estimates submitted each year by the MOD for Treasury and Parliamentary approval. Total expenditure for 2004/05 comprised staff costs (£6,023k), running costs (£2,788k) and capital expenditure (£226k). The net operating cost for the year ended 31 March 2005 was £8,811k. Total Liabilities less Net Assets as at 31<sup>st</sup> March 2005 stood at £668k.

## Pension Arrangements

10. These are covered at Notes 1ix, 2i and 2iv to the accounts.

## Policy on the Payment of Creditors

11. All the Agency's bills, with the exception of a very small number of minor payments through a local imprest account, are paid through the Defence Bills Agency (DBA). In 2004/05, DBA had a target of paying 99.9% of correctly presented bills within 11 calendar days of receipt. Actual performance against this target was 99.98%. No interest payments arose from the implementation of the Late Payment of Commercial Debts (Interest) Act 1998.

## Prior Year Adjustments

12. On 1<sup>st</sup> April 2004 DASA took on responsibility for the Director of Economic Advice (now the Defence Economic Advisor (DEA)). Accordingly prior year figures have been restated to reflect DEA's Operating Costs and Cash Flows. These amounted to an increase of £540K in net Operating Costs and Cash Flows in 2003/2004. There was no impact on Taxpayers' equity.

DEA's Operating Costs and Cashflows of £598K for 2004/2005 are fully reflected in the current year's figures.

In addition, changes have been made to prior year figures in respect of disclosures relating to the Agency's mainframe. These amendments have been purely classification and have not affected net operating costs, Taxpayers' Equity or movement in cash as previously disclosed for 2003/2004. These disclosure changes were made to more appropriately classify the Agency's interest in the asset.

## Employment Policies

13. The Agency's policy is to employ and promote staff on the basis of individual merit in a non-discriminatory manner, reflecting MOD's policy on equality and diversity and the employment and training of disabled persons. The Agency has its own Equal Opportunities Officer, and is actively encouraging training aimed at the personal development of all staff. The Agency has a Safety, Health, Environment and Fire Committee, chaired by the Chief Executive. The Agency is an Investor in People, and was re-accredited against the new standard in September 2004.

## Auditors

14. The accounts are audited by the Comptroller and Auditor General in accordance with Section 7 (3)(b) of the Government Resources and Accounts Act 2000. The notional cost of the statutory audit is £24,000. The auditors received no remuneration for the provision of non audit services during the year.

**Mike McDowall**  
**Chief Executive**  
**30 June 2005**

## Statement of the Agency's and Chief Executive's Responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury have directed the DASA to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its net operating cost, recognised gains and losses and cash flows for the financial year.

In preparing the Accounts the Agency is required to:

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

The Departmental Accounting Officer for the MOD has designated the Chief Executive of DASA as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting'.

## Statement of Internal Control – 2004/05 – DASA

### 1. Scope of responsibility

As Chief Executive of DASA, I have responsibility for maintaining a sound system of internal control that supports the achievement of DASA's aims and objectives, set by DASA's Owner and Ministers, whilst safeguarding the public funds and departmental assets for which I am personally accountable, in accordance with the responsibilities assigned to me by the Permanent Under Secretary in my Letters of Designation and Delegation.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than 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 which aims to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage and mitigate them efficiently, effectively and economically. The system of internal control has been in place through the year ended 31<sup>st</sup> March 2005 and up to the date of approval of the annual report and accords with Treasury guidance.

### 3. Capacity to handle risk

Leadership is given to the management of risk by:

- the directors' commitment to the operation of the corporate risk and issues log;
- the support of projects being run using PRINCE2 methodology and thus having risk and issues logs that have active management;
- monthly reporting by all branches of problems and issues as they arise;
- an independent chair of the Corporate Governance Committee advising the chief executive;
- an open 'no blame' culture that allows risks to be addressed.

Staff training is provided in risk management in accordance with MOD guidelines by MOD training courses which are available to staff. DASA staff who are working in project management have training which covers risk management. Heads of branch mentor their staff in the procedures for the conduct of risk and issue logs.

Best practice is adopted by drawing on the skill sets of staff who have been working in other parts of the MOD and used formal risk management methods and are aware of evolving best practise.

#### 4. The risk and control framework

DASA's capacity to handle risk has been developed using Treasury and MOD guidance and is overseen by a Corporate Governance Committee. This committee is chaired by an independent member, and includes representatives of the Owner.

The framework within DASA for the identification and control of risk includes:

- A comprehensive **planning process**, which takes into account stakeholders' views, to construct DASA's Corporate Plan and set DASA's corporate objectives and targets. The Corporate Plan, which is approved by the Owner and his Advisory Board, identifies what DASA is expected to deliver, the risks to delivery, and our plans to mitigate those risks. The Corporate Plan cascades to Directorate plans, and into objectives and targets for Branches and individuals.
- Regular **monitoring and review** of progress, and of the DASA Risk Register, is conducted by DASA's Strategic Board (quarterly) and Executive Committee (monthly).
- Opportunities to discuss **stakeholders' requirements, priorities and expectations** include the Owners' Advisory Board, four Customer Advisory Groups and regular performance reviews against service level agreements.
- A system of **financial control and audit** implemented by DASA's own Finance Team, supported by DIA and overseen by the Corporate Governance Committee.
- A systematic approach to **security and SHEF** risks and issues with representation in all locations and an active SHEF committee chaired by myself.
- Special arrangements for ensuring DASA's defence National Statistics conform to the **National Statistics Code of Practice**. Compliance is reported annually to the National Statistician and is subject to audit by the Statistics Commission. All National Statistics are subject to periodic quality reviews, which include external assessment, and DASA has an extensive programme of such reviews. DASA's activities under National statistics are co-ordinated by its National Statistics Steering Group.

#### 5. Review of Effectiveness

As Chief Executive, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control has been informed by the work of the internal auditors, and the executive managers within DASA who have responsibility for the development and maintenance of the internal control framework, and by 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 independent chair of Board and Audit Committee (called DASA's Corporate Governance Committee) and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

The key findings of my review are:

- **Fraud, theft and financial abuse.** No incidents were identified or reported during the year. In the absence of any central audit of the new Travel and Subsistence payment system, DASA is conducting its own audit.
- **Health of financial systems questionnaire.** Questionnaire completed on time with no weaknesses to report.
- **NAO Management letter.** Good progress made in respect of the observations made in last year's audit.
- **Business Continuity Plans.** BCP plans updated for all areas but testing delayed due to a Data Protection Act (1998) issue which is now resolved.
- **SHEF.** SHEF policy updated and circulated through Agency.
- **IT Security.** External accreditor reviewed DASA IT security; no major issues were identified. Resilience was proven by the Manchester BT tunnel fire which severed network links to the DASA mainframe for two days.
- **Agency Balanced Scorecard and Risk Register** used and reviewed regularly by Management Board and Governance Committee. There are plans to link monthly branch progress reporting more closely to the Risk Register.
- **Project Management.** Formal project management procedures were applied to the major IT procurement and development project during the year. There are plans to introduce a Programme Office, and to extend the use of formal project management techniques, in 2005/06, to mitigate risks associated with DASA's implementation of business and IT changes as a consequence of the introduction of major new departmental information systems.
- **Organisation.** Changes to organisation structure effective from 1/04/05 are designed to focus accountabilities of Directors, strengthen delivery of corporate governance and to increase resilience to enable DASA to meet future challenges.

**Mike McDowall**  
**CE DASA**  
**30 June 2005**

## **Defence Analytical Services Agency**

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

I certify that I have audited the financial statements on pages 26 to 42 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 30 to 32.

#### **Respective responsibilities of the Agency, the Chief Executive and Auditor**

As described on page 20, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury Directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 21 to 23 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the accounting officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's Corporate Governance procedures or its risk and control procedures.

#### **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Defence Analytical Services Agency at 31 March 2005 and of the net operating cost and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and,
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General  
4 July 2005

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## 2004/05 STATEMENT OF ACCOUNTS

### OPERATING COST STATEMENT for the Year ended 31 March 2005-

Operating Costs	Notes	2004/05	2003/04
		£000	as restated £000
Staff Costs	2	6,023	5,615
Supplies and Services Consumed	3	873	866
Accommodation and Associated Costs	4	756	581
Other Administration Costs	5	1,159	1,292
<b>Net Operating Cost</b>		<b>8,811</b>	<b>8,354</b>

There were no recognised gains and losses other than those recognised in the Operating Cost Statement. All expenditure relates to continuing operations.

The notes on pages 30 to 42 form part of these accounts. The movement on the General Fund is set out at note 11 on page 40.

**BALANCE SHEET**  
as at 31 March 2005

	Notes	31 March 2005 £000	31 March 2004 as restated £000
<b>Fixed Assets</b>			
Tangible Fixed Assets	6	351	404
<b>Current Assets</b>			
Debtors	7	41	0
<b>Current Liabilities</b>			
Creditors amounts falling due within one year	8	(1,060)	(667)
<b>Net Current Liabilities</b>		(1,019)	(667)
<b>Total Assets less Liabilities</b>			
		(668)	(263)
<b>Provision for liabilities and charges</b>	9	0	(24)
<b>Net Assets</b>		(668)	(287)
<b>Taxpayers' Equity</b>			
General Fund	11	(668)	(287)
		(668)	(287)

The notes on pages 30 to 42 form part of these accounts

**Mike McDowall**  
**Chief Executive**  
**30 June 2005**

**CASH FLOW STATEMENT**  
for the year ended 31 March 2005

	2004/05	2003/04 as restated
	£000	£000
<b>Net Cash Outflow from Operating Activities</b>	7,481	6,818
<b>Capital Expenditure</b>		
Payments to acquire tangible fixed assets	11	209
<b>Net Cash Outflow before Financing</b>	<b>7,492</b>	<b>7,027</b>
Net Financing from Defence Resource Account	7,492	7,027
<b>Financing</b>	<b>7,492</b>	<b>7,027</b>
<b>Movement in Cash</b>	<b>0</b>	<b>0</b>

## Reconciliation of Net Operating Cost to Operating Cost Cash Flows

	Notes	2004/05 £000	2003/04 as restated £000
<b>Net Operating cost</b>		8,811	8,354
<b>Adjustment for notional and non-cash transactions</b>			
Depreciation	12	(244)	(340)
Net write down of computer and office equipment	12	(35)	(19)
Notional and Non-Cash Charges included in:			
Supplies and Services Consumed	12	(26)	(26)
Accommodation and Associated Costs	12	(687)	(581)
Other Administration Costs	12	(225)	(383)
Movements in net current assets			
Increase/(Decrease) in debtors and prepayments	7	41	(37)
(Increase) in creditors due within 1 year	8	(178)	(178)
Decrease in provision for liabilities and charges	9	24	28
<b>Net Cash Outflow from Operating Activities</b>		<b>7,481</b>	<b>6,818</b>

The notes on pages 30 to 42 form part of these accounts

## **NOTES TO THE ACCOUNTS**

### **1. Accounting Policies**

#### **i. Statement of Accounting Policies**

The financial statements have been prepared in accordance with the Resource Accounting Manual issued by HM Treasury. The particular accounting policies adopted by the Agency are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### **ii. Accounting Convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

#### **iii. Value Added Tax**

The Agency is not separately registered for Value Added Tax (VAT) and VAT collected is accounted for centrally by the Ministry of Defence. The Agency's accounts do, however, include non-recoverable VAT attributable to its activities.

#### **iv. Notional charges**

##### **a. Audit Fee**

DASA is not charged an audit fee by the National Audit Office. The audit fee disclosed represents the notional charge to the Operating Cost Statement based on the cost of services provided.

##### **b. Intra-departmental Services**

Notional amounts are included in operating costs for charges in respect of services provided from other areas of the Ministry of Defence. The amounts charged are calculated to reflect the full cost of providing these services to the Agency.

##### **c. Cost of Capital**

A notional charge for cost of capital is included in operating costs. This is calculated as 3.5 per cent of the average monthly value of net total assets (3.5% in 2003/04).

#### **v. Tangible Fixed Assets and Depreciation**

##### **a. Capitalisation and Revaluation**

Computers and office equipment are capitalised where the useful life exceeds one year and the cost of acquisition and installation exceeds the capitalisation threshold of £1,000. The values of fixed assets are revised annually, between formal revaluations, using indices provided by the Department.

Adjustments arising on revaluation of fixed assets, including adjustments to previous depreciation provisions (backlog depreciation) are taken to a revaluation reserve. Any impairment in the value of fixed assets is charged to the Operating Cost Statement as an Other Administration Cost.

**b. Depreciation**

Depreciation on computers and office equipment is provided at rates calculated to write off the cost of acquisition or valuation by equal instalments over the asset's estimated useful life. Asset lives are periodically reviewed for technological obsolescence. Estimated useful lives are as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Computer hardware (including networks):	3 years
Office machinery	5 to 10 years

**vi. Creditors due within one year**

Creditors due within one year represent the amount due to suppliers within one year for goods and services including accrued expenses and liabilities.

**vii. Stocks**

The Agency does not hold significant stocks.

**viii. Early Retirement**

The Civil Service White Paper, 'Continuity and Change' (CM2627) published in July 1994, announced new arrangements for funding early departure costs of civil servants departing between 1 October 1994 and 31 March 1997. Under these arrangements 20 per cent of the cost was to be borne by Agencies and departments and the remaining 80 per cent, which would have otherwise fallen upon the Departments' running costs, was to be met centrally from the Civil Superannuation Vote. For 1996/97 the 80:20 arrangements applied only after the body had used all its existing 1996/97 expenditure provision for early departure costs.

HM Treasury issued a direction that the 20% borne by the Agency should be charged to the Operating Cost Statement straight away and taken to a Provision on the Balance Sheet. The Treasury also directed that a notional charge for the 80% element borne by the Civil Superannuation Vote should be reflected in the Agency's Operating Cost Statement each year. However from 1 April 1999 H M Treasury's Resource Accounting Manual no longer requires the notional charge to be made

With regard to retirements that took place after 1 April 1997, the Defence Analytical Services Agency has made 100% provision for liabilities to be incurred in future years.

**ix. Pensions**

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

The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis.

Liabilities for payment of future benefits is a charge on the PCSPS.

**x. Cash Balances**

Apart from minor transactions through a local imprest account which is cleared to a nil balance at the balance sheet date, the Agency does not pay or receive money on its own account. All other cash payments are made by the MoD's central accounting organisations on behalf of the Agency. All transactions both locally and centrally processed, are brought to account by MoD in the Departmental Resource Account and are disclosed in aggregate in the Cash Flow Statement.

**xi. Taxation and Social Security**

As the Ministry of Defence charges the Agency during the year with the gross payments, inclusive of PAYE and National Insurance contributions, due to Agency employees, the Department is liable for the payment of any liabilities which may be due to the Inland Revenue or Department for Work and Pensions at the Balance Sheet date, and these are not disclosed in the Agency's balance sheet.

**xii. Prior year adjustments**

DASA On 1st April 2004 DASA took on responsibility for the Director of Economic Advice (now the Defence Economic Advisor (DEA)). Accordingly prior year figures have been restated to reflect DEA's Operating Costs and Cash Flows. These amounted to an increase of £540K in net operating costs and Cash Flows in 2003/2004. There was no impact on Taxpayer's equity.

DEA's Operating Costs and Cashflows of £598K for 2004/2005 are fully reflected in the current year's figures.

In addition, changes have been made to prior year figures in respect of disclosures relating to the Agency's mainframe. These amendments have been purely classification and have not affected net operating costs, Taxpayers' Equity or movement in cash as previously disclosed for 2003/2004. These disclosure changes were made to more appropriately classify the Agency's interest in the asset.

**2. Staff Costs and Numbers****i. Staff costs were as follows:**

	<b>2004/05</b>	<b>2003/04</b>
		<b>as restated</b>
	<b>£000</b>	<b>£000</b>
Salaries, wages and allowances	5,014	4,708
Social security costs	411	357
Pension costs	598	550
	<b>6,023</b>	<b>5,615</b>

Salary costs also include taxable payments attributable to a special bonus scheme whereby civilian staff are paid a bonus in recognition of a well performed one-off task. Currently there is no limit on the number of awards that can be made within a financial year, although the total value of these bonus payments should not exceed 0.4% of the overall civilian payroll.

Staff are covered by the provisions of the PCSPS. The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities.

A full actuarial valuation was carried out at 31 March 2003 and details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004/05, employer's contributions of £598,000 were payable to the PCSPS (£550,000 in 2003/04) at one of four rates in the range of 12% to 18.5% of pensionable pay based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates, subject to revalorisation of the salary bands, will increase from 2005/06. The contribution rates reflect benefits as they are accrued not when the costs are actually incurred and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No staff had taken up this option as at 31<sup>st</sup> March 2005.

ii. The average number of full time equivalent employees during the year was:

	<b>2004/05</b>	<b>2003/04</b> <b>as restated</b>
Economists	10	6
Statisticians & Analysts	100	109
IT specialists	31	34
Administrators	24	25
Students	10	10
	<hr/> <b>175</b>	<b>184</b>

iii. The salary and pension entitlements of the senior managers of the Agency during the financial year and for the previous financial year were as follows:

	Salary, including performance pay		Real increase in pension	Real increase in lump sum	Total accrued pension at 60 at 31 March 2005	Total accrued lump sum at 60 at 31 March 2005	Cash Equivalent Transfer Value		
	04/05 £000s	03/04 £000s	04/05 £000s	04/05 £000s	04/05 £000s	04/05 £000s	31 March 2005 £000	31 March 2004 £000s	Real Increase Funded by Employer £000s
<b>Colin Youngson</b> Chief Executive (to November 2004)	55 - 60	70-75	2.5 - 5.0	N/a	30 - 35	N/a	447	401	42
<b>Mike McDowall</b> Chief Executive (from November 2004)	25 - 30	Not on Board	0.0 - 2.5	N/a	40 - 45	N/a	601	Not on Board	14
<b>Janet Dougharty</b> Director Personnel Statistics & Planning	60 - 65	55-60	0.0 - 2.5	5-10	15 - 20	55-60	285	260	21
<b>Glen Watson</b> Director Information Services & Logistics (to April 2004)	0 - 5	55-60	0.0 - 2.5	0-5	10 - 15	30-55	116	115	0
<b>Neil Davies</b> Director Economic Statistics & Advice	70 - 75	40-45	0.0 - 2.5	0-5	20 - 25	60-65	320	293	9
<b>Dave Watts</b> Acting Director Information Services and Logistics (April to June 2004)	10 - 15	35-40	0.0 - 2.5	0-5	15 - 20	55-60	331	323	6
<b>Ian Gouldbourne</b> Director Information Systems and Logistics (from June 2004)	45 - 50	Not on Board	0 - 2.5	5-10	15 - 20	45-50	192	Not on Board	28
<b>Jim Blackburn</b> Head of Corporate Business Management	45 - 50	30-35	0 - 2.5	0-5	15 - 20	45-50	256	238	40

None of the above received benefits in kind.

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

#### iv. Pensions

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Columns 8 & 9 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 10 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.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**v. Remuneration of external members of DASA's Boards and Committees**

(a) Remuneration of external members of the Strategic Board, and DASA's Advisory Board:

External members of the Owner's Advisory Board are paid an annual fee of £5,000 each.

(b) Remuneration of Chairman of Corporate Governance Committee:

The independent Chair of the Corporate Governance Committee (also a member of the Strategic Board) is paid a per diem fee of £350 for meetings attended. In 2004/05 this amounted to £10,158.

**3. Supplies and Services Consumed**

Supplies and Services consumed comprise cash and notional cost elements as follows:

	<b>2004/05</b>	<b>2003/04</b>
		<b>as restated</b>
	<b>£000</b>	<b>£000</b>
Data preparation, production and other contracted out services	255	295
Stationery	28	84
IT running costs	590	487
	<b>873</b>	<b>866</b>

**4. Accommodation and Associated Costs**

Accommodation and Associated Costs comprise cash and notional cost elements as follows:

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
Rent	90	50
Contribution in lieu of rates	60	89
Utilities	50	40
Telecommunications	129	72
Works and maintenance	427	330
	<b>756</b>	<b>581</b>

**5. Other Administration Costs**

Other Administration Costs comprise cash costs and non-cash costs and notional cost elements as follows:

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>as restated £000</b>
Travel and Subsistence	303	313
Office Running Costs	352	237
Services provided by MOD	209	360
Audit Fee	24	20
Depreciation	244	340
Net write Down of Computer and Office Equipment	35	19
Cost of Capital	(8)	3
	<b>1,159</b>	<b>1,292</b>

**6. Tangible Fixed Assets**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
Computers and Office Equipment		
Cost or Valuation		
At 1 April 2004	1,195	1,007
Additions	226	209
Revaluation	(70)	(21)
Assets transferred in	55	0
At 31 March 2005	<b>1,406</b>	<b>1,195</b>
Depreciation		
At 1 April 2004	791	453
Charged during year	244	340
Revaluation	(19)	(2)
Assets transferred in	39	0
At 31 March 2005	<b>1,055</b>	<b>791</b>
Net book Value		
At 31 March 2005	<b>351</b>	<b>404</b>
At 1 April 2004	<b>404</b>	<b>554</b>

i) The net £51,000 adjustment (2003/04: £19,000) arising from the revaluation in 2004/05 (£70,000 less £19,000) is regarded as an impairment in the value of fixed assets and has been charged to the Operating Cost Statement under the heading of Other Administration Costs.

**7. Debtors**

	<b>31 March</b>	<b>31 March</b>
	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Prepayments	41	0
	<b>41</b>	<b>0</b>

There are no amounts included within debtors owed by other Central Government Bodies.

**8. Creditors**

	<b>31 March</b>	<b>31 March</b>
	<b>2005</b>	<b>as restated</b>
	<b>£000</b>	<b>2004</b>
		<b>£000</b>
Amounts falling due within one year:		
Trade creditors	344	47
Capital creditor	215	93
Other creditors	501	527
	<b>1,060</b>	<b>667</b>

There are no amounts included within creditors owed to other Central Government Bodies.

**9. Provisions for Liabilities and Charges****Early Retirement Costs**

The movements in the early retirement provision are shown below:

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Provision for early retirement at 1 April	24	52
Utilised in year	-	(28)
Released in year	(24)	-
Provision for early retirement at 31 March	<b>0</b>	<b>24</b>

The provision will be utilised as follows:

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Within one year	0	24

**10. Capital Commitments**

There is no capital expenditure that has been contracted for but has not been provided for in the accounts in either current or prior year.

**11. Reconciliation of Net Operating Cost to Changes in General Fund**

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>as restated £000</b>
Net Financing from Defence Resource Account	7,492	7,027
Notional Items (Note 12)	938	990
Less:		
Net Operating Cost	(8,811)	(8,354)
Net (Decrease) in General Fund	<b>(381)</b>	<b>(337)</b>
General Fund: Opening Balance 1 April	<b>(287)</b>	<b>50</b>
General Fund: Closing Balance 31 March	<b>(668)</b>	<b>(287)</b>

This note also reflects the movement in Government Funds.

**12. Non Cash and Notional Items**

The non-cash and notional cost elements included under the headings of staff costs, supplies and services consumed, accommodation and associated costs, and other administration costs are as follows:

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
Notional Costs		
Supplies and Services Consumed		
IT Running Costs	26	26
Accommodation and Associated Costs		
Rent	90	50
CILOR	60	89
Utilities	50	40
Telecommunications	64	72
Works and Maintenance	423	330
	<hr/> 687	<hr/> 581
Other Administration Costs		
Services provided by MOD	209	360
Audit Fee	24	20
Cost of Capital Charge	(8)	3
	<hr/> 225	<hr/> 383
<b>Total Notional Costs</b>	<b>938</b>	<b>990</b>
Other Non-Cash costs		
Other Administration Costs		
Depreciation	244	340
Net write down of computer and office equipment	35	19
	<hr/> 279	<hr/> 359
<b>Total notional and non-cash costs</b>	<b>1,217</b>	<b>1,349</b>

### 13. Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Because of the largely non-trading nature of its activities and the way in which government Agencies are financed, the Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities, or for trading. The fair values of all the Agency's financial assets and liabilities approximate to their book values. In line with FRS 13, short term debtors and creditors (those which mature or become payable within 12 months from the balance sheet date) have been excluded from these disclosures (except for those relating to currency risk).

#### Interest rate risk

The Agency has no financial assets and liabilities on which interest is earned or paid. The Agency is therefore not exposed to significant interest rate risk.

#### Foreign currency risk

The Agency does not hold assets or liabilities denominated in a foreign currency, and income and expenditure denominated in a foreign currency is negligible. The Agency is therefore not exposed to significant currency risk.

The Ministry of Defence, through whose Resource Account the Agency is financed, enters into forward purchase contracts annually with the Bank of England to cover the majority of its foreign exchange requirements for the following year. The details of the outstanding foreign currency contracts are given in its Departmental Resource Account.

#### Liquidity risk

The Agency is not exposed to significant liquidity risk, as liquidity requirements are met by financing from the Ministry of Defence Resource Account, and it has no borrowing facilities. The Department's resource requirements are voted annually by Parliament.

### 14. Related Party Transactions

DASA is an Agency of the Ministry of Defence, which is regarded as a related party. During the period 1 April 2004 to 31 March 2005 the Defence Analytical Services Agency has had significant material transactions with the Ministry of Defence. During the year none of the senior staff and other key management staff, or other related parties, has undertaken any material transactions with the Defence Analytical Services Agency.

### 15. Post Balance Sheet Events

There has been no adjusting post Balance Sheet events. However, the Agency was reorganised into three Directorates and two Divisions with effect from 1 April 2005.