

# **Funds in Court in England and Wales**

Annual Report and Accounts 2023-24



# **Funds in Court in England and Wales**

Annual Report and Accounts 2023-24

Presented to Parliament pursuant to Section 45(3)(1) of the  
Administration of Justice Act 1982

Ordered by the House of Commons to be printed 24 July 2024



© Crown copyright 2024

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: [www.gov.uk/official-documents](https://www.gov.uk/official-documents).

Any enquiries regarding this publication should be sent to us at: [www.gov.uk/government/organisations/ministry-of-justice](https://www.gov.uk/government/organisations/ministry-of-justice)

ISBN 978-1-915287-41-0

Printed in the UK on behalf of the Controller of His Majesty's Stationery Office.

# Contents

## **Accountant General's Accounts**

Annual Report for the Accountant General's Accounts in respect of Funds in Court for the year ended 29 February 2024	6
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	23
Statement of Comprehensive Net Income for the year ended 29 February 2024	29
Statement of Financial Position as at 29 February 2024	30
Statement of Cash Flows for the year ended 29 February 2024	31
Notes to the Financial Statements	32
Accounts Direction given by HM Treasury	44

## **Commissioners for the Reduction of the National Debt (CRND)**

Performance Report	46
Overview	46
Performance analysis	48
Accountability Report	49
Corporate governance report	49
Statement of Secretary and Comptroller General's responsibilities	50
Governance statement	51
Parliamentary accountability and audit report	64
Accounts of the Court Funds Investment Account	71
Accounts Direction	79

## **Ministry of Justice Equity Index Tracker Fund**

Foreword	80
Respective Responsibilities of the Lord Chancellor, Accountant General and Investment Manager	88
Governance Statement	90
Certificate and Report of the Comptroller and Auditor General to the House of Parliament	93
Statement of Total Return	99
Statement of Change in Net Assets attributable to Unitholders	100
Balance Sheet	101
Notes to the Financial Statements	102
Distribution Tables	113
Portfolio Statement (unaudited)*	114
Fund Information (unaudited)*	115
Accounts Direction given by HM Treasury*	116
General Information (unaudited)*	119

\* These collectively comprise the Authorised Fund Manager's Report.

# Annual Report for the Accountant General's Accounts in respect of Funds in Court for the year ended 29 February 2024

## Performance Report

### Overview

The Accountant General's accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 45(1) of the Administration of Justice Act 1982 (the Act). The accounts record dealings in cash, securities and physical effects held in the civil courts of England and Wales. Deposits under the various enactments referred to in Section 40 of the Act are not segregated in the Accounts. The Accounts Direction can be found on page 44.

There are three parts to the accounts:

- Part A covers cash and securities paid in court and how these are then invested in Part B and in Part C.
- Part B covers the activity of the Commissioners for the Reduction of the National Debt (CRND) to invest those funds and is prepared by the UK Debt Management Office.
- Part C presents the full accounts of all monies invested in the Lord Chancellor's Common Investment Fund (CIF) which is managed by Legal & General (L&G) on behalf of the Lord Chancellor. The CIF is an Equity Index Tracker Fund (EITF) and holds funds for the Accountant General as well as other parties. Part C is prepared by L&G.

The Part A accounts show transactions and balances under the responsibility of the Accountant General, in accordance with Section 38 of the Act, which includes providing for the transfer of Funds in Court to and from Part B and Part C. Therefore, the Part A accounts show all transactions relating to client funds because the Accountant General is considered to hold overall responsibility for the relevant elements of Part B and C. Section 45(1) of the Act requires each Part to prepare their own separate accounts but are laid together in Parliament as a single document.

### The Accountant General

As the Accountant General I am the designated Accounting Officer for 'Funds in Court'. This means I am responsible for the safeguarding and investment of client funds paid into court. This includes, but is not limited to, ensuring:

- Funds ordered into court are correctly accounted for and protected once received.
- Funds receive the correct amount of interest or any equivalent earnings from dividends.

- Funds are paid out of court to the client at the correct time and they receive the correct amount due.

Inherent in this responsibility is the requirement to ensure there is a robust governance and control framework in place so: that the above requirements are met; that the fund balances and control framework are audited externally each year by the Comptroller and Auditor General; and I implement promptly any recommendations that arise from such audit.

As the Accounting Officer for Funds in Court, I delegate the daily discharge of my responsibilities to the Deputy Accountant General. At the date of signing the Deputy Accountant General is Vignesvaran Mahalingam who has been in this role since September 2020. He in turn is supported by the Office of the Accountant General (OAG).

I am also Chief Operating Officer for the Ministry of Justice (MoJ), and the OAG sits within my business group. Should a conflict of interest between these two roles arise this would be discussed with the MoJ Accounting Officer and appropriate mitigations put in place.

### **Purpose and principal activities related to 'Funds in Court'**

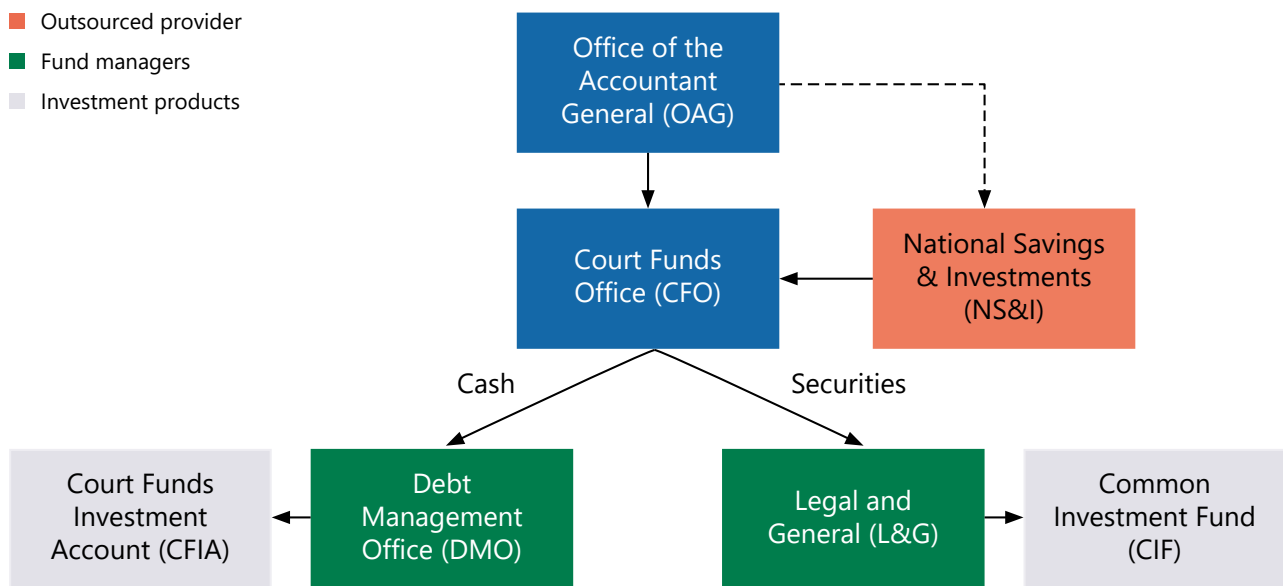
Money and securities are paid into court under the provisions of a wide variety of legislation and circumstances. Such funds fall into three main categories:

- Damages awarded to children as a result of civil legal action in a county court in England or Wales or the High Court of Justice. These assets are held on their behalf until the child reaches majority (18 years of age).
- Assets belonging to people who lack the capacity to manage their own financial affairs where the Court of Protection (CoP) has appointed someone else to manage their affairs.
- Cases where money is held in court pending settlement of civil court action, or on behalf of dissenting shareholders, widows, and other clients whose funds are held under a variety of different statutes.

Client funds are classified as cash, liquid deposits and advances or securities. Cash funds are those invested in the NatWest Group. Liquid deposits and advances are invested through the UK Debt Management Office. The majority of client funds in securities are invested in the Lord Chancellor's Common Investment Fund which is the Equity Index Tracker Fund managed by Legal & General. Other securities including debt securities relate to legacy portfolios for which the Accountant General acts as custodian. Further information on how cash and securities are invested is included in the Performance Report.

The Court Funds Office (CFO) provides client services in respect of 'Funds in Court' and handles all client transactions. National Savings and Investments (NS&I) is the outsourced provider of the CFO Client Service. The OAG oversees the CFO and carries out functions including the commercial and contract management of outsourced suppliers, fund management, and legal and policy matters relating to 'Funds in Court'.

Figure 1 – Key relationships



## Performance Overview

The primary objective is to ensure client funds are safeguarded, administered correctly, and protected from fraud or loss.

Whilst I am satisfied the current business model is meeting this objective, I am keen to improve the service provided to clients and to ensure it remains fit for purpose in the dynamic environment of financial services. During the reporting year, we continue to take forward our strategic review of the Court Funds Office (CFO) with a focus on modernising the client service as part of National Savings & Investment’s, our service provider, procurement process. The Deputy Accountant General continue to work with the NS&I to ensure plans are aligned. As at the reporting date negotiations are underway to agree a new Memorandum of Understanding (MoU) with effect from February 2025.

Longer term, plans are in place to start a digitalisation programme to implement a modernised service that will improve the client experience and deliver cost efficiencies compared to the current largely paper based system. The service business model is complex and delivering modernisation will be challenging but I am confident this will be a significant improvement which will deliver real benefits to the CFO clients.



## Performance Analysis

### Financial Performance

Interest earned on client funds increased significantly in 2023-24 to £130.343m compared to £45.066m in 2022-23, which was mainly as a result of the number and scale of increases to the Bank of England Base Rate over the reporting year. This has allowed interest payable to clients to increase to £103.752m in 2023-24 compared to £26.742m in 2022-23.

The gross cost of delivering the CFO client service and running the OAG in 2023-24 was lower than in 2022-23, reducing from £4.905m to £4.795m (2.2%). This was driven by lower CPI indexation costs of delivering the CFO client service contract. CPI indexation was lower than forecast in the MoU and the annual charge was reduced as a result, partially offset by an increase in staff costs to resource the CFO future strategy programme.

The net of interest earned, interest paid and funding the CFO client service resulted in a surplus of £16.116m (£7.339m in 2022-23). Under the governing legislation, this surplus must be transferred to the Exchequer which will take place in 2024-25. It is difficult to forecast the longer-term position on the Bank of England Base Rate (BoEBr) but the current planning assumption for 2024-25 is the rate will not reduce to a level where the service cannot be self-funding. This assumption will be closely monitored over the next financial year and will be adjusted should the BoEBr start to reduce.

Client fund levels increased by £1,186m from £2,248m to £3,434m (52.8%) including a €467m (£407m) lodgement in October 2023.

The Lord Chancellor's Common Investment Fund (the Equity Index Tracker Fund managed by Legal & General) is invested in three different sectors and the performance benchmark was a composite of the following:

- Solactive L&G ESG UK Index 55%
- Solactive L&G Enhanced ESG Developed Index 35%
- FTSE All-World Emerging Markets Index 10%

The Net Asset Value (NAV) per unit increased from a year opening position of 1,924.04p to a year closing position of 1,987.45p, an increase of 63.41p (3.3%). The volume of units held decreased from the opening position of 3,804,554 to a closing position of 3,690,935 a decrease of 113,619 (3.0%). Taking into account both factors (NAV and volume of units) the total NAV of the fund increased by £0.188m (0.3%).

Further analysis and explanation of the Equity Index Tracker Fund and its performance over the reporting year is found in the accounts produced by Legal & General (Part C).

Further information on how cash and securities are invested can be found in the 'Investment Policy' section below.

## CFO Performance Indicators

The CFO Service is managed by OAG through an MoU with NS&I, the outsourced provider. The MoU defines the terms of how the service is delivered and is measured by Performance Indicators (PIs). The average annual performance achieved for each indicator over the 2023-24 reporting year is shown below.

Overall, the accumulated annual average performance was 98.75%. This is an improvement compared to 2022-23 (96.63%). Of the fifteen PIs, against the agreed targets, four were exceeded, five were met and six were not met.

There were two main factors impacting on performance; the first related to IT issues in June and July 2023, the second related to resourcing issues in July and August 2023 (peak leave), which particularly impacted on Form 212 non-securities decisions, payments and general correspondence. NS&I will be monitored closely over the next reporting year to ensure there is sufficient trained resource. Where applicable, performance penalties were applied in accordance with the terms and conditions of the MoU.

PI	Process	Average Annual Performance %	Target %	Met/ Not Met/ Exceeded
1	<b>Cheque Deposits</b> – to be banked on the day of receipt.	100.00	97	Exceeded
2	<b>Transferred Funds</b> – notification to DMO by 11.30am.	99.62	100	Not Met
3	<b>Deposits</b> – within 2 working days of receipt	99.53	97	Exceeded
4	<b>Form 212 Investment Decision</b> – within 14 days.	100.00	100	Met
5	<b>EITF Investment</b> – to be placed with fund manager on same day.	99.62	100	Not Met
6	<b>Form 212 Non-Securities Decision</b> – within 5 working days.	93.62	97	Not Met
7	<b>Dividends</b> – within 3 working days of receipt.	98.11	100	Not Met
8	<b>Transfers</b> - within 2 working days of receipt.	100.00	100	Met
9	<b>Non EITF Sale &amp; Purchase</b> – processed the same day.	100.00	100	Met
10	<b>EITF Sale</b> – processed the same day.	99.84	100	Not Met
11	<b>Payments</b> – within 3 working days of receipt.	92.73	97	Not Met
12	<b>General Correspondence</b> – within 5 working days.	98.23	97	Exceeded
13	<b>Majority Statements</b> – to be issued 3 weeks prior to child's 18th birthday.	100.00	100	Met
14	<b>Review of Child Accounts</b> – to be reviewed annually.	100.00	100	Met
15	<b>Telephone Helpline</b> – to be answered within 20 seconds from becoming answerable.	100.00	90	Exceeded

## Investment Policy

### Liquidity

Under the provisions of the Administration of Justice Act 1982, cash funds paid into court are transferred to the Commissioners for the Reduction of the National Debt (CRND). The funds and associated liquidity risk are managed by the UK Debt Management Office (DMO) on behalf of CRND.

Cash funds transferred to the CRND are placed in the Court Funds Investment Account (CFIA) and invested by the DMO in short term deposits. Such deposits are generally of fixed term and short duration, typically up to seven days. The DMO pays interest on funds in the CFIA at a rate equivalent to the Bank of England base rate.

The objectives of this strategy are:

- Clients are protected against capital loss and will receive their capital amount as a minimum repayment.
- Maximum liquidity is maintained, and clients can be paid on demand or when due under the terms of the court order.
- Clients receive a return on the funds held in court which reflects the above two conditions.

Funds are transferred to and from the CRND daily as required to meet cashflow requirements.

Under the provisions of the Administration of Justice Act 1982, in any year where the interest and dividends earned on the funds held in the CFIA exceed the sum payable to clients, the surplus interest is used to meet the operational costs of the service, the Commissioners' costs in respect of the CFIA and any depreciation. Any further surplus interest must be surrendered to the Consolidated Fund (central government's account for general revenue and expenditure). The Act also provides where there is a shortfall in interest and dividends, the deficit will be met from the Consolidated Fund.

Detailed information on the performance of the CFIA is reported in the Commissioners for the Reduction of the National Debt Court Funds Investment Account (Part B).

### Interest Rates

The interest rate earned on client funds invested in the CFIA is set at the Bank of England Base Rates. The rates applicable during the year were:

- |                                     |       |
|-------------------------------------|-------|
| ● 1 March 2023 to 22 March 2023     | 4.00% |
| ● 23 March 2023 to 10 May 2023      | 4.25% |
| ● 11 May 2023 to 21 June 2023       | 4.50% |
| ● 22 June 2023 to 2 August 2023     | 5.00% |
| ● 3 August 2023 to 29 February 2024 | 5.25% |

The interest rate payable on client funds is set by the Lord Chancellor with the concurrence of HM Treasury. The specific interest rate paid to clients depends on how they are categorised.

Special Accounts – interest was paid on:

- Damages awarded to children as a result of civil legal action in a county court in England or Wales or the High Court of Justice.
- Assets belonging to people who lack the capacity to manage their own financial affairs, mainly where the Court of Protection (CoP) has appointed someone else to manage their affairs.
- Widows and other beneficiaries where sums were invested prior to March 1983.

The rates applicable during the year were:

- 1 March 2023 to 31 March 2023                      4.000%
- 1 April 2023 to 12 June 2023                      4.250%
- 13 June 2023 to 22 August 2023                      4.500%
- 23 August 2023 to 29 February 2024                      6.000%

Basic Accounts – interest was paid on:

- Cases where money is held in court pending settlement of civil court action, or on behalf of other clients whose funds are held under a variety of different statutes.

The rates applicable during the year were:

- 1 March 2023 to 31 March 2023                      3.000%
- 1 April 2023 to 12 June 2023                      3.188%
- 13 June 2023 to 22 August 2023                      3.375%
- 23 August 2023 to 29 February 2024                      5.000%

Other Suitors Deposited in the Senior Courts – 0.0%

- Monies paid into court on behalf of dissenting shareholders and monies received from county courts as unclaimed are held as cash, as are some child funds where religious observance does not allow for the accrual of interest.

Unclaimed Balances – 0.0%

- The Court Funds Rules 2011 set out the criteria for identifying funds deemed to be unclaimed. The Rules provide that such funds may be transferred to the Unclaimed Balances Account. This includes funds paid into court under certain statutes where the funds are unclaimed at the point of receipt. Funds within the account do not accrue interest but it is credited if an authority to release the funds is received, at which point simple interest at the current basic rate for the period the fund has been unclaimed will be applied.

## **Growth**

Clients may be eligible for their funds to be invested in the Lord Chancellor's Common Investment Fund (CIF), which is in the form of an Equity Index Tracker Fund (EITF) managed by Legal & General on behalf of the Lord Chancellor (Part C to the Accounts). Access to the EITF is governed by the Court Funds Rules 2011 and is only available to Special Account holders with cash of £10,000 or more in court and where the funds are expected to be held in court for five years or more. It is important to note, as with any investment in securities, investment in the CIF carries with it the risk of capital loss dependent on market movement. This risk is borne by the clients and not by the Accountant General or the Consolidated Fund.

The EITF provides clients with long term growth and income through dividends in a low-risk investment environment.

## **Securities**

Certain clients may hold in court portfolios of securities e.g. stocks, shares, and unit trusts. These are Court of Protection clients where the securities were paid into court prior to changes in the Court Funds Rules 2011. Holdings in these legacy portfolios are expected to reduce year on year as these were no longer accepted into court after the 2011 changes. The OAG acts solely as a custodian for these securities including the administrative functions of carrying out any instructions to buy, sell or transfer such securities or to deposit dividends received. The OAG does not provide any investment advice to clients. Clients may have their own private brokers to provide investment advice, but the OAG has no relationship with such brokers other than in its custodianship role.

## **Foreign Currency**

Foreign currency deposits are held at the request of the client and at the discretion of the court. These deposits are invested in short term accounts with the NatWest Group and the client earns the full interest paid on the funds and bears the risk associated with exchange rate movement. The client is also responsible for any fees and charges for foreign currency accounts. OAG acts solely as custodian for these accounts and carries out any administrative functions whilst the funds are held in court.

## **Other Key Events**

There are no other key events to report.

### **James McEwen**

Accountant General of the Senior Courts

12 July 2024

# Accountability Report

## Corporate Governance Report

### Director's Report

The Office of the Accountant General (OAG) responsibilities and duties cover all aspects of my obligations under the Administration of Justice Act 1982 and other related legislation.

OAG is a business unit of the MoJ and sits within the Chief Operating Officer's Group (COOG). The OAG is not an Arm's Length Body so does not have its own corporate functions, board of directors, audit committee or remuneration committee. The OAG is subject to review by the MoJ Board and its sub-committees.

The OAG does not have any non-executive directors but as Accountant General I am a member of the Lord Chancellor's Strategic Investment Board (SIB) which has two non-executive advisors to provide independent advice and technical expertise on investment matters.

Members of the SIB are asked to declare any interest that could give rise to any actual or perceived conflict of interest. Declarations are documented alongside any agreed actions to manage the risk of conflicts of interest. All disclosures on related parties are set out in the MoJ Annual Report and Accounts.

There were 24 personal data incidents during the reporting year. All incidents were reviewed with the Data Protection team and have been dealt with accordingly.

### Statement of the Accountant General's Responsibilities

As set out in Section 38 of the Administration of Justice Act 1982 (the Act), the Accountant General of the Senior Courts is responsible for the management and investment of Funds in Court, specifically, monies, securities and other assets held under the control of the civil courts of England and Wales, including the Court of Protection (CoP).

Under Section 45(1) of the Act, the Accountant General is required to prepare a statement of accounts for each financial year in the form and on the basis as directed by HM Treasury. These accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs and of the income and expenditure, statement of financial position and cash flows for the financial year.

The Secretary of State and Lord Chancellor has, under Section 97(2) of the Senior Courts Act 1981, as amended by the Public Trustee and Administration of Funds Act 1986, appointed me, James McEwen, as Accountant General of the Senior Courts on 29 August 2020. The Permanent Secretary of the MoJ has also appointed me as the Accounting Officer for Funds in Court. My responsibilities as Accounting Officer, including responsibilities for the propriety and regularity of the funds for which I am answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by HM Treasury, and published in "Managing Public Money".

In preparing the accounts, I am required to observe the applicable accounting standards and comply with the relevant requirements of the Government Financial Reporting Manual (FReM), and in particular to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis; and
- confirm that the annual report and accounts as a whole are fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgements required for determining they are fair, balanced and understandable.

As Accounting Officer, 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. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

## **Governance Statement**

I understand and comply with the requirements of "Corporate Governance in Central Government Departments: Code of Good Practice 2017" to the extent they apply to these accounts. This Governance Statement explains how, as Accountant General, I meet those requirements.

There were no Ministerial directions given to me as the Accountant General in the year ending 29 February 2024.

## **Governance Framework**

### *Office of the Accountant General*

I delegate responsibility for the day-to-day discharge of my responsibilities to the Deputy Accountant General. He is supported in this role by the Office of the Accountant General (OAG).

The OAG operates within the core boundary of the MoJ as part of the Chief Operating Officer's Group (COOG). The OAG is subject to all MoJ policies, procedures and governance framework. The OAG does not have its own board of directors but is subject to review by the MoJ Board and its Audit and Risk Committee.

The OAG has a governance framework which operates to provide me with assurance on the efficient and effective delivery of its objectives as defined in its annual Business Plan.

The OAG Management Team meets each month to review performance against the Business Plan, review risks and consider strategic matters relating to policy, legal, commercial and finance. All decisions and actions are minuted and reported to me as appropriate by the Deputy Accountant General. Regular meetings between me, or my designated nominee, and the Deputy Accountant General include a review of performance and delivery against objectives. I provide strategic direction as necessary.

The Deputy Accountant General is supported by the Risk Review Group, responsible for assessing and monitoring potential risks to the OAG meeting the Business Plan objectives. This group reports to the monthly OAG Management Team Meeting where outputs from the groups are formally signed off.

At the signing date, OAG was content with the accuracy and completeness of its internal management information and the external PI and financial information provided by NS&I.

In terms of departmental level assurance, the Funds in Court Annual Report is presented to the MoJ Audit and Risk Committee before submission to Parliament. During the year biannual updates are provided to the committee on risk and control issues. The Accountant General will also update the committee at any time over the reporting year on material issues such as fraud should they occur. The committee will provide its own independent view on the Annual Report, and this provides the Accountant General with a key assurance on accuracy, completeness and validity.

### *OAG staff*

The OAG has a complement of 14.5 full time equivalent staff. Staff costs in 2023-24 were £0.875m. All OAG employees, including the Deputy Accountant General, are permanent civil servants on standard MoJ terms and conditions including salary and pension arrangements. Posts within the OAG are filled in accordance with the MoJ recruitment policy in line with the principles of open and fair competition. Candidates are assessed using the Civil Service success profiles framework.



All OAG employees are bound by the Civil Service Code to act with honesty and integrity. There have been no departures from the code. There were no performance or conduct issues relating to OAG staff during the year.

#### *Lord Chancellor's Strategic Investment Board*

The Lord Chancellor's Strategic Investment Board (SIB) is responsible for provision of advice and governance on the investment of funds including:

- Advice on investment strategy, performance benchmarks and related investment matters including guidelines for external managers.
- Advice on the appointment of external managers to invest the client monies coming within the care of the MoJ.
- Oversight of the Fund's performance against established industry benchmarks, providing robust challenge, advice and direction to the external managers as appropriate.

The Board meets every quarter. It comprises two non-executive investment advisors (the Chair, Karen Shackleton and Deputy Chair, Richard Dunbar), the Accountant General of the Senior Courts, the Official Solicitor and Public Trustee (both posts held by the same person), the Accountant General of Northern Ireland and a representative from MoJ Commercial. The Lord Chancellor is regularly informed of the Board's activity and provides direction as required. The Accountant General attends the SIB on behalf of the CFO clients.

#### *CFO Service*

The client operational service is outsourced to NS&I who carry out all the back office and help desk functions relating to clients. The definition of the service requirements for clients, including Performance Indicators (PIs) and the underlying control framework, are defined in the MoU between the Accountant General and NS&I.

NS&I reports formally to the OAG on the CFO Service through the Operational Delivery Group (ODG), which is chaired by NS&I and is attended by OAG. Its function is to monitor performance of the CFO Service delivery, ensuring operational objectives are achieved, risks, issues and major incidents are managed, and change requests progressed. It provides OAG with a regular opportunity to investigate and challenge any failures of service quality, including PI breaches or delays in change requests. The ODG meets monthly, and all decisions and actions are minuted. The output from the ODG is reported to the OAG Management Team meeting each month.

The Deputy Accountant General and the NS&I Director for Business to Business (B2B) attend the ODG on a quarterly basis to receive reports on performance and provide any strategic direction required by the Group.

NS&I has its own internal assurance team and control framework covering the CFO Service.

### *Internal Audit*

The MoJ Internal audit function, part of the Government Internal Audit Agency (GIAA), acts on behalf of MoJ and reviews any area of the OAG's activities they deem necessary. The schedule of work is discussed and agreed between the OAG and GIAA at the beginning of each financial year. This allows both parties to plan for the work but does not constrain GIAA from carrying out further work should the need arise.

GIAA does not normally include the outsourced operations of NS&I in its annual plan except where agreed in the risk-based approach above. However, under the terms of the MoU with NS&I, GIAA have right of access if either OAG or MoJ decide this is necessary to ensure the statutory duties of the Accountant General have been or are being correctly discharged.

GIAA has no authority to audit Legal & General in respect of the Common Investment Fund.

There was one internal audit report conducted during the reporting period which was a follow up review of the governance and assurance arrangements between the OAG and NS&I. The assurance level was assessed as "Moderate", concluding improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

GIAA, in partnership with NS&I and Atos also provides an annual assurance report on NS&I's Business to Business operation, which includes the CFO Service and CFO specific audits. This assurance review covers a range of operational activities based on risk assessment of the key areas and is a rolling annual programme. For reporting year 2023-24, GIAA gave an overall opinion of "Limited". There are significant weaknesses in the framework of governance, risk management and control. However, none of the findings have a material financial impact on CFO clients. The final reports include recommendations accepted by NS&I management together with agreed action plans. OAG will work with NS&I, formally reviewing monthly, to ensure these recommendations are implemented over reporting year 2024-25.

### **Risk Management**

The OAG manages risks against its Delivery Plan objectives through the Risk Review Group and the monthly Management Team Meeting. The Risk Review Group meets at the beginning of each year to assess the nature and scale of the risks associated with the objectives in the Delivery Plan, to identify and put in place effective controls and decide what further actions are necessary to mitigate the risks.

The Risk Review Group meets monthly to review the Risk Register, Incident Log and Issues Log, and provides an updated report to the OAG's monthly management meeting.

High level risks are closely monitored, and action is taken to ensure that overall risk is within tolerance of the agreed risk appetite. OAG monitors these risks with NS&I via a joint risk register, which is updated on a monthly basis and reported on at the monthly Operational Delivery Group (ODG) with NS&I. Progress on the annual audit assurance review is also reported on at the monthly ODG.

The key risk categories are explained in the following paragraphs.

### *Liquidity Risk*

The Court Funds Office Performance Indicators set out the agreed service levels in terms of paying out funds. As the target for payment out is three to five working days it is critical that a sufficient level of liquidity is maintained so that cash is available to meet the service target. To ensure that sufficient liquidity is maintained, risk is managed by DMO by placing cash in the Court Funds Investment Account (CFIA) which invests in short term deposits. Such deposits are either fixed term but of short duration, typically up to seven days, or instant access deposits with funds available on demand. This creates a return on investment equal to the Bank of England base rate and ensures sufficient cash is always available to fund payments requested by clients.

### *Investment Risk*

Funds in court are guaranteed to the extent the Administration of Justice Act 1982 provides that any shortfall in funds payable to clients will be met from the Consolidated Fund. The process adopted by DMO for managing the liquidity risk means the return to clients of the cash held in court is likely to be limited to a rate at or near the Bank of England base rate but with no risk of capital loss. It is not the function of the CFO to grow the value of funds held in court.

The Court Funds Rules 2011 provide that in certain cases, subject to minimum thresholds on time and value of investment, funds can be transferred to the Common Investment Fund (CIF) as directed by the Court. The CIF is an Equity Index Tracker Fund managed by Legal & General that offers clients a balance of risk and reward by spreading funds across three different underlying investment funds: UK, International, and Emerging Markets. Investment in the CIF in part transfers risk to the client in that any loss in value suffered by the CIF is carried by the client and cannot be claimed back from CFIA. However, in most cases, only a proportion of a client's fund would be invested in the CIF, the remainder being held in the CFIA.

This approach provides some clients with an opportunity to achieve capital growth but at their own risk, whilst assisting them in managing the overall investment risk.

### *Operational Risk*

The OAG manages its operational risk primarily by outsourcing the administration of client funds to NS&I. NS&I is obliged to provide the CFO Service in accordance with the terms of the MoU which details how the service to clients will be delivered, including Performance Indicators (PIs). Where NS&I fail to meet the PI targets, financial penalties are applied and if a client suffers financial loss through an error by NS&I, liability for the financial impact sits with them.

### *Management Risk (OAG)*

The primary risk relates to resourcing constraints due to the small size of the OAG team and the capability, skills and experience of individuals. The Deputy Accountant General manages the succession and cover strategy for the team to manage the overall delivery of objectives. The transfer of business knowledge is managed through the OAG's own governance structure and through adhering to MoJ corporate policies on data retention. Recruitment practices are tailored to attract diverse candidates with the appropriate skills and experience.

### *Foreign Exchange Risk*

Where client funds are paid into court in a currency other than Sterling, the Accountant General acts solely as custodian and is responsible for the appropriate administrative functions to support any client transactions. Such functions are covered under operational risk. Any foreign exchange risk associated with holding funds in a foreign currency is borne by the client. Therefore, the OAG bears no foreign exchange risk.

### *Market Risk (Securities)*

Where clients have securities paid into court, the Accountant General acts as custodian and is responsible for the appropriate administrative functions to support any subsequent transactions. Where clients have funds invested in the EITF they bear the risk of any movements in the unit market value. Administrative functions are covered under operational risk. Any market risk associated with the holding of securities is borne by the client. Therefore, the Accountant General bears no market risk relating to any securities under his custodianship.

### *Legal Risk*

Funds in court are covered by a number of pieces of legislation both specific to how funds are managed in court and the wider regulations relating to financial services, e.g. dealing with sanctioned bodies. This is managed through maintaining and reviewing CFO Rules and Business Rules which set out processes to ensure legal compliance. Where legal issues arise, specialist advice is taken from the Government Legal Department.

### *Control Framework*

The CFO service is subject to the NS&I internal control framework, the Risk Control Self-Assessment (RCSA). The OAG gains assurance on the effectiveness of this framework by way of the monthly ODG meetings. At the end of February 2024 there were 90 IT controls, reported monthly and 67 non-IT controls, reported quarterly (although the controls themselves can be monthly, quarterly, six monthly or annually) including any explanations where the control has been ineffective. OAG can then discuss with NS&I what has happened and what steps are being taken to address any issues.

There were no material control incidents during the reporting year or at the signing date.

## **Administrative Obligations**

Information assurance, particularly relating to the clients, is a critical activity to me as Accountant General and as part of MoJ. The OAG follows MoJ policy on information assurance to ensure that I am compliant with the rules as they apply to public sector bodies. There is an OAG Information Asset Owner who follows the process for reporting and escalating to the Senior Information Risk Owner who will keep me advised of any issues as appropriate. All requirements of the General Data Protection Regulations (GDPR) have been implemented and are operating effectively.

There is a system in place to manage health and safety risks, control weaknesses, whistleblowing and compliance with the MoJ policies on health and safety, fraud, bribery and corruption. This system also supports any local policies and arrangements as appropriate.

## **Overall Assessment of Governance Framework**

I am satisfied that the governance and risk management frameworks as described in this statement are correct and that there are the necessary systems and processes in place which enable me to maintain an effective system of internal control throughout the OAG that supports the achievement of policies, aims and objectives, whilst safeguarding the funds and assets for which I am personally accountable. I can confirm that the systems have been in place for the year under review and up to the date of approval of the annual report and accounts as described above.

# Parliamentary Accountability Report

## **Regularity of expenditure**

All investments, income and expenditure relating to Funds in Court were applied to the purposes intended by Parliament.

The above statement has been audited.

## **Fees and charges**

There were no fees or charges relating to Funds in Court.

The above statement has been audited.

The notional audit fee for the Funds in Court Part A financial statements for the year ended 29 February 2024 was £85,000 (2022-23 fee was £78,000). The audit fees are accounted for in the MoJ accounts. There have been no fees paid to the auditors in respect of non-audit work.

## **James McEwen**

Accountant General of the Senior Courts

12 July 2024

# 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 Funds in Court in England and Wales – Part A for the year ended 29 February 2024 under the Administration of Justice Act 1982.

The financial statements comprise the Funds in Court in England and Wales – Part A's:

- Statement of Financial Position as at 29 February 2024;
- Statement of Comprehensive Net Income and Statement of Cash Flows for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Funds in Court in England and Wales – Part A's affairs as at 29 February 2024 and its total comprehensive net income for the year then ended; and
- have been properly prepared in accordance with the Administration of Justice Act 1982 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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 (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Funds in Court in England and Wales –Part A 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 opinions.

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

In auditing the financial statements, I have concluded that the Funds in Court in England and Wales – Part A'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 Funds in Court in England and Wales – Part A'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 Accountant General as accounting officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Funds in Court in England and Wales – Part A is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

### **Other Information**

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The Accountant General 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.

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, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Administration of Justice Act 1982; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the Funds in Court in England and Wales – Part A and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Funds in Court in England and Wales – Part A or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Accountant General as Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Funds in Court in England and Wales – Part A from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;

- preparing financial statements which give a true and fair view in accordance with HM Treasury directions issued under the Administration of Justice Act 1982;
- preparing the annual report in accordance with HM Treasury directions issued under the Administration of Justice Act 1982; and
- assessing the Funds in Court in England and Wales – Part A’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 Accountant General as Accounting Officer anticipates that the services provided by the Funds in Court in England and Wales – Part A 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 Administration of Justice Act 1982.

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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Funds in Court in England and Wales – Part A’s accounting policies;
- inquired of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to the Funds in Court in England and Wales – Part A’s policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and

- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Funds in Court in England and Wales – Part A’s controls relating to the Funds in Court in England and Wales – Part A’s compliance with the Administration of Justice Act 1982, the Court Fund Rules 2011 and Managing Public Money;
- inquired of management, and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal specialists, including IT audit specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Funds in Court in England and Wales – Part A for fraud and identified the greatest potential for fraud in the following areas: income recognition, posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Funds in Court in England and Wales – Part A’s framework of authority and other legal and regulatory frameworks in which the Funds in Court in England and Wales – Part A operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Funds in Court in England and Wales – Part A. The key laws and regulations I considered in this context included the Administration of Justice Act 1982, the Court Fund Rules 2011 and Managing Public Money.

In addition, I considered the risks of non-compliance with laws and regulation arising from payments to sanctioned individuals or entities.

### **Audit response to identified risk**

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- I assessed all identified payments made during the year to sanctioned individuals or entities to ensure appropriate approvals had been obtained (i.e. those payments made to individuals, organisations or countries which are subject to sanctions by the United Kingdom at the time of the payments).

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and significant component audit teams 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.

### **Other auditor's responsibilities**

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**18 July 2024**

# Financial Statements

## Statement of Comprehensive Net Income for the year ended 29 February 2024

	Notes	29 February 2024 £000	28 February 2023 £000
<b>Income</b>			
Interest Income	2	130,343	45,066
Interest Due to Clients' Accounts	3	(103,752)	(26,742)
<b>Net Interest Income</b>		<b>26,591</b>	<b>18,324</b>
Dividend Income	4	1,848	1,842
Gains Arising from Securities	5	1,770	1,587
(Losses)/Gains on Foreign Exchange	6	(8,029)	3,951
(Losses)/Gains Attributable to Clients	7	4,411	(7,380)
<b>Net investment Income</b>		<b>–</b>	<b>–</b>
<b>Net Income</b>		<b>26,591</b>	<b>18,324</b>
<b>Expenses</b>			
Administrative Expenses – OAG	8	(4,795)	(4,905)
Management Charges from CRND		(94)	(94)
<b>Total Net Expenses</b>		<b>(4,889)</b>	<b>(4,999)</b>
<b>Total Comprehensive Net Income Transferred to Reserves</b>		<b>21,702</b>	<b>13,325</b>

All income and expenditure are derived from continuing operations.

The notes on pages 32 to 43 form part of these Accounts.

## Statement of Financial Position as at 29 February 2024

	Notes	29 February 2024 £000	28 February 2023 £000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	9	413,466	32,017
Deposits and Advances	10	3,053,801	2,234,728
Debt Securities	11	–	4
Investment Securities	12	77,341	77,179
<b>Total Assets</b>		<b>3,544,608</b>	<b>2,343,928</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Cash and Cash Equivalents	9	–	–
Clients' Holdings in Debt Securities	11	–	(4)
Clients' Holdings in Investment Securities	12	(77,341)	(77,179)
Clients' Cash Account Balances	13	(3,433,928)	(2,247,659)
Other Liabilities	14	(20,911)	(12,244)
<b>Total Current Liabilities</b>		<b>(3,532,180)</b>	<b>(2,337,086)</b>
<b>Total Assets Less Total Liabilities</b>		<b>12,428</b>	<b>6,842</b>
<b>Reserves</b>	15	<b>12,428</b>	<b>6,842</b>

### James McEwen

Accountant General of the Senior Courts  
12 July 2024

The notes on pages 32 to 43 form part of these Accounts.

## Financial Statements – Statement of Cash Flows for the year ended 29 February 2024

	Notes	29 February 2024 £000	28 February 2023 £000
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive Net Income		21,702	13,325
(Increase)/Decrease in Deposits and Advances		(819,073)	308,471
Decrease in Debt Securities		4	148
(Increase)/Decrease in Investment Securities		(162)	3,316
Increase/(Decrease) in Clients' Cash Account Balances		1,186,269	(341,443)
(Decrease) in Clients' Holdings in Debt Securities		(4)	(148)
Increase/(Decrease) in Clients' Holdings in Investment Securities		162	(3,316)
(Decrease) in Other Liabilities		(110)	(216)
Other Non Cash Movements		–	3,712
<b>Net Cash Flows from Operating Activities</b>		<b>388,788</b>	<b>(16,151)</b>
<b>Cash Flows from Investing Activities</b>		–	–
<b>Cash Flows from Financing Activities</b>		–	–
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for payments to the Consolidated Fund</b>		<b>388,788</b>	<b>(16,151)</b>
Payment of surplus in respect of previous years to the Consolidated Fund		(7,339)	–
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>381,449</b>	<b>(16,151)</b>
Opening cash and cash equivalents		32,017	48,168
<b>Closing cash and cash equivalents</b>	<b>9</b>	<b>413,466</b>	<b>32,017</b>

The notes on pages 32 to 43 form part of these Accounts.

# Notes to the Financial Statements

## 1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the direction made by HM Treasury under section 45 of the Administration of Justice Act 1982, as detailed on page 6 of the Annual Report and Accounts. In applying this direction, all policies must be compliant with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the specific circumstances of the Funds in Court in England & Wales (Part A), for the purpose of giving a true and fair view has been selected. The specific policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

### 1.1. Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of certain financial assets and liabilities to the extent that such requirements are relevant to the activities of the Court Funds Office (CFO).

### 1.2. Funds in Court Boundaries

There are three parts to the accounts:

- Part A – Funds in Court – Accountant General's Accounts.
- Part B – Court Funds Investment Account (CFIA) – Commissioners for the Reduction of the National Debt (CRND)'s Accounts.
- Part C – The Equity Index Tracker Fund (EITF) – Investment Manager's Accounts.

The Part A accounts show transactions and balances under the responsibility of the Accountant General, in accordance with Section 38 of the Act, which includes providing for the transfer of Funds in Court to and from Part B and Part C.

The Part A accounts have been prepared showing the combined position for Part A and Part B plus the share of investments in Part C that relate to Court Funds as the Accountant General is considered to hold overall responsibility for the relevant elements of Part B and C. This presentation is considered to best reflect the intention of the requirements of the Administration of Justice Act 1982 and the Accounts Direction. Note 10 includes disclosure of the value of Part A transactions and balances with Part B during the year in accordance with section 38.8(b) which provides for the Accountant General to make transfers of money in court to and from the Commissioners of the Reduction of the National Debt.



The Accountant General's Accounts (Part A) have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 45(1) of the Administration of Justice Act 1982 (the Act). Deposits under the various enactments referred to in Section 40 of the Act are not segregated in the Accounts.

### *1.3. Cash and Cash Equivalents and Deposits and Advances*

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. Bank overdrafts are classified as a component of cash equivalents for the purposes of the statement of cashflows.

Amounts invested in the Commissioners for the Reduction of the National Debt Court Funds Investment Account are presented as 'Deposits and Advances'. These are financial assets held for investment purposes to collect cash flows of principal and interest on specified dates. Therefore, these deposits are treated as financial assets measured at amortised cost rather than a component of cash and cash equivalents.

### *1.4. Recognition of Income*

Interest earned and due for all interest-bearing financial instruments are recognised in "Interest Income" and "Interest Due to Clients' Accounts" in the Statement of Comprehensive Net Income using the Effective Interest Rate (EIR) method of allocating interest over the relevant period. Interest earned and due is recognised from the settlement date.

Income is recognised in the Accounts on the following bases:

- Interest on investments is recognised as it accrues on an EIR basis rather than on a cash received basis; dividends are accrued as they are declared.
- Realised gains and losses on disposals or maturities of investments are recognised in the period they arise.
- Valuation gains and losses on securities and collective investment schemes are recognised in the Statement of Comprehensive Net Income and are included in the carrying value of those securities in the Statement of Financial Position.

### *1.5. Valuation of Securities and Common Investment Funds*

All securities and common investment funds are designated as financial assets held at fair value through profit and loss and are shown in the Statement of Financial Position at market value. This is in accordance with accounting standard IFRS 9 – Financial Instruments.

Fair values of investment securities are determined by reference to published price quotations in an active market. There are certain movements in securities where no cash transfer occurs (deposits and transfers). These include securities previously held by clients that are transferred into Court (deposits) or securities held which are transferred to clients rather than being sold (transfers). For these movements, cash values are calculated by using closing market prices applicable on the date the transaction occurs.

The Accountant General has no responsibility for such securities and acts only as the custodian for these legacy clients. All associated risks such as market movements, interest rate and credit and managed between the clients and their brokers.

Fair value of the Equity Index Tracker Fund (the Common Investment Fund) is determined by use of the Net Asset Value as at 29 February 2024. Associated risks of the financial instruments such as securities and derivatives are subject to normal market fluctuations and investing in such instruments. Legal & General is the Authorised Fund Manager and has responsibility for ensuring appropriate risk management processes are implemented for each Unit Trust. Interest Rate Risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. The Fund's only interest-bearing financial instruments were its bank balances and overdraft facilities. Cash is deposited and overdraft facilities utilised on normal commercial terms and earn, or bear interest based on commercial rates. In the event of a change in interest rates, there would be no material impact upon the assets of the Fund. Credit Risk is the risk of suffering financial loss as a result of a counterparty to a financial transaction being unable to fulfil their financial obligations as they fall due. This risk is managed by appraising the credit profile of financial instruments and issuers in line with the Fund's investment strategy. The Accountant General is responsible for CFO clients with holdings in the fund.

Funds in Court Part C - Note 12 produced by L&G provides further information.

#### *1.6. FRS102 – Financial Reporting*

The Part C Legal & General EITF accounts are accounted for under FRS 102 and the investment SORP, whereas the Funds in Court Part A accounts are accounted for under the FReM. Although Part A and C are separate accounts, for consistency it is the Part A policy to ensure the different accounting standards do not result in a material difference in policy. As both FRS 102 and the FReM value such investments on the same basis, which is fair value, there is no material difference between the two. This is reviewed each year to ensure that future changes in accounting standards do not result in any material differences.

#### *1.7. Reserves held by CRND*

Reserves held by CRND relate to timings of cashflows relating to surpluses in the Court Funds Investment Account (CFIA). These are surpluses arising from an excess of interest earned over interest paid and operating costs (which are surrendered to the Exchequer in the following financial year), and those arising from timing differences due to how the Act states the surplus should be calculated. The latter creates a timing difference which is carried forward to the next financial year.

### 1.8. *Administrative Expenses – OAG*

The administrative expenses of OAG are paid in advance by the MoJ who then recover the costs from surplus interest earned on client funds in the year. OAG only incurs costs that are directly attributable to the delivery of its responsibilities to the clients. There are corporate services such as ICT, Human Resources, and Legal Services that are provided by the MoJ because it is more cost effective than OAG sourcing provision of such services itself.

### 1.9. *Client Fees*

OAG clients do not pay fees towards the costs of the services provided. OAG costs are recovered through the surplus interest earned on client funds in the CFIA. Clients with funds in the EITF pay management fees at source to Legal & General and these are reflected in the Net Asset Value of these holdings.

### 1.10. *Foreign Currency*

Assets and liabilities included in the Statement of Financial Position that have a functional currency different from the presentational currency are translated into the presentational currency (Sterling) at the closing rate on 29 February 2024.

The only foreign currency positions that are maintained are on behalf of clients who wish to hold Funds in Court in an alternative currency to Sterling. These funds are held in accounts with correspondent banks and earn interest in the relevant currency. Gains and losses on foreign exchange movements are calculated based on monthly movements in the exchange rates.

Foreign exchange gains and losses resulting from revaluations are taken to the Statement of Comprehensive Net Income, but as the risk is borne by the clients a balancing transaction is reflected to adjust clients' holdings in the functional currency.

### 1.11. *Changes in accounting policies and disclosures*

#### **New standards, amendments and interpretations issued but not effective for the financial year beginning 1 March 2023 and not early adopted**

IFRS 17 Insurance Contracts requires a discounted cash flow approach to accounting for insurance contracts. IFRS 17 is to be applied by entities for accounting periods beginning on or after 1 January 2023. The earliest implementation date in central government is 1 April 2025. This standard will not impact on these financial statements.

We do not consider that any other new, or revised standard, or interpretation will have a material impact.

### 1.12. *Critical judgements in applying accounting policies*

These accounts have been prepared without any requirement to make any critical judgements in applying accounting policies, nor are any financial balances subject to any estimation or uncertainty.

**2. Interest Income**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Foreign Exchange	76	10
Deposits & Advances	130,267	45,054
Debt Securities	–	2
<b>Total Interest Income</b>	<b>130,343</b>	<b>45,066</b>

**3. Interest Due to Clients' Accounts**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Court Funds – Basic Account	(21,189)	(7,236)
Court Funds – Special Account	(82,487)	(19,494)
Foreign Exchange	(76)	(10)
Debt Securities	–	(2)
<b>Total Interest Due to Clients' Accounts</b>	<b>(103,752)</b>	<b>(26,742)</b>

**4. Dividend Income**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Dividends Received in Year	1,813	1,898
Dividends Accrued – period end	914	879
Dividends Accrued – period start	(879)	(935)
<b>Total Dividend Income</b>	<b>1,848</b>	<b>1,842</b>

**5. Gains Arising from Securities**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Client Securities	1,770	1,587
<b>Total Gains Arising from Securities</b>	<b>1,770</b>	<b>1,587</b>

**6. (Losses)/Gains Arising from Foreign Currency**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
US Dollars	(1,245)	3,908
Euros	(7,144)	43
AUS Dollars	360	–
<b>Total (Losses)/Gains from Foreign Exchange</b>	<b>(8,029)</b>	<b>3,951</b>

**7. Income due to Clients' Holdings**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Dividend Income	(1,848)	(1,842)
Gains Arising from Securities	(1,770)	(1,587)
(Gains)/Losses Arising from Foreign Exchange	8,029	(3,951)
<b>Total (Losses)/Gains Attributable to Clients</b>	<b>4,411</b>	<b>(7,380)</b>

All dividend income, gains arising from securities and foreign exchange (gains)/losses are solely attributable to the clients.

**8. Administrative Expenses – OAG**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Staff Costs	(875)	(778)
General Support	(73)	(81)
Third Party Supplier	(3,847)	(4,046)
<b>Total Administrative Expenses</b>	<b>(4,795)</b>	<b>(4,905)</b>

Staff costs cover OAG team who are MoJ Civil Servants. Staff costs are charged to FIC.

## 9. Cash and Cash Equivalents

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
<b>Foreign Exchange Bank Accounts</b>		
Balance at 1 March	21,743	29,226
Net change in cash and cash equivalents	397,381	(7,483)
<b>Balance at Year End</b>	<b>419,124</b>	<b>21,743</b>
<b>Sterling Bank Accounts</b>		
Balance at 1 March	10,274	18,942
Net change in cash and cash equivalents	(15,932)	(8,668)
<b>Balance at Year End</b>	<b>(5,658)</b>	<b>10,274</b>
<b>Net Cash and Cash Equivalents</b>	<b>413,466</b>	<b>32,017</b>

Included within the above Foreign Exchange bank account balance are €467m of funds that are not currently accessible due to imposed sanctions.

## 10. Deposits and Advances

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Call Notice Deposits	3,053,801	2,234,728
<b>Total Deposits and Advances</b>	<b>3,053,801</b>	<b>2,234,728</b>

The transactions and balances between Part A and Part B where money has been passed to Part B to invest with the Debt Management Account are as follows:

### Balance as at 29 February

	<b>£000</b>	<b>£000</b>
Amounts held by Part B	3,033,234	2,222,772
Transactions in year		
Funds invested with Part B	(1,023,900)	(460,400)
Funds received from Part B	322,700	812,200
<b>Net cash (invested)/received</b>	<b>(701,200)</b>	<b>351,800</b>

## 11. Clients' Holdings in Debt Securities

	2024	Nominal £000	Market Value £000
Holdings held on behalf of Clients		–	–
Dividends and Coupons Due		–	–
<b>Total Debt Security Holdings</b>		<b>–</b>	<b>–</b>
	<b>2023</b>	<b>Nominal £000</b>	<b>Market Value £000</b>
Holdings held on behalf of Clients		4	4
Dividends and Coupons Due		–	–
<b>Total Debt Security Holdings</b>		<b>4</b>	<b>4</b>
	<b>2024</b>	<b>Nominal £000</b>	<b>Market Value £000</b>
Maturing < 3 months		–	–
Maturing > 3 months but < 1 year		–	–
Maturing > 1 year but < 5 years		–	–
Maturing > 5 years		–	–
<b>Total Debt Security Holdings</b>		<b>–</b>	<b>–</b>
	<b>2023</b>	<b>Nominal £000</b>	<b>Market Value £000</b>
Maturing < 3 months		–	–
Maturing > 3 months but < 1 year		–	–
Maturing > 1 year but < 5 years		4	4
Maturing > 5 years		–	–
<b>Total Debt Security Holdings</b>		<b>4</b>	<b>4</b>

Debt securities consist of UK Treasury issued gilts purchased by brokers on behalf of clients. The note sets out both the market value and nominal value of the respective gilt and a maturity profile. The Accountant General as custodian has no role in investment decisions, this is by direction of the court or at the request of the client.

## 12. Clients' Holdings in Investment Securities

<b>Market Valuation Summary</b>	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Equity Index Tracker Fund	73,356	73,201
Unit Trust Holdings	1,827	1,823
Stocks, Shares and Loan Notes	1,243	1,277
<b>Total</b>	<b>76,426</b>	<b>76,301</b>

<b>Dividends and Coupons Due</b>		
Equity Index Tracker Fund	907	874
Unit Trust Holdings	2	4
Stocks, Shares and Loan Notes	6	–
<b>Total</b>	<b>915</b>	<b>878</b>

<b>Total Value of Investment Securities</b>		
Equity Index Tracker Fund	74,263	74,075
Unit Trust Holdings	1,829	1,827
Stocks, Shares and Loan Notes	1,249	1,277
<b>Total</b>	<b>77,341</b>	<b>77,179</b>

<b>Market Holdings Summary (Units)</b>	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>000</b>	<b>000</b>
Equity Index Tracker Fund	3,691	3,804
Unit Trust Holdings	979	962
Stocks, Shares and Loan Notes	183	194
<b>Total Investment Securities</b>	<b>4,853</b>	<b>4,960</b>

<b>Movements in Holdings during the Year (Units)</b>	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>000</b>	<b>000</b>
Balance at start of year	4,960	5,135
Purchases during Year	442	798
Sold during Year	(471)	(730)
Net Transfers (to)/from Clients	(78)	(243)
<b>Balance as at year end</b>	<b>4,853</b>	<b>4,960</b>

Investment Securities relate to holdings held by the Accountant General on behalf of clients and comprise of:

- Holdings in the Equity Index Tracker Fund (EITF)
- Holdings of unit trusts deposited in court by clients
- Holdings of individual stocks and shares.



The note sets out the market value of these holdings along with the associated accrued income. The note also provides an analysis of the number of units held for investment securities and details for the in-year movements in terms of purchases, sales and transfers.

EITF holdings as at 29 February 2024 were valued at a Net Asset Value of 1,987.45p (1,924.04p as at 28 February 2023).

### 13. Clients' Cash Account Balances

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Court Funds placed on Basic Account	345,165	358,611
Court Funds placed on Special Account	2,010,775	1,279,091
Unclaimed Balances	419,143	390,725
Other Suitors Deposited in the Senior Courts	239,721	197,489
Clients' Monies Held as Foreign Exchange	419,124	21,743
<b>Total Client Balances</b>	<b>3,433,928</b>	<b>2,247,659</b>

All client cash account balances other than those held as foreign exchange are invested in the UK Debt Management Office (UKDMO). Funds are invested by UKDMO in short term call notice deposits and guaranteed by HM Treasury. The interest rate earned on client funds is pegged to the Bank of England Base Rate and is guaranteed by HM Treasury. The interest rate payable to clients is set by the Lord Chancellor in agreement with HM Treasury.

Clients' monies held as foreign exchange are invested in foreign currency accounts managed by the Government Banking Service. Exchange rate risk and interest rate risk are borne by the clients.

**13a. Clients' Receipts and Payments During Year**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Balance</b>	<b>2,247,659</b>	<b>2,589,102</b>
Lodgements by Clients	1,916,617	727,640
Sales of EITF units and other securities	5,566	(9,550)
Dividends and Interest paid on securities	1,847	1,911
<b>Total Lodgements from Clients</b>	<b>1,924,030</b>	<b>720,001</b>
Payments to Clients	(828,775)	(1,099,127)
Purchase of EITF units and other securities	(4,893)	6,196
<b>Total Payments to Clients</b>	<b>(833,668)</b>	<b>(1,092,931)</b>
Interest Paid and Credited to Court Accounts	69,488	15,334
Gains/(Losses) Arising from Foreign Exchange	(8,029)	3,951
<b>Closing Balance</b>	<b>3,399,480</b>	<b>2,235,457</b>
Add Accrued Interest	34,448	12,202
<b>Total Client Balances</b>	<b>3,433,928</b>	<b>2,247,659</b>

**14. Other Liabilities**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
OAG Administrative Expenses	4,795	4,905
Surplus to Consolidated Fund	16,116	7,339
<b>Total Other Liabilities</b>	<b>20,911</b>	<b>12,244</b>

**15. Reserves**

	<b>29 February 2024</b>	<b>28 February 2023</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	6,842	(2,856)
Contribution from MoJ	–	3,712
Total Comprehensive Net Income	21,702	13,325
CFERs Payable to the Consolidated Fund	(16,116)	(7,339)
<b>Closing Balance</b>	<b>12,428</b>	<b>6,842</b>

## **16. Events after the Reporting Period**

The Finance Bill 2023 included an amendment to the Administration of Justice Act 1982 implementing a 30-year time limit on dormant funds held in court. After this period, clients will lose the right to claim these funds, which will then be surrendered to the Consolidated Fund. This is a new policy that came into effect on 1 June 2024.

The Accounting Officer authorised these financial statements for issue on the date that they were certified by the Comptroller and Auditor General.

## **17. Provisions for Liabilities and Charges**

There were no provisions made for liabilities and charges within the reporting period.

## **18. Contingent Liabilities**

There were no contingent liabilities as at 29 February 2024 or 28 February 2023.

## **19. Physical Effects**

The Accountant General acts as custodian for client physical effects that have been paid into court. These assets generally have no financial value and consist of legal documents, deeds and wills. There are two physical effects that have a notional financial value as follows:

- Sixteen gold US Dollar coins paid into court in the early 20th Century are held in a safety deposit box.
- A bag of 1,746 silver and 4 gold coins paid into court in the 18th Century are on loan to the British Museum.

The total value of both sets of coins is estimated to be £60,000.

Both sets of coins were counted and verified on 29 April 2024.

# Accounts Direction given by HM Treasury

## **FUNDS IN COURT IN ENGLAND AND WALES – ACCOUNT OF THE TRANSACTIONS OF THE ACCOUNTANT GENERAL UNDER SECTION 38 OF THE ADMINISTRATION OF JUSTICE ACT 1982**

HM Treasury, in pursuance of section 45 of the Administration of Justice Act 1982, hereby gives the following Direction:

- 1** The Accountant General of the Senior Courts shall prepare accounts for the financial year ending 28 February 2018 and for each subsequent financial year ending on the last day of February. The financial statements shall include the following information:
  - Annual Report comprising a Performance Report and an Accountability Report;
  - Statement of Comprehensive Net Income;
  - Statement of Financial Position; and
  - Statement of Cash Flows

The financial statements shall include such notes as may be necessary, to explain the transactions of the Accountant General under Section 38 of the Administration of Justice Act 1982, and for the purposes referred to in the following paragraphs.

- 2** The financial statements shall be prepared to:
  - a) give a true and fair view of the state of affairs as at 28 February 2018 and subsequent financial year ends and of the income and expenditure and cash flows of the year then ended.
  - b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
- 3** Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
- 4** The financial statements shall be sent to the Comptroller and Auditor General no later than the last day of July following the end of the accounting period.

- 5 The Annual Report shall state that the financial statements have been prepared in accordance with a Direction given by HM Treasury in pursuance of section 45(2) of the Administration of Justice Act 1982.
- 6 This direction shall be reproduced as an appendix to the financial statements.
- 7 This direction replaces the direction dated 19 February 2010.

**Ian Bulmer**

Deputy Director, Government Financial Reporting

HM Treasury

04 July 2018

# Commissioners for the Reduction of the National Debt

## Court Funds Investment Account Report and Accounts for the year ended 29 February 2024

### **Performance Report**

#### **Overview**

The purpose of the overview is to provide sufficient information to understand the Court Funds Investment Account (CFIA), its purpose, the key risks to the achievement of its objectives, and how it has performed during the year.

These accounts have been prepared by the Commissioners for the Reduction of the National Debt (CRND) under a direction issued by HM Treasury in accordance with section 45 of the Administration of Justice Act 1982 (the Act).

#### **Purpose and principal activities of the Court Funds Investment Account**

The CFIA facilitates the operation of the basic and special accounts operated by the Office of the Accountant General (OAG) for suitors' funds paid into court in England and Wales; it also contains funds due to the Consolidated Fund.

By virtue of rules made under section 38(7) of the Act, on days when the Accountant General of the Senior Courts (the Accountant General) has excess cash in their account they remit the excess to CRND for investment in the CFIA, and on days when the balance in their account is insufficient to meet demands they make a withdrawal from the CFIA to make good the shortfall.

Section 39(1) of the Act authorises HM Treasury to make regulations setting out the range of investments in which CRND may invest money transferred to them by the Accountant General. Currently, investment is limited to securities specified in paragraphs 1, 2, 3, 8, 9 and 9A of Part 2 of Schedule 1 to the Trustee Investments Act 1961. Until required to meet payments, the interest or dividends received on investments held by CRND are reinvested in authorised securities. The resulting investments are held in the CFIA.

Section 39(2) of the Act requires the payment into the Consolidated Fund of any surplus interest or dividends received in any accounting year by CRND and Section 39(3) provides for any deficiency of interest or dividends to be made good out of the Consolidated Fund. The amount of any surplus or deficiency is obtained by deducting from the interest and dividends received by CRND the sum of:

- 1 any sum required by HM Treasury to be set aside to provide for depreciation in the value of investments so made;
- 2 such sum as the Lord Chancellor may with the concurrence of HM Treasury direct to be paid to him in respect of the cost to him in that year of administering funds in court;
- 3 an amount equal to the expenses incurred by CRND in that year in making the investments above and disposing of investments so made; and
- 4 the interest due to be paid or credited on funds in court.

In the event of the CFIA having insufficient interest to meet its obligations, reserves would be used to cover the shortfall. Where reserves were insufficient to meet the obligations to suitors in any given year, section 39(5) of the Act provides a guarantee by the Consolidated Fund of the capital paid to CRND by the Accountant General in an instance when CRND are unable to pay a sum due to the Accountant General.

A deficit that exceeds the remaining reserves would lead to a call on the Consolidated Fund to meet any shortfall under section 39(3) of the Act.

### **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.

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 OAG 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.

## **Performance summary**

During 2023-2024, in accordance with the Memorandum of Understanding, the CFIA was invested in short-term deposits with the Debt Management Account. This strategy enabled the CFIA to earn a rate of interest very closely correlated with prevailing short-term sterling interest rates, whilst protecting its capital position and access to liquidity.

In accordance with section 39(2)(b) of the Act, the OAG obtained HM Treasury's concurrence to make a charge of £4.8 million (2022-2023: £4.9 million) in respect of the costs of administering funds in court. The OAG received no subsidy from the Ministry of Justice for these costs of administering funds in court, resulting in the full cost being charged to the CFIA (2022-2023: full cost charged to the CFIA).

The CFIA received sufficient interest during the year to meet its obligations to suitors (also described as 'interest payable on funds in court') after deducting the relevant amounts in respect of CRND's management expenses and the charge to the CFIA for OAG's costs of administering funds in court. As such, there was no need for the CFIA to draw upon its reserves to cover any shortfall. As at 29 February 2024, the CFIA had reserves of £12.4 million (28 February 2023: £6.8 million).

## **Performance analysis**

During 2023-2024, total income before client expenses was £130.3 million (2022-2023: £45.1 million). The increase in income was primarily due to a rise in average interest rates on the CFIA's investments with the Debt Management Account, which correspond to the official Bank Rate. Interest payable on funds in court was £103.7 million (2022-2023: £26.7 million), CRND's management expenses were £0.1 million (2022-2023: £0.1 million), surplus payable to the Consolidated Fund was £16.1 million (2022-2023: £7.3 million) and the OAG's costs of administering funds in court were £4.8 million (2022-2023: £4.9 million). This resulted in an overall surplus for the year of £5.6 million (2022-2023: £6.0 million surplus).

The OAG invested £701.2 million (net of withdrawals) in the CFIA over the course of the year (2022-2023: £351.8 million net withdrawal).

## **Jo Whelan**

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

10 July 2024



# Accountability Report

The accountability report comprises two sections: a **corporate governance report** and a **parliamentary accountability and audit report**. The **corporate governance report** includes the following information: the responsibilities of the Secretary and Comptroller General; the composition, responsibilities and actions of the Executive Committee and the Audit and Risk Committee and how they have supported the Secretary and Comptroller General and enabled the objectives of the CFIA; the key risks faced by the CFIA and how it seeks to manage them. The **parliamentary accountability and audit report** includes a formal opinion by the CFIA's external auditor to certify that the financial statements give a true and fair view of the state of the CFIA's affairs for the year and that they have been prepared in accordance with all relevant rules.

These two sections contribute to the CFIA's accountability to Parliament and comply with best practice in relation to corporate governance norms and codes. In particular, the **corporate governance report** seeks to do so by describing the key mechanisms the CFIA employs to ensure it maintains high standards of conduct and performance. This includes the statement of Secretary and Comptroller General's responsibilities which describes her accountability to Parliament for the CFIA's use of resources and compliance with rules set by HM Treasury to ensure best practice in financial management. The governance statement reflects the applicable principles of the Corporate Governance Code for Central Government Departments. The **parliamentary accountability and audit report** confirms that expenditure and income of the CFIA have been applied to the purposes intended by Parliament and confirms that information in the parliamentary accountability disclosures has been audited and approved by external auditors.

## Corporate governance report

### Directors' report

Operationally, the CRND is part of the UK Debt Management Office (DMO) and its staff are employees of the DMO. The CRND therefore has no staff of its own. The structure of the CRND is described on page 47.

### Directors' conflicts of interest

In 2023-2024, no material conflicts of interest were declared by DMO Executive Committee members.

### Reporting of personal data related incidents

The CFIA had no protected personal data related incidents during 2023-2024.

### Jo Whelan

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

10 July 2024

## **Statement of Secretary and Comptroller General's responsibilities**

Section 45(2) of the 1982 Act requires the Commissioners to prepare for each financial year a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the CFIA, its income and expenditure, statement of financial position and 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.

In preparing the accounts, the Secretary and Comptroller General is required to observe the applicable accounting standards and be consistent with the relevant requirements of the Government Financial Reporting Manual (FReM), and in particular to:

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis; and
- confirm that the annual report and accounts as a whole are fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgements required for determining they are fair, balanced and understandable.

As the role of the Secretary and Comptroller General is analogous to acting as an Accounting Officer, it is considered that the responsibilities of an Accounting Officer, as set out in *Managing Public Money* published by HM Treasury, apply to the Secretary and Comptroller General. These include responsibility for the propriety and regularity of the public finances for which the Secretary and Comptroller General is answerable, for keeping proper records, and for safeguarding the CFIA's assets.

### **Disclosure to auditors**

Section 45(1) of the Act requires the Commissioners to send accounts prepared by them to the Comptroller and Auditor General.

Under section 45(3) of the Act, the Comptroller and Auditor General examines, certifies and reports on the accounts and lays copies of them with his report before each House of Parliament.

The Comptroller and Auditor General charges no audit fee for undertaking this statutory audit.

As the Secretary and Comptroller General, 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 CFIA's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

## **Governance statement**

### **Scope of responsibility**

The Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt (CRND) is responsible 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 they are accountable, in accordance with the responsibilities assigned to the Secretary and Comptroller General.

CRND is a separate business entity managed within the control framework of the DMO. While the Secretary and Comptroller General is 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 the control responsibilities, the Secretary and Comptroller General takes assurance on the continued sound maintenance of the wider control framework from the governance statement for the DMO, although it is understood that only reasonable and not absolute assurance can be given that risks have been controlled.

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

CRND is committed to the highest standards of corporate governance and is subject to the guidance set out in the Corporate Governance Code for central government departments (the Code) and the principles laid down in that Code:

- Parliamentary accountability;
- The role of the Board;
- Board composition;
- Board effectiveness; and
- Risk management.

CRND does not conduct any part of its business with or through arm's length bodies (ALBs) and therefore CRND has not applied principle six which covers departmental governance arrangements with ALBs.

On 28 September 2023, it was announced the Accounting Officer for the DMO would be retiring at the end of June 2024 and a recruitment process for a successor commenced in late December 2023. On 16 April 2024 the successor was announced.

## **Advisory Board**

The Secretary and Comptroller General was supported during 2023-2024 by the DMO Managing Board and then the Advisory Board (the Board) which, in addition to the Secretary and Comptroller General, is comprised of:

- Dame Sue Owen

Non-Executive Chair (NEC) – Dame Sue was a civil servant for 30 years, including 14 years at HM Treasury. Amongst other things, she worked on fiscal policy and debt management policy at HM Treasury. Dame Sue has previously held senior roles at the Foreign and Commonwealth Office, Department for International Development and Department for Work and Pensions. Most recently she served as the Permanent Secretary at the Department for Digital, Culture Media and Sport, from 2013 to 2019. She has other current roles, including non-executive director at Pantheon International plc and Serco plc.

- Sir Robert Stheeman

DMO Chief Executive and Accounting Officer

- Jim Juffs

Chief Operating Officer

- Jessica Pulay

Co-Head of Policy and Markets

- Ruth Curtice

Non-executive HM Treasury representative

- Paul Fisher

Non-executive director – During a 26-year career at the Bank of England, Paul Fisher served as a member of the Monetary Policy Committee from 2009 to 2014, the interim Financial Policy Committee from 2011 to 2013 and the PRA Board from 2015 to 2016. He has a number of current roles including Chair of the London Bullion Market Association.

- Paul Richards (until 30 April 2023)

Non-executive director – During a 29-year career at Bank of America Merrill Lynch, Paul was MD of business in fixed income trading, Debt Capital Markets and Corporate Banking across Europe, the Americas and Asia Pacific. Following his retirement from banking, he spent 18 months as a senior consultant to the FCA. He is currently Chairman of Insignis, a FinTech company he launched in 2015.

- Martin Egan (from 2 May 2023)

Non-executive Director – Martin Egan has 37 years of experience in financial markets. Most of his career was spent at BNP Paribas in various roles including Managing Director Global Co-Head Primary and Secondary Credit, Vice Chairman of the Global Markets Client Board, and Chair of BNPP UK Ltd. He was also Chair of the Diversity and Inclusion Network at BNPP UK. Earlier in his career he held roles at JP Morgan Ltd., UBS Investment Bank and Credit Suisse First Boston. Martin was also the Chair of the Board of the International Capital Market Association from May 2017 to May 2018, and a member of the Board for another 5 years before that.

Non-Executive Directors are appointed by the NEC, in consultation with the DMO Accounting Officer, following a formal process and have fixed terms defined in their contract of service. All Non-Executive Board members including the NEC will receive an induction on joining and have access to additional information and training where it is considered necessary for the effective discharge of their duties.

One of the roles of the Board is to advise the Secretary and Comptroller General on any key decisions affecting CRND.

An executive sub-committee of the Board generally meets weekly and supports the Secretary and Comptroller General on operational decisions.

The Terms of Reference for the Advisory Board were set out on its formation in June 2022. The Board’s effectiveness will next be reviewed in 2024-2025, once the new Accounting Officer is established in the role.

### 2023-2024 Advisory Board activities

Board meetings were held throughout 2023-2024 and covered regular agenda items, including risk management, staffing and progress against the operational business plan.

Board, as well as Audit and Risk Committee, attendance is outlined in the table below:

	<b>Possible</b>	<b>Actual</b>		
Dame Sue Owen	6	6		
Sir Robert Stheeman	6	6		
Jo Whelan	6	6		
Jim Juffs	6	6		
Jessica Pulay	6	6	<b>Audit and Risk Committee</b>	
Ruth Curtice	6	5	<b>Possible</b>	<b>Actual</b>
Paul Fisher	6	6	4	4
Paul Richards	1	1	1	1
Martin Egan	6	5	3	3
Rodney Norman	n/a	n/a	4	4

## Audit and Risk Committee

The Secretary and Comptroller General was supported during 2023-2024 by the Audit and Risk Committee on matters relating to risk, internal control and governance. The Audit and Risk Committee covers the activities of the DMO, Debt Management Account, PWLB lending facility and CRND. The members of the Audit and Risk Committee during 2023-2024 were:

- Paul Fisher (Chairman)
- Paul Richards (until 30 April 2023)
- Martin Egan (from 2 May 2023)
- Rodney Norman

Audit and Risk Committee member - Rodney Norman was Finance Director of NS&I until 2018. Prior to that he was the Treasury Accountant at HM Treasury. This was preceded by a career in the City where he qualified as a Chartered Accountant with PWC and was Finance Director of the Banking Division of Close Brothers. He is currently a non-executive member of the Audit and Risk Committee of the Army and until recently was a senior advisor to the Bank of England. He has previously been a non-executive director of a variety of organisations including the Pension Protection Fund where he was also a member of its Risk and Audit Committee and chaired the Nominations Committee.

Audit and Risk Committee meetings are typically attended by the DMO Accounting Officer, the Secretary and Comptroller General, the Co-Heads of Policy & Markets, the Chief Operating Officer, the Head of Internal Audit, the Head of Finance, the Head of Risk and the National Audit Office.

One of the Audit and Risk Committee's objectives is to give advice to the Secretary and Comptroller General on:

- The overall processes for risk, control and governance and the governance statement;
- Management assurances and appropriate actions to follow from internal and external audit findings, risk analysis and reporting undertaken;
- The financial control framework and supporting compliance culture;
- Accounting policies and material judgements, the accounts and the annual report and management's letter of representation to the external auditors;
- Whistleblowing arrangements for confidentially raising and investigating concerns over possible improprieties in the conduct of the DMO's business;
- Processes to protect against money laundering, fraud and corruption; and
- The planned activity and results of both internal and external audits.

During the period under review the Audit Committee paid particular attention to the following areas:

- Cyber security risks;
- Review of content within the Sustainability Report;
- User access rights and permissions;
- Trading system performance;
- Controls over static data;
- Anti-Money Laundering controls;
- Relationship management with strategic partners and key suppliers;
- Identification and reporting of operational risk incidents;
- Anti-fraud policy;
- High level risks and issues/principal risks and uncertainties;
- Disclaimers within published documents;
- Compliance with applicable legal & regulatory requirements;
- Memorandum of Understanding;
- Personnel and building security risks;
- Staff leavers process; and
- Recording and reconciliation of IT equipment.

The Audit and Risk Committee covers a regular programme of agenda items, together with other current topics, and met four times during the year.

The Secretary and Comptroller General has also been informed by the following operational committees throughout the period under review.

### **Fund Management Review Committee**

The Fund Management Review Committee monitors CRND activity relating to the performance of the government funds under management, including any reporting on compliance activities undertaken in relation to the funds.

The Fund Management Review Committee met four times in 2023-2024.

## **Business Delivery Committee**

The Business Delivery Committee (BDC) reviews the status of the delivery of DMO's business and work plan as a collective cross-functional body, resolving emerging issues in a timely way, and agreeing priorities to ensure the plan stays on track. The most significant initiatives monitored by the BDC during the year were the trading system upgrade, infrastructure upgrades, and the IT strategy.

The Business Delivery Committee met regularly (typically weekly) throughout 2023-2024.

## **Risk Committees**

The Secretary and Comptroller General is informed by two risk committees covering operational risk and material change programmes. More detail on the roles, responsibilities and activities of these committees can be found in the sections below.

## **Risk management and internal control**

The Secretary and Comptroller General is responsible for maintaining 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 she is accountable, in accordance with the responsibilities assigned to her in the Managing Public Money document.

CRND is managed within the wider DMO system of internal control which is based upon what the DMO Accounting Officer, with the support of the Board, considers to be appropriate, taking account of the DMO's activities, the materiality of risks inherent in those activities and the relative costs and benefits of implementing specific controls to mitigate those risks. The DMO's position differs to that of a commercial organisation in that it must always be in a position to transact the underlying business required to meet its remit. As a result, the risks associated with this activity cannot be avoided and the system of internal control can only provide reasonable assurance against failure to achieve aims and objectives.

## **The Risk and Control Framework**

The Board has designed and put in place a formal risk management framework covering all the activities conducted and overseen by the DMO. This framework helps ensure that the DMO Accounting Officer is appropriately informed and advised of any identified risks and also allows the management of risks to be monitored. The risk management framework covers both regular operations and new business initiatives, and evolves as the range and nature of the DMO's activities change. The framework is supported by a clear 'three lines of defence' model:



***First line of defence:***

Day-to-day management of risk is the responsibility of management staff within business areas. The DMO considers effective risk management to be central to its operations and fosters a risk aware culture in which all members of staff, including Board members, are encouraged to understand and own the risks that are inherent in those operations. In particular, the DMO seeks to promote an environment in which staff feel comfortable to identify new risks and changes in previously identified risks, as well as weaknesses so that these may be assessed and appropriate mitigating actions put in place.

Mitigating actions typically include segregation of duties, staff training, clear lines of management delegation and reporting and robust business continuity arrangements.

***Second line of defence:***

Oversight of risk is provided by the Board and risk committees, whose role is to provide regular and systematic scrutiny of risk issues which lie within their remit and to support the DMO Accounting Officer in exercising his overall responsibility for risk management.

The DMO considers that the principal risks it faces arise in three broad areas: credit risk, market risk and operational risk. It has established committees to meet regularly to review the changing risk pattern for each of these areas and to set up appropriate responses. The work of these committees is described in more detail below.

*Credit and Market Risk Committee*

The Credit and Market Risk Committee (CMRC) meets on a regular basis, with more frequent meetings held when required, for example during times of market stress. The CMRC monitors and reviews the management of market, credit, and liquidity risk. The CMRC met seven times during 2023-2024.

*Operational Risk Committee*

The Operational Risk Committee (ORC) meets regularly to monitor operational risks and to review significant risk issues. The ORC is responsible for reviewing risk incidents identified through the DMO's risk incident reporting process, and for considering whether planned mitigating actions are appropriate. The ORC also reviews and tracks the progress of actions identified by Internal Audit. The ORC's scope includes issues relating to information risk, IT security, business continuity, anti-fraud and key supplier risks.

The ORC has advised the DMO Accounting Officer and the Board, during the year, on significant operational risk concerns, significant risk issues and trends as well as actions to mitigate such risks. The ORC has focused this year on business continuity, information security, cyber security and the IT strategy. The ORC also reviewed changes to the National Risk Register and the significance to the DMO. The ORC met nine times during 2023-2024.

### *Controls Group*

The Controls Group meets periodically to review issues affecting the DMO's system of internal control and to analyse material changes to the control environment. The Controls Group recommends actions to management to implement changes where appropriate. The Controls Group consists of representatives from Finance, Risk, Compliance and Internal Audit.

The Controls Group has advised the DMO Accounting Officer, the Board and senior management on any significant risk concerns stemming from the introduction of new business activities as well as risks relating to other change management activities. The Controls Group has also advised the DMO Accounting Officer on suitable mitigating actions where appropriate.

During the year the Controls Group reviewed key project change proposals. Other topics reviewed included static data controls and upgrading key internal systems.

### *Risk Management Unit*

The risk committees are supported by the DMO's Risk Management Unit (RMU) which ensures key risk issues arising from these committees are communicated to the DMO Accounting Officer and senior management on a regular basis, with additional ad-hoc reporting if an emerging issue requires it. The RMU also supports the formal risk reporting processes with defined outputs, including regular detailed risk reports which are reviewed by the Board and senior management.

As well as supporting the risk committee structure, the RMU provides control advice on risks. As part of the second line of defence the RMU is separate from, 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 risk is facilitated by the RMU via quarterly consultations with heads of business units and functional teams. Significant risk issues are assessed for materiality and probability of occurrence. New risks, and risks to which exposure is increasing, 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. The RMU maintains a central exception log to record all risk incidents raised, in order to identify control weaknesses and assign actions to improve controls.

***Third line of defence:***

The DMO's Internal Audit function is the third line of defence and provides the Accounting Officer with independent and objective assurance on the overall effectiveness of the DMO's system of internal control. It does this through a risk based work programme which is presented to and approved by the Audit and Risk Committee at the start of each year. All audits review the processes in place and where necessary raise findings relating to control weaknesses and management actions are agreed to mitigate any risks and enhance the control structure. Progress against agreed management actions is monitored on a regular basis to ensure issues highlighted by internal audit, as well as any issues raised by the external auditors, and other identified actions to improve the control environment, are managed and progressed within agreed deadlines. The function is independent of the DMO's trading activities and operations and has a direct reporting line to the Accounting Officer as well as the chair of the Audit and Risk Committee. The work of Internal Audit includes assessing the effectiveness of both control design and control performance. With its independence and overall remit, Internal Audit provides a third line of defence against the risks that might prevent the DMO delivering its objectives.

**Risk policies and procedures**

The DMO's risk policies reflect the high standards and robust requirements which determine the way risks are managed and controlled. The DMO Accounting Officer, with the support of the Board, ensures that policies are regularly reviewed to reflect any changes in the DMO's operations and/or best practice. In 2023-2024, this included policies relating to remote access, health & safety, business continuity, anti-bribery, personal dealing, information security, authentication and patch management.

Staff are asked to confirm 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 on whistleblowing, anti-fraud, anti-money laundering and information security. The DMO ensures that this exercise is undertaken on an annual basis allowing staff to maintain a good level of awareness of the DMO's policies in these areas. All members of staff have job descriptions which include reference to the specific key risks they are expected to manage.

Managers in each business function are responsible for ensuring that the operations within their area are compliant with plans, policies, procedures and legislation.

During 2023-2024 no concerns were raised by staff under the DMO's whistleblowing policy relating to CRND.

## Key Developments

### International conflicts

Further to ongoing international conflicts, the DMO again continued to closely monitor actual and potential effects on activities, markets, counterparties and suppliers.

The DMO continued to work with partners across government to ensure all necessary steps were taken to maintain cyber security defences and also assurances were received from some strategic partners regarding their own arrangements, with details of the assurances put in place to mitigate against any disruption or impact. Internal assessments considered potential accounting or disclosure impacts and any effects through legal and regularity changes.

### Risk Profile

The Secretary and Comptroller General and the DMO Board believe that the principal risks and uncertainties facing CRND are outlined in the table below together with the key actions taken to manage and mitigate them:

Principal risks and uncertainties	Mitigation and management
<b>IT systems and infrastructure</b>	
<p>CRND relies on a number of IT and communications systems to conduct its operations effectively and efficiently.</p>	<p>During the year the DMO has progressed additional initiatives to further strengthen the resilience and security of its IT network and infrastructure. Strategic roadmap priorities were reviewed and the DMO carried out an internal health-check. The DMO has in place structured business continuity arrangements to ensure it is able to continue market operations in the event of an internal or external incident that threatens business operations.</p> <p>Arrangements to support critical operations were in place throughout the year with a core team in the office, support teams working from the disaster recovery site and staff working from home. Assessment of business continuity needs is also a specific requirement for new projects and major business initiatives.</p>
<b>IT and data security</b>	
<p>The DMO could be the subject of an external attack on its IT systems and infrastructure. Through its activities the DMO gathers, disseminates and maintains sensitive information including market sensitive information and personal data about staff and market participants. The DMO seeks to ensure the highest standards of data protection and information management.</p>	<p>The DMO, including CRND, continues to work to maintain the required level of protective security covering physical, personnel and information security and is particularly aware of the growing threat posed by cyber security risk. IT and data security risks continued to be a specific area of focus in 2023-2024 and the DMO's IT team have been enhancing the detective, protective and recovery security controls.</p> <p>Risks to data and information held by the DMO are owned and managed by designated Information Asset Owners. The DMO has a Senior Information Risk Owner (SIRO) who is responsible for the information risk policy and the assessment of information risks. The SIRO is a member of the Board and provides advice to Board members on the management of information risks.</p> <p>The DMO has put in place several layers of defensive controls against external and internal attacks. This year the DMO undertook internal and independent testing to ensure defences remained robust against the changing landscape of cyber-attacks.</p>

<b>Principal risks and uncertainties</b>	<b>Mitigation and management</b>
<p><b>Reliance on third parties</b></p> <p>A number of the operational systems and services on which CRND relies are provided or supported by third party suppliers.</p>	<p>To mitigate the risk of failure of a key third party supplier the DMO undertakes regular corporate risk assessments of each key supplier to assess a range of factors including its financial strength and operational capacity, including the reliance on sub-contractors. The DMO has dedicated contract owners who meet regularly with key suppliers and monitor performance against the agreed Service Level Agreements, where appropriate.</p> <p>The procurement manager and the vendor management group have been working to embed consistent standards of supplier management across account managers by improving visibility of key contracts and sharing best practice. The DMO has introduced enhanced monitoring for critical suppliers (i.e. strategic partners) that focuses on risk and strategic aspects. Scrutinised areas include inherent risks, scenario analysis, assessment of supply chain risks including fourth parties, monitoring and assessing residual risks, and mitigation planning. External consultancy work assisted with the approach.</p> <p>The DMO sought assurance that its key suppliers and strategic partners follow National Cyber Security Centre (NCSC) guidance on cyber security. This year, further work was undertaken to explore alternative arrangements where over-reliance on particular key suppliers has been identified.</p> <p>Work has commenced to align the DMO procurement policies and procedures with the new procurement legislation. The Procurement Bill received Royal Assent on 26 October 2023. It will now be referred to as the Procurement Act 2023 (the Act) and will come into force in October 2024.</p>
<p><b>Transaction processing</b></p> <p>CRND relies on its operational processes to successfully execute a significant number of high value transactions on a daily basis. Reliance on the accurate execution of processes exposes CRND to operational risk arising from process breakdowns and human error.</p>	<p>A key component of CRND's control framework is the segregation of duties to ensure independent checking and reconciliation, and to 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 activities.</p> <p>All teams, including CRND, have documented procedures for their main activities and there are clearly defined authorisation levels for committing the DMO externally.</p> <p>The RMU conduct regular control and compliance testing of CRND activities, providing the executive sub-committee of the Board with assurance on the effectiveness of operational controls and compliance with relevant Financial Conduct Authority and Prudential Regulation Authority rules in the dealing and settlement areas.</p> <p>The DMO also maintains a strong audit and control environment which includes a well embedded incident reporting procedure which extends to cover CRND. This promotes the early identification and resolution of risk incidents and provides visibility to the DMO Accounting Officer and Board.</p> <p>The continued focus has been on enhanced compliance monitoring over transaction processing, to provide assurance over controls standards during remote working. During the year, operational support training was provided to relevant staff to increase resilience in support roles. There were also enhanced controls implemented for oversight of counterparty interactions.</p> <p>This year, the DMO worked on upgrading a key trading system.</p>

<b>Principal risks and uncertainties</b>	<b>Mitigation and management</b>
<p><b>People risk</b></p> <p>The DMO, including CRND, relies on maintaining a sufficiently skilled workforce at all levels of the organisation in order to operate effectively and efficiently, ensuring delivery of its strategic objectives.</p> <p>The DMO is exposed to an increased risk of operational failure if it is unable to compete for, and retain, sufficiently skilled staff over time. Competition for skilled staff is generally against employers from the private financial services sector who have historically offered higher remuneration packages that are not subject to public sector remuneration policies.</p>	<p>DMO recruitment activity helps ensure that individuals with the appropriate level of skill and experience are appointed at all levels within the organisation. This helps mitigate the level of human error which could result in process failures.</p> <p>The DMO follows the Civil Service Commission’s recruitment principles and selection process to ensure vacancies are filled on merit on the basis of fair and open competition.</p> <p>The DMO has a formal performance appraisal process and all staff are given clear and achievable objectives. Progress is reviewed against these regularly.</p> <p>The DMO’s Training and Development policy is designed to help ensure that staff have the right skills to meet its objectives. Induction training is provided to all new employees.</p> <p>Staff are encouraged to engage in activities which promote development and the DMO provides regular training opportunities and support for professional studies to enhance the skills base of its employees. The DMO also provides cross-training for different roles to help improve staffing flexibility and reduce turnover pressure. Teams are encouraged to ensure cross-skilling of staff to support resilience.</p> <p>Salaries are benchmarked annually to equivalent private sector pay levels in order to keep management aware of any significant disparities that are developing. Challenges with recruitment and retention were again identified this year and were reviewed by the Advisory Board. The DMO has a policy to recognise those staff who have performed well in their roles through the payment of one-off non-consolidated performance related awards. Any awards are assessed annually by the DMO Performance Review Team. They are determined by individual performance and criteria associated with the DMO’s performance management process, which are also aligned to the policy for public sector pay.</p> <p>A Staff Council has met regularly throughout the year and enabled an open exchange of ideas and views between management and staff representatives. Staff Council was consulted to discuss the future hybrid working arrangements. This has been an effective conduit for wider communication and consultation with all staff.</p> <p>On an annual basis all DMO staff are given the opportunity to take part in the Civil Service People survey. Any issues raised via this route, with suggested mitigating action if required, are considered by the Accounting Officer and the Board.</p> <p>The organisation has placed greater emphasis on undertaking key person risk analysis for succession planning. This year, HR organised management development training across the organisation to support the management group.</p> <p>The DMO is a disability confident employer.</p>

## **Review of effectiveness**

I have reviewed the effectiveness of the system of internal control and confirm that an ongoing process designed to identify, evaluate and prioritise risks to the achievement of CRND's aims and objectives has been in place throughout 2023-2024. This review included an assessment of any material risk and control issues identified and reported during the relevant period.

My review has been informed by the advice of the risk committees, the work of the internal auditors and the executive managers within the DMO, who have been delegated responsibility for the development and maintenance of the internal control framework. Comments made by the external auditors in their management letter and other relevant reports have also informed this review.

In my role as Secretary and Comptroller General I have been advised on the implications of the result of my review, of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee.

In 2023-2024, no ministerial directions were given and no material conflicts of interest have been noted by the Board or Audit Committee members in the Register of Interests.

In my opinion, CRND's system of internal control was effective throughout the financial year 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 2024

# Parliamentary accountability and audit report

## **Regularity of expenditure**

The income and expenditure of the CFIA were applied to the purposes intended by Parliament.

The above statement has been audited.

## **Fees and charges**

The CFIA received no fees or charges during the year.

The above statement has been audited.

## **Remote contingent liabilities**

The CFIA did not have any remote contingent liabilities as at 29 February 2024.

The above statement has been audited.

## **Jo Whelan**

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

10 July 2024



# 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 Court Funds Investment Account for the year ended 29 February 2024 under the Administration of Justice Act 1982.

The financial statements comprise the Court Fund Investment Account's:

- Statement of Financial Position as at 29 February 2024;
- Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Client Funds for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Court Funds Investment Account's affairs as at 29 February 2024 and its surplus for the year then ended; and
- have been properly prepared in accordance with the Administration of Justice Act 1982 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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 (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Court Funds Investment Account 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 Court Funds Investment Account'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 Court Funds Investment Account'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 Commissioners and the Secretary and the Comptroller General with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Court Funds Investment Account is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

## **Other Information**

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The Commissioners and the Secretary and Comptroller General are 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.

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, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Administration of Justice Act 1982; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

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

In the light of the knowledge and understanding of the Court Funds Investment Account and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

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 by the Court Funds Investment Account or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Responsibilities of the Commissioners and the Secretary and Comptroller General for the financial statements**

As explained more fully in the Statement of Secretary and Comptroller General's responsibilities, the Commissioners and the Secretary and the Comptroller General are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Court Funds Investment Account from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with HM Treasury issued under the Administration of Justice Act 1982;
- preparing the annual report in accordance with HM Treasury directions issued under the Administration of Justice Act 1982; and
- assessing the Court Funds Investment Account'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 Commissioners and the Secretary and Comptroller General anticipate that the services provided by the Court Funds Investment Account 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 Administration of Justice Act 1982.

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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Court Funds Investment Account’s accounting policies;
- inquired of management, the Court Funds Investment Account’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Court Funds Investment Account’s policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Court Funds Investment Account’s controls relating to the Court Funds Investment Account’s compliance with the Administration of Justice Act 1982 and Managing Public Money;
- inquired of management, the Commissioners for the Reduction of the National Debt’s head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;

- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Court Funds Investment Account for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and posting of unusual journals. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Court Funds Investment Account's framework of authority and other legal and regulatory frameworks in which the Court Funds Investment Account operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Court Funds Investment Account. The key laws and regulations I considered in this context included the Administration of Justice Act 1982 and Managing Public Money.

### **Audit response to identified risk**

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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.

### **Other auditor's responsibilities**

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income 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.

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 I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**17 July 2024**

# Accounts of the Court Funds Investment Account

## Statement of comprehensive income

For the year ended 29 February 2024

	<b>Notes</b>	<b>2024</b> <b>£000</b>	<b>2023</b> <b>£000</b>
Interest income		130,267	45,053
<b>Total income</b>		<b><u>130,267</u></b>	<b><u>45,053</u></b>
CRND management expenses		(94)	(94)
OAG costs of administering funds in court		(4,795)	(4,905)
Interest payable on funds in court		(103,676)	(26,729)
Surplus payable to the Consolidated Fund	2	(16,116)	(7,339)
<b>Surplus for the year</b>		<b><u>5,586</u></b>	<b><u>5,986</u></b>

The notes on pages 75 to 78 form part of these accounts.

## Statement of financial position

As at 29 February 2024

	Notes	2024 £000	2023 £000
<b>Assets</b>			
Demand deposits with the Debt Management Account		3,054,145	2,235,016
<b>Total assets</b>		<b><u>3,054,145</u></b>	<b><u>2,235,016</u></b>
<b>Liabilities and client funds</b>			
<b>Liabilities</b>			
OAG costs of administering funds in court		4,795	4,905
Surplus payable to the Consolidated Fund	2	16,116	7,339
		<b>20,911</b>	<b>12,244</b>
<b>Client funds</b>			
OAG funds		3,020,805	2,215,929
Reserves*		12,429	6,843
		<b><u>3,033,234</u></b>	<b><u>2,222,772</u></b>
<b>Total liabilities and client funds</b>		<b><u>3,054,145</u></b>	<b><u>2,235,016</u></b>

\*These reserves are payable to the OAG and arise due to annual surpluses, as calculated in the statement of comprehensive income, combined with any reserve carried forward from the previous year.

The notes on pages 75 to 78 form part of these accounts.

### Jo Whelan

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

10 July 2024



## Statement of cash flows

For the year ended 29 February 2024

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>Operating activities</b>		
Interest received on deposits with the Debt Management Account	124,681	39,067
(Increase)/decrease in demand deposits with the Debt Management Account	(813,543)	314,169
CRND management expenses	(94)	(94)
OAG costs of administering funds in court	(4,905)	(1,342)
Surplus paid to the Consolidated Fund	(7,339)	–
<b>Net cash (used in)/from operating activities</b>	<b><u>(701,200)</u></b>	<b><u>351,800</u></b>
<b>Financing activities</b>		
Funds received from the OAG	1,023,900	460,400
Funds paid to the OAG	(322,700)	(812,200)
<b>Net cash from/(used in) financing activities</b>	<b><u>701,200</u></b>	<b><u>(351,800)</u></b>
<b>Increase in cash</b>	<b><u>–</u></b>	<b><u>–</u></b>
<b>Cash at the beginning of the year</b>	<b><u>–</u></b>	<b><u>–</u></b>
<b>Cash at the end of the year</b>	<b><u>–</u></b>	<b><u>–</u></b>

The notes on pages 75 to 78 form part of these accounts.

## Statement of changes in client funds

For the year ended 29 February 2024

	<b>OAG funds</b>	<b>Reserves</b>	<b>Total OAG funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 28 February 2022</b>	<b><u>2,541,000</u></b>	<b><u>857</u></b>	<b><u>2,541,857</u></b>
Surplus for the year	–	5,986	5,986
Interest payable on funds in court	26,729	–	26,729
Funds received from the OAG	460,400	–	460,400
Funds paid to the OAG	(812,200)	–	(812,200)
<b>At 28 February 2023</b>	<b><u>2,215,929</u></b>	<b><u>6,843</u></b>	<b><u>2,222,772</u></b>
Surplus for the year	–	5,586	5,586
Interest payable on funds in court	103,676	–	103,676
Funds received from the OAG	1,023,900	–	1,023,900
Funds paid to the OAG	(322,700)	–	(322,700)
<b>At 29 February 2024</b>	<b><u>3,020,805</u></b>	<b><u>12,429</u></b>	<b><u>3,033,234</u></b>

The notes on pages 75 to 78 form part of these accounts.

# Notes to the accounts

For the year ended 29 February 2024

## 1 Accounting policies

### *(i) Basis of preparation*

These accounts have been prepared in accordance with a direction made by HM Treasury under section 45(2) of the Administration of Justice Act 1982 in accordance with applicable International Financial Reporting Standards (IFRS) and relevant requirements of the Government Financial Reporting Manual; and under the historical cost convention and on a going concern basis. In particular, the following standards have been applied:

- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of Financial Statements (revised 2007)
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 Events After the Reporting Period
- IAS 24 Related Party Disclosures
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Certain IFRS have been issued or revised, but are not yet effective. Those issues or revisions expected to be relevant in subsequent reporting periods are:

- IAS 1 Presentation of Financial Statements:
  - This has been revised as part of the IASB's 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)'. Application is required for reporting periods beginning on or after 1 January 2024. The CFIA expects to apply these revisions to IAS 1 in 2024-2025. The application of these revisions, which the IASB has delayed by two years, and which affect only the presentation of liabilities in the statement of financial position and relate to a clarification of the classification of current and non-current liabilities, are not expected to materially alter the presentation of the financial statements of the CFIA.

- o This has been revised as part of the IASB's 'Non-current Liabilities with Covenants (Amendments to IAS 1)'. Application is required for reporting periods beginning on or after 1 January 2024. The CFIA expects to apply these revisions to IAS 1 in 2024-2025. The application of these revisions, which clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability, are not expected to materially alter the presentation of the financial statements of the CFIA.
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, which have been revised as part of the IASB's 'Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)'. Application is required for reporting periods beginning on or after 1 January 2024. The CFIA expects to apply these revisions to IAS 7 and IFRS 7 in 2024-2025. The application of these revisions, which add disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements, are not expected to materially alter the presentation of the financial statements of the CFIA.

A separate income statement, as required by the accounts direction, has not been presented as the content would be identical to the statement of comprehensive income. A statement of comprehensive income is required by IAS 1.

### **(ii) Assets**

Deposits with the Debt Management Account are financial assets held by the CFIA in order to collect contractual cash flows of principal and interest on specified dates. Therefore, these deposits are treated as financial assets measured at amortised cost.

### **(iii) 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.

## **2 Surplus payable to the Consolidated Fund**

The surplus payable to the Consolidated Fund at the end of each year is calculated in the following way, as defined by Section 39(2) of the Administration of Justice Act 1982:

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
Interest received	124,681	39,067
Interest payable on funds in court	(103,676)	(26,729)
OAG costs of administering funds in court	(4,795)	(4,905)
CRND management expenses	(94)	(94)
<b>Surplus payable to the Consolidated Fund</b>	<b><u>16,116</u></b>	<b><u>7,339</u></b>

### 3 Risk

#### **(i) 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 CFIA.

The investments of the CFIA comprised deposits with the Debt Management Account. These deposits were considered to have no exposure to credit risk because they are obligations of HM Government.

There were no renegotiated assets or assets considered impaired at 29 February 2024 (28 February 2023: no renegotiated or impaired assets).

#### **(ii) 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 CFIA was considered to comprise interest rate risk.

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

CRND monitored interest rate movements to help inform the OAG of potential issues and events. The CFIA was not subject to active management and thus no formal market risk parameters were in place.

#### **(iii) Liquidity risk**

Liquidity risk is the risk that the CFIA will encounter difficulty in meeting obligations associated with client withdrawal requests.

Assets held by the CFIA were highly liquid to enable all client obligations to be met as they fell due.

### 4 Related party transactions

CRND is a separate entity within the DMO. CRND client mandates are kept distinct from other DMO business.

During the year, the CFIA had a significant number of material transactions with the Debt Management Account, which is operated by the DMO. CRND's client mandates required the bulk of the funds to be invested in gilts or deposited with the Debt Management Account. The amount held by the Debt Management Account is shown in the statement of financial position, and the interest received and movement in amounts deposited are shown in the statement of cash flows.

During the year, the CFIA had a significant number of material transactions with the OAG due to the CFIA facilitating the operation of the basic and special accounts operated by the OAG for suitors' funds paid into court in England and Wales. During the year, the OAG invested £701.2 million (net of withdrawals) in the CFIA (2022-2023: £351.8 million net withdrawal).

## **5 Events after the reporting date**

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the Secretary and Comptroller General authorises the accounts for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General (page 70).

# Accounts Direction

## **Accounts Direction given by the Treasury in accordance with Section 45 (2) of the Administration of Justice Act 1982**

- 1** This direction applies to the Funds in Court in England and Wales Investment Account.
- 2** The Commissioners for the Reduction of the National Debt shall prepare accounts for the financial year ended 28 February 2012 (29 February in a leap year) and subsequent financial years which give a true and fair view of the state of affairs of the Account at the reporting date, and of its income and cash flows for the year then ended.
- 3** The accounts shall be prepared in accordance with applicable accounting standards, and shall be consistent with relevant requirements of the extant Government Financial Reporting Manual.
- 4** The accounts shall present an income statement, a statement of comprehensive income, a statement of financial position, a statement of cash flows, and a statement of changes in client funds. The statement of financial position shall present assets and liabilities in order of liquidity.
- 5** The notes to the accounts shall include disclosure of assets and liabilities, and of income and expenditure, relating to other central government funds including the National Loans Fund.
- 6** The report shall include:
  - a) a brief history of the Account, and its statutory background;
  - b) an outline of the scope of the Account, its relationship to HM Treasury and other central funds, and its management arrangements;
  - c) a management commentary, including information on financial performance and financial position, which reflects the relationship between the Account and other central funds; and
  - d) a governance statement.
- 7** This accounts direction shall be reproduced as an appendix to the accounts.

This accounts direction supersedes all previous Directions issued by HM Treasury.

### **Chris Wobschall**

Head, Assurance and Financial Reporting Policy  
Her Majesty's Treasury  
23 March 2012

# Ministry of Justice Equity Index Tracker Fund

Managed by Legal & General (Unit Trust Managers) Limited  
Authorised and regulated by the Financial Conduct Authority  
Authorised Fund Manager's Annual Report for the year ended 29 February 2024

## Foreword

These accounts are presented under Section 45 of the Administration of Justice Act 1982 (the Act).

### 1. The Ministry of Justice Equity Index Tracker Fund

The Ministry of Justice Equity Index Tracker Fund was established on 1 September 2003. Within the Common Investment Fund, it replaced the previous Capital and High Yield Funds (which had merged on 10 April 2003).

### 2. What is the Common Investment Fund?

The Fund is only available for investment of money belonging to Clients or former Clients of the Ministry of Justice (MoJ), individually or under a trustee arrangement, or under the control of certain Courts in England and Wales. It operates in a similar way to a unit trust where investors can buy units in a Fund. New investment monies are added to those already invested in the Fund and the Authorised Fund Manager uses it to buy a mixture of Index tracking unit trusts. Depending on how the Fund performs, the value of units changes and so does the income paid out to the investors each year. Units can be sold back to the Fund and the investor will receive the value of the units at that time.

### 3. What does this report cover?

This report covers the performance of the Fund for the year ended 29 February 2024, together with some information for investors and their advisers.

### 4. What is the legal basis for the Fund?

The Fund is a Common Investment Fund and was created under the Act which authorises the Lord Chancellor to make Common Investment Schemes for the purposes of investing funds held in Court and money held by any other person authorised to hold units in the Fund. The current scheme is governed by the Common Investment Scheme 2004 (SI 2004 No. 266).

On 1 March 2004, the right to own units in the Fund was extended to the Official Solicitor, the Public Trustee and Clients of the Office of the Public Guardian (OPG)/Court of Protection wishing to hold units out of Court. In addition, certain former Clients of the OPG/Court of Protection, the Office of the Accountant General (OAG) and The Official Solicitor and the Public Trustee (OSPT) were authorised to retain units in the Fund on termination of their connection with those offices. These changes came into effect as a result of authorisation by the Lord Chancellor pursuant to Section 42(5)(b) of the Act.



## 5. Why invest in the Fund?

The Ministry of Justice Equity Index Tracker Fund is a simple and cost-effective means of investing in the stock market over the medium to long term. Legal & General manages the Fund's assets on an Index tracking basis aiming to match the returns of the major stock markets. 55% of the Fund has exposure to UK shares with the remainder invested in other global markets. Index trackers invest in a representative sample of all of the companies that make up the Index that they are tracking, instead of the Authorised Fund Manager actively choosing which stocks to hold in the Fund. The intention is simply to deliver the return of the Index being tracked.

## 6. What are the Lord Chancellor and the Accountant General's Responsibilities?

### 1. *The Lord Chancellor's Responsibilities*

Under Section 42(1) of the Act, the Lord Chancellor may make schemes ('Common Investment Schemes') establishing Common Investment Funds for the purpose of investing funds in Court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the Common Investment Schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the Common Investment Funds established.

The contractual relationship between Legal and General and the Lord Chancellor is set out in the Deed of Appointment. The previous deed expired on 14 February 2024. The Lord Chancellor extended the deed to run to 13 February 2029.

Under Section 42(5), units in the Common Investment Scheme shall be allotted to and held by the Accountant General and the Accountant General of the Supreme Court of Judicature of Northern Ireland and any other person authorised by the Lord Chancellor. In this context, since the inception of this Common Investment Scheme, the list of authorised investors to whom units in the Common Investment Fund may be allotted and held by, has been extended to include 'other' investors from the following:

- i. the Public Trustee either in his sole name or jointly with any person or persons with whom he acts as trustee or personal representative;
- ii. the Official Solicitor either in his sole name or jointly with any person or persons with whom he acts as trustee or personal representative;
- iii. any trustee or trustees, if more than one, of a trust from which the Public Trustee or Official Solicitor has retired as trustee, in relation to any units held in the trust immediately prior to such retirement;
- iv. any beneficiary of a trust or estate in respect of which the Public Trustee or Official Solicitor acts solely or jointly with any other person or persons as trustee or personal representative, in relation to any units held in the trust or estate to which the beneficiary has become absolutely entitled;

- v. any beneficiary of a trust from which the Public Trustee or Official Solicitor has retired as trustee, in relation to any units held in the trust to which the beneficiary has become absolutely entitled;
- vi. any person who lacks capacity whose property and affairs are managed by the Court of Protection and whose funds are not held in Court in the name of the Accountant General;
- vii. any person who is restored to the management of his property and affairs by order of the Court of Protection, in relation to any units held by him or by the Accountant General on his behalf immediately prior to the making of such an order;
- viii. any person entitled by a direction of the Court to withdraw Funds retained in Court under Part 21.11 of the Civil Procedure Rules 1998 on the ground that he is no longer incapable of managing and administering his own affairs, in relation to any units held on his behalf by the Accountant General immediately prior to the making of such a direction;
- ix. any person who has attained majority and on whose behalf units were held by the Accountant General during his minority, in relation to any units held on his behalf by the Accountant General upon the attainment of his majority;
- x. any person entitled to withdraw Funds from Court by application under Section 5(2) of the Law Reform (Miscellaneous Provisions) Act 1971, in relation to any units held by the Accountant General on his behalf immediately prior to the making of such an application;
- xi. the Investment Manager of the Fund on his own account in the ordinary course of fund management, subject to the terms of his appointment;
- xii. any person acting in his capacity as nominee for any person included in (i) to (viii) above.

The total value of 'other' investors is shown in note 17.

## ***II. Appointment of the Accountant General***

The Secretary of State and Lord Chancellor has, under Section 97(2) of the Senior Courts Act 1981, as amended by the Public Trustee and Administration of Funds Act 1986, appointed James McEwen as Accountant General on 29 August 2020.

The Permanent Secretary of the Ministry of Justice has also appointed the Accountant General as the Accounting Officer for Funds in Court.

His relevant responsibilities as Accounting Officer, including responsibilities for the propriety and regularity of the funds for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in 'Managing Public Money'.

### **III. Management and Investment of Funds in Court**

As set out in Section 38 of the Act, the Accountant General of the Senior Courts is responsible for the management and investment of the Funds in Court. Under Section 43 of the same Act, the Lord Chancellor is empowered to make any decisions relating to defaults with respect to any money, securities and effects for which he is responsible.

The operation of the investment fund itself is the responsibility of Legal & General (Unit Trust Managers) Limited as the appointed fund management company. The Accountant General's responsibilities as Accounting Officer for Funds in Court therefore do not extend to these accounts and they are therefore signed by the Unit Trust Managers only.

#### **7. How does the Accountant General honour his responsibilities?**

The Accountant General manages his responsibilities and associated risks through the Office of the Accountant General (OAG).

The OAG manages funds held in Court in the name of the Accountant General of the Senior Courts under the Act. Certain funds may be invested in Common Investment Schemes. Under the direction of the Court and on behalf of the Accountant General, the responsibilities of the OAG include:

- buying and selling units in the Common Investment Scheme (on behalf of eligible investors);
- maintenance of a register of unit holders in the Common Investment Fund (albeit only on behalf of beneficiaries of the Court Funds Office (CFO) – see note 17 for the Split of Assets by Investment Channel);
- distribution to unitholders of dividends calculated by the Authorised Fund Manager;
- payment of Investment Manager's fees;
- investment management oversight through the OAG Management Team which advises the Ministry of Justice on investment strategy and performance monitoring;
- the implementation of a control framework with the Investment Manager to provide sufficient assurance to the Accounting Officer.

## 8. Accounts and Audit

These accounts are in respect of the Ministry of Justice Equity Index Tracker Fund for the year ended 29 February 2024 and have been prepared in accordance with an Accounts Direction issued by Treasury under Section 45(2) of the Act. The Comptroller and Auditor General is appointed external auditor under Section 45(3) of the Act. The responsibilities of the Comptroller and Auditor General are set out in the Certificate and Report as detailed on pages 93 to 98. The notional audit fee for the audit of the Ministry of Justice Equity Index Tracker Funds Financial Statements for the year ended 29 February 2024 is £27,250 plus VAT of £nil. This fee is borne by the Ministry of Justice.

The Legal & General (Unit Trust Managers) Limited Board of Directors and the Accountant General have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Fund's auditors are aware of that information. So far as they are aware, there is no relevant audit information of which the Fund's auditors are unaware. The Accountant General's responsibility only extends to CFO clients. For other clients, separate arrangements apply.

## 9. Investment Manager's Report

### Investment Strategy

The Fund's strategy is to track the total return of the composite benchmark by investing in Legal & General Index Tracking Unit Trusts. The Fund's performance benchmark is a composite of the following:

		<b>Control Range</b>
Solactive L&G ESG UK Index	55%	+/- 2%
Solactive L&G Enhanced ESG Developed Index	35%	+/- 2%
FTSE All-World Emerging Markets Index	10%	+/- 0.5%

The Solactive L&G ESG UK Index exposure is provided by the purchase of units in the Legal & General Future World ESG UK Index Fund.

The Solactive L&G Enhanced ESG Developed Index exposure is provided by the purchase of units in the Legal & General Future World ESG Developed Index Fund.

The FTSE All-World Emerging Markets Index exposure is provided by the purchase of units in the Legal & General Global Emerging Markets Index Fund.

The investment objective of the Fund is to track the total performance of the composite benchmark Index to within +/-0.5% per annum for two years out of three, before fund costs.

The oversight of the Lord Chancellor's Common Investment Fund (CIF) on behalf of the Lord Chancellor is the responsibility of the Strategic Investment Board (SIB).

All rights in the Solactive L&G ESG UK Index, the Solactive L&G Enhanced ESG Developed Index and the FTSE All World Emerging Index (the "Indices") vest in FTSE International Limited ("FTSE"). "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE under licence. The Equity Index Tracker Fund (the "Fund") has been developed solely by Legal & General (Unit Trust Managers) Limited. The Indices are calculated by FTSE or its agent. FTSE and its licensors are not connected to and do not sponsor, advise, recommend, endorse or promote the Fund and do not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Indices or (b) investment in or operation of the Fund. FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Fund or the suitability of the Indices for the purpose of which they are being put by Legal & General (Unit Trust Managers) Limited.

### Authorised Fund Manager's Investment Report

Over the 12 months under review, the Equity Index Tracker Fund rose by 6.77%, while the composite benchmark rose by 6.86% producing a tracking deviation of -0.09%. The published price of the Fund's units valued at 12 noon rose by 3.34% during that year.

### Tracking Deviation

The table below shows the Fund Performance for the period from 1 March 2023 to 29 February 2024, with the benchmark performance, which comprises of 55% Solactive L&G ESG UK Index, 35% Solactive L&G Enhanced ESG Developed Markets Index and 10% FTSE All World Emerging Markets Index from the 15 June 2020.

	<b>Mar-23</b>	<b>Apr-23</b>	<b>May-23</b>	<b>Jun-23</b>	<b>Jul-23</b>	<b>Aug-23</b>	
<b>Total Fund (%)</b>	(1.17)	1.77	(2.34)	1.53	2.36	(2.45)	
<b>Benchmark (%)</b>	(1.14)	1.76	(2.32)	1.52	2.36	(2.45)	
<b>Relative (%)</b>	(0.03)	0.01	(0.02)	0.00	0.01	(0.01)	
							<b>12</b>
	<b>Sep-23</b>	<b>Oct-23</b>	<b>Nov-23</b>	<b>Dec-23</b>	<b>Jan-24</b>	<b>Feb-24</b>	<b>Months</b>
<b>Total Fund (%)</b>	0.72	(3.56)	3.62	4.47	(0.45)	(2.44)	6.77
<b>Benchmark (%)</b>	0.72	(3.57)	3.65	4.47	(0.43)	(2.44)	6.86
<b>Relative (%)</b>	0.00	0.01	(0.03)	(0.01)	(0.02)	(0.00)	(0.09)

Source: Lipper, as at 29 February 2024

**Past performance is not a guide to future performance.**

**The value of investments and income from them may go down as well as up.**

In order to calculate the tracking performance of the Fund, the total performance of the underlying unit trusts is compared with the total performance of the composite benchmark. This is because adjustments have to be made for accrued income within the underlying trusts. We also use close of trade values for the underlying unit trusts in order to make a valid comparison with the Indices.

## Distribution Review

Distributions were made by the Legal & General Future World ESG UK Index Fund, Legal & General Future World ESG Developed Index Fund and the Legal & General Global Emerging Markets Index Fund. These distributions are held in a cash income account within the Equity Index Tracker Fund (the "Fund"). Distribution dates for Legal & General Future World ESG UK Index Fund, Legal & General Future World ESG Developed Index Fund are 31 May and 30 November. The Legal & General Global Emerging Markets Index Fund distribution date is 30 September.

## Market/Economic Review

Over the year under review, inflationary pressures and tighter monetary policy continued to dominate the thoughts of market participants. Fears of an economic slowdown remain at the forefront of the minds of investors but, even with inflation falling across developed markets, expectations are that interest rates will remain higher for longer and no sharp cutting of rates is anticipated imminently.

## UK Equities

Global equity indices rose very strongly in US Dollar terms over the past year, despite ongoing inflationary worries, increasingly tighter developed market monetary policy and recessionary fears.

Against this backdrop, UK equities lost ground in Sterling terms, underperforming the global average. There were notably strong showings from technology, consumer discretionary and industrials but these were more than offset by a woeful 12 months for telecoms and basic materials, and losses for all other sectors.

## Overseas Equities

US equity markets delivered stellar double-digit returns for the year under review, outperforming the global average, in US Dollar terms. Over the past year, the strong performance of the technology (boosted by excitement over the potential of artificial intelligence), communication services and consumer discretionary sectors drove the strong index-level performance. The utilities sector was the only area of the market to lose ground over the year.

European equities made strong gains over the year under review but underperformed the global average in Euro terms. At the sector level, technology, healthcare, autos and parts, consumer discretionary and general industrials were the standout performers. Most areas of the market made gains over the year, with the exception of energy, utilities, telecoms and consumer staples.

Asia Pacific ex Japan equity markets rose over the year under review in US Dollar terms but comfortably underperformed global equities. While Chinese equities rallied briefly after Beijing announced an easing of its pandemic restrictions at the turn of the 2023 following an end to its 'zero-COVID' approach, along with a raft of support measures for

its struggling property sector, they then lagged significantly over the past 12 months, despite repeated efforts from Beijing to bolster the country's economic prospects. In contrast, India enjoyed a very positive year, posting a stellar double-digit return.

Emerging markets endured a tough 12 months but finished in the black in US Dollar terms, albeit some way behind the global average. As mentioned above, China lost ground, India made strong gains, while Brazil also finished firmly in the black.

## Outlook

Looking ahead, expectations for immediate rate cuts have reduced, but they have just been pushed out into the summer. The next round of inflation data will be important to judge whether central bankers have to wait even longer, or even turn back to hiking rates.

Equity and credit markets have so far been buoyed by the strong economic data, but could suffer if bond yields raise much more. Politics will remain a key focus in the coming months, with several large countries coming to the polls. There could be important implications for fiscal policy, inflation and bond yields. In China, the key will be the policy reaction to the Two Sessions which took place in March, and whether this is enough to maintain February's equity market recovery.

Details of the management of the underlying unit trusts can be found in those trusts' report and accounts which are available on request from Legal & General on 0370 050 0955.

Call charges will vary. We may record and monitor calls.

Legal & General Investment Management Limited  
(Investment Manager)  
25 March 2024

## Important Note from the Authorised Fund Manager

### Geopolitical Events

In response to events in Eastern Europe and the Middle East, the Manager is closely monitoring financial markets and any potential liquidity and volatility risks which may have an impact on the Fund.

Legal & General (Unit Trust Managers) Limited  
February 2024

#### **A. J. C. Craven**

Director; on behalf of Legal & General  
(Unit Trust Managers) Limited  
12 July 2024

#### **J. McEwen**

Accountant General of  
the Senior Courts  
12 July 2024

# Respective Responsibilities of the Lord Chancellor, Accountant General and Investment Manager

## **Lord Chancellor's Responsibilities**

Under Section 42(1) of the Administration of Justice Act 1982 (the Act), the Lord Chancellor may make schemes ('Common Investment Schemes') establishing Common Investment Funds for the purpose of investing funds in Court and other monies defined under Section 42(5)(b) of the Act.

Under Section 42(2) of the Act, the Common Investment Schemes made by the Lord Chancellor shall provide for an Investment Manager to be appointed by the Lord Chancellor to manage and control the Common Investment Funds established. On 1 September 2003, the Lord Chancellor appointed Legal & General (Unit Trust Managers) Limited as the Investment Manager of the Fund. This appointment is under a Deed of Appointment between Legal and General and the Lord Chancellor which is retendered every five years.

## **Accountant General's Responsibilities**

The Secretary of State and Lord Chancellor has, under Section 97(2) of the Senior Courts Act 1981, as amended by the Public Trustee and Administration of Funds Act 1986, appointed James McEwen as Accountant General on 29 August 2020. The Permanent Secretary of the Ministry of Justice has also appointed the Accountant General as the Accounting Officer for Funds in Court.

His relevant responsibilities as Accounting Officer, including responsibilities for the propriety and regularity of the funds for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in 'Managing Public Money'.

However, the operation of the investment fund is the responsibility of Legal & General (Unit Trust Managers) Limited as the appointed fund management company. The Accountant General's responsibilities as Accounting Officer for Funds in Court therefore do not extend to these accounts and are therefore signed by the Unit Trust Managers only. The Accountant General exercises his Accounting Officer responsibilities through the Funds in Court Part A Account which incorporates Part C.



## Investment Manager's Responsibilities

Under Section 45(1)(c) of the Act, and in accordance with directions issued by Treasury, the Investment Manager is responsible for preparing the financial statements in respect of the Common Investment Scheme, Ministry of Justice Equity Index Tracker Fund.

The HM Treasury Accounts Direction requires the Investment Manager to follow best practice. In preparing the Funds Accounts, the Authorised Fund Manager follows the disclosure requirements of the Statement of Recommended Practice for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014 as updated by additional requirements from the Financial Conduct Authority (from time to time) and to the extent that such requirements are relevant to the Common Investment Fund. These require the Investment Manager to prepare accounts for each annual accounting period which give a true and fair view of the financial affairs of the Fund and of income/expenditure for the period.

In preparing the accounts the Authorised Fund Manager is required to:

- select suitable accounting policies and apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Financial Statements of UK Authorised Funds to the extent that such requirements are relevant to the Common Investment Funds;
- follow applicable accounting standards; and
- keep proper accounting records, which enable the Investment Manager to demonstrate that the accounts as prepared comply with the above requirements.

The Investment Manager is responsible for the management of the Funds in accordance with the Deed of Appointment with the Lord High Chancellor dated 3 July 2003 and the Common Investment Scheme Statutory Instrument 2004 No. 266. The current Deed of Appointment runs from 14 February 2024 to 13 February 2029 unless otherwise determined.

# Governance Statement

## Scope of responsibility

The Legal & General (Unit Trust Managers) Limited Board of Directors have responsibility for maintaining a sound system of internal controls that supports the achievement of the Ministry of Justice Equity Index Tracker Fund policies, aims and objectives, whilst safeguarding the assets of unitholders.

The operation of the Ministry of Justice Equity Index Tracker Fund is governed by the Strategic Investment Board (SIB) on behalf of the Lord Chancellor. The performance of the Fund is reported via quarterly management information, which ensures the objectives of Index tracking are fulfilled. Quarterly meetings are also held between Legal & General and the SIB to discuss performance, operational issues and investment strategy. These Accounts are also reviewed annually by the Ministry of Justice Audit and Risk Committee who also act on behalf of the Lord Chancellor. The Committee has scope to query any aspect of the accounts and the underlying funds to provide the Lord Chancellor with the necessary assurance to approve the account for laying in Parliament.

Assets of the Fund are held by an appointed Custodian who is separate to Legal & General, to ensure that the assets are safeguarded against misuse by ensuring all are held in the Fund's name.

## System of internal controls

The system of internal controls is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable, not absolute assurance of effectiveness. The system of internal controls is based on an ongoing process designed to identify the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and their potential impact, and to manage them efficiently, effectively and compliantly.

## Risk Framework

Legal & General (Unit Trust Managers) Limited (UTM) of Legal & General Investment Management (Holdings) Limited (LGIMH), as a subsidiary of Legal & General Group Plc (L&G), operates within a group-wide risk management framework.

The risk framework seeks to ensure all significant risks are identified, and that appropriate strategies are in place for their management. The framework consists of formal committees, risk management policies, risk assessment and reporting processes, and oversight functions. These enable the directors and senior management to debate key risks and draw assurance that they are being appropriately identified and managed, and that an independent assessment of risk is being performed.

Legal & General operates a 'three lines of defence' model of risk management and assurance. As the first line of defence, business management are responsible for managing risks, the second line Risk and Compliance functions (and Group level committees) oversee and challenge the management of risk, and the third line, Internal Audit, provide independent assurance that risks are effectively managed and that there is appropriate oversight.

Risk assessment is carried out on a bottom up and top down basis. On a monthly basis, business management carry out a self-assessment of the performance of the key controls in place to mitigate risk. This assessment is carried out using OneSumX risk management system.

Legal & General Compliance functions carry out periodic risk-based monitoring of controls. In addition, the Internal Audit function operates a similar risk-based programme of periodic audits of control. These functions report findings to key committees and record issues (identified control gaps and/or weaknesses) on the risk management systems, which ensure that associated actions are tracked and evidenced.

Such assurances assist the Group Board in forming their opinion on the effectiveness of the Group's risk management and internal control framework, in accordance with its obligations under the UK Corporate Governance Code. During the year, no material findings have been contained within the reports.

## **Corporate Governance**

Legal & General (Unit Trust Managers) Limited is a Company authorised and regulated by the FCA and its Board members are persons approved by the FCA to carry out significant management and control functions. The Company is a subsidiary company of Legal & General Investment Management (Holdings) Limited, which is itself a subsidiary of Legal & General Group Plc.

The UTM Board consists of seven Directors (including three Non-Executive Directors) as listed on page 120, each with approved person responsibility for UTM and other Legal & General companies. The independent Chief Compliance Officer and Chief Risk Officer also attend the Board meetings. The Board of Legal & General Group Plc has a number of Non-Executive Directors.

The UTM Board is the legally accountable governance forum for the management of the firm and meets quarterly. The Board delegates the management of inherent risks to a series of Governance Committees with Terms of Reference that meet monthly. These include (but are not limited to) the LGIM Executive Risk Committee and Fund Management Oversight Committee, which respectively oversee the management of operational risks and fund risk on its behalf. These delegated authorities are periodically monitored and reviewed by the Board.

On an annual basis the UTM Board approves the firm's financial statements and the findings of the external auditor's report, which is then filed with the FCA. The business also approves the full documentation and output from the stress and scenario analysis of the firm's risks and capital, including the process and costs of winding the firm down in an orderly fashion, as required by the regulations. The output of this assessment is filed with the FCA according to an agreed cycle, currently every two years.

### **Review of effectiveness**

The Board of UTM have responsibility for reviewing the effectiveness of the system of internal controls. The Board's review of internal control is informed by the work of the internal auditors, support functions and the Executive Managers within UTM who have responsibility for the development and maintenance of the risk management framework, and comments made by the external auditor in their management letter and other reports. On the basis of this information, The Board can confirm there are no significant internal control issues to report.

#### **A. J. C. Craven**

Director; on behalf of Legal & General (Unit Trust Managers) Limited  
12 July 2024

# Certificate and Report of the Comptroller and Auditor General to the House of Parliament

## Opinion on financial statements

I certify that I have audited the financial statements of the Ministry of Justice Equity Index Tracker Fund for the year ended 29 February 2024 under the Administration of Justice Act 1982.

The financial statements comprise the Ministry of Justice Equity Index Tracker Fund's:

- Statement of Total Return for the year ended 29 February 2024;
- Statement of Changes in Net Assets attributable to Unitholders for the year ended 29 February 2024;
- Balance Sheet as at 29 February 2024;
- Distribution Table for the year ended 29 February 2024; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the Ministry of Justice Equity Index Tracker Fund's affairs as at 29 February 2024 and of the change in net assets attributable to unitholders for the year then ended; and
- have been properly prepared in accordance with the Administration of Justice Act 1982 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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 of opinions

I conducted my audit in accordance with International Standards on *Auditing (UK) (ISAs UK)*, applicable law and *Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Ministry of Justice Equity Index Tracker 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 Ministry of Justice Equity Index Tracker 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 Ministry of Justice Equity Index Tracker 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 Investment Manager with respect to going concern are described in the relevant sections of this certificate.

### **Other Information**

The other information comprises the information included in the Foreword, the Respective Responsibilities of the Lord Chancellor, Accountant General and Investment Manager, the Governance Statement, the Portfolio Statement, the Summary of Material Portfolio Changes, the Fund Information, the Accounts Direction given by HM Treasury and the General Information, but does not include the financial statements and my auditor's certificate thereon. The Investment Manager 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.

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, based on the work undertaken in the course of the audit the information given in the Foreword, the Investment Manager's Report and the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the Ministry of Justice Equity Index Tracker Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword, Investment Manager's Report 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 by the Ministry of Justice Equity Index Tracker Fund or returns adequate for my audit have not been received from branches not visited by our staff; 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 Investment Manager for the financial statements

As explained more fully in the statement of Respective Responsibilities of the Lord Chancellor, Accountant General and Investment Manager, the Investment Manager is responsible for:

- maintaining proper accounting records;
- providing the Comptroller & Auditor General with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the Comptroller & Auditor General with additional information and explanations needed for his audit;
- providing the Comptroller & Auditor General with unrestricted access to persons within Legal & General (Unit Trust Managers) Limited as Investment Managers of the Ministry of Justice Equity Index Tracker Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with HM Treasury directions issued under the Administration of Justice Act 1982;

- preparing the annual report in accordance with HM Treasury directions issued under the Administration of Justice Act 1982; and
- assessing the Ministry of Justice Equity Index Tracker 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 Investment Manager anticipates that the services provided by the Ministry of Justice Equity Index Tracker 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 Administration of Justice Act 1982.

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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Ministry of Justice Equity Index Tracker Fund's accounting policies, key performance indicators and performance incentives;
- inquired of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Ministry of Justice Equity Index Tracker Fund's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and



- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Ministry of Justice Equity Index Tracker Fund's controls relating to the Ministry of Justice Equity Index Tracker Fund's compliance with the Administration of Justice Act 1982, Common Investment Scheme 2004 and Managing Public Money;
- inquired of management and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant internal specialists, including IT audit and financial instrument specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Ministry of Justice Equity Index Tracker Fund for fraud and identified the greatest potential for fraud in the following areas: income recognition, posting of unusual journals and complex transactions. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Ministry of Justice Equity Index Tracker Fund's framework of authority and other legal and regulatory frameworks in which the Ministry of Justice Equity Index Tracker Fund operates. I focussed on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Ministry of Justice Equity Index Tracker Fund. The key laws and regulations I considered in this context included Administration of Justice Act 1982, Common Investment Scheme 2004 and Managing Public Money.

### **Audit response to identified risk**

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- I performed other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation or irregularity as appropriate, including reviewing transactions for unusual trading activities or payments, confirming that transactions are in line with the activities permitted under the Administration of Justice Act 1982 and making enquiries of those charged with governance.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists 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.

### **Other auditor's responsibilities**

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the income and expenditure 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.

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 I identify during my audit.

### **Report**

I have no observations to make on these financial statements.

**Gareth Davies**

Comptroller and Auditor General  
National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**18 July 2024**

# Financial Statements

## Statement of Total Return for the year ended 29 February 2024

	Notes	£	29/02/24 £	£	28/02/23 £
<b>Income</b>					
Net capital gains	3		2,736,175		984,594
Revenue	4	2,419,317		2,408,191	
Expenses	5	(194,394)		(200,191)	
Interest payable and similar charges	7	(3)		(1)	
<b>Net revenue before taxation</b>		2,224,920		2,207,999	
Taxation	6	–		–	
<b>Net revenue after taxation for the year</b>			2,224,920		2,207,999
<b>Total return before distributions</b>			4,961,095		3,192,593
Distributions	7		(2,224,920)		(2,207,999)
<b>Change in net assets attributable to Unitholders from investment activities</b>			<b><u>£2,736,175</u></b>		<b><u>£984,594</u></b>

## Statement of Change in Net Assets attributable to Unitholders for the year ended 29 February 2024

	29/02/24		28/02/23	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		88,503,956		91,939,196
<b>Amounts received on issue of units</b>	4,157,782		3,571,918	
<b>Amounts paid on cancellation of units</b>	<u>(7,327,694)</u>		<u>(7,992,213)</u>	
		(3,169,912)		(4,420,295)
<b>Dilution levy</b>		–		461
<b>Change in net assets attributable to Unitholders from investment activities</b>		<u>2,736,175</u>		<u>984,594</u>
<b>Closing net assets attributable to Unitholders</b>		<b><u>£88,070,219</u></b>		<b><u>£88,503,956</u></b>

The notes on pages 102 to 112 form part of these accounts.

**Balance Sheet as at 29 February 2024**

	Notes	29/02/24 £	28/02/23 £
<b>ASSETS</b>			
<b>Fixed assets:</b>			
Investments		88,177,629	88,482,954
<b>Current assets:</b>			
Debtors	8	27,403	250,866
Cash and bank balances	9	1,036,686	1,207,240
<b>Total assets</b>		<b><u>89,241,718</u></b>	<b><u>89,941,060</u></b>
<b>LIABILITIES</b>			
<b>Creditors:</b>			
Bank overdrafts	9	–	–
Distributions payable	7	(1,088,894)	(1,057,135)
Other creditors	10	(82,605)	(379,969)
<b>Total liabilities</b>		<b><u>(1,171,499)</u></b>	<b><u>(1,437,104)</u></b>
<b>Net assets attributable to Unitholders</b>		<b><u>£88,070,219</u></b>	<b><u>£88,503,956</u></b>

The notes on pages 102 to 112 form part of these accounts.

**A. J. C. Craven**

Director; on behalf of  
Legal & General (Unit Trust Managers) Limited  
12 July 2024

# Notes to the Financial Statements

## **1. Statement of Compliance**

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014 (2014 SORP) and amended in June 2017.

## **2. Summary of Significant Accounting Policies**

### ***(a) Basis of Preparation***

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. In making this assessment, the Authorised Fund Manager has considered, amongst other things, factors such as Fund size, cash flows through the Fund and Fund liquidity in its assessment of the Fund's ability to meet its liabilities as they fall due. Based on this assessment, the Authorised Fund Manager deems the basis of preparation appropriate.

The principal accounting policies which have been applied consistently are set out below.

### ***(b) Functional and Presentation Currency***

The functional and presentation currency of the Fund is Sterling.

### ***(c) Recognition of Revenue***

Revenue from distribution and accumulation units in Collective Investment Schemes is recognised when the distribution is quoted ex-dividend.

Equalisation on distributions received from Collective Investment Schemes is treated as capital property of the Fund.

All other revenue is recognised on an accruals basis.

### ***(d) Treatment of Expenses***

All expenses (other than those relating to the purchase or sale of investments) are charged against revenue on an accruals basis.

The Fund receives a rebate for managerial fees suffered by investments in underlying Collective Investment Schemes. These are treated as revenue or capital depending on the treatment of the Authorised Fund Manager's fees in the underlying investment.

**(e) Distribution Policy**

Realisable revenue, after deduction of those expenses which are chargeable in calculation of the distribution, will be paid to those Unitholders with a holding at ex-dividend date.

All expenses charged to the Fund, with the exception of professional fees, are deducted from revenue for the purpose of calculating the distribution.

In order to conduct a controlled dividend flow, interim distributions will be at the Authorised Fund Manager's discretion, up to a maximum of the distributable revenue for the period.

Distributions which have remained unclaimed by Unitholders for over six years are credited to the capital property of the Fund.

**(f) Basis of valuation of investments**

All investments have been valued at their fair value as at 12 noon on 29 February 2024, being the last working day of the accounting year. For the investments in Legal & General Future World ESG UK Index Fund and Legal & General Global Emerging Markets Index Fund, the last available valuation is also 12 noon on 29 February 2024, however, for the Legal & General Future World ESG Developed Index Fund, the latest valuation was 3pm on 28 February 2024. The fair value for units in Collective Investment Schemes is the cancellation price or bid price for dual priced funds and single price for single priced funds.

Investment in securities by Legal & General on behalf of Ministry of Justice Equity Index Tracker Fund are carried out on an arm's length basis following the best execution principles thereby ensuring that Legal & General meets its regulatory obligations in respect of best execution.

**(g) Taxation**

Provision is made for taxation at current rates on the excess of investment revenue over expenses.

Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply.

**(h) Estimates and Significant Judgements**

Management has not made any judgements in the process of applying the entity's accounting policies that have had a significant effect on the amounts recognised in the financial statements. There are no key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**3. Net capital gains**

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
The net capital gains during the year comprise:		
Currency losses	(5,797)	(5,885)
Non-derivative securities		
Transaction charges	2,742,877	992,184
Net capital gains	(905)	(1,705)
	<u>2,736,175</u>	<u>984,594</u>

**4. Revenue**

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
UK Franked distributions	2,350,356	2,358,883
Bank interest	24,109	3,819
Rebates from Legal & General Investment Management Limited	44,852	45,489
	<u>2,419,317</u>	<u>2,408,191</u>

**5. Expenses**

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
Payable to the Authorised Fund Manager, associates of the Authorised Fund Manager and agents of either of them:		
Authorised Fund Manager's periodic fee	165,868	170,690
Registration fees	21,521	21,462
	<u>187,389</u>	<u>192,152</u>
Payable to the Custodian, associates of the Custodian and agents of either of them:		
Safe custody fees	7,005	8,039
Total expenses	<u>194,394</u>	<u>200,191</u>



## 6. Taxation

### **(a) Analysis of taxation charge in year**

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
Corporation Tax	–	–
Irrecoverable income tax	–	–
Current tax [note 6(b)]	–	–
Deferred tax [note 6(c)]	–	–
Total taxation	<u>–</u>	<u>–</u>

### **(b) Factors affecting taxation charge for the year**

The total tax charge excludes capital gains and losses for the reason that Common Investment Funds are not subject to Corporation Tax on these items. Total tax differs from taxation assessed on net revenue before taxation as follows:

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
Net revenue before taxation	<u>2,224,920</u>	<u>2,207,999</u>
Net revenue before taxation multiplied by the applicable rate of Corporation Tax at 20% (2023: 20%)	444,984	441,600
Effects of:		
Revenue not subject to taxation	(461,158)	(455,916)
Excess management expenses not utilised	16,174	14,316
Total tax	<u>–</u>	<u>–</u>

### **(c) Provision for deferred tax**

There is no deferred tax provision in the current or preceding year. As at the balance sheet date, there is a potential deferred tax asset of £124,645 (28 February 2023: £108,471) due to surplus management expenses.

It is unlikely the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised (28 February 2023: same).

## 7. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
Interim distribution	1,099,943	1,108,623
Final distribution	1,088,894	1,057,135
	<u>2,188,837</u>	<u>2,165,758</u>
Add: Revenue deducted on cancellation of units	74,279	75,891
Less: Revenue received on creation of units	(38,196)	(33,650)
<b>Distributions for the year</b>	<b>2,224,920</b>	<b>2,207,999</b>
<b>Interest payable</b>		
Bank overdraft interest	3	1
	<u><b>2,224,923</b></u>	<u><b>2,208,000</b></u>

## 8. Debtors

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
Amounts receivable for creation of units	8,994	–
Sales awaiting settlement	–	206,568
Accrued revenue	2,326	–
Income tax recoverable	8,914	13,899
Management fee rebates	7,169	30,399
	<u>27,403</u>	<u>250,866</u>

## 9. Net uninvested cash

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
Cash and bank balances	1,036,686	1,207,240
Net uninvested cash	<u>1,036,686</u>	<u>1,207,240</u>

## 10. Creditors

	<b>29/02/24</b>	<b>28/02/23</b>
	<b>£</b>	<b>£</b>
Amounts payable for cancellation of units	22,018	241,993
Purchases awaiting settlement	13,832	–
Accrued expenses	46,755	137,976
	<u>82,605</u>	<u>379,969</u>

## 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (28 February 2023: same).

## 12. Financial Instruments and Associated Risks

The investments of a Fund in financial securities and derivatives are subject to normal market fluctuations and other risks inherent in investing in such instruments. Legal & General (Unit Trust Managers) Limited (UTM) is the Authorised Fund Manager and has responsibility for ensuring appropriate risk management processes are implemented for each Unit Trust.

The UTM Board has delegated the risk oversight function to the Unit Trust Funds Committee (UTMFC), a sub-committee of the UTM Board that meets monthly. The primary objective of the UTMFC is to ensure proper oversight of investment management activity for UTM in its capacity as Authorised Fund Manager. The committee members are: the Vice Chairman of Investments (Chair), the Chief Administration Officer (UTM), the Finance Director (UTM), Head of Fund Governance, Head of Operational Risk, Head of Investment Operations and the Head of Retail Distribution. Members of the Fund Operations Team also attend from a Fund Governance and Regulatory Fund Oversight perspective.

Each Fund has an investment objective and investment policy, against which the Fund manager will operate. Each Fund has an Investment Objectives and Guidelines (“IOG”) document which contains these and forms part of the Investment Management Agreement between LGIM and UTM. The IOG contains a list of the instruments and agreed investment weightings for those instruments that can be used by the Fund to achieve its objective. These are maintained by each fund manager, reviewed by the LGIM Operational Risk and Compliance Teams and approved by UTM on behalf of the UTM board. The IOGs provide the detail needed to determine the risk profile for each fund. Fund managers are not permitted to invest into any new instruments without first gaining approval from UTM for their addition into the IOG.

The Investment Strategy of this Fund is detailed on pages 84 to 85.

**(a) Market Risk arising from other price risk**

Market Risk arises mainly from uncertainty about future prices. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar instruments traded in the market.

The assets held by the Fund can be seen in the Portfolio Statement on page 114. Given that the Fund invests in other Collective Investment Schemes, there is market risk exposure in respect of the financial instruments held by these entities. The Authorised Fund Manager adheres to the investment guidelines and borrowing powers established in the Fund Deed and Prospectus. In this way, the Authorised Fund Manager monitors and controls the exposure to risk from any type of security, sector or issuer.

As at the balance sheet date, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £4,408,881 (28 February 2023: £4,424,148).

**(b) Interest Rate Risk**

Interest Rate Risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The Fund's only interest bearing financial instruments were its bank balances and overdraft facilities as disclosed in note 9. Cash is deposited and overdraft facilities utilised on normal commercial terms.

In the event of a change in interest rates, there would be no material impact upon the assets of the Fund.

**(c) Foreign Currency Risk**

Foreign Currency Risk is the risk of movements in the value of financial instruments as a result of fluctuations in exchange rates.

As at the balance sheet date, the Fund had no significant exposures to currencies other than Sterling, however, the underlying Collective Investment Schemes may have currency risk exposure (28 February 2023: same).

**(d) Credit Risk**

Credit Risk is the risk of suffering financial loss as a result of a counterparty to a financial transaction being unable to fulfill their financial obligations as they fall due.

As this Fund invests in Collective Investment Schemes, there is credit risk in respect of the assets held by these Schemes.

This risk is managed by appraising the credit profile of financial instruments and issuers in line with the Fund's investment strategy.

### **(e) Liquidity Risk**

Liquidity Risk relates to the capacity to meet liabilities as they fall due. The primary source of this risk to the Fund is the liability to Unitholders for any cancellation of units.

This risk is minimised by holding a large proportion of readily realisable assets, cash balances and via access to overdraft facilities.

### **(f) Fair Value**

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no material difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

The Statement of Recommended Practice for Financial Statements of UK Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017 requires the classification of the Fund's financial instruments held at the year end into a 3 tiered fair value hierarchy. The 3 tiers of the hierarchy and the classification of the Fund's financial instruments as at the balance sheet date were:

<b>29/02/24</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Valuation technique</b>	<b>£</b>	<b>£</b>
Level 1 – Quoted Prices	–	–
Level 2 – Observable Market Data	88,177,629	–
Level 3 – Unobservable Data	–	–
<b>Total</b>	<b><u>88,177,629</u></b>	<b><u>–</u></b>

<b>28/02/23</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Valuation technique</b>	<b>£</b>	<b>£</b>
Level 1 – Quoted Prices	–	–
Level 2 – Observable Market Data	88,482,954	–
Level 3 – Unobservable Data	–	–
<b>Total</b>	<b><u>88,482,954</u></b>	<b><u>–</u></b>

### **Level 1**

The unadjusted quoted price in an active market for assets or liabilities that the entity can access at the measurement date.

**Level 2**

Valuation techniques using observable inputs other than quoted prices within Level 1.

**Level 3**

Valuation techniques using unobservable inputs.

**13. Portfolio transaction costs**

As the Fund mainly invests in Collective Investment Schemes, there are no transaction costs (28 February 2023: same).

Total purchases for the year: £3,940,620  
(28 February 2023: £5,386,278)

Total sales for the year: £6,953,843  
(28 February 2023: £9,757,661)

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.00%  
(28 February 2023: 0.00%).

**14. Unit classes**

The Fund currently has one unit class: Distribution. The annual management charge on the unit class can be found in the table below. The net asset value per unit of the unit class and the number of units in the class are given in the comparative table on page 115. The distributions per unit class are given in the distribution tables on page 113 All classes have the same rights on winding up.

	<b>Distribution</b>
Opening Units	4,599,909
Units issued	219,308
Units cancelled	(387,860)
Units converted	–
Closing Units	4,431,357

**15. Ongoing Charges Figure**

<b>29 Feb 24</b>	0.226%	<b>28 Feb 23</b>	0.227%
------------------	--------	------------------	--------

The Ongoing Charges Figure is the ratio of the Fund's operating costs (excluding overdraft interest) and all costs suffered through holdings in underlying Collective Investment Schemes, to the average net assets of the Fund.

The Ongoing Charges Figure comprises the following:

<b>Expense Type</b>	<b>Percentage of investment assets</b>	<b>Fee</b>	<b>Note</b>
	<b>%</b>	<b>£</b>	
Annual Management Charge	0.160	138,223	5
VAT on Annual Management Charge	0.032	27,645	5
Registration Fees	0.025	21,521	5
Safe Custody Fees	0.008	7,005	5
		<b>194,394</b>	
Transaction Charges	0.001	905	3
Costs incurred through underlying holdings (net of rebates)	–	–	
	<b>0.226</b>	<b>195,299</b>	

The Fund is invested in underlying Collective Investment Schemes (Legal & General Index Tracking Unit Trusts). Annual Management and Registration Charges are already applied at fund level, as illustrated in the table above. Rebates are received from the underlying holdings to ensure that this Fund does not suffer additional excessive charges from investing in Collective Investment Schemes which already have charges applied. The indirect costs suffered through investing in those Trusts amount to a charge of approximately 0.00% for the MoJ Equity Index Tracker Fund, as shown in the table in the previous page.

## 16. Post balance sheet events

Post balance events are considered up to the date on which the Accounts are authorised for issue. The date the Accounts are authorised for issue is interpreted as the same date the Accounts are certified by the Comptroller and Auditor General. As at the accounts authorisation date, no material post balance sheet events have occurred.

## 17. Ultimate controlling party and related party transactions

The Authorised Fund Manager is regarded as a related party to the Fund because it provides key management personnel services to the Fund. The ultimate controlling party of the Authorised Fund Manager is Legal & General Group Plc. Subsidiaries of Legal & General Group.

Details of units created and cancelled are shown in the Statement of Net Assets attributable to Unitholders. Note 18 shows the split of existing assets by investment channel.

Investments made on behalf of the Fund include those in Legal & General unit trusts, which had a market value of £88,177,629 at 29 February 2024 (28 February 2023: £88,482,954).

Management fees paid to Legal & General Investment Management Limited are shown in note 5. The balance due in respect of this fee is £27,244 (28 February 2023: £114,435). Management fee rebates received from Legal & General Investment Management are shown in note 4. Rebates receivable at the year end amount to £7,169 (28 February 2023: £30,399).

Other than the related party transactions disclosed above, none of the key management staff nor any other related party has undertaken any material transactions with the Fund during the year.

## 18. Split of Assets by Investment Channel

Investment Channel	Net Asset Value Of Fund	Net Asset Value Per Unit	Number of Units in Issue	%
<b>29/02/24</b>				
Court Funds Office (CFO)	£73,355,614	1987.45p	3,690,935	83.29%
Other	£14,714,605	1987.45p	740,375	16.71%
<b>Total</b>	<b>£88,070,219</b>	<b>1987.45p</b>	<b>4,431,310</b>	<b>100.00%</b>
<b>28/02/23</b>				
Court Funds Office (CFO)	£73,201,036	1,924.04p	3,804,554	82.71%
Other	£15,302,920	1,924.04p	795,355	17.29%
<b>Total</b>	<b>£88,503,956</b>	<b>1,924.04p</b>	<b>4,599,909</b>	<b>100.00%</b>

## 19. Fund's Structure and Investment Summary

The Fund is a Common Investment Fund and was created under the Act which authorises the Lord Chancellor to make Common Investment Schemes for the purposes of investing funds held in Court and money held by any other person authorised to hold units in the Fund. The current scheme is governed by the Common Investment Scheme 2004 (SI 2004 No. 266).

The Fund is invested in underlying Collective Investment Schemes (Legal & General Index Tracking Unit Trusts). Legal & General manages the Fund's assets on an Index tracking basis aiming to match the returns of the major stock markets. 55% of the Fund has exposure to UK shares with the remainder invested in other global markets.

## 20. Compliance Statement for Material Error

There have been no material errors identified to be made good by the Investment Manager.



# Distribution Tables

## Distribution Tables for the year ended 29 February 2024

Group 1: units purchased prior to a distribution period.

Group 2: units purchased during a distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital.

A capital it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

	Interim dividend distribution in pence per unit		Period 01/03/23 to 31/08/23	
	Net Revenue	Equalisation	Distribution 12/10/23	Distribution 12/10/22
<b>Distribution Units</b>				
Group 1	24.3999	–	24.3999	23.8014
Group 2	10.1474	14.2525	24.3999	23.8014

	Final dividend distribution in pence per unit		Period 01/09/23 to 29/02/24	
	Net Revenue	Equalisation	Distribution 10/04/24	Distribution 10/04/23
<b>Distribution Units</b>				
Group 1	24.5724	–	24.5724	22.9816
Group 2	0.6354	23.9370	24.5724	22.9816

# Portfolio Statement (unaudited)

## Portfolio Statement as at 29 February 2024

All investments are in distribution units unless otherwise stated. The percentages in brackets show the equivalent sector holdings at 28 February 2023.

<b>Holding/ Nominal Value</b>	<b>Investment</b>	<b>Market Value £</b>	<b>% of Net Assets</b>
	<b>Unit Trusts investing in UK shares – 54.49% (55.31%)</b>		
83,458,183	Legal & General Future World ESG UK Index Fund 'L' Inc	47,988,455	54.49
	<b>Unit Trusts investing in overseas shares – 45.63% (44.67%)</b>		
40,347,485	Legal & General Future World ESG Developed Index Fund 'L' Inc	31,337,891	35.58
15,091,701	Legal & General Global Emerging Markets Index Fund 'L' Inc	8,851,283	10.05
		40,189,174	45.63
<b>Portfolio of investments</b>		<b>88,177,629</b>	<b>100.12</b>
<b>Net other assets</b>		<b>(107,410)</b>	<b>(0.12)</b>
<b>Total net assets</b>		<b>£88,070,219</b>	<b>100.00</b>

Total purchases for the year: £3,940,620.

Total sales for the year: £6,953,843.

# Fund Information (unaudited)

The Comparative Table below gives the performance of the only active share class in the Fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Fund's performance disclosed in the Authorised Fund Manager's report, which is calculated based on the latest published price.

## Comparative Table

### Distribution Unit

#### Change in Net Asset Value per Unit

Accounting Year ending	29/02/24 (pence per unit)	28/02/23 (pence per unit)	28/02/22 (pence per unit)
Opening net asset value per unit	1,924.04	1,902.60	1,777.97
Return before operating charges*	115.62	71.43	172.10
Operating charges (calculated on average price)	(3.26)	(3.21)	(4.37)
Return after operating charges*	112.36	68.22	167.73
Distributions on income units	(48.97)	(46.78)	(43.10)
Closing net asset value per unit	1,987.43	1,924.04	1,902.60
* after direct transaction costs of:	–	–	–

#### Performance

Return after charges	5.84%	3.59%	9.43%
----------------------	-------	-------	-------

#### Other Information

Closing net asset value (£)	88,070,219	88,503,956	91,939,196
Closing number of units	4,431,357	4,599,909	4,832,285
Operating charges†	0.226%	0.227%	0.224%
Direct transaction costs	–	–	–

#### Prices<sup>1</sup>

Highest unit price	2,023.00p	1,990.00p	2,054.00p
Lowest unit price	1,821.00p	1,754.00p	1,777.00p

† Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a fund and is calculated based on the last period's figures.

<sup>1</sup> Highest and lowest unit prices are based on published prices.

**Past performance is not a guide to future performance.**

**The price of units and any income from them may go down as well as up.**

# Accounts Direction given by HM Treasury

Funds in Court in England and Wales – Account of the transactions of the Accountant General under Section 45(2) of the Administration of Justice Act 1982

The Treasury gives the following Direction in respect of the accounts mentioned in section 45(1)(c) of the Administration of Justice Act 1982 (“the Act”):

- 1** The Investment Manager of the Common Investment Funds shall prepare annual report and accounts for the Ministry of Justice Equity Index Tracker Fund (“the Fund”) in respect of the period from 1 September 2003 to 29 February 2004 and thereafter for each period of one year ending on the last day of February.
- 2** The accounts shall give a true and fair view in accordance with generally accepted accounting practice of the financial position of the Fund at the period end and of the net income and movement in the net assets of the Fund for that period.
- 3** The annual report and accounts shall be prepared in accordance with a format and content to be agreed between the Investment Manager, the Comptroller and Auditor General and the Court Funds Office, with the consent of Treasury.
- 4** The accounts shall include:
  - i. a Statement of Total Return;
  - ii. a Statement of Change to Net Assets attributable to Unitholders;
  - iii. a Balance Sheet;
  - iv. such notes as may be necessary to present a true and fair view; and
  - v. a Distribution Table;
- 5** The annual report shall include:
  - i. a Foreword;
  - ii. a Statement of Responsibilities;
  - iii. a Governance Statement;
  - iv. a Portfolio Statement; and
  - v. a Summary of Material Portfolio Changes.
- 6** The Foreword shall include among other items:
  - i. a statement that the accounts have been prepared in accordance with directions given by Treasury under section 45(2) of the Act;
  - ii. relevant information in respect of the statutory background of the Fund;
  - iii. the name and period of appointment of the Investment Manager;

- iv. details of the arrangements for reporting financial performance of the Fund to unitholders; and
  - v. a statement on the external audit arrangements for the Fund, including commentary on the roles of the Comptroller and Auditor General and the auditors.
- 7** The notes shall include among other items:
- i. the accounting policies;
  - ii. a statement of the regulatory basis of the accounts, with reference to best practice principles which apply to the funds in which the Fund is invested;
  - iii. disclosure of the way in which the Investment Manager applies best execution principles when making investments;
  - iv. a breakdown on material items within the Accounts;
  - v. the tax computation;
  - vi. distribution information;
  - vii. a statement of movements between net income and distributions;
  - viii. any contingent liabilities and contingent assets;
  - ix. any units in issue;
  - x. disclosure of fees and expenses in accordance with the tariff set out in the contract;
  - xi. post balance sheet events;
  - xii. related party transactions, recognising that the Lord Chancellor's Common Investment Fund and various entities within Legal and General are both related parties to the Fund, and therefore the disclosure principles laid down in FRS 102 need to be applied;
  - xiii. a summary of the fund structure and the instruments invested in;
  - xiv. a statement of any material errors made good by the Investment Manager and the impact of those errors on the accounts had they not been made good; and
  - xv. the risk management policy.
- 8** When preparing the accounts, the Investment Manager shall comply with UK Financial Reporting Standard 102 (FRS 102), and in accordance with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Association in May 2014 (the IA SORP 2014), to the extent that such requirements are relevant to the Fund.
- 9** The Investment Manager will support the Accounts with a General Representation Letter, containing material matters that need to be confirmed to the Comptroller and Auditor General and the Court Funds Office.

- 10** The Investment Manager will employ best endeavours to complete the Accounts and enable the Comptroller and Auditor General to lay the Accounts before Parliament within 9 months of the period end in respect of the accounts for the year ended on 28 February 2004 and thereafter within 4 months of the period end.
- 11** This Direction shall be reproduced as an annex to the accounts.
- 12** This Direction replaces the Direction dated March 2018.

**Charlotte Goodrich**

Deputy Director, Government Financial Reporting  
HM Treasury  
May 2024

# General Information (unaudited)

## Accounting/Distribution Dates

The accounting and distribution dates for the Ministry of Justice Equity Index Tracker Fund in 2024 are:

Accounting Dates	Distribution Dates
29 February	10 April
31 August	12 October

## Buying & Selling Units

### Unit Prices

Unit prices may be found in the Financial Times under the MoJ Common Investment Funds heading, or are available from the MoJ.

The Fund is valued daily at noon and the prices for buying and selling units rise and fall depending on the market value of the Fund's investments at that time. If the prices are published as 'ex-dividend', a purchaser will not be entitled to the next income payment.

### Management charge

There is no initial charge on the issue of units and no redemption charge is applied. The annual management charge is based on fund size as follows:

0.16% for the first £100 million  
0.14% £100 million and above

The management charge is paid in arrears out of the total assets of the Fund at the end of each month and is exclusive of VAT.

Individual accounts are unaffected by the management charge deduction.

The actual Management Charge suffered during the year was 0.16% plus VAT.

## Buying and Selling Securities

The Investment Manager buys and sells units in the underlying unit trusts on behalf of the MoJ Equity Index Tracker Fund using forward prices at the date of investment. The prices of the underlying trusts are published on the internet at: [www.legalandgeneral.com/investments/fund-information/daily-fund-prices/fund-prices](http://www.legalandgeneral.com/investments/fund-information/daily-fund-prices/fund-prices) immediately after they become available.

The Authorised Fund Manager of the underlying trusts effects transactions based on Best Execution at all times and may, subject to Investment Restrictions, deal on any such markets or exchanges and with or through such brokers or counterparties as it thinks fit. The Authorised Fund Manager will act with good faith and due diligence in its choice and use of brokers and counterparties.

## **Taskforce on Climate related Financial Disclosures (TCFD) Report**

In accordance with the Taskforce on Climate related Financial Disclosures (TCFD) requirements, UTM has prepared its public TCFD report which is available for investors to read and review at the following website link:

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-ltd-tcf-legal-entity-report-2022.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-ltd-tcf-legal-entity-report-2022.pdf).

### **Authorised Fund Manager**

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales No. 01009418

Registered office:

One Coleman Street, London EC2R 5AA

Telephone: 0370 050 3350

Authorised and regulated by the Financial Conduct Authority

Call charges will vary. We may record and monitor calls.

### **Directors of the Authorised Fund Manager**

M. M. Ammon

E. Cowhey\*

A. J. C. Craven

D. J. Hosie\*

R. R. Mason

L. W. Toms

\* Non-executive Director

### **Secretary**

J. McCarthy

One Coleman Street,

London EC2R 5AA

### **Overall Governance**

Ministry of Justice

### **Auditor**

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria

London SW1W 9SP



### **Fund Investors**

The Accountant General  
102 Petty France  
London SW1H 9AJ  
Telephone: 0845 223 8500

Official Solicitor and Public Trustee  
Victory House  
30–34 Kingsway  
London WC2B 6EX  
Telephone: 0203 681 2759

Office of the Public Guardian  
102 Petty France  
London SW1H 9AJ  
Telephone: 0203 334 6598

### **Prepared and Issued by:**

Legal & General (Unit Trust Managers) Limited  
One Coleman Street,  
London EC2R 5AA  
Authorised and regulated by the Financial Conduct Authority

### **Investment Manager**

Legal & General Investment Management Limited  
One Coleman Street,  
London EC2R 5AA  
Authorised and regulated by the Financial Conduct Authority

For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400

Email: [www.nao.org.uk/contact-us](http://www.nao.org.uk/contact-us)





DP Ref: 012712

ISBN: 978-1-915287-41-0