

Presented pursuant to Section 5(4) of the Marine and Aviation Insurance (War Risks) Act 1952

Marine And Aviation Insurance (War Risks) Fund Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 19 DECEMBER 2005

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Contents

	Page
Foreword	2
Statement on Internal Control	3
Statement of Accounting Officer's responsibilities	6
The Certificate and Report of the Comptroller and Auditor General	7
Receipts and Payments Account	9

Foreword

History

This fund was established under Section 5 of the Marine and Aviation Insurance (War Risks) Act 1952 with the transfer of the balance of a fund previously set up for the purpose of Part 1 of the War Risks Insurance Act 1939. Any receipts or payments arising by virtue of or in fulfilment of obligations under these Acts are required to be paid into, or out of, the fund.

Statutory background

The Minister of Transport was empowered under the Marine and Aviation Insurance (War Risks) Act 1952 to insure and re-insure ships, aircraft and cargoes against war risks and in certain circumstances other risks. These powers rest with the Secretary of State for Transport.

Review of activities

The current agreements with the UK Shipowners Mutual Insurance Associations came into effect on 20 February 1988. The new agreements, which replaced those dating from 1954, took account of the changes in shipping and insurance practices in the intervening years. They afford a 95 per cent re-insurance for British registered merchant ships and larger fishing vessels and 100 per cent re-insurance in respect of small fishing vessels against war risks arising from hostilities involving the UK. In addition to the cover previously available under the 1954 agreements, non-British registered ships may, subject to the Secretary of State's approval, now be re-insured through the Associations, but in time of war only.

No premiums are charged to shipowners unless the Secretary of State considers there to be a particular risk, either generally, or in a specific geographical location. There has not been any discernable activity in terms of the receipt of premiums or the payment of claims in recent years. Receipts from the sale of hulls of vessels lost during the Second World War and from the salvage of their cargoes are proper to this fund.

It is provided under the Marine and Aviation Insurance (War Risks) Act that any deficiency in the fund shall be met out of monies provided by Parliament, and that any excess over the amount likely to be required to meet liabilities of the fund shall be paid into the Consolidated Fund.

Administration of fund

During the year of account, a total £2,850.00 was received for the sale of wrecks and salvage. There have been no claims against the fund during this period.

The fund is administered by the Department for Transport.

David Rowlands
Accounting Officer
Department for Transport

24 November 2005

The Department's Statement on Internal Control 2004-2005

Scope of responsibility

This statement is given in respect of the Marine and Aviation Insurance (War Risks) Fund annual account and incorporates all the transactions pertinent to that account. In my role as Principal Accounting Officer for the Department for Transport (DfT), I have the responsibility of signing this account.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve departmental 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 departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Subject to the developments during the year described in the following paragraphs, the system of internal control has been in place in the Department for Transport for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Leadership on risk management is provided by

- the Department's Management Board, which monitors delivery against key objectives across the DfT family. Significant risks to these objectives are identified by the line and escalated to the Board. The Department's Board includes the four Directors General in the central Department, the Director General for the DVO Group, the Chief Executive of the Highways Agency and three non-executive members. The Director General for Delivery and Security is the Board's 'Risk Management Champion';
- an Executive Committee, which seeks to ensure that the resources available to the central Department are managed as effectively as possible to meet identified risks and corporate governance standards;

The Department's Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes two non-executive members, who are themselves Chairmen of Audit Committees within the DfT family.

Officials consult regularly with Ministers on risk. Submissions to Ministers incorporate assessments of key risks, whether to the operation of the transport system, including public perceptions, or to the successful delivery of new policies. DfT Ministers also receive regular reports on key cross-government risks from the Domestic Horizon Scanning Committee.

The Department's Risk Improvement Manager is responsible for ensuring that appropriate guidance, support and training on risk management is available to staff within the central Department. During 2004-2005 a programme of risk management workshops was delivered.

The risk and control framework

Directors General and Heads of Unit (Directors) in the Department take responsibility for the day to day management of risks in their respective areas of influence. The Board has set guideline criteria for the impact of risks that it considers should be escalated for its potential attention through regular delivery and financial reporting processes. The escalation of a risk in this way does not transfer responsibility for its day to day management. The Board encourages the early escalation of corporate risks, as part of seeking to establish a 'no surprises' culture within the Department where risk identification, management and escalation is encouraged and rewarded.

Early in the year, the Department put in place a comprehensive 'Stewardship Pack', which included the framework of accountabilities, the roles and responsibilities of Directors and the end of year reporting arrangements. These set out Directors' responsibilities for risk management. This pack was supported by delegations from the Accounting Officer to Directors to maintain accountability and the management of resources. Performance against these requirements was assessed through internal audits and a self-assessment questionnaire. The risk elements of this were based upon the Treasury's Risk Management Framework.

The Department has a number of well-established programmes for involving the public in managing the risks associated with transport.

Review of effectiveness

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

The Audit Committee receives summaries of Internal Audit reports and considers the Group Head of Internal Audit's annual opinion on the effectiveness of risk management, control and governance. The Chair of the Audit Committee reports the Committee's views on the effectiveness of internal control to the Board regularly throughout the year.

The Department's Audit and Risk Assurance Division (Internal Audit) operate to standards defined in the Government's Internal Audit Standard. It provides an independent opinion to the Accounting Officer on control and governance and the effectiveness of the Department's risk management systems. Regular reports are provided to the Department's management, as well as advice on risk and control issues. The Department's assessment of the control environment is also informed by the programme of external audits and value for money studies undertaken by the National Audit Office.

Directors have completed end of year assurance questionnaires, which the Finance Director has reviewed and summarised in his report to me on stewardship. The responses confirmed that Directors regarded their Units as substantially compliant with the structure of internal control. As regards financial controls, the central Department has put in place an improvement programme to further strengthen its financial management, which is being implemented in 2005-2006.

Directors recognised that there remained scope for further improvement in risk management. A programme of work to improve the central Department's risk management processes and performance, including clarification of risk appetites, is being implemented during 2005-2006.

The Treasury and the Department have, separately, conducted reviews of the Department's financial management and control arrangements. The Treasury has acknowledged the improvements that have been made by the Department and has agreed an action plan to address current challenges and priorities.

Group audit opinion

The Group Head of Internal Audit has provided the following opinion for 2004-2005

- For the Department I can provide partial assurance. Whilst risk management at the Directorate level in the Department has improved during the year, the processes to manage risks at a corporate level were only developed and initiated during the latter part of 2004-2005. The plans in place to further strengthen and improve these practices in the Department provide a sound platform for risk management and should significantly improve the process going forward.
- Significant effort has been made to improve financial management and control in the Department, and management is working on a continuous programme to improve controls further, including areas identified in some of our audits. Accordingly I am only able to provide partial assurance on internal control arrangements in the Department. Notwithstanding this level of assurance, no weaknesses were identified that are sufficiently significant or material to require disclosure in the Statement on Internal Control.
- Improvements have been made to the Governance process in the centre and in the agencies during the year leading me to provide substantial assurance.

David Rowlands
Accounting Officer
Department for Transport

24 November 2005

Statement of Accounting Officer's responsibilities

Under Section 5(4) of the Marine and Aviation Insurance (War Risks) Act 1952, the Secretary of State for Transport is required to prepare an account for each financial year in the form and on the basis determined by the Treasury. The account is prepared on a cash basis and must properly present the receipts and payments for the financial year and the balance held at the end of the year.

The Treasury has appointed David Rowlands as the Principal Accounting Officer for the Department for Transport (DfT) with overall responsibility for preparing the DfT's accounts and for transmitting them to the Comptroller and Auditor General. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in 'Government Accounting' (TSO).

The Principal Accounting Officer confirms that all the proper accounting procedures were followed during the preparation of this annual account, in compliance with Treasury's requirements.

David Rowlands
Accounting Officer
Department for Transport

24 November 2005

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

I certify that I have audited the financial statements on page 9 under the Marine and Aviation Insurance (War Risks) Act 1952. These financial statements have been prepared in the form and on the basis determined by the Treasury.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 6, the Accounting Officer is responsible for the preparation of financial statements in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements properly present the receipts and payments of the Fund and are properly prepared in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and Treasury directions made thereunder, and whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and 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 Accounting Officer has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 3 to 5 reflects compliance with Treasury's guidance on the statement on internal control. I report if it does not meet the requirements specified by HM 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 Department'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 judgements made by the Accounting Officer in the preparation of the financial statements.

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 receipts and payments have been applied to the purposes intended by Parliament and 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 properly present the receipts and payments of the Secretary of State for Transport in respect of the Marine and Aviation Insurance (War Risks) Fund for the year ended 31 March 2005 and have been properly prepared in accordance with Section 5(4) of the Marine and Aviation Insurance (War Risks) Act 1952 and directions made thereunder by Treasury; and
- in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

I have no observations to make on these financial statements

John Bourn
Comptroller and Auditor General

12 December 2005

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Receipts and Payments Account for the year ended 31 March 2005

	2004-2005 £	2003-2004 £
Operating receipts		
Insurance premiums	0	0
Received from salvage contractor - Wrecks and Salvage	2,850	3,126
Operating payments		
Payments against approved claims	0	0
Surplus for the financial year	2,850	3,126
Surplus surrendered to the Consolidated Fund	<u>2,850</u>	<u>3,126</u>

No statement of balances is given as any excess of receipts over payments after settlement of approved claims is surrendered to the Consolidated Fund.

Notes to the Account

- This Account is drawn up in a form directed by the Treasury

David Rowlands
Accounting Officer
Department for Transport

24 November 2005

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