Presented to Parliament pursuant to Insolvency Act 1986, c.45, s.409(4)

Insolvency Services Account 2008-2009

LONDON: The Stationery Office
HC 932

28 September 2009
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Contents

Foreword

Statutory background

The Insolvency Act 1986 (the Act) requires the preparation of two financial statements

i The Secretary of State is required to prepare a statement of sums received and paid out by him through the Insolvency Services Account (the ISA) for each year ending 31 March, in such form and manner as the Treasury may direct (Section 409(2) of the Act); and

ii The Commissioners for the Reduction of the National Debt (CRND) are required to prepare a statement of the sums debited and credited to the Insolvency Services Investment Account (the Investment Account) for each year ending 31 March, in such form and manner as the Treasury may direct (Section 409(1) of the Act).

The Insolvency Services Account (the ISA)

The Insolvency Regulations 1994, as amended, (the Regulations) require Official Receivers and insolvency practitioners to pay into the ISA at the Bank of England money received by them in the course of their administration of bankruptcies and compulsory liquidations. Voluntary liquidators may deposit funds into the ISA. The Regulations also provide for payments from the ISA of disbursements, expenses and distributions to creditors and to contributories in company liquidations (Regulations 7, 8, 22 and 23). Estate monies deposited in the ISA are generally transferred to the Investment Account (Section 403(2) of the Act) although the Regulations provide that trustees and liquidators may request investment in Government Securities of estate monies not required for immediate purposes (Regulation 9(1) & 23A).

The Insolvency Services Investment Account (the Investment Account)

This account is kept by CRND at the Bank of England. CRND may invest any money standing to the credit of the Investment Account in accordance with the Trustee Investments Act 1961 and Treasury directions.

Income earned on these investments is used to pay interest and tax under the Regulations to individual estates. Investments are realised to make repayments to the ISA to meet the demands in respect of bankrupts' or companies' estates.

General background

The Official Receiver deals with the administration and investigation of all personal and corporate (including partnership) insolvencies arising through orders made by the court (compulsory insolvencies). Creditors, or the Secretary of State, may appoint an insolvency practitioner to take over the insolvency from the Official Receiver to act as trustee in bankruptcy (personal insolvency) or liquidator (corporate insolvency). In either case, the Official Receiver or insolvency practitioner must pay any receipts arising in the insolvency into the ISA.

In addition to insolvencies arising through orders made by the court, an insolvency practitioner may also be appointed to administer a voluntary liquidation. This can be a members' voluntary liquidation (for solvent companies) or a creditors' voluntary liquidation (for insolvent companies). Voluntary liquidations do not involve the Official Receiver or the courts. Insolvency practitioners appointed to administer voluntary liquidations may make payments into the ISA although the Regulations differ to those governing the payments made by trustees and liquidators of compulsory insolvencies.

The ISA is administered by the Estate Accounts Services of The Insolvency Service.

Aims and objectives

The Estate Accounts Services seeks to be a centre of excellence in providing estate accounting and investment services for bankruptcy and liquidation estate funds by

- Delivering a high standard of service to all users of the ISA;
- Listening to the views of users about the administration of the ISA;
- Making use of new technology to improve efficiency and extend the range of services provided;
- Minimising the regulatory burden on users of the ISA, within the statutory framework; and
- Ensuring the correct application and recovery of insolvency fees.

The aims and objectives of CRND are

- To maintain sufficient liquid funds to meet expected payments;
- To maintain capital (nominal) cover over the Investment Account's liability to The Insolvency Service;
- To invest in securities that mature within one month; and
- Income earned must, over time, be sufficient to cover the interest due to trustees and liquidators on money deposited with the ISA.

Review of activities

Level of insolvencies

The total number of new insolvencies – bankruptcies and compulsory and voluntary liquidations – increased from 79,633 in 2007-2008 to 93,170 in 2008-2009. New voluntary liquidation cases increased by 22 per cent to 15,141; bankruptcy cases increased by 16 per cent to 72,060; and compulsory cases increased by 23 per cent to 5,969.

Estate accounts maintained for insolvency practitioners decreased in 2008-2009 to 31,636 (2007-2008 34,332), for bankruptcies and compulsory liquidations, while estate accounts maintained for official receivers increased in 2008-2009 to 90,282 (2007-2008 79,874). Voluntary estate accounts maintained for insolvency practitioners increased in 2008-2009 to 4,319 (2007-2008 4,247).

The value of bankruptcies and compulsory liquidations estate accounts decreased to £206 million (2007-2008 £261 million), whilst the value of voluntary liquidation estate accounts has decreased to £981 million during 2008-2009 (2007-2008 £1,077 million).

Transactions

The Insolvency Services Account

Receipts into the ISA decreased in 2008-2009 by £441 million to £1,605 million.

Payments decreased by £461 million to £1,596 million.

During the year aggregate receipt and payment volumes decreased when compared to 2007-2008: receipts volumes were 128,000 in 2008-2009 (2007-2008 138,000) and payment requests were down to 226,000 in 2008-2009 (2007-2008 230,000). Written balance statements requested by IPs decreased by 11 per cent due to the increasing number of insolvency practitioners using the on-line internet access facility to view account details.

The Insolvency Services Investment Account

Funds invested by CRND at 31 March 2009 were £1,383 million, a decrease of £118 million. Interest earned on these funds together with interest earned on the ISA working balances is paid to insolvency estates (after meeting interest under Regulation 9 (6) of the Regulations 1994 and associated income tax). During 2008-2009 all residual surplus interest from 2007-2008 (£12.8 million) was also paid out to estates, plus an additional £3.1 million causing a net deficit on interest carried forward to 2009-2010. This leaves a capital surplus on the funds of £38.3 million.

Banking

Office of HM Paymaster General (OPG) has continued to process retail banking transactions for the ISA. OPG's payable order system for paper-based payments has again delivered a high level of security for such payments through the ISA. BACS and CHAPS payments are used for payments when sufficient account data is provided.

Interest paid to estates

The rate of interest paid on sums deposited in the ISA has decreased as follows during 2008-2009

	%
Interest rate at 1 April 2008	7.00
17 October 2008	6.25
11 November 2008	4.75
9 December 2008	3.50
13 January 2009	2.75
9 February 2009	2.00
10 March 2009	1.25

All interest rate amendments followed notices published in the London Gazette pursuant to Regulation 9 (6B). The rate of interest is subject to regular review by Estate Accounts Services and the CRND.

Fees

The Estate Accounts Services is responsible for ensuring that the correct fees are charged and collected on bankruptcies, compulsory liquidations and any voluntary liquidation holding an account in the ISA.

Banking Fees for the year have remained unchanged at £15 per quarter for bankruptcies and compulsory liquidations and £20 per quarter for voluntary liquidations where an account is maintained in the ISA. However from the 6 April 2009 Banking fees are increasing to £18 per quarter for bankruptcies and compulsory liquidations and £23 per quarter for voluntary liquidations. Banking fees charged to estates during 2008-2009 totalled £2.2m (2007-2008 £2.5m).

During the year the cheque issue fee remained unchanged at £0.80 per cheque however from the 6 April 2009 the cheque issue fee is increasing to £1.00 per cheque. The BACS transaction fee remains unchanged at £0.15 and the CHAPS issue fee remains unchanged at £10. Cheque, BACS and CHAPS fees totalling £121,000 (2007-2008 £131,000) were charged to estates during the year.

On 6 April 2008 legislative changes provided for administrators to lodge unclaimed dividends in company administration and administrative receivership cases in the ISA. A new fee of £25 was introduced for this service and fees totalling £2,875 were charged during the year.

Case administration fees increased to £137 million (2007-2008 £118 million).

Fees accrued by The Insolvency Service are shown in separately prepared agency accounts.

Key Performance Indicators

All of the key performance indicators were achieved or exceeded, in particular 99.2 per cent (2007-2008 99.5 per cent) of Insolvency Services Account payments were actioned within four days of receipt.

On-line services

During the year, an additional 219 insolvency practitioners signed up to use the on-line facility, enabling them to view estate accounts via the internet and print off account statements, bringing the total number of IPs registered for this service to 1,324 at 31 March 2009 (1,105 at 31 March 2008).

Forward look

The development and testing of a new financial system for Estate Accounts Services to replace the existing legacy systems is expected to be finalised in the second quarter of 2009-2010 with deployment in the following quarter. A range of benefits and efficiency gains have been identified from the move to a single system that is also integrated with a new case management system. It is expected that these benefits and efficiencies will begin to be realised towards the end of 2009-2010.

During 2008-2009 OPG advised its customers that its banking services would be subsumed within the new Government Banking Service (GBS), launched in May 2008, and that customers would be migrated to new accounts during 2009-2010. Estate Accounts Services is planning to move to GBS following the implementation of the new financial system. GBS will offer further service enhancements while maintaining the current high levels of security for ISA users.

Preparation and audit

The financial statements are prepared by The Insolvency Service (an Executive Agency of the Department for Business, Enterprise and Regulatory Reform (BERR)), responsible for administering the accounts on behalf of the Secretary of State and by CRND. The costs of administering the accounts are borne by The Insolvency Service.

On Friday 5 June 2009, the Government announced the creation of a new Department for Business, Innovation and Skills (BIS) by merging the Department for Business, Enterprise and Regulatory reform (BERR) and the Department for Innovation, Universities and Skills (DIUS). From this date, BIS will take over the work previously undertaken by BERR.

The financial statements are audited by the Comptroller and Auditor General.

As far as we are aware, there is no relevant audit information of which the auditors are unaware and we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the Agency's and CRND's auditors are aware of that information.

Stephen Speed
The Insolvency Service
10 July 2009

Jo Whelan
Commissioners for the Reduction of the National Debt
10 July 2009

Statement of Chief Executive's and Comptroller General's responsibilities

Accounting Officers must ensure that financial statements for which they are responsible are prepared in accordance with Treasury directions and guidance. The responsibilities of an Accounting Officer, including the preparation of the financial statements, are set out in 'Managing Public Money' issued by the Treasury. The Inspector General and Chief Executive of The Insolvency Service is the Accounting Officer for the ISA. The Insolvency Service's total income and expenditure as an Executive Agency is accounted for in separate accounts. The Comptroller General to the Commissioners for the Reduction of the National Debt is responsible for the propriety, regularity and the keeping of proper records with regard to the Investment Account.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control in respect of the administration of the Insolvency Services Account. I am advised and supported by

- the Agency Steering Board whose role is to advise the Secretary of State, generally through the Director General, Fair Markets Group, Department for Business, Enterprise and Regulatory Reform (BERR), on the governance of the Agency, its corporate plan, targets and performance. The Steering Board meets at least four times a year to review plans, strategic direction and performance of the Agency. The Board comprises senior official from the Agency and BERR, as well as up to five independent members;
- the Directing Board which meets twice-monthly and during the year reviews management accounts prepared by the Estate Accounts Services which has day to day responsibility for the management and administration of the Insolvency Services Account;
- an Audit Committee chaired by an independent member of the Steering Board. The Audit Committee meets four times a year and receives reports from both internal and external auditors on risk and other audit issues; and
- the Risk Management Group which considers the overall risks to the Agency's objectives, the management and control of those risks, including those in relation to the Insolvency Services Account, and reviews and monitors the Agency's risk register. The Risk management Group reports to the Directing Board and the Audit Committee.

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 risk completely: it can therefore only provide reasonable, and not absolute assurance of effectiveness. The system of internal control is based on a continuous set of processes designed to; identify and prioritise the risks in relation to the administration of the Insolvency Services Account; evaluate the likelihood of those risks being realised; their impact should they be realised; and manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual account, and accords with guidance from HM Treasury.

Capacity to handle risk

The Directing Board sets the policies on risk management and internal control and also promotes and supports the development of risk management and internal control activity.

Training has been provided to key managers and staff in risk identification, evaluation and management. Written guidance on risk management and evaluation is published on the Agency's intranet to which all staff has access.

Systems are in place to identify any significant risk or control weaknesses to ensure that appropriate action is taken to manage the risk and implement improvements to internal controls to reduce the likelihood of reoccurrence. Procedures are in place for the planning, monitoring and reporting on all major projects. Furthermore, all key projects in the Agency are subject to Gateway Review, which includes an assessment of the key risks they face.

Internal Audit and the Corporate Governance Section operate to Government Internal Audit Standards. They review the adequacy and effectiveness of the Estate Accounts Services systems of internal control on a risk based audit programme. Their work is informed by an analysis of the Agency's risks exposures. This analysis and the joint plans of Internal Audit and the Corporate Governance Section are endorsed by the Agency's Audit Committee and approved by me.

The risk and control framework

A risk appetite matrix has been issued against which risk at all levels is assessed. An Agency-wide risk register is aligned to the main business objectives of the Agency. That ensures the risks are evaluated by type (financial, reputational, operational) and by level of exposure (likelihood and impact).

All main risks have been evaluated and allocated to appropriate managers and include those relating to the Insolvency Services Account. Risk registers are maintained for the units in the Finance, Governance and Estate Accounts Directorate and have been reviewed, as a minimum, twice a year.

Risk Management is tied to the business planning process at all levels and ensures that top-down and bottom-up risks are communicated and managed at the appropriate level.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the joint work of Internal Audit and the Corporate Governance Section together with executive managers within the Agency 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 assisted in my review of the effectiveness of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control is reviewed by my Directors who each provide me with a Statement on Risk Management and Internal Control and Corporate Governance for their directorate. The chairman of the Audit Committee and I, together with the Director of Internal Audit, review these statements, meeting with a sample of directors to directly discuss their key findings.

The Risk Management Group advises me, the Directing Board and the Audit Committee on embedding risk management within the organisation. The Audit Committee advises on the internal audit work programme and the chairman also sits as an independent board member on the Steering Board.

Internal Audit and Corporate Governance Section's audit programme is focussed around the Agency's main risks. They submit regular reports on the adequacy and effectiveness of internal control together with recommendations for improvement. The Director of Internal Audit provides me with an Annual Report, which contains an independent opinion on the adequacy and effectiveness of internal control.

The awareness and application of risk management continues to improve across the Agency in 2008-2009 although there was one significant internal control issue identified in relation to Estate Accounts Services was in relation to the Estate Accounts System IT project where project weaknesses were identified in relation to slippage and delays in the project. All of these have been addressed during the year and a revised project schedule agreed. The project is now at the User Acceptance Testing stage.

Data handling and data security

The Agency, working closely with BERR's security and information management teams has made good progress in implementing the requirements now expected of it following the Cabinet Office's review of data handling and security. The following actions have been completed

- an Agency Security Officer has been appointed along with a deputy ASO who has experience in this field;
- a Senior Information Risk Owner has been appointed, personal data identified, and the PROTECT – PERSONAL DATA security marking and encrypted removable media introduced; and
- improved guidance to staff on security and use of protective markings and the implications of these on business processes has been issued and continues to be discussed with business owners and key stakeholders.

As part of the Agency's coordinated approach to security, the remit of the Security and Business Resilience Forum specifically includes data security matters. Improvements required to be taken forward in 2009-2010 include the formal training of Information Asset Owners, the ongoing review of IT users' access rights and the review and refresh of policies relating to information risk to reflect the Agency's new IT environment.

Stephen Speed 10 July 2009
The Insolvency Service
Accounting Officer

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 Insolvency Services Account for the year ended 31 March 2009 under the Insolvency Act 1986. These comprise the Receipts and Payments Account, the Statement of Balances and the related notes. These financial statements have been prepared by The Insolvency Service, an agency of the Department for Business, Enterprise and Regulatory Reform, on behalf of the Secretary of State in the form and on the basis determined by the Treasury.

Respective responsibilities of the Agency, the Chief Executive and Auditor

The Chief Executive as Accounting Officer is responsible for the preparation of the Foreword and the financial statements in accordance with the Insolvency Act 1986 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's and Comptroller General's responsibilities.

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

I report to you my opinion as to whether the financial statements properly present the receipts and payments and whether the financial statements have been properly prepared in accordance with sections 409 (2) and (3) of the Insolvency Act 1986 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the 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 conform to the authorities which govern them.

In addition, I report to you if the Insolvency Service has not kept proper accounting records in respect of the Insolvency Services Account, 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 Insolvency Service'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 Insolvency Service's corporate governance procedures or its risk and control procedures.

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 judgements 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 we have 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 Insolvency Act 1986 and directions made thereunder by HM Treasury, for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with sections 409 (2) and (3) of the Insolvency Act 1986 and HM Treasury directions made thereunder ; and
- the information given in the Foreword is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

16 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Receipts and Payments for the year ended 31 March 2009

	Notes	**2008-2009 £000**	2007-2008 £000
Receipts			
Realisation of assets of estates in compulsory insolvencies and voluntary liquidations		**1,010,345**	1,367,744
Frequent Petitioners	12	**3,636**	3,472
From the Investment Account	2	**503,000**	603,000
Realisation of Government Securities at the request of liquidators and trustees	3	**0**	115
Unclaimed dividends	7	**14,210**	9,595
Interest received	4	**73,327**	61,699
Gain on Exchange	11	**671**	0
		1,605,189	2,045,625
Payments			
Payments requested by liquidators and trustees of estates in compulsory insolvency and voluntary liquidation and reissued dividends	6	**1,114,058**	1,241,462
To the Investment Account			
Excess cash balances on the ISA	2	**388,000**	705,000
Interest on ISA working balances	4	**413**	1,152
Investments in Government Securities at the request of liquidators and trustees	3	**350**	0
To the Consolidated Fund	8	**0**	3,915
To The Insolvency Service	5	**93,661**	104,625
Loss on Exchange	11	**0**	621
		1,596,482	2,056,775
Excess of payments over receipts	10		11,150
Excess of receipts over payments	10	**8,707**	

The notes on pages 14 to 17 form part of these accounts

Statement of Balances as at 31 March 2009

	Notes	2009 £000	2008 £000
Balances			
The Investment Account	2	**1,382,648**	1,501,000
Government Securities	3	**374**	24
Cash at Bank	10	**(11,451)**	(20,158)
		1,371,571	1,480,866
Representing			
Insolvency Estates	11	**1,315,324**	1,421,529
Frequent Petitioners	12	**410**	397
Fees due to The Insolvency Service	5	**8,727**	16,291
Amounts due to the Investment Account	2	**1**	4
Unclaimed Dividends	7	**46,742**	42,044
Amount due to the Consolidated Fund	8	**0**	14
Amounts due to the Treasury Solicitor (BV)	9	**367**	403
Interest on foreign currency deposits	4	**0**	184
		1,371,571	1,480,866

The notes on pages 14 to 17 form part of these accounts

Stephen Speed 10 July 2009
The Insolvency Service
Accounting Officer

Notes to the accounts

1 Accounting policies

i The accounts have been prepared on a cash basis as directed by HM Treasury.

ii US dollar transactions are accounted for as follows

- receipts and payments are translated at the exchange rate at the date of the transaction; and
- balances are translated using the year end exchange rate.

The resulting notional gain/loss on exchange is credited/charged to the account in the appropriate period.

2 The Investment Account

The Act requires excess cash balances on the ISA to be transferred for investment to the Investment Account and for the Investment Account to realise investments and transfer appropriate funds to meet the needs of the ISA. The balance on the Investment Account, excluding interest, represents the liability of the Investment Account to the ISA.

	2008-2009	2007-2008
	£000	£000
Balance at 1 April	**1,501,000**	1,399,000
Excess cash balances transferred to the Investment Account	**388,000**	705,000
	1,889,000	2,104,000
Less Transfers to the ISA	**(503,000)**	(603,000)
Less Payment to Consolidated Fund (Note 8)	**(3,352)**	0
Balance at 31 March	**1,382,648**	1,501,000

There is a further amount of £931 due to the Investment Account in relation to interest earned on foreign currency deposits.

The payment to the Consolidated Fund was incorrectly made from the Investment Account rather than the ISA. This has been rectified since the year end.

3 Government securities

The Regulations allow the investment of surplus balances, from liquidations and bankruptcies, in Government Securities (Treasury Bills or Government Stocks) for the benefit of the individual estates. These securities are realised at the request of liquidators and trustees.

	2008-2009	2007-2008
	£000	£000
Balance at 1 April at cost	**24**	147
Amounts invested in the period	**350**	0
Amounts realised in the period	**0**	(115)
Net loss on Government Securities	**0**	(8)
Balance at 31 March at cost	**374**	24

4 Interest received

Interest is received on Government Securities, working cash balances held at the Bank of England and foreign currency deposits as follows

	2008-2009 £000	2007-2008 £000
On Government Securities	**22**	6
On deposits in the ISIA	**72,866**	60,433
On working balances*	**413**	631
On foreign currency deposits**	**26**	629
	73,327	61,699

* £412,939 of interest earned on working balances was paid to the Investment Account during the period.

** Interest is earned on estate monies held in the US Dollar Account during the period. The balance of accrued interest on foreign currency deposits at the year-end was £15.

5 Fees

Fees charged to insolvent estates (including VAT) are required to be paid to The Insolvency Service to fund the administration of insolvency estates and to discharge the costs of providing estate accounting and investment services. BERR continues to fund disbursements charged to estates where there are insufficient funds.

	2008-2009 £000	2007-2008 £000
Balance at 1 April	**16,291**	36,350
Fees on unclaimed dividends	**5**	2
Recovered disbursements*	**665**	743
Fees and VAT recovered from estates	**85,427**	83,821
Net fees and VAT paid from the ISA	**(93,661)**	(104,625)
Balance at 31 March	**8,727**	16,291

* BERR recovers from the Insolvency Service recovered disbursements. £665,048 represents funds due from the ISA to the Insolvency Service at 31 March 2009.

6 Payments requested by liquidators and trustees of estates in insolvency and voluntary liquidation

The Act provides for

- the repayment to liquidators and trustees of necessary disbursements made and expenses properly incurred in the course of their administration of companies' and bankrupts' estates out of any money standing to the credit of the estate in the ISA; and
- the payment of dividends to creditors in respect of debts owed to them by companies in liquidation and bankrupts, and distributions to contributories in company liquidations.

It is the responsibility of the trustee or liquidator concerned to ensure that any requisitions for expenses or disbursements relate to amounts which are properly due and payable and that payments of dividends relate to claims of creditors which have been established as being owed by the insolvent estate.

7 Unclaimed dividends

After a period determined by the Treasury (currently seven years) creditors' unclaimed dividends are required to be surrendered to the Consolidated Fund.

	2008-2009	2007-2008
	£000	£000
Balance at 1 April	**42,044**	39,786
Receipts	**14,210**	9,595
Payments to creditors	**(6,279)**	(3,488)
Fees	**(5)**	(2)
Transfers from estates	**91**	1,208
Transfers to estates	**(595)**	(1,523)
Paid to the Consolidated Fund (Note 8)	**(2,724)**	(3,532)
Balance at 31 March	**46,742**	42,044

From 6 April 2008 receipts into the unclaimed dividends account includes unclaimed dividends in company administrations and administrative receivership cases.

8 Surrenders to the Consolidated Fund

The Act requires unclaimed monies and amounts which are too small to be divided among the persons entitled to them to be surrendered to the Consolidated Fund;

	2008-2009	2007-2008
	£000	£000
Balance at 1 April	**14**	2
Unclaimed dividends (Note 7)	**2,724**	3,532
Undistributed balances	**614**	395
	3,352	3,929
Paid to the Consolidated Fund (Note 2)	**(3,352)**	(3,915)
Balance at 31 March	**0**	14

9 Amounts due to the Treasury Solicitor (Bona Vacantia (BV))

Regulation 18 of the Regulations requires liquidators (or former liquidators) of dissolved companies to pay into the ISA any unclaimed or undistributed company money in their hands. S654 of the Companies Act 1985 provides that, on the dissolution of a company, such money is deemed to be bona vacantia and accordingly accrues to the Crown.

The Treasury Solicitor (BV) receives bona vacantia money on behalf of the Crown and amounts held in the ISA are remitted periodically to the Treasury Solicitor (BV) by arrangement with Estate Accounts Services.

	2008-2009	2007-2008
	£000	£000
Balance at 1 April	**403**	374
Money from dissolved companies	**57**	74
Payments to Treasury Solicitor	**(93)**	(45)
Balance at 31 March	**367**	403

10 Cash at Bank

The ISA balance is held at the Bank of England.

	2008-2009	2007-2008
	£000	£000
Balance at 1 April	**(20,158)**	(9,008)
Excess of receipts over payments	**8,707**	
Excess of payments over receipts		(11,150)
Balance at 31 March	**(11,451)**	(20,158)

The balance at 31 March 2009 represents a timing difference and does not reflect the account being overdrawn.

11 Insolvency Estates

Insolvency estates are the funds held 'in trust' in respect of companies and individuals undergoing liquidation or bankruptcy proceedings.

	2008-2009	2007-2008
	£000	£000
Balance at 1 April	**1,421,529**	1,313,117
Net realisations	**(93,717)**	133,050
Net Interest	**73,100**	60,702
Other payments/adjustments	**(167)**	(155)
Gain/(Loss) on exchange*	**671**	(621)
Recovered disbursements	**(665)**	(743)
Fees and VAT recovered	**(85,427)**	(83,821)
Balance at 31 March	**1,315,324**	1,421,529

* The total gain on exchange was £671,309, which was the notional gain on estates held in foreign currencies at the year-end.

12 Frequent Petitioner Accounts

Frequent Petitioner accounts assist those creditors who issue large volumes of petitions that are subsequently dismissed or withdrawn. Under current legislation a deposit must be paid to the court before a petition can be filed, unless the court has written notice from the Secretary of State that a suitable alternative method of payment has been arranged. If a petitioner sets up an approved account with The Insolvency Service they are only required to fund the account to a level sufficient to pay a deposit on any petition where a bankruptcy or winding-up order is subsequently made.

	2008-2009	2007-2008
	£000	£000
Balance at 1 April	**397**	160
Funds received from Frequent Petitioners	**3,636**	3,472
Deposits credited to Insolvency Estates	**(3,623)**	(3,235)
Balance at 31 March	**410**	397

Stephen Speed 10 July 2009
The Insolvency Service
Accounting Officer

Commissioners for the Reduction of the National Debt

Insolvency Services Investment Account

Foreword

Introduction

These accounts have been prepared by the Commissioners for the Reduction of the National Debt (CRND). These accounts have been prepared under a direction issued by the Treasury in accordance with section 409(1) of the Insolvency Act 1986 (the Act).

Background to the Insolvency Services Investment Account

The Insolvency Services Investment Account (ISIA) was opened in 1970 as part of the rationalisation of procedures for the funds arising from company bankruptcies and liquidations under the Insolvency Services (Accounting and Investment) Act 1970 (repealed by the 1986 Act).

By virtue of section 403 of the Act, when the Secretary of State has excess cash in the Insolvency Service Account (the ISA) the excess amount is remitted to CRND for investment; when the balance in the ISA is insufficient to meet demands, CRND make good the shortfall. Under paragraph 16 of Schedule 8 to the Act, income earned by this investment account is used by the client to pay its liabilities of interest and tax to insolvency estates.

Section 404 of the Act empowers CRND to invest all the monies in the ISIA, in accordance with directions given by HM Treasury, in those securities specified in Part II of Schedule 1 to the Trustee Investments Act 1961 (currently restricted to paragraphs 1, 2, 3, 8, 9 and 9A).

Section 408(1) of the Act enables HM Treasury to make payments from the Consolidated Fund to the ISIA to meet any further shortfalls in the investment account.

Sections 271 and 272 of The Enterprise Act 2002 amended the Insolvency Services Act 1986 to allow the Secretary of State to set the interest rates payable to liquidators administratively rather than by secondary legislation in order to facilitate more frequent changes in the interest rate paid in response to changing rates of return on investments. In parallel, the legislation established that, for a given year, a surplus of interest received from investments over interest payable to liquidators would not routinely be paid to the Consolidated Fund as it had been previously. Instead, the surplus would be retained in the ISIA and would be available to be paid over to insolvency estate in future years.

The resources used to deliver CRND's objectives are accounted for within the Debt Management Office's (DMO) agency vote and reported in the Report and Accounts 2008-2009. The cost of managing the ISIA is recharged to the Insolvency Service; in 2008-2009, this amounted to £85,000 (2007-2008: £88,000).

Historically the investments made by CRND included gilt-edged securities with periods to maturity of up to ten years. However, under a new regime introduced by the Enterprise Act 2002, voluntary liquidators were, from 1 April 2004, able to invest and divest from the ISIA at will and this fundamentally changed the outlook for the Fund's stability. In those circumstances, continuing to invest in gilts would have given rise to significant risk.

The investment profile of the ISIA was modified, so that the interest rate earned by the ISIA is more closely related to current short-term interest rate levels. The ISIA's gilt holdings were disposed of in 2004 and the proceeds were placed as short-term deposits with the Debt Management Account Deposit Facility (DMADF). This arrangement has remained in place throughout 2008-2009.

The amendment to the Act by the Enterprise Act 2002 has led to generally declining investing surpluses, partly as rates payable to liquidators have been revised more frequently so that they correspond more closely to interest rates achieved on investments, and partly as rates payable have been set so as to gradually reduce the surplus. This trend continued in 2008-2009.

Commissioners for the Reduction of the National Debt

CRND's main function is the investment and management of major Government funds. The investment powers differ from fund to fund.

There are eight Commissioners, but the Secretary and Comptroller General and Assistant Comptroller, who are appointed by and act on behalf of the Commissioners, make the day-to-day decisions. There is no legislation that determines the specific responsibilities of the Secretary and Comptroller General and the Assistant Comptroller. However, in practice the role of the Secretary and Comptroller General is considered analogous to acting as the Accounting Officer for CRND. Therefore, the Secretary and Comptroller General takes responsibility for preparing and signing the accounts on behalf of the Commissioners.

The arrangements made between CRND and the Insolvency Service in respect of the investment service provided by CRND are set out in a Memorandum of Understanding, which describes how CRND intend to achieve the agreed investment objectives.

Audit arrangements

Section 409 (1) of the Act requires the Commissioners to send accounts prepared by them to the Comptroller and Auditor General.

Under section 409 (4) of the Act, the Comptroller and Auditor General examines, certifies and reports on the accounts and lays copies of them with this report before each House of Parliament.

The Secretary and Comptroller General has taken the necessary steps to make herself aware of any relevant audit information and to establish that ISIA's auditors are aware of that information. So far as she is aware, there is no relevant audit information of which the ISIA's auditors are unaware.

Management Commentary

Results for 2008-2009

During 2008-2009, the ISIA returned an interest of £56.0 million (2007-2008: £82.2 million). The decline in interest receivable compared to the previous year was mainly due to rapidly declining short-term interest rates in the second half of the financial year. The client withdrew £78.6 million (2007-2008: £78.8 million) as 'interest payable to liquidators' leaving a net reduction on funds invested of £22.6 million (2007-2008: £3.4 million reduction).

The Insolvency Service withdrew £117.9 million (net of advances) out of the ISIA over the course of the year (2007-2008: net advance of £103.2 million). Assets held by ISIA therefore decreased to £1,452 million at the year-end (2007-2008: £1,604 million) due to all withdrawals.

CRND expects to continue the current investment strategy throughout 2009-2010 and beyond. Investment in deposits with the DMA Deposit Facility enables the ISIA to earn a rate of interest that is closely related to current short-term interest rate levels whilst protecting its capital position and access to liquidity.

Date of authorisation for issue

The accounts were authorised for issue on 10 July 2009.

Jo Whelan 10 July 2009
Secretary and Comptroller General to the
Commissioners for the Reduction of the
National Debt

Statement of Secretary and Comptroller General's responsibilities

Section 409(1) of the Insolvency Act 1986 requires CRND to prepare accounts for each financial year in the form and on the basis directed by HM Treasury.

The ISIA annual accounts are prepared on an accruals basis and must give a true and fair view of the financial position of the ISIA at the year end and of the surplus or deficit and the cash flows for the financial year.

The Commissioners have appointed the Secretary and Comptroller General to discharge their statutory responsibilities, a role that is analogous to acting as an Accounting Officer. Therefore the Secretary and Comptroller General has responsibility for preparing the annual accounts and for transmitting these to the Comptroller and Auditor General.

In preparing the accounts an Accounting Officer is required to observe the applicable accounting standards and generally accepted accounting practice in so far as they are relevant to the Account, and apply suitable accounting policies on a consistent basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping of proper accounting records, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in 'Managing Public Money'.

Statement on Internal Control

Scope of responsibility

The Commissioners for the Reduction of the National Debt (CRND) are responsible for preparing the accounts. They have appointed me as Secretary and Comptroller General of CRND to discharge their responsibilities in this regard. As Secretary and Comptroller General, I also have responsibility for ensuring the operation of a sound system of internal control that supports the achievement of CRND's targets, policies and objectives in managing client investment portfolios whilst safeguarding the public funds for which I am accountable, in accordance with the responsibilities assigned to me.

CRND is a separate business entity managed within the control framework of the DMO. While I am responsible for CRND's system of internal control, the Accounting Officer of the DMO is responsible for the wider control framework within which CRND is managed. In discharging my own control responsibilities I take assurance on the continued sound maintenance of the wider control framework from the Statement of Internal Control for the DMO, although I understand that only reasonable and not absolute assurance can be given that risks have been controlled.

It is also my responsibility to ensure that all CRND fund management activities are conducted with due regard to value for money and operated in line with client instructions. I have put arrangements in place to ensure that there is a proper evaluation of the balance of cost and risk in our operations.

The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable level, balancing the impact of potential risks with the resources required to manage them, rather than to eliminate all risk. 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 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.

Relevant elements of the DMO system of internal control have been implemented for CRND. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of this account, and accords with Treasury guidance.

Capacity to handle risk

The DMO has a formal risk management strategy and policy, which includes CRND activities, set by the DMO Managing Board. The DMO has risk management policies and has documented the risk management processes. Elements of these policies have been reviewed and adjusted during the year and have proved effective during the period of increased uncertainty in the financial markets.

The DMO Managing Board is responsible for setting strategic direction and considering high-level operational issues. An executive sub-committee of the Managing Board meets weekly. The terms of reference of these committees and those of the Fund Management Committee and Risk Committee clearly set out their roles and responsibilities for providing the organisational capability to consider issues and make relevant decisions at the appropriate level.

Staff are required to signify that they have read and accepted the DMO's rules on Personal Dealing and the DMO's Policy on the Use of Information Systems and Technology, and that they are aware of and will continue to keep up to date with the DMO's policies with respect to whistle blowing, fraud and anti-money laundering. The DMO ensures that the exercise is undertaken on an annual basis in order to maintain a good level of awareness of the DMO's policies in these areas. All members of staff have job descriptions, including specific key risks they are expected to manage.

Management in each business function is responsible for ensuring that the operations within their area are compliant with plans, policies, procedures and legislation. Functional managers are responsible for maintaining compliance arrangements across the DMO in their area of specialism.

The risk and control framework

The DMO has various mechanisms for managing its risks that are incorporated into its approach to both regular operations and new business initiatives. There are processes in place to ensure regular measurement and monitoring of key business risks including market, credit, operational and liquidity risk.

The DMO's Risk Management Unit (RMU) provides control advice on risks throughout the DMO. In the DMO's management reporting structure the RMU is separate and independent of the DMO's trading operations. The RMU conducts risk analysis and provides market, credit and operational risk capability for the DMO.

The identification, monitoring and mitigation of operational risks is facilitated by the RMU, via consultation with heads of business units and functional teams. Regular meetings are held with heads of business units and functional teams to assess whether risks to their operations are being managed effectively. Significant risk issues are assessed by likelihood and materiality of occurrence. New risks and risks with an increased risk profile are highlighted and actions are taken to ensure effective management of all risks. The DMO has Senior Risk Owners (SROs) who undertake a cross-functional moderation process to promote better prioritisation of operational risks across the organisation. RMU maintains a central exception log to record all risk incidents raised, in order to identify control weaknesses and assign actions to improve controls. Progress against treatment actions is obtained on a regular basis, to ensure issues highlighted by internal and external audit and other identified actions to improve the control environment are managed and progressed against agreed deadlines.

A key component of the CRND control framework is the segregation of duties to promote independent checking and avoid concentration of key activities or related controls in individuals or small groups of staff. In particular segregation of duties takes place between front and back office duties. All teams have documented procedures for their main activities and there are clearly defined authorisation levels for committing the DMO externally. The Risk Management Unit runs checks on those sections of the Financial Services Authority handbook that are most pertinent to CRND activities.

Risks to data and information held by the DMO are owned and managed by designated Information Asset Owners. There is a Senior Information Risk Owner (SIRO) for the DMO, responsible for the information risk policy and risk assessment relating to information, who acts as an advocate for information assurance at the Board and through internal discussions.

The DMO's Business Continuity Plan (BCP), including Disaster Recovery (DR) site and other arrangements, is subject to continual review and update with the SROs taking an active role during the year in progressing BCP improvements. A phased delivery of improvements was implemented over the period, including relocation of the DR site to a higher category data centre, and an increase of services available at the DR site. Assessment of business continuity requirements is a specific requirement for new projects and major business initiatives.

An up-to-date memorandum of understanding is in place with each client, outlining the respective responsibilities of CRND and the client. CRND has adopted a passive style of fund management for each client. CRND has established effective communication channels with each of its clients.

A controls team met periodically to review issues affecting the DMO's system of internal control (including CRND) and to recommend actions to management to implement changes where appropriate. The controls team comprises senior representatives of the DMO teams responsible for finance, risk, control, compliance and internal audit.

Responsibility for supporting me as Accounting Officer in matters relating to governance, internal control and risk management processes rests with the Exchequer Funds Audit Committee.

The Exchequer Funds Audit Committee performs this role for the Accounting Officers of each of the Exchequer Funds, which are the Debt Management Account, Public Works Loan Board, Exchange Equalisation Account, National Loans Funds, Consolidated Fund, Contingencies Fund and the transactions of the Commissioners for the Reduction of the National Debt. The Chair of the Committee reports to me on matters relating to the Commissioners for the Reduction of National Debt. Members of the Committee are appointed for periods of up to three years, extendable by no more than one additional three-year period. The membership of the Committee as at 31 March 2009 was

- Colin Price, Chair, Non-executive Director of the DMO's Managing Board and formerly Global Pension Fund Adviser/Finance Director at Shell Pensions Management Services Limited;
- Brian Larkman, Non-executive Director of the DMO's Managing Board and formerly Global Head of Money Markets at the Royal Bank of Scotland plc; and
- Mark Clarke, formerly Director General (Finance and Strategy) at the Department for Business, Enterprise and Regulatory Reform.

The Exchequer Funds Audit Committee meets quarterly.

Review of effectiveness

As Secretary and Comptroller General, my review of the effectiveness of the system of internal control is informed by the work of executive managers in the DMO who have been delegated responsibility for the development and maintenance of the internal control framework, and by the reports and comments made by the internal and external auditors. I have been supported by the Audit Committee and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place. The Exchequer Funds Audit Committee considered the 2008-2009 accounts in draft and provided me with its views before I formally signed the accounts.

- The Fund Management Committee, comprising CRND managers, other senior managers and DMO specialist staff, meets regularly to review CRND operational issues. In particular it monitors and advises on development of CRND governance mechanisms.
- The DMO's Risk Management Unit conducts monthly Controls and Compliance testing providing the executive sub-committee of Managing Board with independent assurance on the effectiveness of operational controls and compliance with relevant FSA rules in the dealing and settlements areas. No significant internal control failures were identified during the period.
- During the period of this Statement on Internal Control, Internal Audit has provided reports on the effectiveness of the risk management, control and governance processes for the DMO, including those covering CRND, to the Audit Committee throughout the period. The audits make a series of recommendations that are addressed as part of our focus on continuous improvement in this area. The Internal Audit work programme is approved by the Audit Committee at the start of the year.
- Internal Audit attended each meeting of the Audit Committee to report the results of audit work and the results of follow-up work to confirm that appropriate management action had been taken to address audit recommendations.
- Internal Audit's view was that assurance could be given over the risk management, control and governance arrangements relevant to the accounts. There are no matters arising from the work of Internal Audit in the period that would give rise to a separate comment in the Statement on Internal Control.

In my opinion, the system of internal control relating to CRND was effective throughout the financial year 2008-2009 and remains so on the date I sign this statement.

Jo Whelan
Secretary and Comptroller General to the
Commissioners for the Reduction of the
National Debt

10 July 2009

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 Insolvency Services Investment Account for the year ended 31 March 2009 under the Insolvency Services Act 1986. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the National Debt Commissioners, the Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt and the Auditor

As described in the Foreword, the Commissioners have a statutory duty to prepare accounts in respect of their transactions. They have appointed the Secretary and Comptroller General to discharge their responsibilities for the preparation of financial statements in accordance with the Insolvency Services Act 1986 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Comptroller General's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether they have been properly prepared in accordance with the Insolvency Services Act 1986 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the Foreword and Management Commentary is consistent with the financial statements. I also report whether in all material respects the financial transactions of the Insolvency Services Investment Account conform to the authorities which govern them.

I also report to you if, in my opinion, proper accounting records have not been kept or if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities is not disclosed.

I review whether the Statement on Internal Control reflects the Commissioners for the Reduction of the National Debt'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 Commissioners for the Reduction of the National Debt's corporate governance procedures or its risk and control procedures.

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 in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Comptroller in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Insolvency Services Investment Account's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error and that in all material respects the financial transactions conform with 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

In my opinion

- the financial statements give a true and fair view, in accordance with the Insolvency Services Act 1986 and directions made thereunder by HM Treasury, of the state of affairs of the Insolvency Services Investment Account as at 31 March 2009 and of the surplus, recognised gains and losses and cash flows for the year ended 31 March 2009;
- the financial statements have been properly prepared in accordance with the Insolvency Services Act 1986 and directions made thereunder by Treasury; and
- information, which comprises the Foreword and the Management Commentary, is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects the transactions of the Insolvency Services Investment Account conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

16 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SWIW 9SS

Income and Expenditure Account for the year ended 31 March 2009

	2009	2008
	£000	£000
Interest income	**56,039**	82,246
Surplus for the year	**56,039**	82,246

No separate statement of recognised gains and losses has been prepared as there are no material recognised gains and losses other than those in the Income and Expenditure statement.

The notes on pages 30 to 31 form part of these accounts.

Balance Sheet as at 31 March 2009

	Notes	**2009**	2008
		£000	£000
Assets			
Deposits with the Debt Management Account		**1,451,526**	1,604,089
Total assets		**1,451,526**	1,604,089
Liabilities			
Net funds transferred to ISIA	3	**1,382,648**	1,501,000
Accumulated net profits on disposals		**45,990**	45,990
Surplus less interest to liquidators	4	**(3,389)**	18,765
Accrued interest to liquidators	2	**26,277**	38,334
Total liabilities		**1,451,526**	1,604,089

The notes on pages 30 to 31 form part of these accounts

Jo Whelan 10 July 2009
Secretary and Comptroller General to the
Commissioners for the Reduction of the
National Debt

Cash Flow Statement for the year ended 31 March 2009

	2009	2008
	£000	£000
Surplus for the year	**56,039**	82,246
Interest payable to liquidators	**(78,606)**	(78,800)
(Increase)/decrease in deposits	**152,563**	(110,084)
Increase/(decrease) in other liabilities	**(12,057)**	3,486
Net cash flow from operating activities	**117,939**	(103,152)
Financing		
Advanced by the client	**388,413**	706,152
Withdrawn by the client	**(506,352)**	(603,000)
	(117,939)	103,152
Increase/(decrease) in cash	**0**	0

The notes on pages 30 to 31 form part of these accounts

Notes to the Accounts for the year ended 31 March 2009

1 Accounting policies

These accounts have been prepared in accordance with a direction made by HM Treasury under section 409(1) of the Insolvency Services 1986.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention and in accordance with applicable Generally Accepted Accounting Practice in the United Kingdom (UK GAAP) in so far as is appropriate to the Investment Account.

1.2 Deposits

Deposits with the DMA and NLF are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are therefore treated as loans and receivables measured at amortised cost.

1.3 Income recognition

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the instrument.

1.4 Administrative expenditure

Administrative costs are accounted for in the UK Debt Management Office Agency Resource Account.

2 Interest payable to liquidators

	2009	2008
	£000	£000
Gross interest (including tax £10.3 million) paid to the Insolvency Services Account for the half year to 30 September	**(52,329)**	(40,466)
Gross interest (including tax £5.1 million) due to be paid to the Insolvency Services Account for the half year to 31 March	**(26,277)**	(38,334)
	(78,606)	(78,800)

3 Funds transferred to ISIA

	2009	2008
	£000	£000
Balance at 1 April	**1,501,000**	1,399,000
Funds transferred to ISIA	**388,413**	706,152
Funds withdrawn from ISIA	**(506,352)**	(603,000)
Less Transferred from Client money employed account	**(413)**	(1,152)
Balance at 31 March	**1,382,648**	1,501,000

4 Surplus less interest to liquidators

	2009 **£000**	2008 £000
Surplus for the year	**56,039**	82,246
Interest payable to liquidators	**(78,606)**	(78,800)
Balance at start of period	**18,765**	14,167
Transferred from Client money employed account	**413**	1,152
Retained interest as at end of period	**(3,389)**	18,765

5 Risk

5.1 Credit risk

Credit risk is the risk that a counterparty, or security issuer, will fail to discharge a contractual obligation resulting in financial loss to the Insolvency Services Investment Account.

The investments of the Insolvency Services Investment Account comprise deposits with the DMA and the National Loans Fund. Deposits with these accounts are considered to have no credit risk because they are backed by HM Government.

5.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Insolvency Services Investment Account is considered to comprise interest rate risk.

The interest returns on deposits are closely linked to the official Bank Rate.

While CRND monitors interest rate movements to help inform the Insolvency Services Investment Account client of potential issues and events, it does not seek to proactively manage specific market risk without client consent.

5.3 Liquidity risk

Liquidity risk is the risk that the Insolvency Services Investment Account will encounter difficulty in meeting obligations associated with client withdrawal requests.

Assets held by the Insolvency Services Investment Account are highly liquid to enable all client obligations to be met as they fall due.

Appendix

Accounts direction given by the Treasury in accordance with section 409 (1) of Insolvency Services (Accounting and Investment) Act 1970 (amended 1986)

1 The Commissioners for the Reduction of the National Debt shall prepare accounts for the financial year ended 31 March 2009 and subsequent financial years comprising:

a a Foreword;

b a Statement on Internal Control;

c an Income and Expenditure Account;

d a Statement of Total Recognised Gains and Losses;

e a Balance Sheet; and

f a Cash Flow Statement,

including such notes as may be necessary for the purposes referred to in the following paragraphs.

2 The accounts shall give a true and fair view of the income and expenditure, and cash flows for the financial year, and the state of affairs as at the end of the financial year.

3 Subject to this requirement, the accounts shall be prepared in accordance with

a Generally Accepted Accounting Practice in the United Kingdom (UK GAAP) to the extent that it is relevant. Any departure from UK GAAP is only permissible in the context of providing a true and fair view for this public sector account.

b Any other relevant guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view.

4 This direction shall be reproduced as an appendix to the accounts and supersedes all previous Directions issued by HM Treasury.

Chris Wobschall 20 May 2009
Head, Assurance and Financial Reporting Policy,
Her Majesty's Treasury

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