

Presented to Judicature (Northern Ireland) Act 1978, c.23, s78

Northern Ireland Funds in Court Account 2006-2007

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Foreword

General

The Accountant General is required to keep accounts in respect of funds held in Court. As part of this responsibility these Accounts of Funds in Court have been prepared, as required by section 78 of the Judicature (Northern Ireland) Act 1978.

Funds are brought under the control of the Court in the following instances

- i as a result of a settlement in a civil action in respect of minors. Such settlements arise both in the Supreme Court and County Courts;
- ii where a person is deemed to be incapable of managing their own affairs due to mental illness or on behalf of wards of Court. Such cases relate predominately to the Supreme Court;
- iii where monies are lodged in Court in satisfaction or against costs as a token of intention to proceed with civil litigation. Such settlements arise both in the Supreme Court and County Courts; and
- iv in support of the Chancery Division of the Supreme Court which acts as a receiver of last resort for the assets of individuals, partnerships or companies.

Dealing with funds

Funds held in Court include both money and securities. The securities held are predominately government stocks, deposit holdings with the Commissioners for the Reduction of the National Debt (CRND) and equity-based investments. All funds held in Court are vested in the name of the Accountant General and invested by him in accordance with orders of the Court or in securities designated in statutory rules.

Accounting period

These Accounts reflect the money and securities dealt with by the Accountant General in respect of proceedings in the Supreme Court and the county courts for the year ended 31 March 2007.

Bank accounts held

The Accountant General is required by section 79(1) of the 1978 Act to maintain accounts with the Bank of Ireland for the receipt and payment of Supreme Court and county court monies. A working balance of £300,000 is maintained in these accounts, which enables the Accountant General to meet the Bank's costs of servicing the accounts and to meet the immediate cash requirements of clients of the Court Funds Office. Monies in excess of the amount required to satisfy current demands are transferred to the CRND for investment, drawings being made when additional money is required to meet payments out of Court.

D A Lavery

29 November 2007

Accountant General of the Supreme Court
of Judicature of Northern Ireland

Statement of Accountant General's responsibilities

Under section 78(1)(b) of the Judicature (Northern Ireland) Act 1978 the Accountant General is required to prepare a statement of accounts for each financial year in a form directed by the Treasury. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at year-end.

The Treasury has appointed the Accountant General as Accounting Officer for the account. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the funds and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by Treasury and published in Government Accounting.

Statement on Internal Control

Scope of responsibility

As Accountant General of the Supreme Court of the Judicature in Northern Ireland, I have responsibility, as a statutory officer, for Funds in Court. I have delegated the administrative responsibilities for Funds in Court to the Court Funds Office. The Court Funds Office is a discrete business unit within the Northern Ireland Court Service, which is itself a unified and distinct civil service of the Crown. Managerial responsibility for the Court Funds Office rests with the Finance Director and is managed within the Finance Division. As departmental Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Northern Ireland Court Service'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.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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. The system of internal control has been in place in the Northern Ireland Court Service throughout the year ended 31 March 2007 and up to the date of approval of the accounts, and accords with Treasury guidance.

Capacity to handle risk

Risk management constitutes a standing item on Branch and Divisional meeting agendas. Senior managers are required to formally sign off Stewardship Statements for Heads of Division on a quarterly basis. Court Funds Office management actively participate in the preparation of the stewardship statement for Finance Division. Heads of Division complete stewardship statements for submission to me on a biannual basis. Risk Management is also considered formally at Management Board meetings and within the Risk and Audit Committee through the review of the Corporate Risk Register and Corporate Plan monitoring reports. These reports include a section on attendant risks thus ensuring that risk management has been incorporated fully into the corporate planning and decision-making processes of the Department.

The risk and control framework

Risks are considered in tandem with objectives at all levels in the organisation and formally reported on Branch, Divisional and Corporate risk registers. Risks are assessed in terms of their probability of occurrence and impact on the achievement of objectives, and scored and reported on accordingly. Responsibility for the management of each risk is assigned and recorded, along with controls in place to mitigate the risk, monitoring arrangements in place, and any action taken or planned in order to enhance the level of control. Risk registers are formally reviewed on a quarterly basis and documentation updated. The updated risk registers record any movement in terms of impact and probability of occurrence.

The Risk Management Committee is responsible for the maintenance and development of the risk management and review processes through, for example, ensuring compliance with the structured quarterly review points and twice yearly formal stewardship reporting in order to ensure continued alignment with planning and monitoring at corporate, divisional and branch level. In challenging risks identified by executive management the Committee ensures that there is ongoing consideration of the impact of both external and internal initiatives on the planned work of the Department. The Committee is required to submit regular reports for consideration by the Risk and Audit Committee and to be in attendance to provide briefings in respect of relevant agenda items.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. The Board receives regular reports from the Risk and Audit Committee concerning internal control, risk and governance. At the end of each reporting period, Heads of Division review the stewardship statements completed by Business Managers in order to create a series of divisional statements from which I have been able to take assurance in respect of the management of risk and the achievement of objectives.

The Department has an Internal Audit Service which operates to the Government Internal Audit Standards. It submits regular reports, including an independent opinion by the Head of Risk and Assurance on the adequacy and effectiveness of the Department's system of risk management, control and governance.

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 Northern Ireland Court Service 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. The review processes outlined ensure that there is continuous improvement in the system of internal control.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Risk and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Unclaimed sums

As disclosed in Note 2 of Supreme and County Courts Accounts the Court Funds Office administers a number of accounts that are classified as unclaimed in accordance with rule 55 of The Court Funds Rules (Northern Ireland) 1979. These accounts relate to funds in court where no transactions, other than the credit of annual interest have been processed for the specified number of years. Before an account is classified as unclaimed the Court Funds Office makes all reasonable efforts to facilitate the transfer of the funds to their beneficial owner. To reduce the risk of current and future cases being classified as unclaimed the Court Funds Office maintains contact with the guardians and controllers of those with Funds in Court throughout the life of the case.

Included in the unclaimed sums disclosed in note 2 of the Supreme Court and County Court Accounts there are three types of amount

- 1 That for which we know the case details, but are unable to make contact with the beneficiary of the funds in court

	Supreme Court	County Courts
	£	£
Monies on deposit	296,806	67,106
Government stocks	146	–

- 2 That for which we have been unable to identify the individual case

	Supreme Court	County Courts
	£	£
Monies on deposit	6,787	4,836
Government stocks	68,197	–
Equities	7,064	–

- 3 Interest and dividends received since 1995, have been pooled, for practical reasons, pending allocation to a specific case when a genuine claim is received and paid out.

	Supreme Court	County Courts
	£	£
Monies on deposit	153,922.86	54,691.72

It is unlikely that the cases making up the unidentified unclaimed balances will be identified and therefore the Department does not intend to pursue the balances further but will discuss with Treasury the possibility of write-off, which we understand may require legislative change.

The Department has published details of unclaimed balances held by the Court Funds Office on their website.

Review of Statement of Accounts for Funds in Court in Northern Ireland

The Court Funds Office is currently investigating the need to review the format and information contained within the Funds in Court in Northern Ireland Statement of Accounts and will take this forward in conjunction with England and Wales. In particular, the cessation of using nominal value is being investigated as a beneficial interim measure.

Accounts held with Debt Management Office

Cash balances held on deposit on behalf of clients of the Court Funds Office are invested with the Debt Management Office. The Court Funds Office maintains records of the client funds that are held in the deposit and the investment account with the Debt Management Office and calculates interest due to the clients. The balances on the CFO system for these accounts do not currently agree with the records maintained by the Debt Management Office. An exercise to identify the differences has been completed and reconciling adjustments will be processed during 2007-2008.

Patients Control Account

When funds are lodged for clients of the Office of Care and Protection they are initially lodged into the Patients Control Account held with Bank of Ireland. An exercise was commenced during 2005-2006 to reconcile this account. This exercise continued into 2006-2007. The account is now reconciled on a monthly basis, ensuring that any discrepancies are identified and addressed immediately. However a number of adjustments are still required to be made to correct for past errors. These adjustments will be processed once all investigations are completed.

Overpayments

In 2005 a significant overpayment to the beneficiaries of the estate of a deceased client which had occurred in 1999 was uncovered. This case was subject to a detailed review by our internal auditors and the subsequent review findings have been accepted by management. Procedural enhancements implemented since 1999 have increased the level of control, significantly reducing the risk of similar errors occurring in the future.

DA Lavery

29 November 2007

Accountant General of the Supreme Court
of Judicature of Northern Ireland

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

I certify that I have audited the financial statements of Funds in Court in Northern Ireland for the year ended 31 March 2007 under the Judicature (Northern Ireland) Act 1978. These comprise, for each of Supreme Court Funds and County Court Funds, the Receipts and Payments Account, the Statement of Balances, the Statement of Liabilities and Assets and the related notes.

Respective responsibilities of the Accountant General and Auditor

The Accountant General is responsible for preparing the Foreword and the financial statements in accordance with the Judicature (Northern Ireland) Act 1978 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accountant General's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements properly present the receipts, payments and transactions in securities, and whether the financial statements have been properly prepared in accordance with the Judicature (Northern Ireland) Act 1978 and Treasury directions made thereunder. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Court Funds Office 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 Internal Control reflects the Court Funds Office's compliance with Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Court Funds Office's corporate governance procedures or its risk and control procedures.

I read the information contained in the Foreword 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. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My 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 judgments made by the Accountant General 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 fraud or error, and that in all material respects the receipts and payments 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 also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Audit opinion

In my opinion

- the financial statements properly present the receipts, payments and transactions in securities in respect of Funds in Court in Northern Ireland for the year ended 31 March 2007 and the balances held at that date; and
- the financial statements have been properly prepared in accordance with the Judicature (Northern Ireland) Act 1978 and Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.

Audit opinion on regularity

In my opinion, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

TJ Burr
Comptroller and Auditor General

27 March 2008

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Supreme Court Funds

Receipts and Payments Account for the year ended 31 March 2007

	Cash £	Securities Nominal Value	
		Sterling £	Foreign €
Receipts and transfers into Court			
<i>Cash</i>			
Lodgements by Suitors, etc.	39,644,456		
Sales of Securities	58,931,688		
Dividends and Interest	3,057,924		
Interest on Special Account	16,013		
<i>Securities</i>			
Lodged		2,652,630	€ 0
Purchased		66,164,324	
	<u>101,650,081</u>	<u>68,816,954</u>	<u>€ 0</u>
Payments and transfers out of Court			
<i>Cash</i>			
Payments to Suitors, etc.	29,520,786		
Purchases of Securities	71,762,084		
Payments of Special Account Interest to Consolidated Fund	16,013		
<i>Securities</i>			
Transferred or delivered		4,512,728	€ 0
Sold		53,030,095	€ 0
	<u>101,298,883</u>	<u>57,542,823</u>	<u>€ 0</u>
Net movement in year	<u>351,198</u>	<u>11,274,131</u>	<u>€ 0</u>

The notes on pages 12 to 13 form part of this Account.

Supreme Court Funds

Statement of Balances as at 31 March 2007

	Cash £	Securities Nominal Value	
		Sterling £	Foreign €
Opening balance at 1 April 2006	396,972	97,478,016	€ 50
Net movement in year	351,198	11,274,131	€ 0
Closing balance at 31 March 2007	<u>748,170</u>	<u>108,752,147</u>	<u>€ 50</u>

The notes on pages 12 to 13 form part of this Statement.

Supreme Court Funds

Statement of Liabilities and Assets as at 31 March 2007

	Cash £	Securities Nominal Value £
Liabilities		
Amount of cash and securities standing to the credit of the accounts of suitors in the books of the Accountant General of the Supreme Court of Judicature in Northern Ireland	748,170	108,752,147
Directions to pay not cashed and transfers out not completed	1,197,064	NIL
	<u>1,945,234</u>	<u>108,752,147</u>
Foreign securities		€ 50
Assets		
Amounts of cash held by the Bank of Ireland and other securities standing in the name of the Accountant General of the Supreme Court of Judicature in Northern Ireland in the books of the Bank of Ireland and other companies	1,734,243	108,752,147
Directions to receive not completed and transfers in not completed	210,991	NIL
	<u>1,945,234</u>	<u>108,752,147</u>
Foreign securities		€ 50

The notes on page 12 to 13 form part of this Statement.

Supreme Court Funds

Notes to the Account

- 1 The Cash Balances for which the Accountant General was liable in respect of Funds in the Supreme Court at 31 March 2007 were held by the Bank of Ireland and comprised

	£
Cash held in Special Account	719,522
Other accounts	28,648
	<u>748,170</u>

- 2 The Nominal and Market Values of Sterling Securities held at 31 March 2007 consisted of

	Nominal £	Market £
Government stocks	33,820,249	47,290,039
Monies on deposit	72,027,395	72,027,395
Equities	1,259,077	40,403,639
Personal equity plans	506,901	4,031,449
Individual savings accounts	557,284	6,568,640
Others	581,241	581,241
Total	<u>108,752,147</u>	<u>170,902,403</u>

Included in the Market Value of £170,902,403 are unclaimed balances of £457,516 Monies on Deposit, £68,343 Government Stocks and £7,064 Equities.

- 3 Prefixes to the Foreign Securities entries mean

€ – Euro.

- 4 Personal Equity Plans and Individual Savings Accounts are held in the name of the Accountant General by a registered Plan Manager who has custody of the stock. The accumulated cash balance as at 31 March 2007 associated with these stocks was £276,318.

- 5 In addition to the balances of Cash and Securities held on 31 March 2007, 25,657 units in various unit trusts were held, with a value of £199,090

- 6 The Accountant General also holds the following Secured Loan Notes

Thunder FZE Floating Rate Secured Loan Notes 2010	44,200
Airport Development Inv Ltd Loan Notes	32,725
Electricinvest Aquis Ltd Loan Notes	220,094
Linde AG Floating Loan Notes 2013	25,120

- 7 Commissions and fees have already been deducted at source from the funds in court. The total charges for the year to 31 March 2007 were £1,163,610 which represents 0.50 % of the total market value of the funds held in court at year end.

The charges were made up of

	£
Court Funds Office administration costs	665,000
Costs of managing the investments including stockbroker fees, transaction charges and stamp duty	416,610
Management of monies held on deposit with the Commissioners for the Reduction of the National Debt	<u>82,000</u>
	1,163,610

The above charges relate to both Supreme Court funds and County Court funds. It is not practicable to separately apportion fees to the Supreme Court and County Court.

D A Lavery

29 November 2007

Accountant General of the Supreme Court
of Judicature of Northern Ireland

County Court Funds

Receipts and Payments Account for the year ended 31 March 2007

	Cash	Securities nominal value
	£	Sterling £
Receipts and transfers into Court		
<i>Cash</i>		
Lodgements by suitors, etc	16,393,537	
Sales of securities	19,092,920	
Dividends and interest	493,698	
Interest on Civil Bill Account	15,355	
<i>Securities</i>		
Lodged		1,873,222
Purchased		18,476,752
	<u>35,995,510</u>	<u>20,349,974</u>
Payments and transfers out of Court		
<i>Cash</i>		
Payments to suitors, etc.	16,570,891	
Purchases of securities	19,378,340	
Payments of interest on Civil Bill Accounts	15,355	
<i>Securities</i>		
Transferred or delivered		3,026,705
Sold		18,299,724
	<u>35,964,586</u>	<u>21,326,429</u>
Net movement in year	<u>30,924</u>	<u>(976,455)</u>

The notes on page 17 form part of this Account.

County Court Funds

Statement of Balances as at 31 March 2007

	Cash £	Securities nominal value Sterling £
Opening Balance at 1 April 2006	343,825	53,079,409
Net movement in year	30,924	(976,455)
Closing Balance at 31 March 2007	<u>374,749</u>	<u>52,102,954</u>

The notes on page 17 form part of this Statement.

County Court Funds

Statement of Liabilities and Assets as at 31 March 2007

	Cash £	Securities Nominal value Sterling £
Liabilities		
Amount of cash and securities standing to the credit of the accounts of suitors in the books of the Accountant General of the Supreme Court of Judicature in Northern Ireland	374,749	52,102,954
Directions to pay not cashed and transfers out not completed	459,870	NIL
	<u>834,619</u>	<u>52,102,954</u>
Assets		
Amounts of cash held by the Bank of Ireland and other securities standing in the name of the Accountant General of the Supreme Court of Judicature in Northern Ireland in the books of the Bank of Ireland and other companies	794,594	52,102,954
Directions to receive not completed and transfers in not completed	40,025	NIL
	<u>834,619</u>	<u>52,102,954</u>

The notes on page 17 form part of this Statement.

County Court Funds

Notes to the Account

- 1 The Cash Balances for which the Accountant General was liable in respect of Funds in the county courts at 31 March 2007 were held by the Bank of Ireland and comprised

	£
Cash held in County Court accounts	1,533
Cash held in Civil Bill accounts	373,216
Total	<u>374,749</u>

- 2 The Nominal and Market Values of Sterling Securities held at 31 March 2007 consisted of

	Nominal £	Market £
Government Stocks	3,891,308	5,767,178
Monies on Deposit	47,898,613	47,898,612
Equities	298,033	7,237,508
Others	15,000	15,000
Total	<u>52,102,954</u>	<u>60,918,298</u>

Included in the Market Value of £60,918,298 are unclaimed balances of £126,634 Monies on Deposit.

- 3 Commissions and fees have already been deducted at source from the funds in court. The total charges for the year to 31 March 2007 were £1,163,610 which represents 0.50 % of the total market value of the funds held in court at year end.

The charges were made up of	£
Court Funds Office administration costs	665,000
Costs of managing the investments including stockbroker fees, transaction charges and stamp duty	416,610
Management of monies held on deposit with the Commissioners for the Reduction of the National Debt	82,000
	<u>1,163,610</u>

The above charges relate to both Supreme Court funds and County Court funds. It is not practicable to separately apportion fees to the Supreme Court and County Court.

D A Lavery

29 November 2007

Accountant General of the Supreme Court
of Judicature of Northern Ireland

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