



Department of

**Enterprise, Trade
and Investment**

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Insolvency Service

Annual Report and Account for year ended 31 March 2004

December 2005

Stimulating
innovation
enterprise and
competitiveness

The Insolvency Service
Annual Report and Account
for the year ended 31 March 2004

Laid before the Houses of Parliament by the Department of Enterprise, Trade and Investment in accordance with Paragraph 12(2) and Paragraph 12(4) of the Northern Ireland Act 2000 and Paragraph 24 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004

13 December 2005

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Report by the Department of Enterprise, Trade and Investment on matters within The Insolvency (Northern Ireland) Order 1989

The Department of Enterprise, Trade and Investment is required to prepare an annual general report under Article 372 of the Insolvency (Northern Ireland) Order 1989 on matters within the Insolvency Order. The Department is also required to prepare an account in such form and manner as the Department of Finance and Personnel may direct, of sums credited and debited to the Insolvency Account during the year. The present report and account, which I have the honour to submit, cover the year ended 31 March 2004.



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26 October 2005

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FOREWORD BY THE DIRECTOR OF INSOLVENCY

I am pleased to present this report on the Insolvency Service, including the work of the Official Receiver, for the year ended 31 March 2004.

The report has been prepared primarily for the information of Parliament but will also be of interest to users of the Insolvency Service, its staff and the wider public.

The Insolvency Service dealt with an increased number of cases during 2003/04; the total number dealt with being 666 as against 417 in 2002/03. This increase was due to the number of bankruptcy orders having gone up from 350 in 2002/03 to 582 in 2003/04 and the number of compulsory winding-up orders from 67 in 2002/03 to 84 in 2003/04.

As regards a breakdown of insolvencies by economic sector, an interesting development has been the rise in the number of consumer bankruptcies with 238 bankruptcies being categorised as employees, occupation unknown, no occupation or unemployed and directors and promoters of companies, as against 86 during 2002/03. The next largest groups of bankruptcies were in construction (63) and other services (62).

As regards companies the largest number of winding up orders involved companies in the manufacturing sector (16), followed by construction (15), finance and business services (13) and retailing (13).

Work has been underway to make a major new piece of primary legislation in the form of an Insolvency Order. This Order will bring in for Northern Ireland legislative provisions similar to those dealing with insolvency in the GB Enterprise Act 2002. These include a reduction in the normal bankruptcy period from three years to one

year or less coupled with a system of Bankruptcy Restrictions Orders designed to safeguard the public in the case of bankrupts found to be culpable. There will be a new enhanced administration procedure geared towards company rescue and the right of floating charge holders to appoint an administrative receiver will largely be abolished. These changes are designed to provide a stimulus to enterprise by facilitating those who have failed in business in making a fresh start and by ensuring that companies in temporary financial difficulties have the best possible chance of rescue.

Wide ranging consultation on the policy proposals behind the proposed Order was carried out during the year, following which an initial draft of the Order was prepared by Legislative Counsel.

Work also got underway during the year on a proposed Company Directors Disqualification Amendment Order. This second Order in Council is intended to allow for disqualification of directors to take place on the grounds of breach of competition law. Legislative Counsel produced a draft of this Order during the year and it is intended that consultation will take place simultaneously on the draft Order and on policy.

Work continued during the year on the Insolvency Service's Change Management Project, which aims to achieve implementation of an integrated case management, records management, workflow, management information and banking solution by 31 March 2006.

This business modernisation project will have a profound effect both on the way in which the Service undertakes work and the service it offers to its stakeholders. The project is examining every aspect of existing business, delivering improvements in process, people and technology.

Insolvencies increased significantly during the year and this trend is likely to continue as a result of economic conditions. This increase in activity obviously places greater strain on the Service staff. I would therefore like to thank them for their continued endeavour, dedication and support throughout the year.

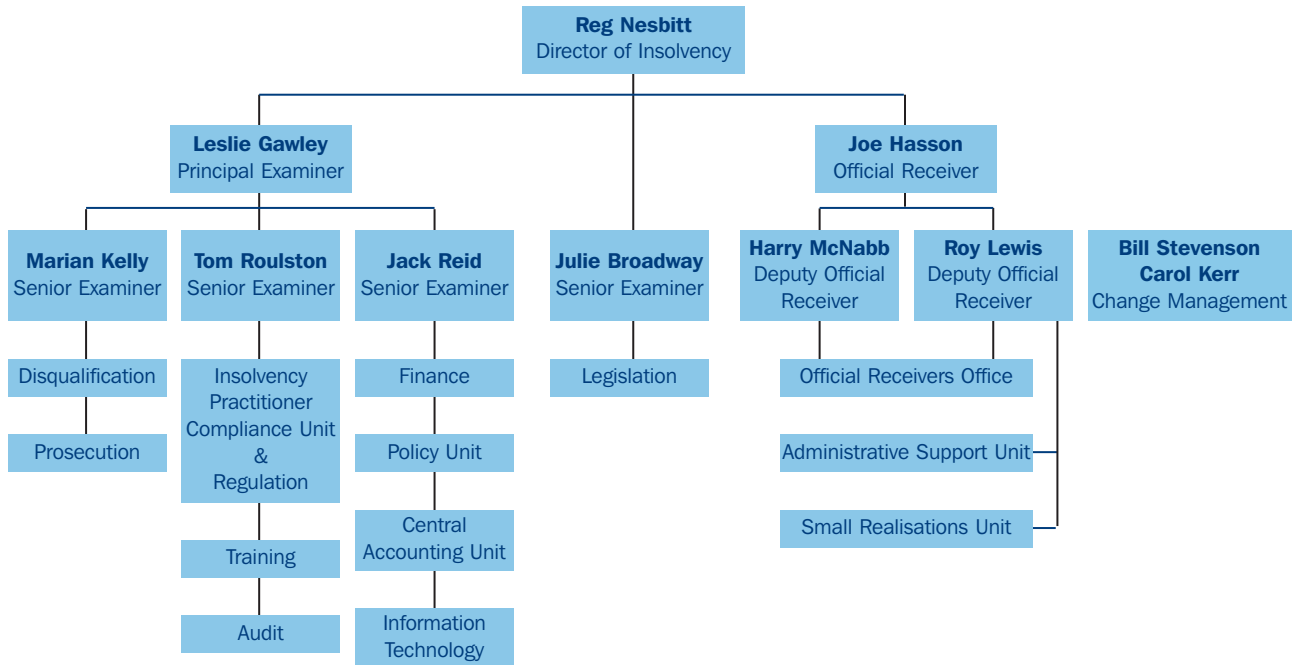
A handwritten signature in black ink, appearing to read 'W R Nesbitt', is centered on the page. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

W R Nesbitt

Director of Insolvency

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MANAGEMENT STRUCTURE



ABBREVIATIONS USED IN REPORT

ACCA	Association of Chartered Certified Accountants
DDU	Directors Disqualification Unit
Department	Department of Enterprise, Trade and Investment
DPP	Director of Public Prosecutions
ETI	Enterprise, Trade and Investment
High Court	Northern Ireland High Court
IAIR	International Association of Insolvency Regulators
IATI	Institute of Accounting Technicians in Ireland
ICSA	Institute of Chartered Secretaries and Administrators
IPCU	Insolvency Practitioner Compliance Unit
Minister	Up until 14 October 2002 the Minister for Enterprise, Trade and Investment in the Northern Ireland Assembly. From 14 October the Northern Ireland Office Minister with responsibility for Enterprise, Trade and Investment.
PDP	Personal Training and Development Plan
R3	Association of Business Recovery Professionals
RPB	Recognised Professional Body
Service	Insolvency Service
SIP	Statement of Insolvency Practice
SPI	Society of Practitioners of Insolvency
STIIP	Success Through Investors in People
UNCITRAL	United Nations Commission on International Trade Law

THE INSOLVENCY SERVICE

1

1.1 INTRODUCTION

The purpose of the Insolvency Service (the Service) is to promote and maintain the integrity and working of the market place by:

- administering and investigating the affairs of bankrupts and companies in compulsory liquidation, and
- handling the disqualification of directors in all corporate insolvencies

under the Insolvency (Northern Ireland) Order 1989 and Part II of the Companies (Northern Ireland) Order 2002 which was superseded on the 5 September 2003 by the Company Directors Disqualification (Northern Ireland) Order 2002.

The Service:

- provides a means for dealing with financial failure, and
- tackles fraud and wrong-doing which might otherwise undermine confidence in the working of the market.

The principal functions and objectives of the Service are:

- to preserve and protect the assets and carry out the initial stage in the administration of all bankruptcies and compulsory liquidations;
- to investigate the conduct of bankrupts and directors of insolvent companies, with a view to prosecution, if appropriate;
- to deal with the disqualification of directors in all corporate failures;
- to act as trustee and liquidator in compulsory insolvencies where no private sector insolvency practitioner is appointed;
- to authorise and regulate insolvency practitioners;
- to formulate policy and provide advice to the Department and the Minister;
- to operate the Insolvency Account; and
- to prepare insolvency legislation.

1.2 OUR RELATIONSHIP WITH OUR USERS

The Service essentially comprises six inter-linked functions, the largest of which is Official Receiver Operations. They are:

- **Official Receiver Operations** - dealing with the administration and investigation of all compulsory individual and corporate insolvencies;
- **Enforcement** - dealing with reports of possible criminality and of unfit conduct (arising out of compulsory liquidations, voluntary liquidations, administrative receiverships and administrations);
- **Insolvency Practitioner Regulation** - dealing with the regulatory framework for insolvency practitioners and monitoring those authorised by the Department of Enterprise, Trade and Investment (the Department);
- **Banking** - providing a banking service to users of the Insolvency Account;
- **Legislation** - drafting insolvency legislation and
- **Policy** - providing advice to the Department and Ministers on insolvency issues.

The executive functions each work with, and so affect, one or more of the Service's users.

Principally these are:

- **Bankrupts and directors of failed companies** - who are required to provide information for the Official Receiver's enquiries into the causes of failure and financial affairs of the individuals or companies;
- **Creditors (and contributories in failed companies)** - who receive a report on the insolvency, are called upon to assist the Official

Receiver in his enquiries and have the opportunity to appoint a private sector insolvency practitioner in appropriate cases;

- **Banks, solicitors, accountants and other parties** - who have dealings with the bankrupt or failed company and are also called upon to assist or look to the Service to resolve issues arising out of the failure;
- **Insolvency practitioners** - who may be appointed by the creditors as trustee or liquidator and may take over the administration of an insolvency from the Official Receiver, and
- **The High Court** - where insolvency petitions are presented, orders made and enforcement proceedings instituted.

There is a wide range of other users of the Service, specifically agencies which deal with prosecution and regulation, as well as other branches and agencies within the DETI and other government departments and European Union institutions.

The public has a general interest in the efficiency and effectiveness of the Service in providing protection for, for example, consumers from the activities of unfit directors.

1.3 LEGISLATION

The statutory instruments listed in Part I of Appendix I to this report provide the legal framework for the administration of insolvencies in Northern Ireland.

Part II of Appendix I provides a list of the subordinate legislation in operation under the aforesaid statutory instruments.

1.4 RESOURCES

RESOURCES		
	2003-04	2002-03
Running costs	£1.464M	£1.402M
Staff in post at 31 March comprising	63	59
Specialist grades	29	27
Administrative grades	34	32

1.5 CENTRAL ACCOUNTING UNIT AND THE INSOLVENCY ACCOUNT

The Central Accounting Unit has responsibility for insolvency estate banking within the Service.

Trustees and liquidators, including the Official Receiver for Northern Ireland, must pay all funds from the realisation of the assets of bankrupts or companies wound up by the High Court into the Insolvency Account kept by the Department in a bank. Funds must be paid into the Insolvency Account within 14 days or forthwith for amounts of £5,000 or more.

Details of receipts and payments into that account are set out in the Insolvency Account (see Pages 55-68). The funds held at 31 March 2004 in the Account amounted to £5,910,844.

Funds held in bankruptcy and liquidation estate accounts in excess of £2,000 automatically receive interest at a rate of 3.5% per annum. The remaining interest earned on funds in the Insolvency Account is paid to the Department.

1.6 REGISTER OF INDIVIDUAL VOLUNTARY ARRANGEMENTS

Under Rule 5.26 of the Insolvency Rules (Northern Ireland) 1991, the Department is required to maintain a register of individual voluntary arrangements which is open to public inspection.

During the year ended 31 March 2004, 360 voluntary arrangements were reported to the Department for registration. The corresponding figure for the year ended 31 March 2003 was 216. There was a 67% increase in 03-04.

1.7 SUCCESS THROUGH INVESTORS IN PEOPLE (IIP)

On 29 - 31 March 2004 the fifth annual re-assessment of the Department against the IIP standard took place.

Personal Training and Development Plans (PDP's) continue to provide the basis for identification of individual training needs and the completion of a training programme for all members of staff. The PDP's and training programme are reviewed on a six-monthly basis. These are now tied in with a new reporting system based on the identification of competencies.

1.8 TRAINING

The Service's professional staff includes fully qualified accountants and Chartered Secretaries. On entering the Service, Trainee Examiners are required to undertake studies leading to membership of the Institute of Accounting Technicians in Ireland (IATI). To progress to Examiner grade, staff are required to study for the professional qualifications of either the Association of Chartered Certified Accountants (ACCA) or the Institute of Chartered Secretaries and Administrators (ICSA). During the year:

- 2 examiner staff were studying for the IATI qualification;
- 8 other members of the examiner staff were studying for the ACCA qualification;
- 1 member of the examiner staff was studying for the ICSA qualification; and
- 3 members of the administrative staff were studying for the IATI and ACCA qualifications at evening classes with the assistance of the Department.

During the year the Service continued its programme of staff development with staff attending courses covering Process Mapping, IIP Advisor, Team Working, Customer Service, Internet Awareness and Marketing Your Service.

Through its Training Unit the Service continued to deliver in-house training sessions to its staff, with sessions covering bankruptcy, liquidations, preliminary enquiries in insolvency proceedings, disqualification of directors, investigations and dealing with assets. A further 4 courses were specifically designed and delivered to the Administrative Support, Central Accounting Unit, and the new Caseworker staff by the Service's Training Unit.

The overall approach to training and development of staff within the branch and the evaluation of all such training follows Departmental policy on staff development issues.

1.9 EQUAL OPPORTUNITIES

The Service is committed to the Department's equal opportunities policy. The Department undertakes yearly surveys on the Service's commitment to the above policy.

1.10 HEALTH AND SAFETY

The Service continued to comply with the Department's Health and Safety policy. A risk assessment of Fermanagh House was carried out in June 2003 and appropriate remedial measures undertaken. The Service's physical security booklet was revised and issued to all members of staff during December 2003. The Physical Security document will be revised in the incoming year as required.

1.11 ENVIRONMENTAL ISSUES

The Service revised its "Green Housekeeping Guide" in September 2003. The Guide concentrates on those areas where we can have a direct influence:

- energy conservation,
- efficient use of resources,
- recycling, and
- the standard of the working environment.

The Green Housekeeping Guide will be revised in the incoming year as required.

1.12 INFORMATION TECHNOLOGY

The Insolvency Service's Website at www.insolvencyservice.detini.gov.uk went online on 1 April 2002. It includes details of insolvency practitioners licensed to practice in Northern Ireland and 'Dear IP' letters and guidance notes. A set of frequently used statutory and non-statutory forms is also included together with copies of leaflets and publications and Annual Reports and Accounts.

1.13 CHANGE MANAGEMENT PROGRAMME

Steady progress has been made during the year in implementing the ICT-enabled change management project commenced in September 2002.

The inaugural meeting of the Project Board was held in April 2003 leading to formal project approval, agreement of a Project Initiation Document and implementation plan and the full-time appointment of Project and Change Managers to plan and oversee the business transformation.

In July 2003 we completed self-assessment against the European Foundation for Quality Management (EFQM) business model and subsequently produced a 20-point Action Plan for implementation within the overall project structure. The Action Plan details the non-ICT activities that support business modernisation, including areas such as project marketing, stakeholder engagement and consultation, internal restructuring of business units to meet increasing case numbers, review of the Service's Mission Statement, aims and objectives, development of a structured approach to knowledge management in support of the rollout of an Electronic Documents and Records Management System (EDRMS), review of Human Resource Strategy and the development of a comprehensive training programme for all branch staff (covering change management, performance management, leadership and values).

As part of the project justification process, business consultants were engaged to produce a "Green Book" Business Case and project funding consistent with the Business Case estimates has been approved and secured for the acquisition and integration of the following systems:

- EDRMS
- Case Management and Workflow
- Replacement for the existing Insolvency Account banking system,
- Customer Relationship Management (CRM)
- Management Information System (MIS)

1.14 CORPORATE AND OPERATING PLANS

The Service is committed to contributing to the Department's Corporate Plan for the period 2002 to 2005 through the enactment of the Insolvency and Company Director Disqualification Bills that will encourage enterprise and responsible risk taking and through the promotion of a comprehensive e-commerce initiative. The Department's Corporate Plan was unveiled in June 2002.

The 2003/04 branch operating plan for each of the Service's operating units was completed in March 2003. This plan, detailing the Service's key targets and performance indicators, was issued to all of the Service's staff. It provides the basis for individual targets set for staff through their Training and Development Plans and helps to illustrate how staff contribute successfully to the objectives of the Service.

Work on the 2004/05 branch operating plan commenced in February 2004 and was finalised in March 2004. This plan will link closely to our branch Corporate Plan for the period 2003 to 2006 which is in preparation.

THE OFFICIAL RECEIVER

2

2.1 STATUS AND RESPONSIBILITY

The Official Receiver is a civil servant and an officer of the High Court with responsibility for administering and investigating bankruptcies and companies wound up by the High Court.

2.2 ADMINISTRATION

The Official Receiver becomes receiver and manager on the making of a bankruptcy order or first liquidator on the making of a winding-up order and is responsible for the protection of the insolvent's assets.

In cases where there are assets or recoveries of any material value, the Official Receiver seeks the appointment of a private sector insolvency practitioner either by calling a creditors' meeting or by applying to the Department for an appointment from a rota.

Where an insolvency practitioner is not appointed, the Official Receiver remains as trustee/liquidator to undertake any realisations and distribution to creditors and complete the administration of the estate.

Total Insolvencies during Year

The number of compulsory winding-up orders and bankruptcy orders made by the High Court in each of the last 5 years is shown in Appendix II. The

total number of orders made during the year ended 31 March 2004 was 666, including 5 partnership estates directed to be wound up under Article 15 of the Insolvent Partnerships Order (NI) 1995. 34 orders were subsequently rescinded and 32 were annulled. The figure of 666 represents an increase of approximately 25% in winding-up orders and an increase of approximately 66% in bankruptcy orders over the previous year.

Insolvency Petitioners

An analysis of the orders made during the year ended 31 March 2004 classified according to the origin of the insolvency petition is shown in Appendix III.

Case Administration

Appendix IV shows that at 31 March 2004 the Official Receiver was dealing with a total of 775 cases in respect of compulsory liquidations, bankruptcies and estates of deceased insolvents. These cases were all at various stages of administration and investigation.

The Service ended the year with 5% of its post-October 1991 caseload being over 36 months old against a target of 0%.

Of the 559 reports to creditors issued during the year, 100% were issued within the 12-week target

period. It was considered appropriate to hold a meeting of creditors in 25 cases during the year. All meetings were called within the 12-week target period.

During the year the Official Receiver obtained a release in 39 company liquidation cases and 129 bankruptcy cases.

Assets and Liabilities - Companies

The total estimated liabilities of companies which went into compulsory liquidation in the year to 31 March 2004 amounted to £20.072m, and the total estimated assets were £2.754m, leaving an overall deficiency of some £17.318m. This represents an average deficiency of approximately £208,651 per case and compares with last year's average deficiency of approximately £182,894 per case.

Trades - Companies

An analysis of the orders made during the year ended 31 March 2004 classified according to trades is given in Appendix V. The greatest number of failures occurred in manufacturing, i.e. 16 cases with a total deficiency of £4.481m. There were 15 failures in the construction sector with a total deficiency of £4.651m and 13 failures in the finance and business services sector and retailing sector with total deficiencies of £2.070m and £2.058m respectively.

Assets and Liabilities - Bankruptcies

The total estimated liabilities of cases in which bankruptcy orders were made in the year to 31 March 2004 amounted to £33.738m and the total estimated assets were £18.134m, leaving an overall deficiency of some £15.604m. This represents an average deficiency of approximately £30,477 per case, compared with last year's figure of approximately £48,685.

Trades and Occupations - Bankruptcies

An analysis of the orders made during the year ended 31 March 2004 classified according to trades and occupations is given in Appendix V. The greatest number of failures occurred in the sector known as employees, i.e. 238 cases with a total deficiency of £5.099m. This was followed by construction, i.e. 63 cases with a total deficiency of £3.735m and retailing; i.e. 62 cases with a total deficiency of £2.091m.

2.3 INVESTIGATION

Under Article 112 and Article 262 of the Insolvency (Northern Ireland) Order 1989, the Official Receiver has a duty to investigate the affairs of bankrupts and companies in compulsory liquidation and the conduct of bankrupts and directors.

Under legislation, powers to require information and documentation are wide ranging, including the power to make applications to suspend automatic discharge from bankruptcy and to hold public examinations in the High Court to secure compliance and information.

When the investigation brings to light the possibility that criminal offences might have been committed, the Official Receiver is required to report the matter to the Director of Public Prosecutions (DPP) through the Service's Prosecution Unit.

Under Part II of the Companies (Northern Ireland) Order 1989 and from the 5 September 2003 the Company Directors Disqualification (Northern Ireland) Order 2002, the Official Receiver is required to report any unfit conduct by the directors of a company to the Service's Directors Disqualification Unit (DDU). If, following an investigation, no unfit conduct is evident then a return of no unfit conduct must be submitted to the DDU.

Appendix VI shows that during the year the Official Receiver's investigation led to the reporting of 3 cases to the Prosecution Unit for the consideration of possible criminal offences and the making of 89 conduct returns on company directors, one involving an insolvent partnership, to the DDU of which 35 represented a report of unfit conduct. The Official Receiver also applied to the High Court for:

- the suspension of automatic discharges in 7 bankruptcies;
- the public examinations of 22 bankrupts, and
- the public examination of the directors in 14 liquidations.

Enforcement

3

3.1 PROSECUTION

The Official Receiver submits reports to the Service's Prosecution Unit regarding possible criminal offences.

Each report is considered and if it shows admissible, substantial and reliable evidence of the alleged offence(s), it is referred to the DPP unless the alleged offence(s) concern(s) accounting records or credit. Cases involving accounting records or credit allegations are investigated by Investigation Officers from the Prosecution Unit who prepare Investigation Files for submission to the DPP.

Table A shows the number of reports submitted by the Official Receiver and others to the Prosecution Unit regarding possible criminal offences and the number of reports and investigation files referred to the DPP in each of the last three financial years.

TABLE A	2003-04	2002-03	2001-02
Reports submitted by Official Receiver to Prosecution Unit	3	6	*16
Reports submitted by others to the Prosecution Unit	3	2	5
Reports referred by the Prosecution Unit to the DPP	2	5	6
Investigation files submitted to the DPP	0	0	1

* Additionally, the Prosecution Unit referred to the DPP a report produced following a company inspection undertaken under Part XV of the Companies (Northern Ireland) Order 1986.

3.2 DISQUALIFICATION

General

When a company goes into creditors' voluntary liquidation, is wound up by the High Court, has an administrative receiver appointed or is the subject of an administration order, the office-holder is required, by Part II of the Company Directors Disqualification (Northern Ireland) Order 2002, to report to the Department about any unfit conduct by the directors (including any shadow or de-facto directors) of the company.

The DDU considers each report submitted by Insolvency Practitioners and the Official Receiver and advises the Department whether it is in the public interest to apply to the High Court for the disqualification of a particular director.

When the Department decides that it is in the public interest to apply to the Court for a disqualification order, (i.e. that the conduct of the director is such that the public should be protected from his actions), the DDU (in insolvency practitioner cases) conducts its own investigation under an authority from the office-holder, assembles the evidence and prepares a case for Court on behalf of the Department. In compulsory liquidations, the Official Receiver prepares the case under the guidance and direction of the DDU. All proceedings are issued by the Department.

The proceedings must be filed in Court within 2 years of the date of the insolvency. Where the Court finds that there is unfit conduct it must (under Article 9 of the Company Directors Disqualification (Northern Ireland) Order 2002) make a disqualification order for a period of between 2 and 15 years.

The Company Directors Disqualification (Northern Ireland) Order 2002 which came into effect on 5 September 2003, allows directors, with the agreement of the Department, to avoid the need for a court hearing by offering an acceptable disqualification undertaking. This has exactly the same legal effect as a disqualification order made by the court, and will usually include a schedule identifying the directors unfit conduct. The consequences of breaching a disqualification undertaking are the same as those for breaching a disqualification order.

The first disqualification order was made by the High Court on 17 November 1994 and since then a total of 194 directors have been disqualified on the Department's application or have entered into an undertaking.

In addition disqualification orders may be made by Criminal Courts after conviction. During the period 1 April 2003 to 31 March 2004 no such orders were made in the Criminal Courts.

Table B shows the number of disqualification cases before the Court and the number of orders made and undertakings given in the last 3 financial years.

TABLE B	2003-04		2002-03		2001-02	
Applications before the Court at 31 March	19		13		6	
Orders made during the year:	No.	%	No.	%	No.	%
2 to 5 years	5	50	9	60	11	55
6 to 10 years	5	50	7	40	9	45
11 to 15 years	0	0	0	0	0	0
	10	100	16	100	20	100
Undertakings given during the year:						
2 to 5 years	1	50	n/a	n/a	n/a	n/a
6 to 10 years	1	50	n/a	n/a	n/a	n/a
11 to 15 years	0	0	n/a	n/a	n/a	n/a
	2	100				

Article 21 of the Company Directors Disqualification (Northern Ireland) Order 2002 allows the Court to grant a disqualified director leave to act as a director of a limited liability company. No applications of this type were made during the year.

Register of Disqualification Orders

Article 22 of the Company Directors Disqualification (Northern Ireland) Order 2002 requires the Department to maintain a Register of Disqualification Orders, which must be open to public inspection.

NOTABLE DISQUALIFICATION CASES DURING THE YEAR TO 31 MARCH 2004 INCLUDED:

Case A

A mother and son operated a company, which traded as a manufacturer of industrial and protective clothing. It passed a resolution for voluntary winding up with an estimated deficiency to creditors of £340,507 and an estimated deficiency to members (shareholders, including directors) of £441,607.

The unfit conduct alleged in relation to both directors included trading with the knowledge of insolvency and retention of VAT, PAYE Income Tax and National Insurance Contributions.

The directors were disqualified for periods of 2 years and 6 years respectively.

Case B

A director operated a company, which traded in the promotion of flights to Canada and the USA from Northern Ireland. The company was wound up by the High Court with an estimated deficiency to creditors of £47,817 and an estimated deficiency to members (shareholders, including directors) of £712,024.

The alleged unfit conduct included, failing to lodge a statement of affairs; misuse of a bank account; failing to prepare and file accounts; failing to preserve accounting records and failing to preserve statutory records.

The director was disqualified for a period of 7 years.

The Master, in his judgement, commented to the failure to preserve accounting records and the director's previous involvement in a limited company, which was wound up by the High Court

with an estimated deficiency to creditors of £2,537,599. This placed the case into the more serious bracket.

Case C

A director operated a company, which traded in building tennis courts. The company was wound up by the High Court with an estimated deficiency to creditors of £501,522.

The unfit conduct alleged against the director included, failing to prepare and file accounts; failing to file accounts on time; failing to maintain statutory records; trading with the knowledge of insolvency; failing to preserve accounting records; retention of VAT, PAYE Income Tax and National Insurance Contributions; failing to appoint a Company Secretary; failing to inform suppliers that they were in fact carrying out business transactions with one company, when they believed they were dealing with one or two other limited companies; using prohibited names whilst trading as a sole trader; causing the misapplication of the company's funds; preferring himself above other creditors by making loan repayments to himself, at a time when the company was in financial difficulty.

The director was disqualified for period of 8 years.

In his judgement, the Master commented that the paying of money to the Inland Revenue in relation to an associated Company and the failure to pay debts as they became due, particularly Crown debt, created a situation where the insolvency of the company was much greater than it otherwise should have been.

He was also concerned by the allegation of a preference in this case were the director made repayments to himself at a time when the company was unable to pay its other debts.

He further commented that the use of prohibited names and the fact that numerous files belonging to the company relating to clients could not be found by the liquidator was a serious matter.

Case D

Two directors (A and B) operated a company, which traded as a restaurant. It was wound up by the High Court with an estimated deficiency to creditors of £160,241 and an estimated deficiency as regards members (shareholders, including directors) of £260,243.

The unfit conduct alleged against director A included, trading with the knowledge of insolvency; retention of VAT, PAYE Income Tax and National Insurance Contributions; misuse of a bank account; failing to file accounts and failing to cooperate with the Official Receiver.

The unfit conduct alleged against the other director included; trading with the knowledge of insolvency; retention of VAT, PAYE Income Tax and National Insurance Contributions; misuse of a bank account and failing to file accounts.

Director A was disqualified for a period of 8 years and director B for a period of 5 years.

The Master, in his judgement, commented that the company appeared to have been improperly conducted almost from its inception, that company funds may well have been misapplied and that substantial amounts of Crown debt remained unpaid at the date of liquidation. He further commented, that it was clear in this case that the company was being run with disregard to its creditors.

Director A was also disqualified for 5 years in respect of his conduct as a director of another company which was wound up by the High Court with an estimated deficiency to creditors of

£495,140. That company traded in the design and installation of renovations to pubs, clubs and hotels.

The unfit conduct identified against director A in relation to his company included, trading with the knowledge of insolvency; retention of VAT, PAYE Income Tax and National Insurance Contributions and misuse of a bank account.

The Master, in his judgement, commented that it was clear from the evidence submitted by the Official Receiver that director A was not fit to be involved in the conduct of a limited company.

The disqualification orders against director A run concurrently.

Case E

A director operated a company, which traded as providers of legal and debt collection services and credit references. It passed a resolution for voluntary winding up with an estimated deficiency to creditors of £106,726 and an estimated deficiency to members (shareholders, including directors) of £107,727.

The unfit conduct alleged included, retention of, PAYE Income Tax and National Insurance Contributions, failure to pay over clients monies collected on their behalf, accepting payment for legal services that were not provided, failing to register for a consumer credit licence, operating without a consumer credit licence and failing to co-operate with the liquidator.

The Department accepted a disqualification undertaking for a period of 7 years from the director.

Companies Investigation

4

4.1 COMPANIES INVESTIGATION

The Department has powers under Part XV of the Companies (Northern Ireland) Order 1986 to investigate the affairs of companies which are not in one of the various forms of insolvency. These powers may be exercised where the information made available to the Department suggests the existence of fraud, misfeasance, misconduct, conduct unfairly prejudicial to shareholders or of failure to provide shareholders with information, which they may reasonably expect.

Eight requests for inspections were received during the period of this report. In the two pending cases brought forward at April 2003 a decision not to appoint inspectors was made. Of the eight requests received it was decided to appoint inspectors in two cases, both of which concerned improper administrative procedures, breaches of company law and failure to provide information to members. On carrying out preliminary enquiries in the other six cases it was decided that inspectors should not be appointed largely because the circumstances did not merit the appointment of inspectors or there were other or more appropriate remedies that could be adopted.

Insolvency Practitioners

5

5.1 APPOINTMENTS REQUIRING INSOLVENCY PRACTITIONER AUTHORISATION

Under the Insolvency (Northern Ireland) Order 1989, only authorised persons may act as insolvency practitioners. Authorisation may be granted either by a professional body recognised by the Department or by the Department itself. The bodies currently recognised, together with the numbers of their members who take cases from the Departmental rota are:

	2003-04	2002-03
Law Society of Northern Ireland	9	9
Insolvency Practitioners Association	2	2
Association of Chartered Certified Accountants	2	3
Institute of Chartered Accountants in England and Wales	2	1
Institute of Chartered Accountants in Ireland	30	30
	45	45
The Department of Enterprise, Trade and Investment has authorised:	4	4
Total authorised	49	49

5.2 MONITORING

Monitoring Visits

As well as monitoring its own licensees, the Service has responsibility for monitoring the standards set by Recognised Professional Bodies (RPB's). This includes checking the standards set by RPB's in their monitoring of their own licensees.

During the year the RPB's continued their programme of routine monitoring visits to their authorised practitioners. The Service's Insolvency Practitioner Compliance Unit (IPCU) undertook two monitoring visits to practitioners authorised by the

Department. Both visits indicated a good standard of case administration and insolvency procedures adopted by the practitioners.

In September 2003, the unit along with the Insolvency Service GB, undertook a joint monitoring visit to the Association of Chartered Certified Accountants to assess the standard set by that body in the monitoring of its licensees. The visit indicated that some of the procedures for authorisation of IP's needed addressing. Insolvency Practitioner Compliance Unit (IPCU) undertook two monitoring visits to practitioners authorised by the Department. Both visits indicated a good standard of case administration and insolvency procedures adopted by the practitioners.

Desktop Monitoring Process

The Insolvency Service continues to operate a desktop monitoring process. The table below lists the indicators and gives the number of cases in each category where IPCU has informed an RPB of an IP's default under the desk top monitoring system or has dealt with a default itself in relation to a Departmental licensee.

Indicators	Triggers	No of cases referred to RPB/Department
Failure to report details of individual voluntary arrangements to the Department pursuant to Rule 5.27 of the Insolvency Rules (NI) 1991	2 failures to report	0
Failure to comply with provisions regarding the advertisement of meetings, appointments and dividend payments	2 failures to advertise properly	0
Failure to submit returns to the Department pursuant to the Insolvent Companies (Reports on Conduct of Directors) Rules (NI) 1997	2 failures to submit returns on time	0
Failure to pay funds into the Insolvency Account pursuant to Regulations 5 and 20 of the Insolvency Regulations (NI) 1996	Automatic referral	0
Complaints from third parties	Automatic referral	9
Non-response to correspondence	Failure to reply to 3 letters	5
Inaccurate fees calculations	Submission of 3 inaccurate fees calculations	0
TOTAL		14

Banking

IPCU monitored practitioners' accounts for compliance with the regulations, and in particular those relating to the remittance of funds to the Insolvency Account.

Reporting Compliance

Rule 5 of the Insolvent Companies (Reports on Conduct of Directors) Rules (Northern Ireland) 2003 requires insolvency practitioners to furnish the Department with a return on the conduct of directors of insolvent companies within 6 months from the date of the insolvency.

During the year ended 31 March 2004 57 reports and returns were received, of which, 31 (54%) were submitted within the statutory period, the remaining 26 (46%) were submitted within 9 months from the date of the insolvency.

The corresponding figures for the year ended 31 March 2003 were 68 reports and returns received, of which, 38 returns (56%) submitted within the statutory period, of the remaining 30, 28 (41%) were submitted within 9 months from the date of the insolvency and 2 (3%) submitted more than 9 months from the date of insolvency.

Meeting of Monitoring Officers

IPCU staff attend quarterly meetings of monitoring officers at the Birmingham offices of the Insolvency Service (GB). These meetings are attended by monitoring officers employed by:

- each of the RPB's (Institute of Chartered Accountants in Ireland, Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants in Scotland, Association of Chartered Certified Accountants, Law Society of England and Wales and Law Society of Scotland),

- the Joint Insolvency Monitoring Unit,
- the Insolvency Service (GB), and
- the Insolvency Service Northern Ireland.

The meetings are convened to allow discussion of matters noted during the course of monitoring visits carried out by any of these officers, to ensure consistency of standards in the approach to the monitoring of insolvency practitioners and to promote "best practice" issues in case administration by practitioners. The meetings also provide a forum for making representations to other bodies such as the Joint Insolvency Committee.

5.3 GUIDANCE ON BEST PRACTICE

Statements of Insolvency Practice

Statements of Insolvency Practice (SIP's) issued by the Service's Insolvency Practitioners Unit provide practitioners with guidance on required practice and are directed to ensuring a high and consistent standard is maintained by all practitioners.

A total of twelve SIP's have now been adopted and issued to Departmental licensees. The matters dealt with by these twelve SIP's are as follows:

- the summoning and holding of meetings of creditors convened to approve the voluntary winding-up of a company;
- the remuneration of office-holders;
- the use of proxy forms;
- the handling of funds in formal insolvency appointments;

- records of meetings in formal insolvency proceedings;
- an administrative receiver's responsibility for company records;
- a liquidator's investigation into the affairs of an insolvent company;
- voluntary arrangements;
- acquisition of assets of insolvent companies by directors;
- disqualification of directors in Northern Ireland;
- preparation of Insolvency Office Holders' Receipts and Payments Accounts; and
- reporting and providing information on their functions to committees in formal insolvencies.

5.4 JOINT INSOLVENCY COMMITTEE

The aim of this GB Committee is to take forward best practice across the profession and to work with the RPB's and the Insolvency Practices Council ("IPC") to ensure consistency of practice on ethics and professional conduct. This results in the issue of Statements of Insolvency Practice (SIP's) and technical guidance which are issued after agreement by all RPB's to their licensed members.

Mr Nesbitt and Mr Roulston on behalf of the Insolvency Service and a representative from the Law Society of Northern Ireland are invited members of this Committee having full participatory powers but no voting rights. This is due to the fact that the Regulation Working Group report, which was responsible for the establishment of IPC, only extends to GB.

It is incumbent on Mr Nesbitt, Mr Roulston, the Law Society of Northern Ireland and the Northern Ireland RPB's represented on the committee to ensure that these standards are complied with by all NI practitioners.

During the year, 4 meetings of the Committee were held.

5.5 INTERNATIONAL ASSOCIATION OF INSOLVENCY REGULATORS (IAIR)

The IAIR offers the opportunity to explore and benefit from other Regulators' approaches to insolvency policy, legislation, operations and management. Within the year reported on, the IAIR General Meeting was held in Delhi, India on 16-18 February 2004.

The Meeting considered the following papers: -

- Corporate Insolvency Reform - India,
- Phoenix Companies,
- Country Reports dealing with –
 - changes in insolvency legislation;
 - consumer bankruptcies;
 - outsourcing of bankruptcy cases;
 - rescue culture;
 - insolvency developments in South Africa;
 - recognition and reciprocity;
 - risk based approach to insolvency compliance
- IAIR Website development

Current membership comprises Australia (the Insolvency and Trustee Service and the Australian Securities Commission), British Virgin Islands, Canada, Finland, Hong Kong SAR, India, Ireland, Jersey, Malaysia, Mexico, New Zealand, the People's Republic of China, Singapore, South Africa, Sweden, Thailand, the UK (The Service, together with the Insolvency Service of England and Wales and the Accountant in Bankruptcy, Scotland) and the USA.

Legislative Issues

6

6.1 THE LEGISLATION UNIT

The Service's Legislation Unit is responsible for:

- monitoring the operation of both the Insolvency (Northern Ireland) Order 1989 and the Company Directors Disqualification (Northern Ireland) Order 2002 including related subordinate legislation;
- briefing the Minister on proposals for new insolvency legislation;
- carrying out Equality Screening and Regulatory Impact Assessments on proposed legislation and considering the Human Rights implications;
- producing Consultation Documents and Executive Summaries in relation to proposals for changes to insolvency legislation and considering any replies received;
- carrying out Departmental procedures required for the production of primary legislation, including preparing policy memoranda, drafting instructions to the legislative Counsel and preparing explanatory memoranda;
- preparing draft subordinate legislation;
- attending Assembly stages/Parliamentary debates in relation to new legislation in support of the Minister; providing briefing and answers for or on behalf of the Minister;
- attending ETI Committee Meetings in relation to new insolvency legislation and providing briefing and answers on behalf of the Department;
- advising other Departments on the insolvency implications of their legislation;
- considering the insolvency aspects of other legislation including European Union and other international matters; monitoring developments in EC legislation on insolvency and taking the necessary action to ensure that it is implemented in Northern Ireland;
- dealing with letters from MPs and MLA's, Parliamentary Questions/Assembly Questions and enquiries from other departments and the public on insolvency policy and legislation.

6.2 INSOLVENCY LEGISLATION

Insolvency (Northern Ireland) Order 2002 and Company Directors Disqualification (Northern Ireland) Order 2002

On 17 December 2002 the Insolvency (Northern Ireland) Order 2002 and the Company Directors Disqualification (Northern Ireland) Order 2002 received Royal Assent.

The purpose of the Insolvency (Northern Ireland) Order 2002 is to enable small companies, whose

directors are attempting to make a voluntary arrangement with their creditors, to have available to them the option of a moratorium during which the company will be protected from the threat of proceedings by creditors. It will provide a breathing space during which the company's management can draw up a rescue package to be put to creditors. The Order came into operation on 2 February 2004.

The Company Directors Disqualification (Northern Ireland) Order 2002 is a Consolidation Order but also contains new provisions to allow (as an alternative to the Department taking proceedings in the High Court) disqualification to take place through acceptance by the Department of legally enforceable undertakings from directors whom it considers to be unfit. Such undertakings will have the same effect as a disqualification order and the same penalties will apply for contravention. The order came into operation on 5 September 2003.

Modernising Personal and Corporate Insolvency – Proposed Insolvency (Northern Ireland) Order

A Consultative Document, incorporating a draft Regulatory Impact Assessment, and an Executive Summary setting out the proposals to further modernise insolvency law in Northern Ireland was issued in April 2003 to some 500 consultees. Consultation closed on 31 August 2003 and a total of 25 replies were received. At present the Legislation Unit is scrutinising drafts of the proposed Insolvency Order as prepared by the Office of the Legislative Counsel (OLC) before issuing the draft Order for consultation. It is hoped that the Order can be made in Spring 2005.

Proposed Company Directors Disqualification (Amendment) (Northern Ireland) Order

On the advice of OLC the proposed Insolvency (Northern Ireland) Order was split so that the provisions dealing with disqualification on the grounds of breach of competition law were incorporated into a separate order – the Company Directors Disqualification (Amendment) (Northern Ireland) Order. At present the Legislation Unit is scrutinising drafts of the proposed Order as prepared by OLC before issuing the draft Order for consultation. It is hoped that the Order can be made at the same time as the proposed Insolvency Order.

Subordinate Legislation

During the year to 31 March 2004, eleven new statutory rules concerning insolvency were made:

- The Company Directors Disqualification (2002 Order) (Commencement) Order (Northern Ireland) 2003;
- The Company Directors Disqualification (2002 Order) (Transitional Provisions) Order (Northern Ireland) 2003;
- The Companies (Disqualification Orders) Regulations (Northern Ireland) 2003;
- The Insolvent Companies (Reports on Conduct of Directors) Rules (Northern Ireland) 2003;
- The Insolvent Companies (Disqualification of Unfit Directors) Proceedings Rules (Northern Ireland) 2003;
- The Insolvent Partnerships (Amendment No. 2) Order (Northern Ireland) 2003;

- The Insolvency (2002 Order) (Commencement) Order (Northern Ireland) 2003;
- The Insolvency (2002 Order) (Transitional Provisions) Order (Northern Ireland) 2003;
- The Insolvency Practitioners (Amendment) Regulations (Northern Ireland) 2003;
- The Insolvency (Amendment) Rules (Northern Ireland) 2003;
- The Insolvent Partnerships (Amendment No.3) Order (Northern Ireland) 2003.

All eleven statutory rules were required as a result of the coming into operation of the Insolvency (Northern Ireland) Order 2002 and the Company Directors Disqualification (Northern Ireland) Order 2002.

6.3 OTHER LEGISLATION WITH WHICH THE SERVICE HAS BEEN INVOLVED

Electronic Communications Bill

Work continued during the year, to identify in detail the documents and procedures referred to in Northern Ireland insolvency legislation which could and should be amended to enable them to be dealt with electronically.

Civil Partnerships Bill

The purpose of this Bill is to extend to same-sex couples who register their partnership those rights and responsibilities which legislation currently reserves to those who are married. Legislation Unit carried out a search of both primary and subordinate legislation in order to identify required amendments to insolvency legislation to take account of civil partnerships in Northern Ireland.

Reform of the Third Party (Rights against Insurers) Act 1930

During the year the Insolvency Service was in contact with the Insolvency Service (GB), the Department of Constitutional Affairs and the Office of Law Reform concerning changes which are required to be made to the Third Party (Rights against Insurers) (Northern Ireland) Act 1930.

Further Financial Services and Markets Act 2000 (Consequential Amendments) Order

During the year 2002/03 the Insolvency Service provided information to Treasury legal advisers in London about amendments to Northern Ireland insolvency legislation to be effected through a third Consequential Amendments Order arising from the Financial Services and Markets Act 2000 which they were engaged in drafting. This Financial Services and Markets Act 2000 (Consequential Amendments) Order 2004 was made on 11 February 2004 and came into force on 4 March 2004. During the course of the year the Legislation Unit supplied Treasury Solicitors in GB with comments on various drafts of the 2004 Order.

Insolvency (Amendment) Regulations (Northern Ireland)

Work began on these Regulations in late 2003. These will be similar to the Insolvency (Amendment) Regulations 2000 applying in GB and will allow for the electronic transfer of funds to and from the Insolvency Account.

Bankruptcy (Financial Services and Markets Act 2000) (Northern Ireland) Rules

A draft of these Rules has been prepared and forwarded to the Court Service for scrutiny.

Insurers (Winding Up) (Northern Ireland) Rules

A draft of these Rules has been prepared and forwarded to the Court Service for scrutiny.

6.4 EUROPEAN ISSUES

Regulations to implement Council Directive 2001/17/EC on the reorganisation and winding-up of insurance undertakings

On 20 November 2002 the Treasury obtained designation under section 2(2) of the European Communities Act 1972 to enable regulations to be made to implement EC Directive 2001/17/EC dealing with the insolvency of insurers. The Directive, which provides that an insurer authorised in the European Union may only be subject to relevant insolvency procedures in its home member state and requires mutual recognition across the Union of such proceedings, came into force on 20 April 2001 with an implementation date of 20 April 2003. During February 2003 the Department sought and obtained the Minister's agreement to the regulations being made by the Treasury being extended to cover Northern Ireland. Amendments appropriate to Northern Ireland were then drafted and submitted to the Treasury to be included in the regulations.

The Insurers (Reorganisation and Winding Up) Regulations 2003 were made on 14 April 2003 and came into force on 20 April 2003. These Regulations were then revoked and replaced in their entirety by the Insurers (Reorganisation and Winding Up) Regulations 2004 which were made on 12 February 2004 and came into force on 18 February 2004. The 2004 Regulations, which apply on a UK wide basis, take account of the changes to insolvency law brought about by the Enterprise Act 2002. During the course of the year the Legislation Unit supplied Treasury Solicitors in GB with comments on various drafts of the 2004 Regulations.

Meeting the needs of our users

7

7.1 WHO ARE OUR USERS

The Service's principal users are:

- bankrupts and directors of companies in liquidation who are required to provide information to the Official Receiver about their or their company's financial affairs;
- creditors who receive reports on the insolvency; and
- insolvency practitioners who may be appointed, by creditors or the Department, as trustee or liquidator, to take over the administration of an insolvency from the Official Receiver.

Other users include Ministers, DETI and other government departments, the High Court and advice organisations.

The Service seeks to ensure that:

- information about processes and procedures is as comprehensive as possible,
- plain language is used in both written and oral communication,
- flexibility is offered where possible (e.g. appointment times), and
- it responds efficiently and effectively to matters raised by users.

7.2 USER SURVEYS

Insolvency Practitioners Satisfaction Survey

During the year a satisfaction survey of insolvency practitioners was carried out. The survey covered the areas of:

- communication
- staff
- Dear IP letters
- appointment of trustee/liquidator
- obtaining sanction and or other Departmental approval
- obtaining information from the Service
- requests for printouts and fees calculations
- Directors Disqualification Unit
- our performance standards, and
- how we deal with complaints

The survey showed that IPs have a high level of satisfaction with the service we provide. Staff were perceived as professional, helpful, friendly and efficient and our overall performance was rated as follows:

Excellent	16%
Very Good	63%
Average	21%
Poor	0%
Very Poor	0%

Any suggestions for improvement to our service which were made by IPs were considered by the Service's senior management and as a result of the feedback received, appropriate changes were made to our procedures.

Service First Compliance Surveys

The Service carries out quarterly postal, appointment and telephone surveys. The results of these surveys are as follows:

Target	% Achieved
All correspondence to be answered within 15 working days of receipt. If this is not possible, acknowledgement to be sent within 5 working days of receipt.	99%
All callers to office to be seen within 10 minutes of any appointment which has been made for them.	100%
All telephone calls to be answered within 10 seconds.	100%
If telephone call is received for a member of staff who is unavailable, a message will be left for them to contact the caller or another member of staff will deal with the enquiry and return the call within one working day.	100%

7.3 THE INSOLVENCY SERVICE USER GROUP

One meeting of the Service's User Group took place during the year, on 16 December 2003.

The function of the group, which is made up of representatives from creditors, insolvency practitioners, the Departmental Solicitor's Office, and the RPB's, is to consider improvements to our service and to provide feedback on performance from our customers.

Those present at the December meeting were informed about the Insolvency Service's standards of service. They had the opportunity to hear about and ask questions concerning recently made and planned legislation. Discussion took place about plans for electronic delivery of services and the Service's website. It was agreed that the Insolvency Service would look into any matters of concern raised by users such as problems relating to a bankrupt's interest in a dwelling house.

7.4 PUBLISHED STANDARD

The Service's "Published Standard" gives details of the standards of service which can be expected by its users. It also gives details of the Service's complaints procedure. It is available in leaflet form and is reproduced at Appendix VII. Copies have also been printed in Chinese. Large print versions can be made available to anyone requiring them.

7.5 INSOLVENCY SERVICE CHARTER

The Service's Charter which sets out for users what the Insolvency Service does and what they can expect from it together with our complaints procedure, was finalised in January 2001. As with our Published Standard, copies of the Charter have been printed in Chinese and large print versions can also be made available to anyone requiring them.

7.6 GUIDE TO BANKRUPTCY

The Insolvency Service is engaged in producing a series of Guidance Leaflets. The leaflets are produced with a view to addressing some of the concerns and removing/reducing some of the negative perceptions surrounding bankruptcy and company liquidation. They address the main questions that a bankrupt or debtor will wish to be answered about the administration of a bankruptcy case and can be accessed via our website at www.insolvencyservice.detini.gov.uk

7.7 PUBLICATIONS

The following guidance notes are available for our customers:

- Guidance Notes for Persons Seeking Authorisation to act as an Insolvency Practitioner;
- Guidance Notes for Completion of Statement of Affairs (Article 111 - Compulsory Winding Up);

- Guidance Notes for Completion of Your Statement of Affairs (Article 246 - Debtor's Bankruptcy Petition);
- Guidance Notes for Completion of Statement of Affairs (Article 261 - Creditor's Bankruptcy Petition);
- Getting Your Discharge from Bankruptcy;
- An Outline of the Insolvency (Northern Ireland) Order 1989 and Part II of the Companies (Northern Ireland) Order 1989.

7.8 WORKING GROUPS

The Continuous Improvement Programme within the Service continued during the year. The working groups drawn from staff from all sections of the Service reported to Senior Management on 7 July 2003 on possible aspects for improving the service we deliver. Senior Management responded to the report in October 2003 and implemented some of the suggested improvements.

Insolvency Service Performance Summary for 2003/04



INSOLVENCY SERVICE PERFORMANCE SUMMARY FOR 2003/04

Key Target/Indicator	Target	2003-04 Achieved
To report to creditors on assets and liabilities within 12 weeks of the Order being made	100%	100%
To convene creditors' meetings within 12 weeks of the Order when it is considered appropriate that a meeting should be held	100%	100%
To complete the finalisation of at least 400 insolvencies	400	74%
To submit all disqualification cases to the Departmental Solicitor for prospective proceedings within 18 months of the relevant date	100%	15%
To submit all disqualification returns/reports to the Disqualification Unit within 6 months of the Order	100%	90%
To submit prosecution reports to the Prosecution Unit within 12 months of the Order in all cases where there is evidence of criminality	100%	33%
To refer all identified prosecution cases to the DPP within six months of receipt of a completed report	100%	100%

Appendix I

PART I - PRIMARY LEGISLATION

Primary Legislation in existence at 31 March 2004:-

The Companies (Northern Ireland) Order 1989 (S.I. 1989/2404 (N.I. 18))

The Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19))*

The Company Directors Disqualification (Northern Ireland) Order 2002 (S.I. 2002/ 3150 (N.I. 4))

The Insolvency (Northern Ireland) Order 2002 (S.I. 2002/3152 (N.I. 6))

[*This Order was amended during 1994 by two U.K.-wide Acts:

- The Insolvency Act 1994 (c.7)
- The Insolvency (No. 2) Act 1994 (c.12)]

PART II - SUBORDINATE LEGISLATION

Statutory Rules in operation at 31 March 2004:-

- | | | |
|--------------------------|---|---|
| S.R. 1990 No. 176 (c.6) | - | The Companies (1989 Order)(Commencement No. 1) Order (Northern Ireland) 1990 |
| S.R. 1990 No. 177 (c.7) | - | The Insolvency (1989 Order)(Commencement No. 1) Order (Northern Ireland) 1990 |
| S.R. 1991 No. 294 (c.15) | - | The Insolvency (1989 Order)(Commencement No. 2) Order (Northern Ireland) 1991 |
| S.R. 1991 No. 295 | - | The Banks (Administration Proceedings) Order (Northern Ireland) 1991 |
| S.R. 1991 No. 296 | - | Department of Economic Development (Fees) Order (Northern Ireland) 1991 |
| S.R. 1991 No. 300 (c.16) | - | The Insolvency (1989 Order)(Commencement No. 3) Order (Northern Ireland) 1991 |
| S.R. 1991 No. 301 | - | The Insolvency Practitioners (Recognised Professional Bodies) Order (Northern Ireland) 1991 |
| S.R. 1991 No. 302 | - | The Insolvency Practitioners Regulations (Northern Ireland) 1991 |
| S.R. 1991 No. 364 | - | The Insolvency Rules (Northern Ireland) 1991 |

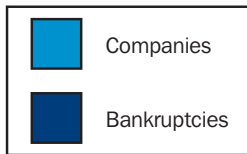
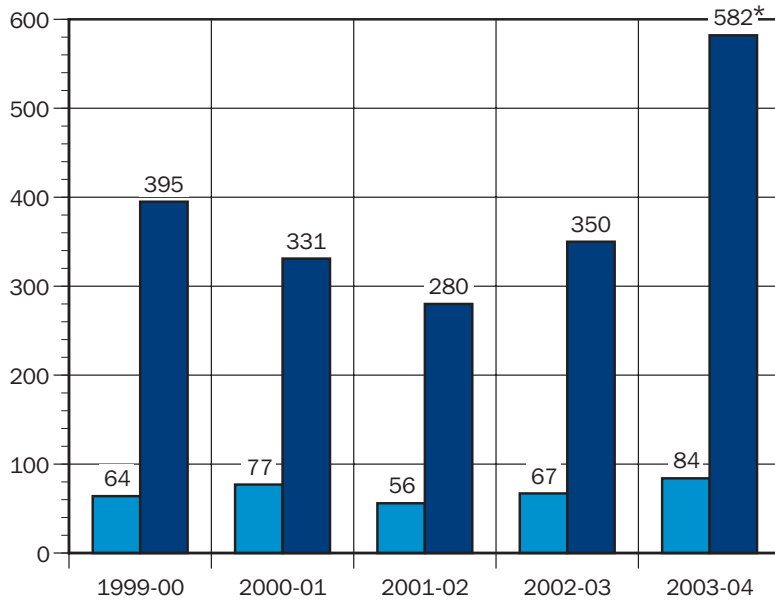
- S.R. 1991 No. 365 - The Administration of Insolvent Estates of Deceased Persons Order (Northern Ireland) 1991
- S.R. 1991 No. 367 - The Insolvent Companies (Disqualification of Unfit Directors) Proceedings Rules (Northern Ireland) 1991
- S.R. 1991 No. 369 - The Companies (Unfair Prejudice Applications) Proceedings Rules (Northern Ireland) 1991
- S.R. 1991 No. 384 - The Insolvency (Deposits) Order (Northern Ireland) 1991
- S.R. 1991 No. 385 - The Insolvency (Fees) Order (Northern Ireland) 1991
- S.R. 1991 No. 386 - The Insolvency (Monetary Limits) Order (Northern Ireland) 1991
- S.R. 1991 No. 387 - The Preferential Payments (Monetary Limits) Order (Northern Ireland) 1991
- S.R. 1991 No. 410 (c.19) - The Companies (1989 Order)(Commencement No. 2) Order (Northern Ireland) 1991
- S.R. 1991 No. 411 (c.20) - The Insolvency (1989 Order)(Commencement No. 4) Order (Northern Ireland) 1991
- S.R. 1991 No. 412 - Companies (Forms)(Amendment No.3) Regulations (Northern Ireland) 1991
- S.R. 1991 No. 413 - The Companies (Disqualification Orders) Regulations (Northern Ireland) 1991
- S.R. 1992 No. 307 - The Insurance Companies (Winding-Up) Rules (Northern Ireland) 1992
- S.R. 1992 No. 398 - The Insolvency (Fees)(Amendment) Order (Northern Ireland) 1992
- S.R. 1993 No. 317 - The Insolvency Practitioners (Amendment) Regulations (Northern Ireland) 1993
- S.R. 1993 No. 454 - The Insolvency Practitioners (Amendment No.2) Regulations (Northern Ireland) 1993
- S.R. 1994 No. 26 - The Insolvency (Amendment) Rules (Northern Ireland) 1994

- S.R. 1995 No. 225 - The Insolvent Partnerships Order (Northern Ireland) 1995
- S.R. 1995 No. 291 - The Insolvency (Amendment) Rules (Northern Ireland) 1995
- S.R. 1996 No. 471 - The Insolvent Companies (Disqualification of Unfit Directors) Proceedings (Amendment) Rules (Northern Ireland) 1996
- S.R. 1996 No. 472 - The Insolvent Partnerships (Amendment) Order (Northern Ireland) 1996
- S.R. 1996 No. 574 - The Insolvency Regulations (Northern Ireland) 1996
- S.R. 1996 No. 575 - The Deeds of Arrangement Regulations (Northern Ireland) 1996
- S.R. 1996 No. 576 - Insolvency (Fees)(Amendment) Order (Northern Ireland) 1996
- S.R. 1996 No. 577 - Insolvency (Deposits)(Amendment) Order (Northern Ireland) 1996
- S.R. 1997 No. 516 - The Insolvent Companies (Reports on Conduct of Directors) Rules (Northern Ireland) 1997
- S.R. 2000 No. 247 - The Insolvency (Amendment) Rules (Northern Ireland) 2000
- S.R. 2002 No. 223 - The Insolvency (Northern Ireland) Order 1989 (Amendment) Regulations (Northern Ireland) 2002
- S.R. 2002 No. 261 - The Insolvency (Amendment) Rules (Northern Ireland) 2002
- S.R. 2002 No. 334 - The Insolvency (Northern Ireland) Order 1989 (Amendment No. 2) Regulations (Northern Ireland) 2002
- S.R. 2003 No. 103 - The Administration of Insolvent Estates of Deceased Persons (Amendment) Order (Northern Ireland) 2003
- S.R. 2003 No. 144 - The Insolvent Partnerships (Amendment) (Northern Ireland) Order 2003
- S.R. 2003 No. 345 - The Company Directors Disqualification (2002 Order) (Commencement) Order (Northern Ireland) 2003
- S.R. 2003 No. 346 - The Company Directors Disqualification (2002 Order) (Transitional Provisions) Order (Northern Ireland) 2003.

- S.R. 2003 No. 347 - The Companies (Disqualification Orders) Regulations (Northern Ireland) 2003.
- S.R. 2003 No. 357 - The Insolvent Companies (Reports on Conduct of Directors) Rules (Northern Ireland) 2003.
- S.R. 2003 No. 358 - The Insolvent Companies (Disqualification of Unfit Directors) Proceedings Rules (Northern Ireland) 2003.
- S.R. 2003 No. 359 - The Insolvent Partnerships (Amendment No. 2) Order (Northern Ireland) 2003.
- S.R. 2003 No. 545 - The Insolvency (2002 Order) (Commencement) Order (Northern Ireland) 2003.
- S.R. 2003 No. 546 - The Insolvency (2002 Order) (Transitional Provisions) Order (Northern Ireland) 2003.
- S.R. 2003 No. 547 - The Insolvency Practitioners (Amendment) Regulations (Northern Ireland) 2003.
- S.R. 2003 No. 549 - The Insolvency (Amendment) Rules (Northern Ireland) 2003.
- S.R. 2003 No. 550 - The Insolvent Partnerships (Amendment No.3) Order (Northern Ireland) 2003.

Appendix II

New compulsory liquidations and bankruptcies in the last five years



* includes 5 partnership estates directed to be wound up under Article 15 of the Insolvent Partnerships Order (NI) 1995

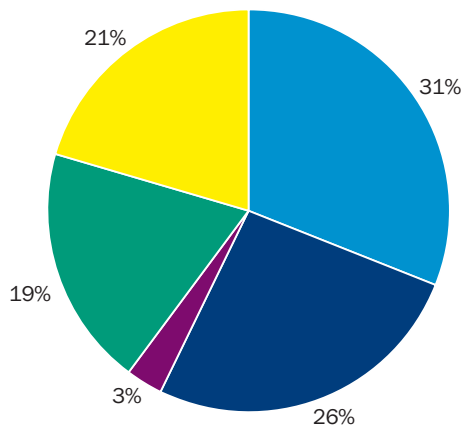
Appendix III

Insolvency Petitioners

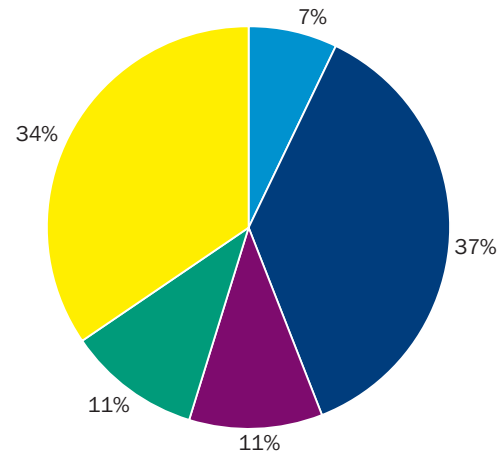
	Bankruptcies*		Companies		Total	
Debtor's Petitions	179	31%	6	7%	185	28%
Inland Revenue	151	26%	31	37%	182	28%
Customs & Excise	17	3%	9	11%	26	4%
Rates Collection Agency	112	19%	9	11%	121	18%
Other Creditors	118	21%	29	34%	147	22%
TOTAL	577	100%	84	100%	661	100%

* Excludes 5 partnership estates directed to be wound up under Article 15 of the Insolvent Partnerships Order (NI)1995.

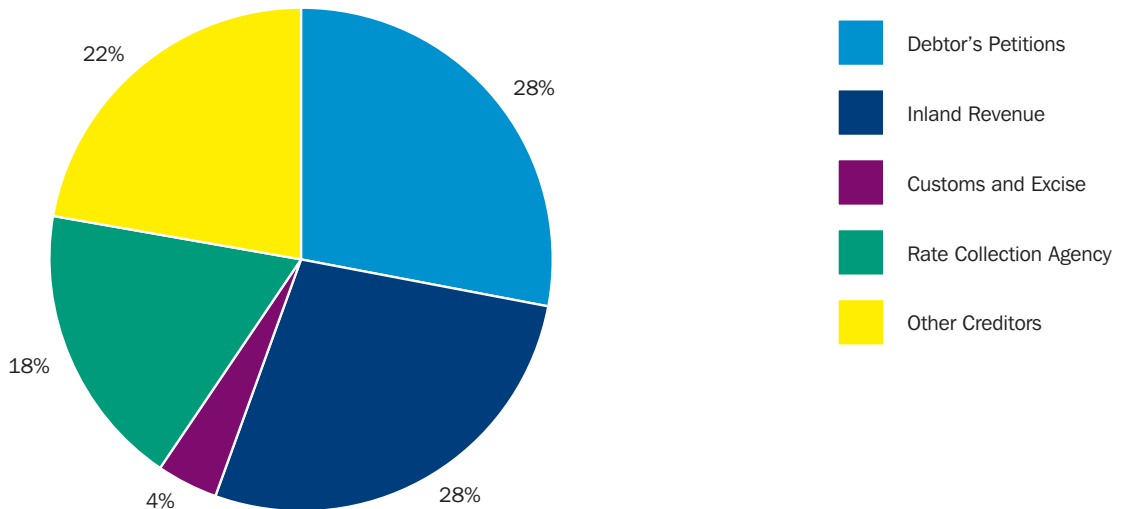
Bankruptcies



Company Liquidations



Bankruptcies and Company Liquidations



Appendix IV

Case Administration

Case Administration	2003/04	2002/03
Total open cases at beginning of year	538	565
New Bankruptcy cases	582*	350
New Company cases	84	67
Closed cases which were reopened	52	107
	1,256	1,089
Less		
Insolvency Practitioners Appointed Trustee	208	195
Insolvency Practitioners Appointed Liquidator	18	14
Cases completed	255	342
	481	551
Total open cases at year end	775	538

* Includes 5 partnership estates directed to be wound up under Article 15 of the Insolvent Partnerships Order (NI) 1995.

Appendix V

NUMBER, ESTIMATED LIABILITIES AND ASSETS OF COMPANIES WOUND UP AND FAILURES IN PRINCIPAL TRADES AND OCCUPATIONS DURING YEAR ENDED 31 MARCH 2004

	Bankruptcy Orders and Orders for Administration of Estates of Deceased Insolvents			Company Winding-Up Orders		
	No	Liabilities £	Assets £	No	Liabilities £	Assets £
AGRICULTURE	* 16	1,281,283	3,147,500	0	0	0
FORESTRY & FISHING	5	89,180	12	0	0	0
MINING & ENERGY INDUSTRIES	2	8,594	80,000	1	95,900	0
MANUFACTURING INDUSTRIES						
Manufacture of food, drink & tobacco	0	0	0	1	13,658	200
Metal manufacture	0	0	0	1	492,996	5,288
Engineering & allied industries	7	142,642	202,656	7	1,444,514	9,923
Textiles & clothing manufacture	1	52,766	0	1	1,451,663	300,500
Manufacture of timber & furniture	14	637,436	514,011	1	138,370	0
Paper, printing & publishing	* 0	0	0	4	2,096,994	888,270
Other manufacture	1	29,671	0	1	48,740	2,105
WHOLESALE DISTRIBUTION						
Wholesale of food & drink	* 5	647,766	396,775	0	0	0
Other wholesale	* 2	159,125	0	7	2,025,394	5,420
RETAILING						
Retail of food, drink & tobacco	* 9	1,243,627	288,000	2	146,267	1
Retail of textiles & clothing	* 2	232,488	68,000	2	145,844	0
Motor vehicles & petrol sales	3	525,110	0	2	278,362	0
Retail of furniture	3	1,565,320	1,040,000	1	43,632	321
Retail of electrical goods	* 3	202,149	115,165	2	35,567	0
Other retail	* 19	1,384,134	1,083,490	4	553,222	11,500
CONSTRUCTION						
General construction & demolition	* 34	5,583,810	2,482,060	8	3,233,339	277,712
Home improvements	6	355,974	332,321	1	51,321	17,141
Decorating & small works	7	471,412	327,900	2	1,146,037	4,720
Building repairs	* 4	99,311	220,044	0	0	0
Electrical & plumbing	* 12	1,057,180	469,868	4	520,277	0

Appendix V (continued)

NUMBER, ESTIMATED LIABILITIES AND ASSETS OF COMPANIES WOUND UP AND FAILURES IN PRINCIPAL TRADES AND OCCUPATIONS DURING YEAR ENDED 31 MARCH 2003

	Bankruptcy Orders and Orders for Administration of Estates of Deceased Insolvents			Company Winding-Up Orders		
	No.	Liabilities £	Assets £	No.	Liabilities £	Assets £
TRANSPORT & COMMUNICATIONS						
Road Transport	* 17	1,104,721	353,848	2	773,780	0
Travel agents	1	636,660	300,000	1	150,000	0
Other transport & communications	3	490,027	92,000	0	202,627	750
FINANCE & BUSINESS SERVICES						
Insurance	2	25,108	0	0	0	0
Accounts & legal services	* 7	870,888	425,000	1	109,800	0
Real estate	* 7	1,151,036	330,171	3	2,143,208	970,000
Computer services	2	125,425	44	6	689,167	213,988
Other business services	2	15,563	33,000	3	339,195	27,100
OTHER SERVICES						
Recreational services	6	580,382	16,172	1	60,000	0
Medical services	7	229,782	169,433	0	0	0
Educational services	* 2	27,028	5,250	0	0	0
Repair of consumer goods	* 0	0	0	0	0	0
Hairdressing & beauty parlours	* 7	244,167	67,012	0	0	0
Scrap metal dealers	0	0	0	1	140,341	4,261
Other services	* 40	1,813,063	545,724	7	254,545	11,000
HOTELS & CATERING						
Residential accommodation	0	0	0	1	16,124	0
Licensed premises	* 5	524,646	490,175	1	271,708	0
Restaurants	* 8	584,425	136,454	2	959,651	4,230
Other catering	3	45,501	839	0	0	0
EMPLOYEES:						
No occupation or unemployed	* 120	4,048,757	1,742,532	0	0	0
Directors & promoters of companies	* 5	750,152	554,525	0	0	0
Occupation unknown	* 62	2,473,716	1,050,055	0	0	0
Employees	* 51	2,227,603	1,054,198	0	0	0
TOTAL	512	33,737,628	18,134,234	83	20,072,243	2,754,430

* does not include Orders rescinded or annulled and 5 partnership estates directed to be wound up under Article 15 of the Insolvent Partnerships Order (NI) 1995.

APPENDIX VI

OFFICIAL RECEIVER'S INVESTIGATION WORK

Prosecution - reports of possible offences	2003/04	2002/03
Main Offence Reported:-		
Books offences	1	1
Credit offences	1	1
Theft offences	0	2
Bankrupt acting in the management of a company	1	1
Obtaining pecuniary advantage by deception	0	0
Gambling	0	1
Total Prosecution Reports	3	6
Disqualification		
Reports of unfit conduct	35	33
Returns of no unfit conduct*	47	13
Interim returns	7	0
Total Conduct Returns/Reports on Company Directors	89	46
Application to suspend bankrupt's automatic discharge	7	22
Applications for public examination		
Bankruptcies	22	23
Liquidations	14	7
Total applications for public examination	36	30

* Includes one insolvent partnership.

APPENDIX VII

INSOLVENCY SERVICE PUBLISHED STANDARD

1. What we do

We, through the Official Receiver, deal with and investigate the affairs of people who have become bankrupt and companies ordered to be wound up by the High Court (compulsory liquidation). We establish the reasons for the insolvency and report on misconduct by bankrupt people and directors.

We aim to provide a professional, efficient and helpful service to all our users – whether creditors, employees of insolvents, insolvency practitioners, bankrupts, directors and company officers or indeed anyone financially affected by a bankruptcy or compulsory liquidation (winding up).

We:

- employ specialist staff with professional training in insolvency law and accountancy, supported by administrative staff familiar with insolvency procedures.
- publish targets for our work and report on our performance in our Annual Report; and
- consult our users about our performance and review our standards and guidance in the light of these consultations.

2. What we cannot do

We cannot give you advice on individual insolvency problems, for example, we cannot give advice on whether or not you should become bankrupt or whether you should consider other alternatives to bankruptcy. You should get your own legal or financial advice from a Citizens' Advice Bureau, an authorised insolvency practitioner, a solicitor, a qualified accountant or a reputable financial adviser or advice centre.

3. The standards of service you can expect

Generally

- We will answer your phone calls between 9am and 5pm Monday to Friday on normal working days. We will connect you directly to the person dealing with your case whenever possible. When that person is not available, a message will be left for them to contact you or someone else will deal with your enquiry and will return your call within one working day.
- We will answer letters, faxes or e-mails needing a reply within 15 working days of receiving them. In some cases this may not be possible because we need to do more research before we can give you a full reply. In these circumstances, we will send an acknowledgement within five working days. This acknowledgement will say when we will send a full reply.

Creditors

The Official Receiver will aim:

- to send reports to creditors on the assets and liabilities of the insolvent person within 12 weeks of the bankruptcy or winding-up order; and
- if there are significant assets, to call the first meeting of creditors within 12 weeks of the bankruptcy or winding-up order to allow you and other creditors to appoint an insolvency practitioner from the private sector. He or she will sell the assets and make payments to you and the other creditors.

You can get a guide for creditors to insolvency procedures if you phone us on (028) 90251441.

Employees

You may be entitled to payments under employment protection law. If the Official Receiver is trustee or liquidator and is told or becomes aware that you are, or were, an employee of a bankrupt person or a company in compulsory liquidation and that you may have a claim for unpaid salary, holiday pay, pay instead of notice or redundancy pay, we will:

- send you form RPI within 10 working days so you can give details of your employment and any debts owed to you (for example, pay, holiday pay and redundancy money);
- check your claim when you return it and send it within 10 working days to the Department for Employment and Learning, Redundancy Payments Service (any payments properly due to you will be made directly to you by the Redundancy Payments Service. They will take off any income tax and national insurance that applies.)

Redundancy Payments Service will take the decision on whether you are entitled to any payment.

You can contact Redundancy Payments Service by phone on Freephone 0800 585811. This call is free of charge.

If an insolvency practitioner is appointed as trustee or liquidator, he or she will deal with your claims and send you the appropriate forms if we have not already dealt with this.

Insolvency practitioners

If you are appointed to a case, the Official Receiver will aim to pass it to you within eight working days of your nomination, appointment or agreement to act.

Bankrupts, directors and company officers

By law, bankrupts and officers of a company in compulsory liquidation must give all information required by the Official Receiver about the insolvency and be interviewed, if this is necessary. In some cases the Official Receiver will need to interview you immediately to deal with urgent matters relating to, for example, specific actions, assets, and employees.

- If you do not have to be interviewed immediately, the Official Receiver will write to you within two working days of receiving the bankruptcy order or winding-up order from the High Court. The letter will confirm an appointment for you at the Official Receiver's office normally within eight working days of the date the letter was sent. The letter will also give the name of the officer dealing with your case.
- We will give you a map showing the Official Receiver's office and clearly written guidance explaining the processes of bankruptcy and compulsory liquidation.
- We will see you no later than ten minutes after the fixed appointment time. In exceptional circumstances this cannot be done, we will explain why and tell you how long you will have to wait, or you may be offered another appointment
- We will see you in private where possible.

4. If you are not satisfied with the standard of service you have received

Whilst it is our aim to give the best possible service, problems occasionally occur. If you are not satisfied with our service, or if you have encountered any other problem, please let us know so that immediate steps can be taken to put matters right. We can guarantee that there will be a full and fair investigation of your complaint and you will be told what is happening. If a mistake has been made, we will apologise and try to put it right immediately. You can make your complaint either by phone or by writing to the office.

In most cases it will be possible to sort problems out informally and quickly by contacting the person you have been dealing with or his or her immediate supervisor. This is usually the best way to resolve problems or minor differences of opinion which have arisen. However, if you are not satisfied with the answer you receive or if you feel that insufficient action is taken to deal with the problem you can, if you wish, make a formal complaint in writing.

You should contact the Customer Relations Officer at:

Customer Relations Officer
The Insolvency Service
Fermanagh House
Ormeau Avenue
Belfast
BT2 8NJ

Tel No: (028) 9025 1441

The Customer Relations Officer will investigate your complaint and will give you a full reply within 10 working days; if that is not possible he/she will

issue a letter to you explaining why and stating when he/she will send a full reply.

If you are not satisfied with the response of the Customer Relations Officer, you should write to the Director of the Insolvency Service:

Mr W R Nesbitt
The Insolvency Service
Fermanagh House
Ormeau Avenue
Belfast
BT2 8NJ

Tel No: (028) 9025 1441

He will call for a full report on your complaint to make sure that you were dealt with according to our standards of service. He will give a full reply to your complaint within 10 working days; if that is not possible, he will issue a letter to you explaining why and stating when he will send a full reply.

In all cases your complaint will be:

- acknowledged within 2 working days;
- investigated thoroughly; and
- treated confidentially.

Parliamentary Ombudsman for Northern Ireland

If you remain dissatisfied you can ask a Member of the Legislative Assembly (MLA) (it does not have to be your local one) to refer your complaint to the Parliamentary Ombudsman for Northern Ireland. The Ombudsman will normally expect you to have used our complaints procedure before considering your complaint. The Ombudsman can only enquire into the administrative functions undertaken by our

staff in their dealings with you; he cannot investigate how a decision was made in a bankruptcy or liquidation as this would be a matter to be determined by the High Court.

You may contact the Ombudsman at:

The Ombudsman's Office
Progressive House
33 Wellington Place
Belfast
BT1 6HN
Fax: (028) 9023 4912

Phone: 0800 343424. This call is free.
E-mail: ombudsman@ni-ombudsman.org.uk

Or, you can write to:

The Ombudsman
Freepost BEL 1478
Belfast
BT1 6BR

No stamp is required.

5. General Control by the Court

If you are a bankrupt, company director, creditor or if you have been affected by a decision made by the Official Receiver in relation to a bankruptcy or compulsory liquidation, you may apply to the High Court for a review of this decision. Applications should be addressed to the Master (Bankruptcy), Royal Courts of Justice, Chichester Street, Belfast, BT1 3JF.

THE PUBLISHED STANDARD IS ALSO AVAILABLE IN LARGE PRINT FROM THE INSOLVENCY SERVICE.

PLEASE ASK ANY OF OUR STAFF FOR A COPY OR TELEPHONE OUR RECEPTIONIST ON BELFAST (028) 90251441

The published standard is also available in Chinese.

Department of Enterprise,
Trade and Investment

The Insolvency Account for the year ended 31 March 2004

together with the Report of the Comptroller and Auditor General thereon
prepared under Article 358 (3) of the Insolvency (Northern Ireland)
Order 1989 by the Department of Enterprise, Trade and Investment

December 2005

Insolvency Account for the year ended 31 March 2004

FOREWORD

STATUTORY BACKGROUND

The Bankruptcy Amendment (Northern Ireland) Order 1980(a) ("the 1980 Order") and the relevant winding up provisions contained in the Companies (Northern Ireland) Order 1986(b) ("the 1986 Order") were repealed and replaced by the Insolvency (Northern Ireland) Order 1989(c) ("the 1989 Order") and subordinate legislation made thereunder including the Insolvency Regulations (Northern Ireland) 1991(d) ("the 1991 Regulations") all of which came into operation on 1 October 1991 and the Insolvency Regulations (Northern Ireland) 1996(e) which came into operation on 31 January 1997. Under the 1989 Order the Department of Enterprise, Trade and Investment ("the Department") is charged with administrative duties in relation to the insolvency of individuals, partnerships and companies being wound up by the High Court.

The Insolvency Account is kept pursuant to Article 358(1) of the 1989 Order. Trustees in bankruptcy and liquidators of companies wound up by the High Court must pay the money received by them as trustees or liquidators into the Insolvency Account kept at a bank agreed by the Department and the Department of Finance and Personnel.

- (a) S.I. 1980/561 (N.I. 4)
- (b) S.I. 1986/1032 (N.I. 6)
- (c) S.I. 1989/2045 (N.I. 19)
- (d) S.R. 1991 No. 388
- (e) S.R. 1996 No. 574

STATEMENT OF THE RESPONSIBILITIES OF THE DEPARTMENT OF ENTERPRISE, TRADE AND INVESTMENT AND THE ACCOUNTING OFFICER

Under Article 358(3) of the 1989 Order the Department is required to prepare an account for each financial year in a form and on a basis approved by the Department of Finance and Personnel. The account is prepared on a cash basis and must properly present the receipts and payments of the Insolvency Account in the financial year and the balances at the year end.

The Department is required to send the account to the Comptroller and Auditor General for Northern Ireland, who is required to examine and certify it under Article 358(4) of the 1989 Order.

The Permanent Secretary of the Department of Enterprise, Trade and Investment is the Accounting Officer for the Insolvency Account. His relevant role and duties as an Accounting Officer, including his responsibility for ensuring the regularity and proper recording of financial transactions and for keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in Government Accounting in Northern Ireland.

Insolvency Account for the year ended 31 March 2004

REVIEW OF ACTIVITIES

The total number of Court orders for the winding up of companies during the year ended 31 March 2004 was 84. This represented an increase of approximately 25% when compared with the previous year.

The total number of bankruptcy orders and insolvency administration orders made by the Court during the year ended 31 March 2004 was 582 (including 5 partnership estates directed to be wound up under Article 15 of the Insolvent Partnerships Order (NI) 1995). This represented an increase of approximately 66% when compared with the previous year.



Bruce Robinson

Accounting Officer
Department of Enterprise, Trade and Investment

Statement on the System of Internal Control – Statement for Year to 31 March 2004

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

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 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 Insolvency Service for the year ended 31 March 2004 and up to the date of approval of the accounts and accords with Department of Finance and Personnel guidance.

We are carrying out appropriate procedures to ensure that we identify the Department's objectives and risks and devise a control strategy for each of the significant risks. As a result, risk ownership has been allocated to the appropriate staff and the Department has set out its attitude to risk in relation to the achievement of the Department's objectives. More specifically the Department has:

- initiated a project, from January 2002, to

address the implementation of enhanced Corporate Governance processes;

- developed a Risk Management policy document which was issued on 30 October 2002;
- delivered risk management training for relevant staff;
- produced risk registers at strategic (corporate) and operational (divisional) levels;
- maintained a system of quarterly risk reporting via stewardship statements by heads of division for the year ended 31 March 2004; and
- maintained a formal system of risk reporting to the Departmental Board, the Department's Senior Management Team, the Departmental Audit Committee and the Department's Audit and Accountability Liaison Group for the year ended 31 March 2004.

The Insolvency Service has a system of Internal Control based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. Particular controls include:

- systematic management reviews of cases undertaken by Insolvency Service staff;
- systematic monitoring of Insolvency Practitioners licensed by the Department's Insolvency Service;
- systematic review of the procedures of Recognised Professional Bodies in their monitoring of the private sector Insolvency Practitioners whom they licence; and

- monthly reconciliations of cash held in the Insolvency Account against Insolvency Service records.

The Departmental Board has ensured that procedures are in place for verifying that risk management and internal control are regularly reviewed and reported on. As well as regular reports to the Departmental Board, risk management and internal control are regularly reviewed by the Departmental Audit Committee and the Departmental Audit and Accountability Liaison Group. Risk management is continually being incorporated into the corporate planning and decision making processes of the Department.

The Departmental Board, Departmental Audit Committee and Departmental Audit and Accountability Liaison Group receive periodic reports concerning internal control. The appropriate steps are being taken to manage risks in significant areas of responsibility and monitor progress on key projects.

The Department's key objectives and risks are regularly assessed to ensure consistency of treatment.

The Insolvency Service is subject to audit by the Department's Internal Audit Service, which operates to standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risk to which the Insolvency Service is exposed and annual internal audit plans are based on this analysis. This process requires an audit of the Insolvency Service every two years. The analysis of risk and the internal audit plans are endorsed by the Department's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit

activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's system of internal control together with recommendations for improvement.

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



Bruce Robinson
Accounting Officer

24 November 2004

The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements on pages 61 to 68 which have been prepared by the Department of Enterprise, Trade and Investment and approved by the Department of Finance and Personnel.

Respective responsibilities of the Department of Enterprise, Trade and Investment, the Accounting Officer and Auditor

As described on pages 55 and 56, the Department and Accounting Officer are responsible for the preparation of the financial statements in accordance with Article 358(3) of the Insolvency (Northern Ireland) 1989 Order and the Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. The Department and Accounting Officer are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements properly present the receipts and payments of the Insolvency Service and are properly prepared in accordance with Article 358(3) of the Insolvency (Northern Ireland) Order 1989 and Department of Finance and Personnel 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 Insolvency Service has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 57 to 58 reflects the Insolvency Service's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by the Department of Finance and Personnel, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement of Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Insolvency Service's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the judgements made by the Department and Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material

misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion

- the account properly presents the receipts and payments of the Insolvency Service for the year ended 31 March 2004 and the balances held at that date and have been properly prepared in accordance with Article 358(3) of the Insolvency (Northern Ireland) Order 1989 and directions made thereunder by the Department of Finance and Personnel; 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.



J M Dowdall
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

30 August 2005

Insolvency Account

for the year ended 31 March 2004

Statement of Receipts and Payments for year ending 31 March 2004 prepared under Article 358(3) of the Insolvency (Northern Ireland) Order 1989 in respect of Company Liquidations, Bankruptcies and Estates of Deceased Insolvents, including Arrangements under the control of the Court up to 30 September 1991.

Receipts	Notes	2003/04 £	2002/03 £
Sums received in respect of Realisation of Company Assets etc. (Article 503(2) of the 1986 Order and Regulation 5(1) of the 1996 Regulations)	(1)	631,696	887,357
Sums received in respect of Realisation of Estates of Bankrupts etc. (Article 6(1) of the 1980 Order and Regulation 20(1) of the 1996 Regulations)	(2)	3,053,069	2,958,038
Interest credited to individual Accounts under Articles 611(2) of The 1986 Order, 7(2) of the 1980 Order and Regulations 9 and 24 of the 1996 Regulations	(3)	169,317	187,816
Unclaimed Dividends and Undistributed Balances paid to the Department under Articles 595(1) of the 1986 Order, 6(2) of the 1980 Order and Regulations 18 and 32 of the 1996 Regulations	(4)	16,627	20,908
Sums received to which the Official Receiver does not have clear title	(5)	30,081	5,672
Sums received in respect of Prescribed fees	(6)	12,460	8,345
		3,913,250	4,068,136

Insolvency Account

for the year ended 31 March 2004

Payments	Notes	2003/04 £	2002/03 £
Sums paid in respect of expenses and distributions under Article 502(3) of the 1986 Order and Regulations 7(2) and 22(1) of The 1996 Regulations			
Company Liquidations £ 637,458			
Bankruptcy etc £ 2,899,908	(7)	3,537,366	3,715,446
Fees and Remuneration charged and appropriated in aid of the Department of Enterprise, Trade and Investment	(8)	883,527	811,832
Unclaimed Dividends and Undistributed Balances surrendered to Consolidated Fund under Articles 595(3) of the 1986 Order, 24(3) of the 1980 Order and 358(5) of the 1989 Order	(9)	74,234	18,019
Unclaimed Dividends ordered to be refunded under Articles 595(2) of the 1986 Order, 24(2) of the 1980 Order and Regulation 33 of the 1996 Regulations	(10)	353	1,118
Sums paid to parties with clear Title	(11)	29,002	10,762
Sums surrendered to the Crown Solicitor under Article 605(1) of the 1986 Order	(12)	1,512	5,672
		4,525,994	4,562,849
EXCESS OF PAYMENTS OVER RECEIPTS FOR FINANCIAL YEAR		(612,744)	494,713

Insolvency Account for the year ended 31 March 2004

Statement of Balances at 31 March 2004	Notes	2004 £	2003 £
Balance at beginning of financial year in respect of -			
Liquidations - cash at bank and in hand		1,899,551	1,815,407
Bankruptcy - cash at bank and in hand		4,624,037	5,202,894
		6,523,588	7,018,301
Less: Excess of payments over receipts for financial year		(612,744)	(494,713)
		5,910,844	6,523,588
Balance at end of financial year in respect of -			
Liquidations - cash at bank and in hand		1,734,594	1,899,551
Bankruptcy - cash at bank and in hand		4,176,250	4,624,037
	(13)	5,910,844	6,523,588

The notes on Pages 64 to 68 form part of the account.

Bruce Robinson
Accounting Officer
Department of Enterprise, Trade and Investment
24 November 2004

Insolvency Account for the year ended 31 March 2004

NOTES

RECEIPTS

1. Realisation of Company Assets, etc.

Sums received during the period (other than fees fixed by Regulations) can be summarised as follows:

	<u>2003-04</u>	<u>2002-03</u>
	£	£
Realisations of assets etc. in Company Liquidations	524,696	780,857
Deposits paid by Petitioners	107,000	106,500
	<u>631,696</u>	<u>887,357</u>

2. Realisation of Estates of Bankrupts, etc.

Sums received during the period (other than fees fixed by Regulations) can be summarised as follows:

	<u>2003-04</u>	<u>2002-03</u>
	£	£
Realisation of assets, etc. in the Estates of Bankrupts, Arranging Debtors and Deceased Insolvents	2,642,769	2,660,788
Deposits paid by Petitioners	410,300	297,250
	<u>3,053,069</u>	<u>2,958,038</u>

3. Interest Credited

The total amount of interest received in respect of funds in the Insolvency Account during the year was £168,111 (previous year £202,809). Of the total, £169,317 (previous year £187,816) has been credited to the Insolvency Account and has been allocated as follows:

	<u>2003-04</u>	<u>2002-03</u>
	£	£
Amounts credited to Companies in Liquidation	51,356	56,012
Amounts credited to Estates of - Bankrupts, Arranging Debtors and Deceased Insolvents	117,961	131,804
	<u>169,317</u>	<u>187,816</u>

Insolvency Account

for the year ended 31 March 2004

Of the balance of interest received on funds in the Insolvency Account during the year £1,031 (previous year £14,993) is surrendered to the Consolidated Fund. Interest earned during the year on the Bankruptcy and Companies Dividend Accounts, being separate accounts held outside the Insolvency Account, is £1,988 of which £1,420 is also surrendered to the Consolidated Fund.

The negative difference of £1,206 between interest received and interest credited to the Insolvency Account was represented by the Department's legal requirement to pay 3¹/₂% on estate account balances over £2,000 at a time during the second and third quarters when the interest earned on the Insolvency Account was less than 3¹/₂%. The deficit on interest during the year fluctuated regularly particularly during the two said quarters and was either made up by the Bank of Ireland or from interest payments that were due to be made to the Department including the interest earned on the Dividend accounts. This is explained as follows:

Overall Yearly Reconciliation

Total interest on Insolvency Account		£168,111
Total interest on Dividend Accounts		<u>£ 1,988</u>
		£170, 099
Less: Paid to the consolidated Fund	£1,031	
Dividend Accounts	<u>£1,420</u>	<u>£ 2,451</u>
		£167,648
Less: Credited to estate accounts		<u>£169,317</u>
Deficit covered by Bank		£ 1,669

When interest rates changed upwards the bank was able to recover any outstanding deficit from the increase in interest earned.

4. Unclaimed Dividends etc.

Sums received during the period can be summarised as follows:

	<u>2003-04</u>	<u>2002-03</u>
	£	£
Unclaimed Dividends etc. in respect of Company Estates	10,185	3,095
Unclaimed Dividends etc. in respect of Bankruptcy Estates	<u>6,442</u>	<u>17,813</u>
	<u>16,627</u>	<u>20,908</u>

5. Sums received without clear title

A separate suspense sub-account is kept of such receipts which, when clear title is established, are either placed to the credit of the appropriate insolvent or paid to the party who has title.

Insolvency Account for the year ended 31 March 2004

6. Prescribed fees

£12,460 (previous year £8,345) does not represent the total of fees charged by the Official Receiver but consists only of fees taken in cash. This figure represents fees paid on the registration of Individual Voluntary Arrangements (Article 4 of the Insolvency (Fees) Order (Northern Ireland) 1991(a)) and fees paid on the application for the renewal of the authorisation to act as an insolvency practitioner (The Insolvency Practitioners Regulations (Northern Ireland) 1991(b)).

PAYMENTS

7. Expenses and distributions

The authority for the making of payments out of the Insolvency Account in connection with the administration of the estates of bankrupts and the winding up of companies is Regulations 7(2) and 22(1) of the 1996 Regulations. Payments made during the period can be summarised as follows:

	2003-04		2002-03	
	Companies £	Bankruptcy £	Companies £	Bankruptcy £
Costs & Expenses	525,863	1,670,074	571,237	1,548,083
Distribution	100,460	1,203,699	183,160	1,369,528
Income Tax & Corporation Tax	11,135	26,135	14,515	28,923
	<u>637,458</u>	<u>2,899,908</u>	<u>768,912</u>	<u>2,946,534</u>

The figure for bankruptcy and company distributions includes undistributed balances totalling £19 and £1,018 respectively.

8. Prescribed fees

	<u>2003-04</u> £	<u>2002-03</u> £
Companies	164,379	87,804
Bankruptcy	708,283	717,483
Registration of Voluntary Arrangements	10,865	6,545
Renewal of DETI - Insolvency Licence	0	0
	<u>833,527</u>	<u>811,832</u>

The total figure for fees charged to estate accounts and taken in cash includes £20,667 Value Added Tax for which the Department is accountable.

Write-off approval was received for fees totalling £51,452 in 140 bankruptcy and 34 company estates. These sums are not included in the total figure for fees.

(a) S.R. 1991 No.385

(b) S.R. 1991 No.302

Insolvency Account for the year ended 31 March 2004

9. Transfers to consolidated fund

Article 358(5) of the 1989 Order provides for unclaimed dividends and unapplied or undistributed balances which have remained unclaimed for a period of two years from the date of lodgement to the Insolvency Account to be transferred to the Consolidated Fund.

	<u>2003-04</u>	<u>2002-03</u>
	£	£
Companies	56,221	4,976
Bankruptcy	18,013	13,043
	<u>74,234</u>	<u>18,019</u>

10. Unclaimed dividends refunded

Payments made during the year to persons establishing title to unclaimed dividends or unapplied or undistributed balances previously lodged in the Insolvency Account can be summarised as follows:

	<u>2003-04</u>	<u>2002-03</u>
	£	£
Companies	138	627
Bankruptcy	215	491
	<u>353</u>	<u>1,118</u>

11. Sums paid to parties with clear title

Payments totalling £29,002 (previous year £10,762) were made to parties who established title to monies held in the Insolvency Account or who, already having title, were traced.

12. Article 605(1) of the 1986 Order states that all property and rights of a dissolved company shall be deemed to be bona vacantia and accordingly belong to the Crown.

Insolvency Account for the year ended 31 March 2004

13. Balance at end of year

	31 March 2004	31 March 2003
	£	£
Cash at Bank and in hand	5,910,844	6,523,588
Represented by:		
Amounts received from Insolvency Practitioners including the Official Receiver in respect of company unclaimed dividends or unapplied or undistributed balances but not yet transferred to the Consolidated Fund (Article 358(5))	12,931	59,275
Amounts received from Insolvency Practitioners including the Official Receiver in respect of bankruptcy unclaimed dividends, or unapplied or undistributed balances but not yet transferred to the Consolidated Fund (Article 358(5))	23,467	35,266
Net funds held in the Insolvency Account in respect of companies in which a final dividend has not yet been paid	1,721,663	1,840,276
Net funds held in the Insolvency Account in respect of bankruptcy estates in which a final dividend has not yet been paid	4,152,783	4,588,771
	<u>5,910,844</u>	<u>6,523,588</u>



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