

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

Marine and Aviation Insurance (War Risks) Fund Account 2007-2008

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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 together provide the legislation 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. 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.

Administration of fund

During the year of account, a total of £6,853 was received for the sale of wrecks and salvage. There have been no claims against the fund during 2007-2008 and there are none outstanding from previous years.

The fund is administered by the Department for Transport.

Robert Devereux
Accounting Officer
Department for Transport

21 September 2008

Statement on Internal Control

Scope of responsibility

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.

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.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve 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 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Leadership on risk management is provided by

- the Department's Management Board, which monitors delivery against key objectives across the DfT family. Significant risks to these objectives are identified by the line and escalated to the Board. In 2007-2008, the Department's Management Board included the five Directors General in the central Department, the Chief Executive of the Highways Agency and two non-executive members. The following forums help ensure that risks are effectively managed; and
- an Executive Committee, which seeks to ensure that the resources available to the central Department are managed as effectively as possible to mitigate identified risks and to meet corporate governance standards.

The Department's Group Audit Committee monitors and reviews the processes for managing risk, control, governance and assurance across the DfT family, and includes four non-executive members from the DfT family, including the Chair, who is also a member of the Departmental Board. Each Agency has its own Audit Committee, which fulfils a similar function. The business of the Marine and Aviation Insurance (War Risks) Act has not been subject to consideration of any Audit Committee.

Officials consult Ministers regularly on risk. Submissions to Ministers incorporate assessments of key risks including, for example, to the operation of the transport system, including public perceptions, and to the successful delivery of new policies.

During 2007-2008, the focus for improving risk management throughout the Department has fallen to the Resource Management and Planning Teams (RMPTs) with a Departmental Risk Improvement Manager developing overall risk policy and reviewing the corporate risk log. They have continued to identify and implement actions to improve the identification and mitigation of Board and Group level risks through the business planning and risk management reporting process. The RMPTs are also responsible for ensuring that the appropriate support and training on risk management is available to staff within the central Department.

A programme of risk management workshops were delivered in year, supported by the Departmental Risk Improvement Manager. This has helped embed risk management concepts further into every day Departmental business. A number of improvements and additions were made to the Departmental risk guidance.

The risk and control framework

The Treasury published its Code of Good Practice on Corporate Governance in Central Government Departments in July 2005; the Department's practices are broadly consistent with the principles set out in this Code.

Directors General (DGs) and Heads of Unit (Directors) in the central Department take responsibility for the day to day management of risks in their respective areas of influence. Through regular delivery and financial reporting processes, the Departmental Management Board has set guideline criteria for the impact of risks that it considers should be escalated for its potential attention. The Department also has in place Group risk registers which are reviewed by DGs and Directors with the RMPTs and the Departmental Risk Improvement Manager, and a corporate risk log which is reviewed by the Departmental Risk Improvement Manager, in each case on a quarterly basis. Any significant Departmental risks are escalated to the Department's Management Board for attention.

The central Department has in place a Corporate Governance Framework, which includes: the framework of accountabilities; the roles and responsibilities of Agency Chief Executives, Directors General and Directors; and the end of year reporting arrangements. The Framework sets out the responsibilities of Directors General and Directors for risk management. The Framework is supported by delegations from the Accounting Officer to Directors General to maintain effective accountability and management of resources.

The Department and its Agencies have a number of well-established programmes for involving the public in managing the risks associated with transport. The Department has also identified its ability to manage major transport disruptions as a key corporate risk, and has in place an active programme, working with partners, to ensure that adequate contingency and emergency plans are maintained, developed and reviewed.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the 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 Audit Committee, and a plan of continuous improvement is in place.

The Audit Committee receives 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. The Chair of the Audit Committee reports periodically to the Departmental Management Board and to the Accounting Officer the Committee's views on the effectiveness of internal control.

The Department's Audit and Risk Assurance Division (Internal Audit) operates to standards defined in the Government's Internal Audit Standard. It provides an independent opinion to the Accounting Officer 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.

Directors General and Directors have reviewed internal control within their areas of responsibility within the central Department and have completed end of year assurance returns which have been communicated to the Audit Committee.

Capability review

In 2006-2007 the Department underwent an external assessment by the Cabinet Office, referred to as a capability review. The purpose of this review was to determine how well placed the Department was in terms of leadership, strategy and delivery, to meet current and future challenges. The results of this review were published in June 2007 by the Cabinet Office and were very positive with the Department being placed third equal amongst all the Departments that had been assessed. Amongst the strengths that the Department exhibited were a limited number of weaknesses that required attention. A detailed plan spanning the next two years has been developed to tackle these weaknesses. The key elements of this plan are the strengthening of leadership, improvements to the way that strategy is developed, improvements in delivery and the development of our capability. Amongst the actions that have been taken following the Capability Review, now referred to as the forward programme, we have revised the organisational structure and recruited two new Directors General; developed new leadership standards; involved stakeholders in the development of our transport strategy and improved relations between the central Department and our agencies. Further actions to improve the running of the Department will be delivered in the next financial year.

Information and data handling

I am aware that the handling of information and data is a key risk to the Department. I have issued guidance to all staff on the subject of data handling and I have emphasized the importance of the requirements contained within this guidance. In line with a requirement for greater transparency over the issues associated with information and data handling a full disclosure of incidents that have occurred in 2007-2008 can be reviewed within the Management Commentary.

The Department in compliance with Cabinet Office guidance has appointed an Information Management Officer and created an Information Management Directorate from April 2008. Responsibility for Information Management lies with the Director General for SSDL.

Shared Service Centre

Starting from 1 April 2007, the Department commenced the transfer of its financial and HR services to a new shared services platform. One year into this implementation, DVLA and DSA have completed their transfer. The central Department including the Marine and Aviation Insurance (War Risks) accounts have gone live on the new platform from the beginning of 2008-2009 and other elements of the Department will follow from October 2008.

During its first year of operation, the Shared Service Centre (SSC) has been subject to a comprehensive and continuous programme of internal audit and specialist review, and quality assurance by KMPG and Deloitte. This audit and review activity identified process weaknesses, which represent serious but not fundamental failures in the control framework. These weaknesses have led to instances of inappropriate authority levels amongst staff, prompt payment targets being missed and some elements of functionality not being delivered per the programme timetable. The Department's Management Board and DVLA and DSA's Accounting Officers are committed to implementing fully all the control recommendations.

During 2007-2008, DVLA and DSA only had their financial services provided by the new SSC. The system limitations had a temporary impact on the Agencies' abilities to exercise full financial control and to carry out management reporting. In order to mitigate risks ensuing from these inefficiencies, the Agencies implemented additional extra-systems control processes and detailed monitoring of financial management information. These measures ensured that effective internal controls were maintained within the Agencies throughout the year.

The Department's SSC Programme has taken action to address the cause of the weaknesses and to eliminate their effect. This work is ongoing and will continue through 2008-2009.

Group Internal Audit Opinion

In my opinion the DfT Group's arrangements for governance, risk management, and internal control have been adequate and effective in 2007-2008 except for the following matters of significance in the context of the DfT and its Agencies in aggregation as a group:

Shared Services

The SSC commenced operations in April 2007 with a system of internal controls that was inadequate to support its activities. SSC management has started to address these weaknesses during the year but action plans to do so were neither fully formed nor implemented as at the end of March 2008. As a result the system of internal controls remained inadequate at the year-end because of significant weaknesses that had not been resolved.

Implementation timetables for remedial control activities run through to at least mid 2008-2009, hence the ongoing weaknesses will have an adverse impact on the central Department and the Maritime and Coastguard Agency in 2008-2009 unless adequate compensating controls are put in place.

Resources at the DVLA and the DSA, the SSC's customers during 2007-2008, have been diverted to performing additional controls to compensate for the SSC's control weaknesses. As a result of the additional controls performed at both agencies, the views of the respective agencies' management is that the DVLA's and the DSA's financial statements have not been materially mis-stated.

Data protection

A data protection compliance audit commissioned jointly by line management and internal audit in 2007-2008 highlighted a number of significant issues that are likely to impact on the central Department's ability to manage the risks and compliance obligations associated with data protection. I summarised these issues in my report of 10 December 2007 to the Accounting Officer on the results of the Department's review of its data handling procedures.

Several of these issues had not been adequately addressed by May 2008 when internal audit followed-up the initial report. The Information Management Directorate, created in April 2008, now has actions underway which should address the unresolved issues as part of its broader programme to respond to the new data handling requirements the Cabinet Office has established.

Partial and Nil Assurance Audit Reports

Across the Department and its Agencies for 2007-2008, 35 per cent (2006-2007: 34 per cent) of rated internal audit reports carried a 'partial' or 'nil' assurance rating, meaning that significant weaknesses had been identified in the adequacy and effectiveness of arrangements for governance, risk management, or internal control. These weaknesses were significant in the context of the individual audit scope and in some cases in the context of the central Department or respective Agency: management at the appropriate level should pay due attention to these issues.

In the context of this Annual Opinion for the Department and its Agencies as a group, none of these weaknesses warrant specific mention, either individually or in aggregation, except as reported above.

Robert Devereux
Accounting Officer
Department for Transport

21 September 2008

Statement of 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.

The Treasury has appointed Robert Devereux 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' (TSO).

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.

The Certificate 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 for the year ended 31 March 2008 under the Marine and Aviation Insurance (War Risks) Act 1952. These comprise the Receipts and Payments Account and the related note.

Respective responsibilities of the Accounting Officer and Auditor

The Accounting Officer is responsible for preparing the Foreword and the financial statements in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

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

I report to you my opinion as to whether the financial statements 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 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 Marine and Aviation Insurance (War Risks) Fund 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 the Marine and Aviation Insurance (War Risks) Fund's 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 Marine and Aviation Insurance (War Risks) Fund'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.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the 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 fraud or error, and that in all material respects the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Audit Opinion

In my opinion

- the financial statements properly present the receipts and payments, in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and directions made thereunder by HM Treasury, for the year ended 31 March 2008;
- the financial statements have been properly prepared in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and Treasury directions made thereunder; and
- information given within the Foreword, is consistent with the financial statements.

Audit opinion on regularity

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

T J Burr
Comptroller and Auditor General

30 September 2008

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Receipts and Payments Account for the year ended 31 March 2008

	2007-2008	2006-2007
	£	£
Operating receipts		
Insurance premiums	0	0
Received from salvage contractor Wrecks and Salvage	6,853	4,000
Operating payments		
Payments against approved claims	0	0
Surplus for the financial year	6,853	4,000
Surplus surrendered to the Consolidated Fund	6,853	4,000

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

21 September 2008

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