

# Criminal Injuries Compensation Authority

## Annual report and accounts 2005-06



INVESTOR IN PEOPLE

**cica** criminal injuries  
compensation authority

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**Tenth Report**

# **Criminal Injuries Compensation Authority Annual report and accounts 2005-06**

Presented to Parliament by the Secretary of State for the Home Department  
and by the Comptroller and Auditor General pursuant to section 6 of the  
Criminal Injuries Compensation Act 1995.

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compensation authority

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## Introduction

This Statement of Accounts has been prepared and published by the Criminal Injuries Compensation Authority ('the Authority'). The Accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for the Home Office with the consent of HM Treasury in accordance with section 6 of the Criminal Injuries Compensation Act 1995

(the Act). These accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual.

The Comptroller and Auditor General is the external auditor of the Authority, and is appointed under statute, reporting to Parliament. The cost of the statutory audit for 2005-06 was £68,000 (2004-05 £87,900).

## Nature of the Authority's business and its aims and objectives

The Authority administers the criminal injuries compensation scheme throughout England, Scotland and Wales. We pay compensation to people who have been the victim of a violent crime.

The Authority aims to support the victims of violent crime by:

- providing an efficient and fair service to applicants;
- investigating thoroughly all claims for criminal injuries compensation; and,
- treating applicants with sensitivity and courtesy at all times.

Our objectives are to:

- process efficiently, fairly and consistently all claims for compensation made to us;
- ensure that applicants are treated with consideration and in accordance with Citizen's Charter principles;
- ensure proper accountability for, and use of, public funds;
- achieve progressive improvement in the efficiency, effectiveness and economy of our operations; and
- support staff to achieve their full potential in terms of skill and performance.

The Authority's executive functions are led by a Chief Executive supported by a senior management team based in London and Glasgow.

The Audit Committee oversees the strategic process for risk management, internal control and corporate governance and finance. The Audit Committee consists of three independent members. The Chief Executive, Deputy Chief Executive, Head of Finance, Manager of the Security and Quality Assurance section, National Audit Office and Internal Auditors attend by invitation.

At year-end, the Authority employed an average of 452 full-time equivalent staff across two offices in London and Glasgow. The Authority's staff in the London office are employed on the terms and conditions of the Home Office. Staff in the Glasgow office are employed on the terms and conditions of the Scottish Executive.

## Post balance sheet events

In July 2006, the Authority in conjunction with the Home Office agreed to close the London Office and relocate all activities to Glasgow. This project will cover two financial years 2006-07 and 2007-08 and will involve refurbishment of the Glasgow office to

accommodate the additional staff to deal with work transferring from London.

In September 2006, Joanne Drean was appointed as the Chief Executive and Accounting Officer of the Authority.

## History and activities

The scheme was set up in 1964. Up to 1996, awards were set according to what the victim would have received in a successful civil action against the offender. Since April 1996, the level of compensation has been determined according to a tariff set by Parliament. In some situations, there may be the possibility of additional compensation. The maximum award the Authority can pay in any single case is £500,000.

Applicants unhappy with the Authority's decision can request a review and, if unhappy with the review decision, can request an appeal hearing at the Criminal Injuries Compensation Appeals Panel. More information on the provisions of the scheme can be found in the 'Guide to the 2001 Compensation Scheme', available from the Authority, and on our website at [www.cica.gov.uk](http://www.cica.gov.uk)

### Types of compensation

There are two main types of compensation – personal and fatal injury awards. The possible components of **personal injury awards** are:

- an award based on the tariff of injuries (with a maximum of £250,000);
- loss of earnings or earning capacity, beyond the first 28 weeks of loss; and,
- special expenses, provided the incapacity lasts for 28 weeks or more.

For **fatal injury awards**, where applications are made from close relatives of a person who has died following a violent crime, the possible components are:

- a bereavement award of £5,500 for each applicant who qualifies, or £11,000 if there is only one potential applicant;
- compensation for financial loss;
- in the case of a child under 18, compensation for the loss of a parent; and,
- funeral expenses.

At 31 March 2006, the Authority's balance sheet records net liabilities of £1,252 million (2005 £1,257 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Authority's other sources of income, may only be met by future grants or grants-in-aid from the Home Office. This is because, under the normal conventions applying to Home Office control over income and expenditure, such grants may not be paid in advance of need.

Grant-in-aid for 2006-07, taking into account the amounts required to meet the Authority's liabilities falling due that year, has already been included in the Home Office's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Home Office's future sponsorship and future parliamentary approval will not be forthcoming. It has been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

## Employment policies

We have in place employment policies which help staff contribute their best to the success of the organisation. Managers receive regular reports on, for example, individual performance and training. Our annual staff survey gives managers across the organisation information on job satisfaction, performance of senior managers, and training.

The Public and Commercial Services Union negotiates on behalf of staff. The Authority complies with the Health and Safety at Work

etc Act 1974 and all other legislation as appropriate. All staff attended workshops on health and safety issues during the year.

A consultation exercise was carried out with staff to find out the most appropriate way to ensure key information is passed on to everyone in the organisation. It resulted in Team Meetings being introduced. Sessions on bullying in the workplace were rolled out to ensure there was a comprehensive and consistent approach, supported by senior management, to tackling bullying.

## Training and development

Our Training team work with staff, line managers and the Training Liaison Committee to ensure staff are fully equipped to carry out their role within the organisation. We provide support to key stakeholders, such as Victim Support, through workshops and presentations about our organisation.

Induction programmes remain our key priority. Throughout the year we provided other various job-related and personal development training opportunities. For example, we provided dedicated

sessions to familiarise staff with the upgraded computer system.

Our ongoing commitment to staff's personal development has seen the introduction of further career development activities. We also encourage staff to take advantage of learning outside the work place. Specific work areas such as legal, accountancy, audit and communications all benefited from specialised training provided by external providers. Staff can apply for funding towards their own personal studies.

## Information technology

During 2005-06 we continued to develop and upgrade the Authority's IT systems. The main projects were:

### **Upgrading the Oracle caseworking database**

The new product was delivered during November 2005.

### **Government Secure Intranet – Re-accreditation**

We became fully accredited to remain on the GSi network in February 2006.

### **Moving our IT communication link from BT to Cable & Wireless**

We ran a full tender exercise to obtain best value for money for upgrading the telecoms

link between our three offices. Cable & Wireless won the contract. We went live with the new link in March 2006.

### **Secure e-mail with the police**

During February 2006 we began discussions with the Office for Criminal Justice Reform to explore the potential for police forces to return our requests for police information by secure e-mail. This project will continue into 2006-07.

### **Upgrading the Authority's website**

We commenced this project in February 2005 and the website was upgraded in 2006.

# Management commentary

## Objectives

Our key objectives are:

- To resolve more cases than we receive.
- To reach decisions at claims assessment stage in 90 per cent of cases within 12 months of receiving the application.
- To resolve cases as economically as the provisions of the scheme and our efforts to improve customer service will allow.

## Key achievements

- We resolved over 62,000 cases.
- We made 33,792 financial awards, paying out a total of £165.5 million. The average award was £4,898.
- We reduced the number of cases awaiting appeal by 18 per cent and reduced the overall appeal rate to 4.4 per cent

## Volume of applications

We received 63,078 new tariff applications. This was a 4.8 per cent reduction on the total for 2004-05.

## Resolutions

**Table 1: Applications resolved 2005-06**

	2003-04	2004-05	2005-06
Applications resolved	77,487	66,898	62,073

Table 1 shows resolutions for applications made under both the tariff scheme and the pre-1996 scheme. We came very close to meeting our target this year to resolve more cases than we receive (62,073 resolutions and 63,078 applications).

Table 2 shows the number of awards and gross value of awards under each tariff band. The sums set out are those paid for the most serious injury only. Where there are two figures under a particular tariff, this reflects the fact that the tariff was increased in 2001. The first, lower, figure is that under the 1996 scheme; the second, higher, figure is that under the 2001 scheme.



**Table 2: Awards made by tariff level 2005-06**

Level	Tariff sum	Claims Assessment	Review	Appeals	Total	Gross value
1	£1,000	4,844	1,015	333	6,192	£6,192,000
2	£1,250	1,941	216	46	2,203	£2,753,750
3	£1,500	5,599	675	134	6,408	£9,612,000
4	£1,750	546	57	25	628	£1,099,000
5	£2,000	3,077	364	120	3,561	£7,122,000
6	£2,500	1,767	350	163	2,280	£5,700,000
7	£3,000	16	18	26	60	£180,000
7	£3,300	2,481	453	120	3,054	£10,078,200
8	£3,500	6	3	8	17	£59,500
8	£3,800	1,440	201	75	1,716	£6,520,800
9	£4,000	5	8	17	30	£120,000
9	£4,400	1,744	403	177	2,324	£10,225,600
10	£5,000	48	28	46	122	£610,000
10	£5,500	1,305	191	73	1,569	£8,629,500
11	£6,000	4	4	3	11	£66,000
11	£6,600	282	49	21	352	£2,323,200
12	£7,500	70	78	135	283	£2,122,500
12	£8,200	591	217	121	929	£7,617,800
13	£10,000	11	9	18	38	£380,000
13	£11,000	792	136	55	983	£10,813,000
14	£12,500	1	1	2	4	£50,000
14	£13,500	72	44	25	141	£1,903,500
15	£15,000	11	4	15	30	£450,000
15	£16,500	273	42	19	334	£5,511,000
16	£17,500	5	3	3	11	£192,500
16	£19,000	35	9	9	53	£1,007,000
17	£20,000	8	14	27	49	£980,000
17	£22,000	232	43	17	292	£6,424,000
18	£25,000	3	0	0	3	£75,000
18	£27,000	19	5	6	30	£810,000
19	£30,000	1	0	1	2	£60,000
19	£33,000	1	2	2	5	£165,000
20	£40,000	12	4	9	25	£1,000,000
20	£44,000	1	5	4	10	£440,000
21	£50,000	5	6	1	12	£600,000
21	£55,000	3	1	1	5	£275,000
22	£75,000	0	0	0	0	£0
22	£82,000	0	0	0	0	£0
23	£100,000	0	0	0	0	£0
23	£110,000	2	0	1	3	£330,000
24	£175,000	4	2	0	6	£1,050,000
25	£250,000	13	1	3	17	£4,250,000
<b>Total</b>		<b>27,270</b>	<b>4,661</b>	<b>1,861</b>	<b>33,792</b>	<b>£117,797,850</b>

## Rates of review and appeal

As Table 3 shows, our continuing efforts to get first decisions right, and to better communicate our decisions have led to reduced requests for reviews, and fewer appeals.

**Table 3: Tariff scheme review and appeal rates**

	2003-04	2004-05	2005-06
% of claims assessment cases going to review	22.0	21.7	20.6
% of review cases going to appeal	25.3	21.6	21.2
Overall appeal rate	5.6	4.7	4.4

Table 4 below relates to reasons why applications were turned down, rather than numbers of cases. In some applications there was more than one reason for refusal, so the total figure in the table is higher than the total number of refused applications.

## Time taken to reach decisions

While it is vital that we make the right decisions on the applications we receive, we recognise the importance to applicants of minimising the time they have to wait for a fair decision.

Table 5 shows the time taken to reach decisions at claims assessment stage. Delays in reaching a decision can be a result of a number of variables, including the Authority's dependence on third parties to provide requested information.

**Table 4: Disallowed claims 2005-06**

Scheme paragraph	Criterion	Disallowed claims
6	Injury sustained before 1 August 1964	15
7(a)	Previous claim for same injury	397
7(b)	Injury sustained in family setting before October 1979	2
8(a)	Mainly, injury did not result from crime of violence	4,512
9	Application did not meet restrictions in the paragraph	301
11	Motor vehicle cases, mainly, vehicle not used as a weapon with the intention to injure	312
12	Accidental injury sustained in law enforcement: risk not justifiable or not exceptional	84
13(a)	Failure to report without delay to police	1,874
13(b)	Failure to co-operate with police in bringing assailant to justice	5,344
13(c)	Failure to co-operate with the Authority	1,703
13(d)	Conduct before, during or after the incident	3,396
13(e)	Applicant's criminal record/character	4,116
16(a)	Assailant would have benefited from award	73
16(b)	Award would have been against a minor's interests	0
17(a)	Assailant in family violence/abuse claim not prosecuted	4
17(b)	Violence between adults in same family – assailant and victim still living in same household	55
18	Claim not submitted with 2 years of incident	625
25	Injury not serious enough to qualify for minimum award of £1,000	8,033
26	Pre-existing medical condition	621
	<b>Total</b>	<b>31,467</b>

**Table 5: Time taken to reach claims assessment decisions 2005-06**

Period of time from receipt	Number of decisions	%	Cumulative %
Within 2 months	3,206	5.31	5.31
2-4 months	5,063	8.38	13.69
4-6 months	7,718	11.88	25.57
6-8 months	9,196	15.22	40.79
8-10 months	9,680	16.02	56.81
10-12 months	7,402	12.25	69.06
over 12 months	18,696	30.94	100.00
<b>Total</b>	<b>60,421</b>	<b>100.00</b>	

### Outstanding appeals

As Table 6 shows, we continued to reduce the number of outstanding appeals.

**Table 6: Outstanding appeals at 31 March 2006**

	2003-04	2004-05	2005-06
Awaiting appeal	5,174	4,391	3,601

### Outstanding applications

**Table 7: Outstanding applications at 31 March 2006**

	2003-04	2004-05	2005-06
Awaiting a first decision	56,142	59,188	60,739
Awaiting a reviewed decision	9,097	8,708	8,969
Awaiting applicant's response to a first or reviewed decision	14,577	12,294	12,380
Awaiting appeal	5,174	4,391	3,601
<b>Total</b>	<b>84,990</b>	<b>84,581</b>	<b>85,689</b>

There were 85,689 applications outstanding at 31 March 2006.

In summary, we resolved very nearly as many cases as we received, while continuing to make improvements across the

organisation – reducing the number of outstanding appeals, and reducing review and appeal rates.

### Income and expenditure account – profit for the year

During 2005-06 the Income and expenditure account recorded a movement from a deficit to a surplus for the year. This change is due to the reduction in the movement of the tariff schemes provision offset by a slight increase in the movement for the pre-tariff scheme's provision. Note 11 in the Notes to the Accounts records the details for the provisions.

### Creditor payment policy and performance

The Authority follows the Better Payment Practice Code, and undertakes to pay all invoices within 28 days of receipt or within stated credit terms. A sample review of invoices paid during 2005-06 showed that more than 97 per cent (97 per cent in 2004-05) of those reviewed were paid within 28 days. We are determined to improve on this performance – indeed, to meet the 100 per cent target. Formal procedures were in place to investigate any payments not made within 28 days or the stated credit terms where a supplier has issued a reminder to pay. The Authority was not required to pay any interest relating to late payment under the terms of the Late Payment of Commercial Debts (Interest) Act 1998.

## **Business focus for the future**

We accept that improvements can be made to the service CICA provides applicants and other customers. There are two areas of the business we want to improve. Firstly, we will begin a project to look at ways in which we might improve the speed and quality of our casework processes. Our aim is to be considered a role model for similar caseworking organisations, in both the public and private sectors. Of course, we need to retain our focus on getting decisions right, but

## **Remuneration report**

All permanent members of staff are currently on assignment to the Authority and remain employees of their parent organisations, either the Home Office or the Scottish Executive.

### **Remuneration policy**

Remuneration packages fall under the schemes operated by the parent organisations and follow Government policy guidelines for public sector pay.

### **Pensions**

All permanent members of staff are eligible for membership of the Civil Service Pension Scheme, and ordinary members are eligible for the Principal Civil Service Pension Scheme (PCSPS). The parent organisations are responsible for paying their remuneration and making contributions to their pension schemes. They make appropriate charges to the Authority, but as the Authority is not responsible for their pensions, no details of their pension entitlements are given in these accounts.

The PCSPS is an unfunded multi-employer defined benefit scheme, but the Home Office and the Scottish Executive are unable to identify their share of its underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. 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)).

we also have a responsibility to ensure our processes are as lean and quick as they can be. Secondly, we want to ensure we deliver an excellent service to all our applicants, their representatives, and other stakeholders, and will undertake a project, obtaining views as to the service we provide and the ways in which it might be improved. So, we will be beginning two major reviews in 2006-07 to ensure our caseworking processes are as efficient as they can be, and to ensure that we give as good a service as possible to all those who come into contact with us.

For 2005-06, employer's contributions of £1,486k (2004-05, £1,068k) were payable to the PCSPS at one of four rates in the range 16.2 to 24.6 per cent (2004-05, 12 to 18.5 per cent) of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. 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 the civil service after 1 October 2002 could opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. No staff members working for the Authority had taken this option during the financial year 2005-06 and therefore no contributions were made.

### **Senior staff disclosures**

The Chief Executive fulfils the role of Accounting Officer of the Authority. The emoluments disclosed represent the total amount paid, as do the emoluments of the Senior Solicitor and the Deputy Chief Executive.

### **Salary**

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances;

recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

### Benefits in kind

No senior staff have received any benefits in kind.

### Cash Equivalent Transfer Values (CETV)

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 2004-05 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS arrangements and for which the PCSPS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed.

They also include any additional pension benefits 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 guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in CETV reflects the increase 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 period.

### Remunerations and pensions for senior staff

		2005-06						
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Age	Salary and pension	Real increase in pension and related lump sum at age 60	Total accrued pension and related lump sum at age 60 at 31 March 2006	CETV at 31 March 2006	CETV at 31 March 2005	Real increase in CETV	Employer contribution to partnership pension account
H. Webber Chief Executive	51	70-75	Pension 0.0-2.5 Lump sum 0.0-2.5	Pension 30-35 Lump sum 0.0-2.5	491	366	26	0
A. Johnstone Senior Solicitor	46	60-65	Pension 0.0-2.5 Lump sum 2.5-5.0	Pension 10-15 Lump sum 35-40	212	148	15	0
E. McKeown Deputy Chief Executive	52	55-60	Pension 0.0-2.5 Lump sum 0.0-2.5	Pension 20-25 Lump sum 60-65	432	333	12	0

### Joanne Drear

Chief Executive and Accounting Officer  
Criminal Injuries Compensation Authority  
19 December 2006

## Statement of Accounting Officer's responsibilities

Under Section 6(3) of the Criminal Injuries Compensation Act 1995 and paragraph 4 of the Criminal Injuries Compensation Scheme, the Secretary of State (with the consent of the Treasury) has directed the Criminal Injuries Compensation Authority to prepare for each financial year a statement of accounts 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 state of affairs of the Authority and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Treasury's Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State (with the consent of 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 as set out in the Treasury's Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Home Office has appointed the Chief Executive as Accounting Officer of the Criminal Injuries Compensation Authority. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Criminal Injuries Compensation Authority's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

# Statement on internal control

## Scope of responsibility

As Accounting Officer I am responsible for ensuring that the Authority operates and maintains a system of internal control which supports the achievement of its policies, aims and objectives, as agreed with the Home Office and Scottish Executive, and which safeguards the public funds and assets for which I am responsible personally in accordance with the responsibilities assigned to me in Government Accounting.

There are two key mechanisms for managing risk and relations between the Authority and the sponsor Departments. These include an inter-departmental committee and a project board. Through these mechanisms risks are identified and managed and conveyed to the Home Office Executive Board and its Ministers. In addition, the Audit Committee and the Home Office Internal Audit play a role in managing risk.

## 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 designed to identify and prioritise the risks to the achievement of the Authority's 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 Authority for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

Although a Non Departmental Public Body, the Authority does not have a Board or non-executive Chair. Its structure is, rather, akin to that of a departmental agency, headed by the Chief Executive and Management Team. The responsibility for managing risk within the Authority rests with Chief Executive who, with the Management Team, reviews the key risks to the Authority regularly and considers whether any new risks are emerging. The Chief Executive is also advised by the Authority's Audit Committee, which oversees the organisation's management of risk.

Through an extensive process of consultation with staff and consideration by the management team an organisation-wide risk register has been produced in which the main risks are rated according to their likelihood and their impact on our ability to achieve our aims and objectives. The register also specifies the arrangements for managing and monitoring each risk and the managers who are responsible.

## The risk and control framework

The Authority's approach to managing risk is based on a framework of regular management information, administrative procedures including the segregation of duties, a system of delegation and accountability, and procedural guidance and benchmarking. In particular, it includes:

- maintaining core guidance documentation for all staff and standardising procedures in best practice guidance specific to each casework stage;
- regular reviews of casework policy and procedure by internal policy and standardisation committees;
- providing a high level of job specific training and coaching, which is reviewed by the Training Liaison Committee;

- setting budgets and targets, separating duties and specifying authority levels;
- reviews at formal meetings of the Management Team (generally 10 every year) of performance against plan and budget and of financial, operational, staffing and training risks, using where possible quantitative indicators;
- developing and integrating casework support and finance IT systems which incorporate controls and can produce exception and other reports for monitoring risk;
- close involvement of internal customers in the development of IT systems and thorough pre-release testing;
- regular meetings of the Authority's independent Audit Committee;
- regular formal meetings with the Authority's Home Office and Scottish Executive sponsors;
- as appropriate, formal project management disciplines;
- standard compliance test checks and a programme of special risk-based investigations by our Security and Quality Assurance section; and
- risk-based reviews by the Home Office Audit and Assurance Unit.

### **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 Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system on internal control by the Audit

Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### *Audit Committee*

The Audit Committee oversees the strategic process for risk management, internal control and corporate governance and finance. The Audit Committee consists of three independent members. The Chief Executive, Deputy Chief Executive, Head of Finance, Manager of the Security and Quality Assurance section, National Audit Office and Internal Auditors attend by invitation.

### *Internal Audit*

The Home Office Audit and Assurance Unit, which operate to Government standards, provides the Authority's internal audit service. They submit regular reports and, at least annually, provide an independent opinion on the adequacy and effectiveness of the Authority's system of internal control together with recommendations for improvement. The Chief Executive also receives reports by our Security and Quality Assurance Section about the results of their programme of compliance visits and about particular risks which they have been asked to investigate.

### *Security and Quality Assurance section*

The Security and Quality Assurance section undertakes standard compliance testing reviews and a programme of special risk-based investigations.

### **Joanne Drean**

Chief Executive and Accounting Officer  
Criminal Injuries Compensation Authority  
19 December 2006



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

I certify that I have audited the financial statements of the Criminal Injuries Compensation Authority on pages 15 to 32 for the year ended 31 March 2006 under Section 6(3) of the Criminal Injuries Compensation Act 1995. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Authority, Chief Executive and Auditor

As described on page 10, the Authority and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Criminal Injuries Compensation Authority and the Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Authority's and Accounting Officer'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 give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Criminal Injuries Compensation Act 1995 and the Treasury directions made thereunder. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 11 and 12 reflects the Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report, which includes the unaudited part of the Remuneration Report and the Management Commentary, and consider whether it is consistent with the audited financial statements. I consider the implications for my report 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 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 and the part of the Remuneration Report to be audited. It also

includes an assessment of the significant estimates and judgments made by the Authority and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Authority'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 and the part of the Remuneration Report to be audited 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 and the part of the Remuneration Report to be audited.

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with Criminal Injuries Compensation Act 1995 and directions made thereunder by the Treasury, of the state of the Authority's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Section 6(3) of the Criminal Injuries Compensation Act 1995 and the Treasury directions made thereunder; 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  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
24 January 2007

# Accounts

## Income and expenditure account for the year ended 31 March 2006

	Notes	2005-06		2004-05	
		£'000	£'000	£'000	£'000
Grant in Aid	2		213,840		204,114
Tariff and pre-tariff compensation charges					
Tariff schemes	11	163,514		229,084	
Pre-tariff schemes	11	<u>24,717</u>		<u>2,507</u>	
			188,231		231,591
Staff costs	4	11,689		10,474	
Administration costs	5	9,817		8,548	
Dilapidations on leases	11	<u>65</u>		<u>50</u>	
			21,571		19,072
Total operating expenditure			<u>209,802</u>		<u>250,663</u>
Operating surplus/(deficit)			4,038		(46,549)
Other income	3	1,645		1,458	
Notional cost of capital	1.6	43,898		43,176	
Amount repaid to consolidated fund		<u>(967)</u>		<u>(1,090)</u>	
			<u>44,576</u>		<u>43,544</u>
Retained surplus/(deficit) before transfers from reserves and reversal of notional cost of capital			48,614		(3,005)
Transfers from reserves	13	574		846	
Notional cost of capital reversal	1.6	<u>(43,898)</u>		<u>(43,176)</u>	
			<u>(43,324)</u>		<u>(42,330)</u>
Retained surplus/(deficit) for the financial year after transfers from reserves and reversal of notional cost of capital	12		<u>5,290</u>		<u>(45,335)</u>

All income and expenditure is derived from continuing operations

The notes on pages 19 to 32 form part of these accounts.

**Statement of total recognised gains and losses for the year ended  
31 March 2006**

	Notes	2005-06		2004-05	
		£'000	£'000	£'000	£'000
Retained surplus/(deficit) for the financial year after transfers from reserves and reversal of notional cost of capital	12	5,290		(45,335)	
Loss on revaluation of fixed assets	13	<u>(52)</u>		<u>(241)</u>	
			5,238		(45,576)
Grant-in-aid used for capital expenditure	2	160		110	
Transfers from government grant reserve	13	<u>(574)</u>		<u>(846)</u>	
			<u>(414)</u>		<u>(736)</u>
Total recognised gains/(losses) for the year	13		<u>4,824</u>		<u>(46,312)</u>

The notes on pages 19 to 32 form part of these accounts.

**Balance sheet as at 31 March 2006**

	Notes	2005-06		2004-05	
		£'000	£'000	£'000	£'000
<b>Fixed assets:</b>					
Intangible assets	6	46		185	
Tangible assets	6	<u>925</u>		<u>1,200</u>	
			971		1,385
<b>Current assets:</b>					
Debtors	7	1,410		1,219	
Prepayments	8	1,090		456	
Cash at bank and in hand	14	<u>11,371</u>		<u>3,720</u>	
		13,871		5,395	
Creditors (amounts falling due within one year)	9	<u>(2,693)</u>		<u>(5,459)</u>	
<b>Net current assets/(liabilities)</b>			<u>11,178</u>		<u>(64)</u>
<b>Total assets less current liabilities</b>			12,149		1,321
Creditors (amounts falling due after more than one year)	10		(2,808)		(1,177)
<b>Provisions for liabilities and charges</b>					
Pre-tariff schemes	11	(198,590)		(192,207)	
Tariff schemes	11	(1,061,066)		(1,063,141)	
Lease dilapidation	11	<u>(1,365)</u>		<u>(1,300)</u>	
			(1,261,021)		(1,256,648)
<b>Net liabilities</b>			<u>(1,251,680)</u>		<u>(1,256,504)</u>
<b>Government funds</b>					
Income and expenditure reserve	12	(1,252,337)		(1,257,627)	
Other reserves	13		<u>657</u>		<u>1,123</u>
			<u>(1,251,680)</u>		<u>(1,256,504)</u>

**Joanne Drear**

Chief Executive and Accounting Officer  
19 December 2006

The notes on pages 19 to 32 form part of these accounts.

**Cashflow statement for the year ended 31 March 2006**

	Notes	2005-06		2004-05	
		£'000	£'000	£'000	£'000
Operating activities					
Net cash inflow from operating activities	15		6,973		365
Other non-operating income					
Other income excluding interest received		1,601		1,425	
Amount repaid to consolidated funds		(967)		(1,090)	
			634		335
Returns on investments and servicing of finance					
Interest received			44		33
Capital expenditure and financial investment					
Payment to acquire tangible fixed assets			(160)		(109)
Net cash inflow			7,491		624
Financing					
Grant-in-aid for capital expenditure	2		160		110
Increase in cash	14		7,651		734
<i>Analysis of changes in net cash</i>					
		At 1		Other	At 31
		April	Cashflows	changes	March
		2005	£'000	£'000	2006
		£'000	£'000	£'000	£'000
Cash in hand, at bank		3,720	7,651	–	11,371

The notes on pages 19 to 32 form part of these accounts.

# Notes to the Accounts

## Note 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Authority for the purpose of giving a true and fair view has been selected. The Authority's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

The statement of accounts set out on pages 15 to 18 together with the notes on pages 19 to 32 have been prepared on an accruals basis in accordance with the Accounts Direction given by the Secretary of State for the Home Office, with approval of HM Treasury, in accordance with the Criminal Injuries Compensation Schemes 1996 and 2001.

At 31 March 2006, the Criminal Injuries Compensation Authority balance sheet records net liabilities of £1,252 million (2005 £1,257 million). This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the Authority's other sources of income, may only be met by future grants or grants-in-aid from the Home Office. This is because, under the normal conventions applying to Home Office control over income and expenditure, such grants may not be paid in advance of need.

Grant-in-aid for 2006-07, taking into account the amounts required to meet the Authority's liabilities falling due that year, has already been included in the Home Office's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Home Office's future sponsorship and future parliamentary approval will not be forthcoming. It has been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

### 1.2 Administration and programme expenditure

The Income and expenditure account is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out in financial memorandum issued to the Authority by the Secretary of State for the Home Office.

### 1.3 Grant-in-aid

Grant-in-aid received for revenue expenditure is credited to income in the year to which it relates. Grant-in-aid used for capital purchases is credited to a government grant reserve. Each year, an amount equal to the depreciation charge on the fixed assets acquired through grant-in-aid, and any deficit on their revaluation in excess of the balance on the revaluation reserve, will be released from the government grant reserve to the income and expenditure account.

The notes on pages 19 to 32 form part of these accounts.

## 1.4 Fixed assets

### *Tangible assets*

Assets are capitalised as fixed assets if they are intended for use on a continuous basis and their original purchase cost, on an individual basis, is £500 or more, or, on a grouped basis is £25,000 or more. Fixed assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics, from the month of acquisition. All refurbishment costs are valued on an historic cost basis. The residual value of all assets and the depreciation method applied to them are reviewed at the end of each financial year.

Any surplus on revaluation is credited to the revaluation reserve. A deficit on revaluation is debited to the income and expenditure account if the deficit exceeds the balance on the revaluation reserve.

The Authority has received no donated assets in the current financial year.

### *Intangible assets*

Purchased computer software licences are capitalised as intangible assets where expenditure of £500 or more is incurred. Intangible assets are valued at current replacement cost by using the Price Index Numbers for Current Cost Accounting published by the Office for National Statistics, from the month of acquisition.

## 1.5 Depreciation

Depreciation is provided on all fixed assets on a straight line basis to write off the cost or valuation evenly over the asset's anticipated life as follows.

Refurbishment costs	Over the remaining term of the lease
Furniture and office equipment	Ten years
Computer equipment	Three to five years
Software licences	Three years

Software and systems development expenditure on IT systems is written off in the period in which it is incurred.

## 1.6 Capital charge

A charge, reflecting the cost of capital utilised by the Authority, is included in the operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for:

- a) Tangible and intangible assets where the cost of capital charge is based on opening values adjusted pro-rata for in-year plus or minus:
  - additions at cost;
  - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal);

The notes on pages 19 to 32 form part of these accounts.



Note 1.6 Capital charge continued.

- impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure);
- depreciation of tangible and amortisation of intangible assets.

b) Donated assets, where the charge is nil.

## **1.7 Income from court awards**

Apart from those relating to applications made before 1 April 1996, which are retained by the Authority, all recoveries from assailants through civil actions and the criminal courts are paid into the consolidated funds via the Home Office and Scottish Executive.

## **1.8 Accounting for retirement benefits**

Under FRS17 the Authority is required to provide for the full long-term pension liabilities of any qualifying staff not covered under the Principal Civil Service Pension Scheme (PCSPS) arrangements. All staff working for the Authority were however covered under the PCSPS arrangements and therefore no liability for long-term pension liabilities is charged to these accounts.

## **1.9 Operating leases**

Rentals paid on operating leases for buildings are charged to expenditure as incurred.

## **1.10 Provisions**

The Authority provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. These obligations consist of provisions for the pre-tariff and tariff schemes and for dilapidations for the building leases.

### *a) Pre-tariff schemes*

The pre-tariff schemes' provision reflects the estimate of all pre-tariff schemes cases at the balance sheet date. It is compiled following an annual case-by-case assessment by lawyers employed by the Authority to arrive at the liability, which is then subject to a sampling review by members of the independent Criminal Injuries Compensation Appeals Panel. All interim payments already made are then deducted to arrive at the net liability.

A provision was first set aside in the 2001-02 accounts on the basis of an assessment of all cases remaining to be settled under the pre-tariff schemes. For the cases remaining, including cases with expected long-term settlement dates, the Authority's management consider that the provision at year end is adequate.

### *b) Tariff schemes*

The Authority's accounting policy recognises as liabilities not only the likely total net value of all applications that are currently under consideration, but also the value of applications that we are likely to receive in the future from incidents which occurred before the year end.

The estimates for these have been obtained with specialist actuarial advice.

The notes on pages 19 to 32 form part of these accounts.

Note 1.10 Provisions continued.

The actuarial projection methodology, used to estimate the provision for the tariff schemes, involved an examination of the historical claims data together with information on issues that may affect future claim developments. From this work, claim patterns were derived that might apply in the future. Analysis based on these patterns was then used to project the likely ultimate value of applications already received and of those yet to be received in respect of incidents that have already occurred. All interim payments already made are then deducted to arrive at the net liability.

c) *Dilapidations*

Provisions for dilapidations are recognised in the year in which the Authority recognises it has a future obligation to transfer economic benefits based on a past event.

### 1.11 Value Added Tax

The Authority is not eligible to register for VAT and all costs are shown inclusive of irrecoverable VAT.

### 1.12 Third party assets

The retention of compensation awards to certain minors is provided for under paragraph 3 of the scheme. The purpose of this action is to ensure that the victim will be the sole beneficiary of the sum of the award including accrued interest when they reach their majority (18 years of age). Where appropriate, interim payments are made on an 'as needs' basis.

## Note 2 INCOME – GRANT-IN-AID

	2005-06	2004-05
Notes	£'000	£'000
HMG grants received		
Compensation payments – grant received from Home Office	194,000	183,114
Administration – grant-in-aid from Home Office for revenue expenditure	19,840	21,000
	<u>213,840</u>	<u>204,114</u>
Administration – grant-in-aid from Home Office used for capital purchases	160	110
	<u>214,000</u>	<u>204,224</u>
The HMG grant received included a contribution by the Scottish Executive as follows:		
Compensation	18,221	20,143
Administration	2,367	1,121
	<u>20,588</u>	<u>21,264</u>

The notes on pages 19 to 32 form part of these accounts.

**Note 3 INCOME – OTHER INCOME**

	<b>2005-06</b>	<b>2004-05</b>
	<b>£'000</b>	<b>£'000</b>
Civil actions – retainable	131	130
Civil actions – non-retainable	797	627
Court compensation orders – non-retainable	455	539
Bank interest	44	33
Other administrative income	218	129
	<u>1,645</u>	<u>1,458</u>

**Note 4 EMPLOYMENT COSTS**

The Authority is staffed by employees on assignment from either the Scottish Executive or the Home Office.

**a) Staff costs**

	<b>2005-06</b>	<b>2004-05</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and emoluments	8,310	8,560
Social security costs	633	559
Other pension costs	1,486	1,068
Agency staff	491	245
Overtime payments	769	42
	<u>11,689</u>	<u>10,474</u>

**b) Staff numbers**

The average number of whole time equivalent persons employed (including senior management) during the year was as follows:

	<b>2005-06</b>	<b>2004-05</b>
Casework	350	368
Administration	77	87
Agency	25	14
	<u>452</u>	<u>469</u>
	<b>2005-06</b>	<b>2004-05</b>
Scottish Executive	307	326
Home Office	120	129
Agency	25	14
	<u>452</u>	<u>469</u>

The notes on pages 19 to 32 form part of these accounts.

**Note 5 ADMINISTRATION COSTS**

	<b>2005-06</b>	<b>2004-05</b>
	<b>£'000</b>	<b>£'000</b>
Accommodation costs	3,874	3,363
Audit fees – external	68	88
Audit fees – internal	18	23
Furniture and fittings	38	131
Information and publications	43	42
IT development and maintenance	659	592
Medical/dental fees	2,620	2,029
Miscellaneous fees	497	353
Postage and telephone	609	590
Stationery	240	181
Training	146	83
Travel and subsistence – staff	194	171
Travel and subsistence – witnesses	4	7
Ex-gratia payments	70	54
Depreciation	521	600
Loss on disposal of fixed assets	0	5
Bad debts written-off	93	70
Increase in provision for bad debt	123	166
Total administration costs	<u>9,817</u>	<u>8,548</u>

**Note 6 FIXED ASSETS****Intangible assets**

	<b>Software</b>	
	<b>licences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<i>Cost</i>		
at 1 April 2005	493	493
Additions	17	17
Revaluations	(27)	(27)
<b>At 31 March 2006</b>	<u>483</u>	<u>483</u>
<i>Depreciation</i>		
at 1 April 2005	(308)	(308)
Charged in year	(150)	(150)
Revaluations	21	21
<b>At 31 March 2006</b>	<u>(437)</u>	<u>(437)</u>
Net book value at 31 March 2006	<u>46</u>	<u>46</u>
Net book value at 31 March 2005	<u>185</u>	<u>185</u>

The notes on pages 19 to 32 form part of these accounts.

Note 6 Fixed assets continued.

**Tangible assets**

	Land & buildings £'000	IT £'000	Furniture & fittings £'000	Total £'000
<i>Cost</i>				
at 1 April 2005	478	1,694	334	2,506
Additions	–	109	34	143
Disposals	–	(1)	–	(1)
Revaluations	–	(94)	(7)	(101)
<b>At 31 March 2006</b>	<u>478</u>	<u>1,708</u>	<u>361</u>	<u>2,547</u>
<i>Depreciation</i>				
at 1 April 2005	(364)	(766)	(176)	(1,306)
Charged in year	(34)	(308)	(30)	(372)
Disposals	–	1	–	1
Revaluations	–	51	4	55
<b>At 31 March 2006</b>	<u>(398)</u>	<u>(1,022)</u>	<u>(202)</u>	<u>(1,622)</u>
Net book value at 31 March 2006	<u>80</u>	<u>686</u>	<u>159</u>	<u>925</u>
Net book value at 31 March 2005	<u>114</u>	<u>928</u>	<u>158</u>	<u>1,200</u>
<b>Total assets</b>				
Net book value at 31 March 2006				<u>971</u>
Net book value at 31 March 2005				<u>1,385</u>

**Note 7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 March 2006 £'000	31 March 2005 £'000
Trade debtors	353	261
Court compensation	892	874
Civil claims	521	261
Other debtors	138	194
	<u>1,904</u>	<u>1,590</u>
Provision for bad debts	(494)	(371)
	<u>1,410</u>	<u>1,219</u>
<i>Provision for bad debts</i>		
Opening balance	371	205
Increase in provision	123	166
Closing balance	<u>494</u>	<u>371</u>

The notes on pages 19 to 32 form part of these accounts.

**Note 8 PREPAYMENTS**

	<b>31 March 2006 £'000</b>	<b>31 March 2005 £'000</b>
Accommodation	966	339
IT maintenance	104	59
Other	20	58
	<u>1,090</u>	<u>456</u>

**Note 9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 March 2006 £'000</b>	<b>31 March 2005 £'000</b>
Trade creditors	90	162
Consolidated fund creditors	57	36
Other creditors	442	39
Other creditors – pre-tariff schemes	0	1,641
Other creditors – tariff schemes	934	2,859
Accruals	1,170	722
	<u>2,693</u>	<u>5,459</u>

**Note 10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

Awards are on occasion held in holding accounts in the name of the applicant prior to appropriate guardianship being determined.

	<b>Number of accounts</b>	<b>£'000</b>	<b>2005-06 £'000</b>	<b>Number of accounts</b>	<b>£'000</b>	<b>2004-05 £'000</b>
<i>Holding accounts</i>						
Opening balance	21		1,177	35		1,579
Deposits in year	7	2,417		10	2,277	
Additional deposits to existing accounts		19			–	
Interest received		<u>82</u>			<u>54</u>	
			2,518			2,331
Closures	9	794		24	1,539	
Withdrawals		72			1,128	
Repaid to CICA	1	4			26	
Interest paid to victims		<u>17</u>			<u>40</u>	
			(887)			(2,733)
Closing balance	<u>18</u>		<u>2,808</u>	<u>21</u>		<u>1,177</u>

The notes on pages 19 to 32 form part of these accounts.

**Note 11 PROVISIONS FOR LIABILITIES AND CHARGES**

	Pre-tariff schemes £'000	Tariff schemes £'000	Lease dilapidation £'000	Total £'000
Balance at 1 April 2005	192,207	1,063,141	1,300	1,256,648
Arising during the year	28,943	163,514	65	192,522
Reversed unutilised during the year	(4,226)	–	–	(4,226)
Utilised during the year	(18,334)	(165,589)	–	(183,923)
Balance at 31 March 2006	<u>198,590</u>	<u>1,061,066</u>	<u>1,365</u>	<u>1,261,021</u>

*Geographical split for pre-tariff and tariff schemes utilised during the year.*

	2005-06 £'000	2004-05 £'000
Awards relating to victims of crimes of violence occurring in:		
England and Wales	162,391	164,329
Scotland	21,532	21,840
	<u>183,923</u>	<u>186,169</u>

The pre-tariff schemes' provision reflects the Authority's liabilities in respect of all outstanding cases which remain to be settled from the schemes which existed prior to 1996. In accordance with the Authority's accounting policies, the provision is reviewed annually and reflects the likely settlement values at the year end based on the circumstances of each application at that time. Many of the cases are complex and will take some years before the final assessment of compensation can be made. The Authority does not hold any assets in respect of these liabilities; compensation will be paid from grant-in-aid made available by the Home Office.

The tariff schemes' provision reflects the Authority's liabilities under the 1996 and 2001 tariff schemes, in respect of applications received, or likely to be received, from incidents which occurred before the year end. In accordance with the Authority's accounting policies, the provision has been derived from historical claims data, together with information on issues that may affect future claim developments. More than two thirds of applications are assessed and, for qualifying applications, an offer is made within one year of receiving the application. The Authority does not hold any assets in respect of these liabilities; compensation will be paid from grant-in-aid made available by the Home Office.

A long-term liability of £1.3 million has been established in the accounts for dilapidation commitments on all leases. This is based on a prudent estimate provided by the appropriate Home Office department.

The notes on pages 19 to 32 form part of these accounts.

**Note 12 INCOME AND EXPENDITURE RESERVE**

	<b>2005-06</b>	<b>2004-05</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	(1,257,627)	(1,212,292)
Retained surplus/(deficit) for the year	5,290	(45,335)
Closing balance	<u>(1,252,337)</u>	<u>(1,257,627)</u>

**Note 13 RESERVES AND MOVEMENT IN GOVERNMENT FUNDS**

	<b>2005-06</b>	<b>2004-05</b>
<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<i>Government grant reserve</i>		
Opening balance	665	1,401
Grant used for capital purchases	2 160	110
Loss on revaluation of fixed assets transferred to the revaluation reserve	(52)	(241)
Depreciation transferred to the income and expenditure reserve	(522)	(600)
Net book value of disposals of fixed assets transferred to the income and expenditure reserve	0	(5)
Closing balance	<u>251</u>	<u>665</u>
<i>Revaluation reserve</i>		
Opening balance	458	699
(Loss)/gain on revalued assets	(3)	5
Loss on revalued assets	(49)	(246)
Closing balance	<u>406</u>	<u>458</u>
<b>Total reserves</b>	<u><u>657</u></u>	<u><u>1,123</u></u>
<i>Transferred to income and expenditure reserve</i>		
Loss on revaluation of fixed assets	52	241
Loss on disposal of fixed assets	0	5
Depreciation transferred from government grant reserve	522	600
	<u>574</u>	<u>846</u>
<i>Movement in government funds</i>		
Opening balance	1,123	2,100
Closing balance	<u>657</u>	<u>1,123</u>
Decrease in reserves	(466)	(977)
Retained surplus/(deficit)	12 5,290	(45,335)
Increase in government funds	<u><u>4,824</u></u>	<u><u>(46,312)</u></u>

The notes on pages 19 to 32 form part of these accounts.



**Note 14 ANALYSIS OF CHANGES IN CASH**

	Notes	2005-06 £'000	2004-05 £'000
Opening balance at Paymaster General Account		1,602	352
Increase in cash		<u>6,074</u>	<u>1,250</u>
Closing balance at Paymaster General Account		<u>7,676</u>	<u>1,602</u>
Opening balance at all other bank accounts and cash		941	1,055
(Decrease) in cash		<u>(54)</u>	<u>(114)</u>
Closing balance at all other bank accounts and cash		<u>887</u>	<u>941</u>
Awards held on deposit in holding accounts	10	1,177	1,579
Increase/(decrease) in cash	10	<u>1,631</u>	<u>(402)</u>
Closing balance	10	<u>2,808</u>	<u>1,177</u>
Total cash balance		<u>11,371</u>	<u>3,720</u>
Total increase in cash		<u>7,651</u>	<u>734</u>

**Note 15 RECONCILIATION OF THE OPERATING SURPLUS TO THE NET CASH INFLOW FROM OPERATING ACTIVITIES**

	Notes	2005-06 £'000	2004-05 £'000
Operating surplus/(deficit)		4,038	(46,549)
Loss on disposal of fixed assets	13	0	5
Increase in provision for doubtful debts	7	123	166
Depreciation	6	522	600
(Increase) in debtors	7	(314)	(149)
(Increase)/decrease in prepayments	8	(634)	465
(Decrease)/increase in creditors	9	(2,766)	757
Increase/(decrease) in awards held on deposit holding accounts	10	1,631	(402)
Increase/(decrease) in pre-tariff schemes provision	11	6,383	(16,717)
(Decrease)/increase in tariff schemes provision	11	(2,075)	62,139
Increase in dilapidations provision	11	<u>65</u>	<u>50</u>
Net cash inflow from operating activities		<u>6,973</u>	<u>365</u>

The notes on pages 19 to 32 form part of these accounts.

**Note 16 THIRD PARTY ASSETS**

The retention of compensation awards to certain minors is provided for under paragraph 3 of the scheme. The purpose of this action is to ensure that the victim will be the sole beneficiary of the sum of the award including accrued interest when they reach their majority (18 years of age). Where appropriate, interim payments are made on an 'as needs' basis.

The investment policy applied to these investments is to deposit the awards in low risk commercial bank accounts. The average rate of interest applied to the investments during the financial year was 4.28 per cent.

	Number of accounts	£'000	2005-06 £'000	Number of accounts	£'000	2004-05 £'000
<i>Retained awards</i>						
Opening balance	2,411		25,022	2,682		26,764
Deposits in year	229	3,713		254	4,571	
Additional deposits to existing accounts		135			51	
Interest received		965			968	
			4,813			5,590
Closures	520	5,593		525	6,279	
Withdrawals		422			937	
Repaid to CICA	5	55			41	
Interest paid to victims		97			75	
			(6,167)			(7,332)
Closing balance	<u>2,115</u>		<u>23,668</u>	<u>2,411</u>		<u>25,022</u>

**Note 17 CAPITAL COMMITMENTS**

At 31 March 2006 the Authority had no outstanding capital commitments.

**Note 18 COMMITMENTS UNDER OPERATING LEASES**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06 £'000	2004-05 £'000
Operating leases which expire:		
Within one year	—	—
Between two and five years	1,099	1,099
After five years	1,125	1,125
	<u>2,224</u>	<u>2,224</u>

The Authority's staff are employed on three sites, the main ones in Glasgow and London, with a further file storage facility on a separate site in Scotland. The leases on these properties end in the financial years 2014, 2007 and 2011 respectively for each site.

The notes on pages 19 to 32 form part of these accounts.

## **Note 19 CONTINGENT LIABILITIES**

On occasion compensation cases, generally at appeal stage under the jurisdiction of the Criminal Injuries Compensation Appeals Panel, go to judicial review. Others may do so in the future. These could have an impact on the Authority's future liabilities.

The schemes allow for settled cases to be reopened in certain qualifying circumstances and no provision has been made for these cases.

Similarly, on occasion judgments under the Human Rights Act may have an impact on the Authority's award decisions. All such cases are and will be closely monitored. Because of the uncertainty of the outcome of such cases, the Authority is unable to quantify their effects, and no provision has been made for them.

## **Note 20 POST BALANCE SHEET EVENTS**

In July 2006, the Authority in conjunction with the Home Office agreed to close the London Office and relocate all activities to Glasgow. This project will cover two financial years 2006-07 and 2007-08 and will involve refurbishment of the Glasgow office to accommodate the additional staff to deal with work transferring from London.

In September 2006, Joanne Drean was appointed as the Chief Executive and Accounting Officer of the Authority.

## **Note 21 RELATED PARTY TRANSACTIONS**

The Home Office and Scottish Executive are related parties to the Authority for their provision of staff on assignment to the Authority.

During the year ending 31 March 2006, related party transactions were entered into with the Criminal Injuries Compensation Appeals Panel for information technology support services and for the cost of judicial reviews. The Authority re-imbursed a total of £98,464 relating to judicial review expenses incurred by the Criminal Injuries Compensation Appeals Panel including £29,767 accrued at 31 March 2006. The Authority received a total of £33,411 for information technology support services to the Panel. We also accrued income of £16,113 for use of our storage facilities.

## **Note 22 LOSSES AND SPECIAL PAYMENTS**

Losses and special payments up to £1,000 are authorised by the Accounting Officer while above this level they are referred to and authorised by the Authority's sponsors, the Home Office. Most cases related either to compensation for lost documents or to bad debts relating to repayments due from applicants in receipt of court compensation payments. Write-offs in 2005-06 totalled £93,413.

The notes on pages 19 to 32 form part of these accounts.

## **Note 23 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS**

FRS13, 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 non-trading nature of its activities and the way non-departmental public bodies are financed, the Authority is not exposed to the degree of financial risk faced by some business entities. Moreover, financial instruments play a more limited role in creating risk than would be the case with a typical listed company to which FRS13 mainly applies.

The Authority has no borrowings and relies on funding of its cash requirements on a resource budgeting basis from the Home Office. It is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk. The fair value of cash is the same as the book value. As permitted by FRS13, debtors and creditors which mature or become payable within 12 months from the balance sheet date are excluded from this note.

The Authority does hold material cash balances on deposit. Allocated holding accounts are included in the cash balance on the balance sheet, while funds retained in the applicant's name are excluded from the Authority's cash balance and are disclosed by way of a note. Details of all of these funds are set out in note 16 to these accounts. The objective of opening these individual deposit accounts is to accrue cumulative interest in line with average interest rates each year over the period in which the funds are retained. The investment policy applied to these investments is to deposit the awards in low risk commercial bank accounts. No administration fee is charged to the applicant. The average rate of interest applied to the investments during the financial year 2005-06 was 4.28 per cent.

The notes on pages 19 to 32 form part of these accounts.

## Accounts direction

**Accounts direction given by the Secretary of State for the Home Office, with the approval of the Treasury, in accordance with the criminal injuries compensation schemes 1990, 1996, and 2001**

The annual accounts shall give a fair and true view of the income and the expenditure and cash flows for the financial year, and the state of affairs as at the year end. Subject to this requirement the Criminal Injuries Compensations Authority shall prepare accounts for the year ended 31 March 2006 and subsequent years in accordance with:

- Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance;
- Other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a fair and true view;
- Any other specific disclosures required by the Secretary of State;

except where agreed otherwise with the Treasury, in which case the exception shall be described in the Notes to the Accounts.

Signed by the authority of the Secretary of State for the Home Office

**Fiona Harrow**

Victims of Crime Unit  
4 December 2006

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