

# Marine and Aviation Insurance (War Risks) Fund Account 2020-21



# Marine and Aviation Insurance (War Risks)

## Fund Account 2020-21

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

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## **WHITE PAPER ACCOUNT FOR 2020-21**

### **MARINE AND AVIATION INSURANCE (WAR RISKS) ACT 1952 (SECRETARY OF STATE FOR TRANSPORT)**

#### **Account presented pursuant to the Marine and Aviation Insurance (War Risks) Act 1952 Section 5(4)**

#### **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 1995, 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 most recent 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 rests with 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.

As specified under paragraph 9 of the Marine and Aviation (War Risks) Act 1952, 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 Risk) Fund Account.

#### **ADMINISTRATION OF FUND**

There were no salvage receipts or payments during the year. Costs of administering the Marine and Aviation Insurance (War Risks) Fund Account are borne by the Department for Transport and accordingly are included in the departmental resource accounts and estimates. The salvage award relating to the SS Mantola was concluded and received in April 2021 and therefore will be reported in these accounts in financial year 2021-22.

**Bernadette Kelly**

**Date:** 04/07/2022

**Accounting Officer Department for Transport**

## **Governance Statement**

### **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.

### **Purpose of Report**

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. The system of internal control has been in place in the Department for Transport for the year ended 31 March 2021 and up to the date of approval of these accounts.

### **Capacity to handle risk**

Responsibility for the implementation and operation of the system of internal control, including risk management, rests with me as the appointed Principal Accounting Officer. Delegations are in place to Directors General to maintain effective accountability and management of resources: each Director General group has a documented risk management framework for their area.

Significant risks to key objectives are identified by managers within the Department and escalated to the Executive Committee (Exco). The Exco is also responsible for monitoring performance and risk and for making key management decisions across the Department. The Department's Board supports and challenges the Department's Ministers and the Accounting Officer in overseeing the work of the Department in the achievement of its aims and objectives with appropriate levels of control. The Department's Board is formed of the Accounting Officer, Directors General, Non-Executive members and Ministers.



The Department's Group Audit and Risk Assurance 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 four further non-executive members.

The DfT Group Risk Management Framework is embedded in Departmental processes. This Framework establishes the criteria for Board-level risks and specifies the responsibilities 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 communicated. Business Partner Teams (BPTs) 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 the departmental intranet.

### **Risk and Control Framework**

The Treasury published its most recent *Corporate governance in central government departments: Code of good practice* in 2017; the Department's practices are consistent with the principles set out in this Code.

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 Exco for attention. The Board conducted a refresh of the Corporate Governance Framework in financial year 2019-20.

Due to the end of the EU Transition Period in December 2020 an independent Board effectiveness review did not take place in 2020-21. The Department completed an internal effectiveness review in April 2021, and this will be followed by a fuller and independent effectiveness evaluation in the last quarter of 2021-22.

### **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 Government Internal Audit Agency 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 taken into account in my review of the effectiveness of the system of internal control advice received from the Board and the Group Audit and Risk Assurance Committee.

The Government Internal Audit Agency (GIAA) operates to standards defined in the Government Internal Audit Standards. The work of the GIAA 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 and Risk Assurance 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.

Each year the Group Head of Government Internal Audit Agency (GIAA) provides me with a report on internal audit activity in the Department. This report includes the GIAA's independent opinion on the adequacy and effectiveness of the Department's governance, risk management and internal control arrangements.

The Group Audit and Risk Assurance Committee has received summaries of Internal Audit reports and considers the Group Head of the Government Internal Audit (HIA) Agency's annual opinion on the effectiveness of risk management, control and governance. The departmental Group Audit Opinion for 2020-21 is 'Moderate'. The Department has agreed actions to address the weaknesses identified by the HIA to ensure that continuous improvement is in place.

Directors General and Directors have reviewed internal control within their areas of responsibility within the central Department and have completed management assurance returns. These results are provided to the Executive Committee (Exco) and to me as Accounting Officer for review. These results are also communicated to the Group Audit and Risk Assurance Committee in an oversight capacity. No significant weaknesses have been identified in the business related to this White Paper account required under the Marine and Aviation (War Risks) Fund Account.

### **Departmental Position**

This document provides an abridged Governance Statement for the purposes of the Marine and Aviation Insurance (War Risks) White Paper Account. For a more in depth and comprehensive account of risk management, governance, and internal controls within DfT, please refer to the Governance Statement outlined in the Departmental Annual Report and Accounts 2020-21.

**Bernadette Kelly**      **Date:** 04/07/2022 **Permanent Secretary and Accounting Officer**  
**Department for Transport**

## MARINE AND AVIATION INSURANCE (WAR RISKS) ACT 1952

### Account presented pursuant to the Marine and Aviation Insurance (War Risks) Act 1952 Section 5(4)

#### 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.

HM Treasury has appointed me as 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. My relevant responsibilities as Accounting Officer, including my responsibility for the propriety and regularity of the public finances for which they are 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, I am required to comply with the *Government 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, noting however that the receipts & payments basis for this this account does not in practice require significant judgement or estimation;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis, noting that the accounts of the Fund are required annually under legislation and that the Department for Transport as administrator of the Fund is considered a going concern;
- confirm that, as far as I am aware, there is no relevant audit information of which the auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of that information; and
- confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements for determining that it is fair, balanced and understandable

**Bernadette Kelly**                      **Date: 04/07/2022**  
**Accounting Officer, Department for Transport**

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Marine and Aviation Insurance (War Risks) Fund for the year ended 31 March 2021 under the Marine and Aviation Insurance (War Risks) Act 1952. The financial statements comprise: the Receipts and payments account and the related note. These financial statements have been prepared in the form and on the basis determined by HM Treasury.

In my opinion:

- the financial statements properly present the receipts and payments of the Marine and Aviation Insurance (War Risks) Fund for the year ended 31 March 2021; and
- the financial statements have been properly prepared in accordance with the Marine and Aviation Insurance (War Risks) Act 1952 and HM Treasury directions issued thereunder.

### **Opinion on regularity**

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

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Marine and Aviation Insurance (War Risks) Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Marine and Aviation Insurance (War Risks) Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Marine and Aviation Insurance (War Risks) Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for Marine and Aviation Insurance (War Risks) Fund is adopted in consideration of the requirements set out in Marine and Aviation Insurance (War Risks) Act 1952, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

### **Other Information**

The other information comprises information included in the Foreword and Governance Statement, but does not include the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

the information given in the Foreword and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Marine and Aviation Insurance (War Risks) Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and Governance Statement. 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they are properly presented;
- internal controls as the Accounting Officer determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Marine and Aviation Insurance (War Risks) Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Marine and Aviation Insurance (War Risks) Fund will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Marine and Aviation Insurance (War Risks) Act 1952.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Department for Transport's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Marine and Aviation Insurance (War Risks) Fund and the Department for Transport Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department for Transport Group's controls relating to Marine and Aviation Insurance (War Risks) Act 1952 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.
- obtaining an understanding of the Marine and Aviation Insurance (War Risks) Fund and Department for Transport's framework of authority as well as other legal and regulatory frameworks that the Marine and Aviation Insurance (War Risks) Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Marine and Aviation Insurance (War Risks) Fund account. The key laws and regulations I considered in this context included the Marine and Aviation Insurance (War Risks) Act 1952 and Managing Public Money.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above; and
- reading minutes of meetings of those charged with governance and the Board.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**

**Date 6 July 2022**

Comptroller and Auditor General

National Audit Office

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Department for Transport  
 Marine and Aviation Insurance (War Risk) Fund  
**Receipts and Payment Account for the year ending 31 March 2021**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>
<b>Operating Receipts</b>		
Insurance Premiums	-	-
Received from salvage contractors -	-	17,990
<b>Operating Payments</b>		
Payments against approved claims	-	-
<b>Surplus for the financial year</b>	-	17,990
<b>Surplus surrendered to the Consolidated Fund</b>	-	17,990

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

**Bernadette Kelly**  
**Accounting Officer**  
**Department for Transport**

**Date 04/07/2022**



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