

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

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# Marine and Aviation Insurance (War Risks) Fund Account 2009-2010

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ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 3 FEBRUARY 2011

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# Contents

	Page
Foreword	2
Statement of Secretary of State's and Accounting Officer's responsibilities	3
Statement on Internal Control	4
The Certificate and Report of the Comptroller and Auditor General	6
Receipts and Payments Account	8

# Foreword

## History

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

## Statutory background

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

The Marine Insurance Act 1906 and Salvage Convention 1989, as given effect by the Merchant Shipping Act 1989, together provide the legal framework to cover the Fund's income from salvage and salvage contractors, the main source of income in recent years.

## Review of activities

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

No premiums are charged to shipowners unless the Secretary of State considers there to be a particular risk, either generally, or in a specific geographical location. There have not been any receipts of premiums or payments of claims in recent years. Where insurance claims have been paid from the fund for hulls of lost vessels and cargoes, ownership of the hulls and cargoes vests in the Crown, under normal insurance rules of subrogation. Receipts from the sale of hulls of vessels lost during the Second World War and from the salvage of their cargoes are proper to this fund.

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

Any future costs or liabilities associated with Crown ownership of wrecks following the payment of insurance claims under the 1952 Act would not fall to the Marine and Aviation Insurance (War Risks) Fund Account.

## Administration of fund

During the year of account, a total of £500 was received for ongoing salvage operations. There have been no claims against the fund during 2009-2010 and there are none outstanding from previous years.

The fund is administered by the Department for Transport.

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010

## Statement of the Secretary of State's and Accounting Officer's responsibilities

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

HM Treasury has appointed the Permanent Secretary for the Department as the Principal Accounting Officer for the Department for Transport (DfT) with overall responsibility for preparing the DfT's accounts and for transmitting them to the Comptroller and Auditor General. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable, and for the keeping of proper records, and for safeguarding assets are set out in the Accounting Officer's Memorandum issued by the Treasury and published in *Managing Public Money*.

In preparing the accounts, the Accounting Officer is required to comply with the *Financial Reporting Manual* prepared by HM Treasury, and in particular to

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010

# Statement on Internal Control

## Scope of responsibility

- 1 Management and preparation of this account and the underlying accounting transactions are subject to the control environment of the Department for Transport to which the rest of this statement refers. There are no risks identified specifically for this account. In my role as Principal Accounting Officer for the Department for Transport (DfT), I have the responsibility for signing this account.
- 2 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Transport's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

## Purpose of Report

- 3 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve departmental policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Subject to the developments during the year described in the following paragraphs, the system of internal control has been in place in the Department for Transport for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

- 4 Leadership on risk management is provided by the Department's Board, which monitors performance and risk, making choices (or recommendations to Ministers) on priorities across the DfT family. Significant risks to key objectives are identified by managers within the Department and escalated to the Board. At the end of 2009-2010, the Department's Board included the five Directors General in the central Department and four non-executive members.
- 5 The Department's Group Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes a non-executive chair, who is also a member of the Board, and three further non-executive members from the wider DfT family. The specific business of the Marine and Aviation Insurance (War Risks) Fund has not been subject to consideration by any Group Audit Committee during the year.
- 6 Officials consult Ministers regularly on risk. Submissions to Ministers incorporate assessments of key risks including, for example, to the operation of the transport system and to the successful delivery of new policies.
- 7 A new overall DfT Group Risk Management Framework was introduced in 2008-2009 and is now embedded in Departmental processes. This Framework revised the criteria for Board-level risks and specified the responsibilities for each of the Director General groups in relation to improving risk management within their groups. Each group has a risk management framework which is documented and placed on Transnet, the Department's Intranet. Resource Management Planning Teams (RMPTs), embedded within each Director General group, have continued to support their respective Director General on implementing and updating policies and procedures to improve the identification and mitigation of Board and group-level risks. Risk management guidance is available to staff on Transnet.
- 8 During 2009-2010 Board Risk Reporting was developed further to support the escalation criteria defined in 2008-2009. All Board level risks are now grouped under themes and from 2010-2011 the Board will review in detail a risk theme each month.

## Risk and control framework

- 9 The Treasury published its Code of Good Practice on Corporate Governance in Central Government Departments in July 2005; the Department's practices are consistent with the principles set out in this Code.
- 10 The central Department has in place a Corporate Governance Framework, which includes: the framework of accountabilities; the roles and responsibilities of Directors General and Directors; and the in-year and end-of-year reporting arrangements. The Corporate Governance Framework includes the risk management framework which is described in paragraph 7, detailing how risks are escalated to the Department's Board for attention. The Framework is supported by delegations from the Accounting Officer to Directors General to maintain effective accountability and management of resources and each Director General group has a documented risk management framework for their area.

## Review of effectiveness

- 11 As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and the Group Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 12 The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government Internal Audit Standards. The work of the Audit Risk and Assurance Division is based upon its analysis of the risks to which the Department is exposed. The annual audit plan was discussed and endorsed by the Department's Group Audit Committee and approved by me. The work completed in connection with the annual audit plan provides me, as the Department's Principal Accounting Officer, with an independent opinion on control and governance and the effectiveness of the Department's risk management systems. Regular reports are provided to the Department's management, as well as advice on risk and control issues. The Department's assessment of the control environment is also informed by the programme of external audits and value for money studies undertaken by the National Audit Office.
- 13 Each year the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. This report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements. The HIA has informed me that the arrangements for the risk management, governance and control processes have been adequate and effective in 2009-2010.
- 14 The Group Audit Committee has received summaries of Internal Audit reports and considers the Group Head of Internal Audit's annual opinion on the effectiveness of risk management, control and governance.
- 15 Directors General and Directors have reviewed internal control within their areas of responsibility within the central Department and have completed management assurance returns which are communicated to the Group Audit Committee for review at six months and at year end. No significant weaknesses have been identified relating to the business related to the Marine and Aviation Insurance (War Risks) Act.

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010



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

I certify that I have audited the financial statements of the Marine and Aviation Insurance (War Risks) Fund Account for the year ended 31 March 2010 under the Marine and Aviation Insurance (War Risks) Act 1952. The financial statements have been prepared in the form and on the basis determined by HM Treasury.

## Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of the Secretary of State's and Accounting Officer's responsibilities, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and HM Treasury directions made thereunder. I report to you whether, in my opinion, information given in the Foreword is consistent with the financial statements. I also report whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department for Transport has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

I review whether the Statement on Internal Control reflects compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Department for Transport's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion

- the financial statements properly present the receipts and payments of the Secretary of State for Transport in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and directions made thereunder by HM Treasury, for the year 31 March 2010;
- the financial statements have been properly prepared in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and HM Treasury directions made thereunder; and
- information given within the Foreword is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

20 December 2010

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London SW1W 9SP

## Receipts and Payments Account for the year ending 31 March 2010

	<b>2009-2010</b>	2008-2009
	<b>£</b>	£
<b>Operating Receipts</b>		
Insurance Premiums	<b>0</b>	0
Received from salvage contractors	<b>500</b>	40,552
<b>Operating Payments</b>		
Payments against approved claims	<b>0</b>	0
<b>Surplus for the financial year</b>	<b>500</b>	40,552
<b>Surplus surrendered to the Consolidated Fund</b>	<b>500</b>	40,552

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

### *Notes to the Account*

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

*Robert Devereux*  
Accounting Officer  
Department for Transport

26 November 2010

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DG Ref: 009525

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ISBN 978-0-10-296887-3



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