

Presented pursuant to Judicature (Northern Ireland) Act 1978, c.23, s.78

Funds in Court (Northern Ireland) Account 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 16 APRIL 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;
- 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 2006.

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.

DA Lavery
Accountant General of the Supreme Court
of Judicature of Northern Ireland

27 November 2006

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 Head of Corporate Services and Modernisation and is managed within the Finance Branch. 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 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 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 2006 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 Branch. Heads of Division complete stewardship statements for submission to me on a biannual basis. Risk Management is also considered formally at Management Board meetings 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 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 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 Internal Audit 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 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	157	-

- 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	69,712	-
Equities	7,489	-

- 3 Interest and dividends received since 1995, which 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	133,952	49,861

As part of the ongoing exercise to locate those who may be due the unclaimed monies in 2004-2005 a small amount of money (£87) was taken from the interest earned on unclaimed sums to pay to the Registrar of Births, Deaths and Marriages for search fees.

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 unclaimed balances, held by the Court Funds Office, on their website.

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 does not currently reconcile with the records maintained by the Debt Management Office. An exercise has been commenced to identify and correct for reconciling differences.

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 has continued into 2006-2007. The account is now reconciled on a monthly basis; however a number of adjustments are required to correct for past errors. These adjustments will be completed during 2006-2007.

Overpayments

A number of overpayments of amounts due to clients of the Court Funds Office have been identified as occurring between 1989 to 2002. These overpayments were made in error when cases with funds in court were paid out, either on majority of a minor, or recovery or death of a patient. Procedures and controls have been reviewed to identify means of reducing the risk that similar mistakes could occur in future.

DA Lavery
Accountant General of the Supreme Court
of Judicature of Northern Ireland

27 November 2006

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

I certify that I have audited the Funds in Court in Northern Ireland financial statements for the year ended 31 March 2006 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. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accountant General and Auditor

The Accountant General is responsible for preparing 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. He is also responsible for the preparation of the Foreword. His 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 in accordance with the Judicature (Northern Ireland) Act 1978 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 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 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 pages 4 to 6 reflects the Court Funds Office's compliance with Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accountant General's Statement on Internal Control covers all risks and controls, or form an opinion on the effectiveness of the Court Funds Office's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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 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 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, payments and transactions in securities in respect of Funds in Court in Northern Ireland for the year ended 31 March 2006, and the balances held at that date, in accordance with the Judicature (Northern Ireland) Act 1978 and directions made thereunder by Treasury;
- the financial statements have been properly prepared in accordance with the Judicature (Northern Ireland) Act 1978 and Treasury directions made thereunder; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

23 March 2007

National Audit Office
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Victoria
London SW1W 9SP

Supreme Court Funds

Receipts and Payments Account for the year ended 31 March 2006

	Cash £	Securities Nominal Value	
		Sterling £	Foreign
Receipts and transfers into Court			
<i>Cash</i>			
Lodgements by Suitors, etc.	34,205,034		
Sales of Securities	58,066,467		
Dividends and Interest	3,012,259		
Interest on Special Account	23,432		
<i>Securities</i>			
Lodged		2,526,638	€ 0 RM 7,000 SFr 0
Purchased		54,760,485	
	95,307,192	57,287,123	€ 0 RM 7,000 SFr 0
Payments and transfers out of Court			
<i>Cash</i>			
Payments to Suitors, etc.	35,093,775		
Purchases of Securities	61,141,366		
Payments of Special Account Interest to Consolidated Fund	23,432		
<i>Securities</i>			
Transferred or delivered		1,031,106	€ 2,186 RM 0 SFr 0
Sold		52,935,258	€ 0 RM 35,000 SFr 526
	96,258,573	53,966,364	€ 2,186 RM 35,000 SFr 526
Net movement in year	(951,381)	3,320,759	€ (2,186) RM (28,000) SFr (526)

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

Supreme Court Funds

Statement of Balances as at 31 March 2006

	Cash £	Securities Nominal Value	
		Sterling £	Foreign
Opening Balance at 1 April 2005	1,348,353	94,157,304	€ 2,236 RM 28,000 SFr 526
Add/(less)			
Net movement in year	(951,381)	3,320,759	€ (2,186) RM (28,000) SFr (526)
Closing Balance at 31 March 2006	396,972	97,478,063	€ 50 RM 0 SFr 0

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

Supreme Court Funds

Statement of Liabilities and Assets as at 31 March 2006

	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	396,972	97,478,063
Directions to pay not cashed and transfers out not completed	<u>841,334</u>	<u>NIL</u>
	<u>1,238,306</u>	<u>97,478,063</u>
Foreign securities	€	50
	RM	0
	SFr	0
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	963,306	97,478,063
Directions to receive not completed and transfers in not completed	<u>275,000</u>	<u>NIL</u>
	<u>1,238,306</u>	<u>97,478,063</u>
Foreign securities	€	50
	RM	0
	SFr	0

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 2006 were held by the Bank of Ireland and comprised

	£
Cash held in Special Account	371,802
Other cash	25,170
	<u>396,972</u>

2 The Nominal and Market Values of Sterling Securities held at 31 March 2006 consisted of

	Nominal £	Market £
Government stocks	31,898,786	47,666,449
Monies on deposit	63,357,326	63,357,326
Equities	1,296,286	39,961,938
Personal equity plans	139,121	4,056,338
Individual savings accounts	259,529	5,664,823
Others	527,015	612,857
Total	<u>97,478,063</u>	<u>161,319,731</u>

Included in the Market Value of £161,319,731 are unclaimed balances of £437,545 Monies on Deposit, £69,869 Government Stocks and £7,489 Equities.

3 Prefixes to the Foreign Securities entries mean

€ – Euro, RM – Malaysian Ringgit, SFr – Swiss Francs.

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 2006 associated with these stocks was £1,214,621.

5 In addition to the balances of Cash and Securities held on 31 March 2006, 50,157 units in various unit trusts were held, with a value of £223,637.

6 The Accountant General also holds the following Secured Loan Notes

Thunder FZE Floating Rate Secured Loan Notes 2010	44,200
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7 Commissions and fees have already been deducted at source from the funds in court. The total charges for the year to 31 March 2006 were £1,256,756 which represents 0.56 per cent 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	816,500
Costs of managing the investments including stockbroker fees, transaction charges and stamp duty	363,256
Management of monies held on deposit with the Commissioners for the Reduction of the National Debt	77,000
	1,256,756

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.

DA Lavery
Accountant General of the Supreme Court
of Judicature of Northern Ireland

27 November 2006

County Court Funds

Receipts and Payments Account for the year ended 31 March 2006

		Cash	Securities
			Nominal value
			Sterling
		£	£
Receipts and transfers into Court			
Cash	Lodgements by Suitors, etc	13,227,642	
	Sales of Securities	19,649,397	
	Dividends and Interest	543,076	
	Interest on Civil Bill Account	16,842	
Securities	Lodged		1,898,227
	Purchased		15,006,000
		33,436,957	16,904,227
Payments and transfers out of Court			
Cash	Payments to Suitors, etc.	17,927,846	
	Purchases of Securities	15,632,991	
	Payments of Interest on Civil Bill Accounts	16,842	
Securities	Transferred or delivered		87,095
	Sold		18,795,807
		33,577,679	18,882,902
Net movement in year		(140,722)	(1,978,675)

The notes on page 17 form part of this Account.

County Court Funds

Statement of Balances as at 31 March 2006

	Cash £	Securities Nominal value Sterling £
Opening balance at 1 April 2005	484,131	55,058,084
Add/(less)		
Net movement in year	(140,722)	(1,978,675)
Closing balance at 31 March 2006	<u>343,409</u>	<u>53,079,409</u>

The notes on page 17 form part of this Statement.

County Court Funds

Statement of Liabilities and Assets as at 31 March 2006

	£	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	343,409	53,079,409
Directions to pay not cashed and transfers out not completed	<u>727,705</u>	<u>NIL</u>
	<u>1,071,114</u>	<u>53,079,409</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	975,171	53,079,409
Directions to receive not completed and transfers in not completed	<u>95,943</u>	<u>NIL</u>
	<u>1,071,114</u>	<u>53,079,409</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 2006 were held by the Bank of Ireland and comprised

	£
Cash held in County Court accounts	(912)
Cash held in Civil Bill accounts	344,321
Total	<u>343,409</u>

- 2 The Nominal and Market Values of Sterling Securities held at 31 March 2006 consisted of

	Nominal £	Market £
Government Stocks	5,801,672	10,538,242
Monies on Deposit	46,978,937	46,978,938
Equities	298,800	7,008,197
Others	0	0
Total	<u>53,079,409</u>	<u>64,525,377</u>

Included in the Market Value of £64,525,377 are unclaimed balances of £121,803 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 2006 were £1,256,756 which represents 0.56 per cent 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	816,500
Costs of managing the investments including stockbroker fees, transaction charges and stamp duty	363,256
Management of monies held on deposit with the Commissioners for the Reduction of the National Debt	77,000
	1,256,756

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.

DA Lavery
Accountant General of the Supreme Court
of Judicature of Northern Ireland

27 November 2006

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DG Ref: D85714 7464RC

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
06/07

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